

In the opinion of Stradling Yocca Carlson & Rauth LLP, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds described herein is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption “TAX EXEMPTION” with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

\$3,350,000

**COMMUNITY FACILITIES DISTRICT NO. 2022-1 OF THE
CITY OF ESCONDIDO (ECLIPSE/MOUNTAIN HOUSE)
SPECIAL TAX BONDS, SERIES 2024**

Dated: Delivery Date

Due: September 1, as shown on inside cover page

The Community Facilities District No. 2022-1 of the City of Escondido (Eclipse/Mountain House) Special Tax Bonds, Series 2024 (the “Bonds”) are being issued by Community Facilities District No. 2022-1 of the City of Escondido (Eclipse/Mountain House) (the “District”) to: (i) finance certain public improvements needed with respect to the development of property located within the District, including public improvements to be owned by the City; (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance for the Bonds. The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and pursuant to that certain Bond Indenture, dated as of May 1, 2024 (the “Indenture”), by and between the District and The Bank of New York Mellon Trust Company, N.A, as trustee (the “Trustee”).

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

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases of the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of the Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Interest on the Bonds will be payable on each March 1 and September 1, commencing September 1, 2024. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the Beneficial Owners of the Bonds.

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

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

Investment in the Bonds involves risks that are not appropriate for certain investors. Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the caption “SPECIAL RISK FACTORS” for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds, including but not limited to “SPECIAL RISK FACTORS—Ballot Initiatives; Initiative 1935” for a discussion of an initiative that has qualified for the November 2024 Statewide general election which may affect the election held within the District.

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

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the City and the District by the City Attorney, and for the District by Stradling Yocca Carlson & Rauth LLP, Disclosure Counsel, for the Underwriter by Anzel Galvan LLP, San Francisco, California, and for the Trustee by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery on or about May 9, 2024.

STIFEL

\$3,350,000
COMMUNITY FACILITIES DISTRICT NO. 2022-1 OF THE
CITY OF ESCONDIDO (ECLIPSE/MOUNTAIN HOUSE)
SPECIAL TAX BONDS, SERIES 2024

MATURITY SCHEDULE

\$725,000 Serial Bonds

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.[†]</i>
2024	\$30,000	5.000%	3.190%	100.548	29634SDP3
2025	60,000	5.000	3.310	102.146	29634SDQ1
2026	60,000	5.000	3.340	103.657	29634SDR9
2027	60,000	5.000	3.360	105.093	29634SDS7
2028	65,000	5.000	3.390	106.402	29634SDT5
2029	65,000	5.000	3.580	106.807	29634SDU2
2030	70,000	5.000	3.750	106.961	29634SDV0
2031	75,000	5.000	3.820	107.459	29634SDW8
2032	75,000	5.000	3.890	107.812	29634SDX6
2033	80,000	5.000	3.930	108.241 ^C	29634SDY4
2034	85,000	5.000	3.980	107.865 ^{CC}	29634SDZ1

\$2,625,000 Term Bonds

\$570,000 5.000% Term Bonds Due September 1, 2040 Yield: 4.410% Price: 104.459^{CC} CUSIP[†] No. 29634SEA5

\$1,020,000 5.000% Term Bonds Due September 1, 2048 Yield: 4.800% Price: 101.480^{CC} CUSIP[†] No. 29634SEB3

\$1,035,000 5.000% Term Bonds Due September 1, 2054 Yield: 4.910% Price: 100.659^{CC} CUSIP[†] No. 29634SEC1

^C Priced to optional redemption date of September 1, 2031, at 102% of par.

^{CC} Priced to optional redemption date of September 1, 2033, at par.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the District or the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

**CITY OF ESCONDIDO
COUNTY OF SAN DIEGO, CALIFORNIA**

CITY COUNCIL

Dane White, *Mayor*
Christian Garcia, *Deputy Mayor*
Joe Garcia, *Councilmember*
Consuelo Martinez, *Councilmember*
Michael Morasco, *Councilmember*

STAFF

Sean McGlynn, *City Manager*
Christopher McKinney, *Deputy City Manager*
Joanna Axelrod, *Deputy City Manager*
Christina Holmes, *Director of Finance*
Michael R. McGuinness, *City Attorney*

BOND AND DISCLOSURE COUNSEL

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Newport Beach, California

MUNICIPAL ADVISOR

CSG Advisors Incorporated
San Francisco, California

SPECIAL TAX CONSULTANT

Special District Financing & Administration, LLC
Escondido, California

APPRAISER

Kitty Siino & Associates, Inc.
Tustin, California

PRICE POINT CONSULTANT

Empire Economics, Inc.
Capistrano Beach, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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

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

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

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

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

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

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

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

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

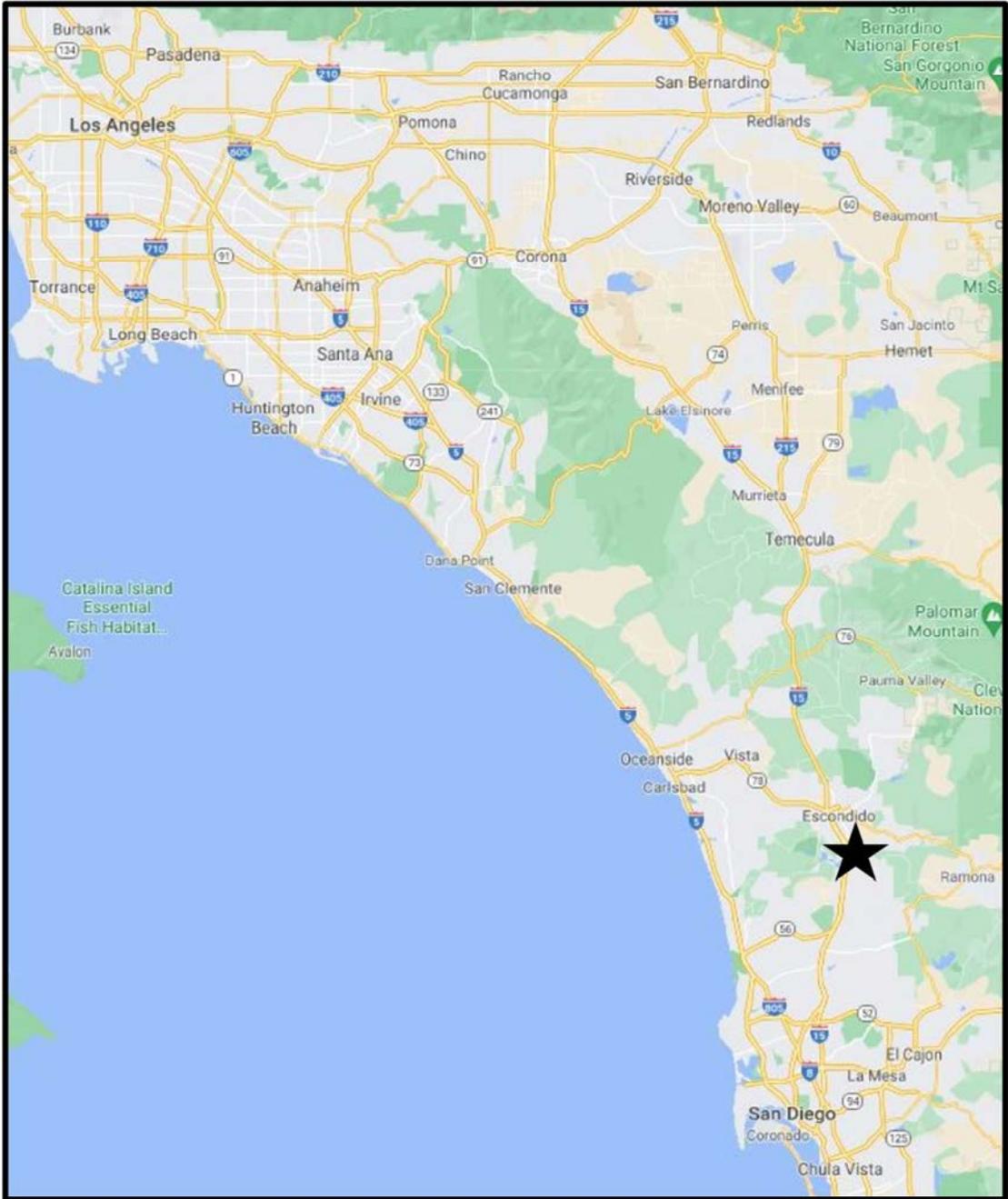
The City maintains a website. However, the information presented on such website is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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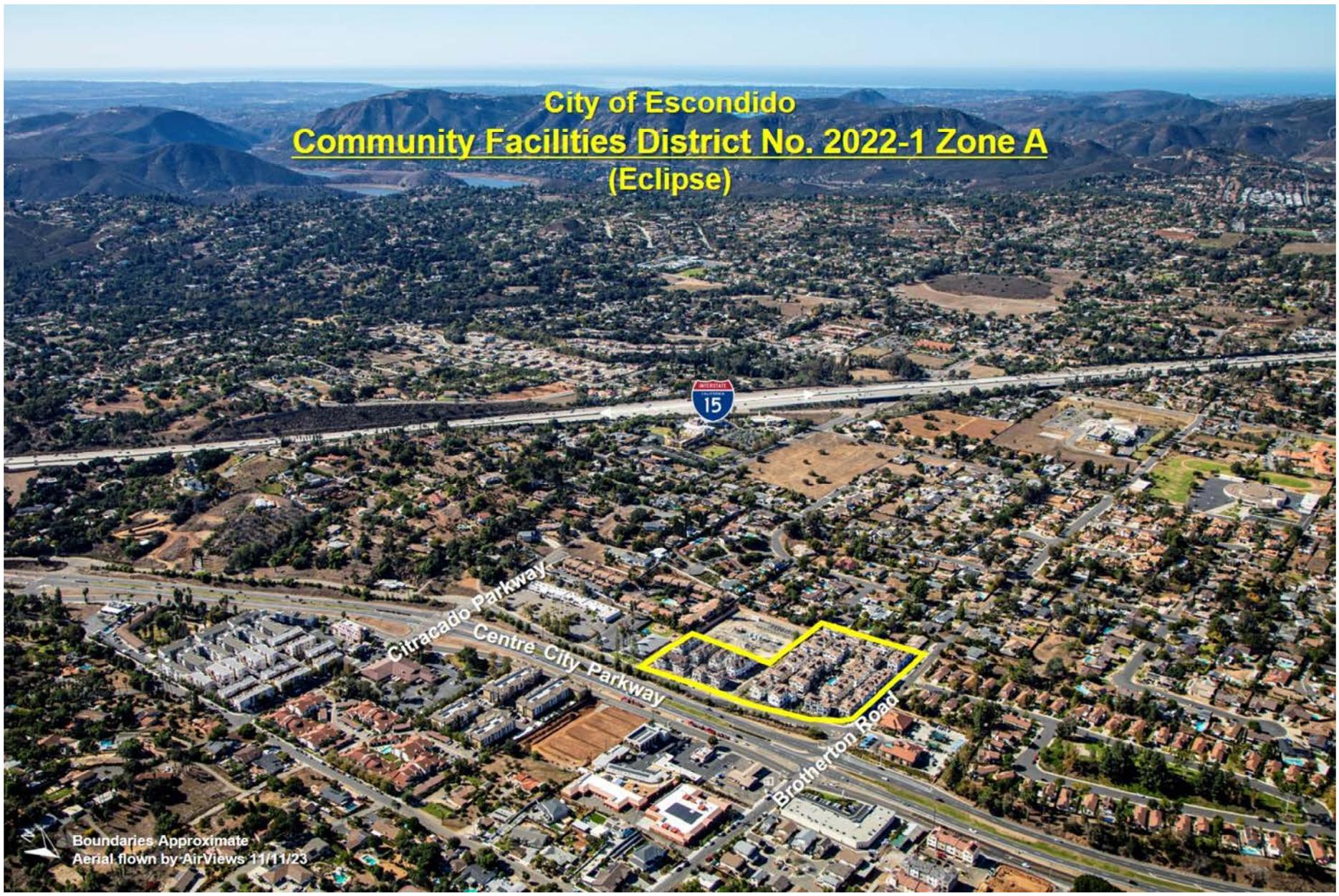


City of Escondido
Community Facilities District No. 2022-1 Zone A
(Eclipse)



Citracado Parkway
Centre City Parkway
Brotherton Road

Boundaries Approximate
Aerial flown by AirViews 11/11/23



\$3,350,000
CITY OF ESCONDIDO
COMMUNITY FACILITIES DISTRICT NO. 2022-1 (ECLIPSE/MOUNTAIN HOUSE)
SPECIAL TAX BONDS, SERIES 2024

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by Community Facilities District No. 2022-1 of the City of Escondido (Eclipse/Mountain House) (the “District”) of its Special Tax Bonds, Series 2024 in the aggregate principal amount of \$3,350,000 (the “Bonds”). The proceeds of the Bonds will be used to: (i) finance certain public improvements needed with respect to the development of property located within the District, including public improvements to be owned by the City; (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance for the Bonds.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), a resolution adopted on January 24, 2024, by the City Council of the City of Escondido (the “City”), acting as the legislative body of the District, and a Bond Indenture, dated as of May 1, 2024 (the “Indenture”), by and between the District and The Bank of New York Mellon Trust Company, N.A, as trustee (the “Trustee”). The Bonds are secured under the Indenture by a pledge of and lien upon Net Taxes (as such term is defined herein) and all moneys in the Special Tax Fund (other than the Administrative Expense Account therein) as described in the Indenture.

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

The District

General. The City is located in the County of San Diego (the “County”), approximately eighteen miles inland and thirty miles north of downtown San Diego. The City is located adjacent to the west of the City of San Marcos and surrounded by unincorporated County land to the north, east and south. At its formation, the District initially consisted of approximately 466.61 gross acres, consisting of approximately 3.38 gross acres in Zone A of the District, approximately 1.44 gross acres in a Future Annexation Area (which was annexed into Zone A in December 2022) and approximately 463.23 gross acres in Zone B. However, in December 2023 the Developer (as defined below) prepaid the Special Tax obligations with respect to the property in Zone B of the District and, therefore, the property in Zone B is no longer subject to the Special Tax. Accordingly, only the property in Zone A of the District will be subject to the levy of the Special Tax in the future.

The District is located at the southwest corner of Brotherton Road and South Centre City Parkway in the southern portion of the City. South Centre City Parkway is a frontage road alongside Centre City Parkway which is the business route for Interstate-15 and a main arterial through the City. The District has been developed by CWC Escondido 113 LLC, a Delaware limited liability company (the “Developer”), into 113 attached three-story townhomes within a gated community known as “Eclipse.” The 113 townhomes developed within the District are organized in 27 buildings with four different floor plans. As of February 9, 2024, the date of value of the Appraisal Report (defined below), of the 113 residential units planned within the District, 97 single-family residential units had been completed and conveyed to individual homeowners, and the Developer owned sixteen single-family residential units over 95% completed, all of which were in escrow

to be sold to individual homeowners. Since February 9, 2024, all 16 of the homes owned by the Developer as of such date have been conveyed to individual homeowners.

As of March 1, 2023, 81 building permits for the 113 planned dwelling units had been obtained and were therefore classified as Developed Property for the Fiscal Year 2023-24 Special Tax levy. However, as of March 1, 2024, the remaining 32 building permits had been obtained and all 113 dwelling units will therefore be classified as Developed Property for the Fiscal Year 2024-25 Special Tax levy and for each fiscal year thereafter. See “THE PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

All of the major infrastructure (sewer, water, storm drains, utilities, and arterial roads) necessary to develop the property within the District has been completed. The in-tract infrastructure within the District is substantially complete. See the captions “THE DISTRICT” and “PROPERTY OWNERSHIP AND THE DEVELOPMENT” for further information with respect to the District, the Developer and development within the District.

Formation Proceedings. The District was formed on March 2, 2022 pursuant to the Act. The Act was enacted to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness. See the caption “SPECIAL RISK FACTORS—Ballot Initiatives; Initiative 1935” for a discussion of an initiative that has qualified for the November 2024 Statewide general election which may affect the March 2, 2022 election held within the District.

Pursuant to the Act, on January 26, 2022, the City Council adopted Resolution No. 2022-02 (the “Resolution of Intention”), stating its intention to form the District and to authorize the levy of a special tax on the taxable property within the District, and Resolution No. 2022-08, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$6,000,000 for the purpose of financing the purchase, construction, expansion or rehabilitation of certain public facilities to serve the area within the District.

Subsequent to a noticed public hearing on March 2, 2022, the City Council adopted Resolution Nos. 2022-10 and 2022-11 on March 2, 2022 (collectively the “Resolution of Formation”). The Resolution of Formation: (i) established the District and designated certain parcels as territory property for future annexation into the District (the “Future Annexation Area”); (ii) authorized the levy of a special tax (the “Special Tax”) within the District; (iii) determined the necessity to incur bonded indebtedness in an amount not to exceed \$6,000,000 within the District; and (iv) called an election within the District on the proposition of incurring bonded indebtedness, levying the Special Tax and setting an appropriations limit.

On March 2, 2022, an election was held within the District in which the property owner within the District approved the proposition authorizing the issuance of bonds in an amount not to exceed \$6,000,000. A Notice of Special Tax Lien for the District was recorded in the office of the County Recorder on March 8, 2022, as Document No. 2022-0103494. On March 16, 2022, the City Council adopted Ordinance No. 2022-03 (the “Ordinance”) which authorizes the levy of a special tax pursuant to the Rate and Method of Apportionment approved at the March 2, 2022 election (the “Rate and Method”), a copy of which is attached hereto as Appendix A.

Subsequent to the March 2, 2022 formation, on November 4, 2022, the Developer, as the then-owner of all of the property within the Future Annexation Area, executed a Unanimous Approval (the “Unanimous Approval”) stating the Developer’s intention to annex all of the property within the Future Annexation Area

into the District pursuant to the Resolution of Formation and the Act. On December 7, 2022, the City Council adopted Resolution No. 2022-182 approving the annexation of the property within the Future Annexation Area to the District in accordance with the Unanimous Approval. A Notice of Special Tax Lien for the area annexed into the District via the Unanimous Approval and Resolution No. 2022-182 was recorded in the office of the County Recorder on December 14, 2022, as Document No. 2022-0468238.

Sources of Payment for the Bonds

Special Taxes. As used in this Official Statement, the term “Special Tax” means the annual Special Tax which has been authorized pursuant to the Act and the Rate and Method to be levied upon taxable property within the District. As previously described, only the property in Zone A of the District will be subject to the levy of the Special Tax in the future. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” and Appendix A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” See the caption “THE DISTRICT.”

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

Foreclosure Proceeds. The District will covenant in the Indenture for the benefit of the owners of the Bonds and Parity Bonds that it will: (i) commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied; and (iii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*” There is no assurance that the property within the District can be sold for the appraised or assessed values described herein, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current or future landowners within the District. See the caption “SPECIAL RISK FACTORS — Property Values.”

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

Appraisal Report

Kitty Siino & Associates, Inc. (the “Appraiser”) has conducted an Appraisal dated March 11, 2024 (the “Appraisal Report”) of certain land and existing improvements within the District to provide an estimate of the market value of the fee simple interest of such land and improvements. The Appraisal Report provides an estimate of the approximate market value of the property in the District subject to the levy of Special Taxes, assuming that development of the property consists of 113 residential units. Based on the contingencies,

assumptions and limiting conditions in the Appraisal Report, the Appraiser concluded that the minimum market value of all of the parcels within the District subject to the Special Tax was \$70,508,092 as of February 9, 2024 (the “Date of Value”).

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in Appendix D. The District makes no representation as to the accuracy of the Appraisal Report. See “THE DISTRICT — Appraisal Report” and “— Estimated Appraised Value-to-Lien Ratios.” There is no assurance that property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by a property owner. See “THE DISTRICT,” “SPECIAL RISK FACTORS — Property Values” herein and Appendix D.

Price Point Study

In connection with the formation of the District, the City hired Empire Economics, Inc., Capistrano Beach, California (the “Price Point Consultant”) to prepare a price point study of the prices of the homes planned within the District, dated December 13, 2021 (the “Original Price Point Study”). The Special Tax rates set forth in the Rate and Method were based in part on the prices set forth in the Original Price Point Study. In connection with and in preparation for the issuance of the Bonds, the City hired the Price Point Consultant to conduct an update to the Original Price Point Study within the District, dated November 20, 2023 (the “Updated Price Point Study”). Pursuant to Section D of the Rate and Method, prior to the issuance of Bonds, the City is required to amend the Assigned Facilities Special Tax (as defined in the Rate and Method) to the extent necessary to cause the total effective tax burden for residential property in the District to not exceed 1.95% of the minimum sales prices set forth in the Updated Price Point Study. A copy of the Updated Price Point Study is included as Appendix E to this Official Statement. Based on the conclusions of the Updated Price Point Study, the Special Taxes and all direct and overlapping property taxes, special assessments and other special taxes, the City does not expect to amend the Assigned Facilities Special Tax because effective tax rates are not projected to exceed 1.95% for any parcel. See “THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Debt — Table 5.” See also “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Rate and Method of Apportionment.*”

Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See Appendix H — “BOOK-ENTRY ONLY SYSTEM.”

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

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

Tax Exemption

In the opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption “TAX EXEMPTION” with respect to tax consequences relating to the Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

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

Professionals Involved in the Offering

The Bank of New York Mellon Trust Company, N.A, Los Angeles, California, will act as Trustee under the Indenture. Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) is the Underwriter of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel and Disclosure Counsel to the District in connection with the issuance of the Bonds. Certain legal matters will be passed on for the City and the District by the City Attorney, for the Underwriter by Anzel Galvan LLP, San Francisco, California, and for the Trustee by its counsel. Other professional services have been performed by Special District Financing & Administration, LLC, Escondido, California, as Special Tax Consultant (the “Special Tax Consultant”), Kitty Siino & Associates, Tustin, California, as Appraiser and Empire Economics, Inc. as the Price Point Consultant to the District.

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

Continuing Disclosure

Pursuant to a Continuing Disclosure Certificate to be executed by the District (the “District Continuing Disclosure Certificate”), the District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“EMMA”), maintained on the Internet at <http://emma.msrb.org>, certain annual financial information and operating data and notices of certain enumerated events. These covenants are being made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission (“Rule 15c2-12”).

See “CONTINUING DISCLOSURE,” Appendix G — “FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE.”

Parity Bonds for Refunding Purposes Only

The District will covenant in the Indenture not to issue additional indebtedness secured by the Net Taxes on a parity with the Bonds (“Parity Bonds”) other than for refunding all or a portion of the Bonds or Parity Bonds. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Parity Bonds for Refunding Purposes Only.” Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes may also be levied in the future on the property within the District, which could adversely

affect the willingness of the landowners to pay the Special Taxes when due. See the captions “THE DISTRICT — Direct and Overlapping Debt” and “SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness.”

Bond Owners’ Risks

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

Other Information

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

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

Copies of the Indenture and other documents and information are available for inspection and copies may be obtained from the City, 201 North Broadway, Escondido, CA 92025, Attention: City Clerk.

FINANCING PLAN

Estimated Sources and Uses of Funds

The following table sets forth the expected sources and uses of Bond proceeds and certain other funds on hand.

Sources of Funds	
Principal Amount of Bonds	\$ 3,350,000.00
Plus Original Issue Premium	92,224.80
Plus Funds on Hand ⁽¹⁾	<u>161,646.13</u>
Total Sources	<u>\$ 3,603,870.93</u>
 Uses of Funds:	
Acquisition and Construction Fund	\$ 3,059,760.96
Costs of Issuance ⁽²⁾	312,900.00
Interest Account of the Special Tax Fund	5,209.97
Reserve Account of the Special Tax Fund	<u>226,000.00</u>
Total Uses	<u>\$ 3,603,870.93</u>

⁽¹⁾ Reflects Fiscal Year 2022-23 and 2023-24 Special Tax collections, net of Administrative Expenses.

⁽²⁾ To pay costs of issuance of the Bonds, including legal fees, underwriter’s discount, printing costs, Appraiser, Special Tax Consultant and Trustee fees.

THE BONDS

General Provisions

The Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing September 1, 2024 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of such Bond, unless: (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day (each, a “Record Date”) but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date occurring after the issuance of such Bond, in which event interest will be payable from the dated date of such Bond, as applicable; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on such Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on such Bond, interest on such Bond will be payable from its dated date.

Interest on any Bond will be paid to the person whose name appears as its owner in the registration books held by the Trustee on the close of business on the Record Date. Principal of, premium, if any, due upon redemption is payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Trustee in Los Angeles, California.

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC’s procedures and the procedures of DTC’s Participants. See APPENDIX H — “BOOK-ENTRY-ONLY SYSTEM.”

In the event the Bonds are not held in book-entry form, interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, to the Bondowner at its address on the registration books kept by the Trustee. Pursuant to a written request prior to the Record Date of a Bondowner of at least \$1,000,000 in aggregate principal amount of Bonds or of any issue of Parity Bonds, payment will be made by wire transfer in immediately available funds to a designated account in the United States.

Debt Service Schedule

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

<i>Year Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
2024	\$ 30,000	\$ 52,111.11	\$ 82,111.11
2025	60,000	166,000.00	226,000.00
2026	60,000	163,000.00	223,000.00
2027	60,000	160,000.00	220,000.00
2028	65,000	157,000.00	222,000.00
2029	65,000	153,750.00	218,750.00
2030	70,000	150,500.00	220,500.00
2031	75,000	147,000.00	222,000.00
2032	75,000	143,250.00	218,250.00
2033	80,000	139,500.00	219,500.00
2034	85,000	135,500.00	220,500.00
2035	85,000	131,250.00	216,250.00
2036	90,000	127,000.00	217,000.00
2037	95,000	122,500.00	217,500.00
2038	95,000	117,750.00	212,750.00
2039	100,000	113,000.00	213,000.00
2040	105,000	108,000.00	213,000.00
2041	110,000	102,750.00	212,750.00
2042	115,000	97,250.00	212,250.00
2043	120,000	91,500.00	211,500.00
2044	125,000	85,500.00	210,500.00
2045	130,000	79,250.00	209,250.00
2046	135,000	72,750.00	207,750.00
2047	140,000	66,000.00	206,000.00
2048	145,000	59,000.00	204,000.00
2049	155,000	51,750.00	206,750.00
2050	160,000	44,000.00	204,000.00
2051	170,000	36,000.00	206,000.00
2052	175,000	27,500.00	202,500.00
2053	185,000	18,750.00	203,750.00
2054	<u>190,000</u>	<u>9,500.00</u>	<u>199,500.00</u>
Total	\$ 3,350,000	\$ 3,128,611.11	\$ 6,478,611.11

Source: The Underwriter.

Redemption

Optional Redemption. The Bonds may be redeemed at the option of the District from any source of funds on any Interest Payment Date on or after September 1, 2030, in whole or in part, from such maturities as are selected by the District and by lot within a maturity, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

<i>Redemption Date</i>	<i>Redemption Price</i>
September 1, 2030 and March 1, 2031	103%
September 1, 2031 and March 1, 2032	102
September 1, 2032 and March 1, 2033	101
September 1, 2033 and any Interest Payment Date Thereafter	100

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

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2040 (the “2040 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established under the Indenture, on September 1, 2035, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2040 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2040 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2040

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Fund Payments</i>
2035	\$ 85,000
2036	90,000
2037	95,000
2038	95,000
2039	100,000
2040*	105,000

* Maturity.

The Bonds maturing on September 1, 2048 (the “2048 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established under the Indenture, on September 1, 2041, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2048 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2048 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2048

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Fund Payments</i>
2041	\$110,000
2042	115,000
2043	120,000
2044	125,000
2045	130,000
2046	135,000
2047	140,000
<u>2048*</u>	<u>145,000</u>

* Maturity.

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

Term Bonds Maturing September 1, 2054

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Fund Payments</i>
2049	\$155,000
2050	160,000
2051	170,000
2052	175,000
2053	185,000
2054*	190,000

* Maturity.

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

In the event of a partial optional redemption or special mandatory redemption of the Term Bonds, each of the remaining Sinking Fund Payments for such Term Bonds will be reduced, as nearly as practicable, on a pro rata basis, as set forth in a revised sinking fund schedule delivered by the District to the Trustee.

Special Mandatory Redemption from Special Tax Prepayments. The Bonds are subject to special mandatory redemption as a whole or in part on a pro rata basis among maturities and by lot within a maturity, on any Interest Payment Date on or after September 1, 2024, and will be redeemed by the Trustee, from any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the Rate and Method (the “Prepayments”) deposited to the Redemption Account pursuant to the Indenture, plus amounts transferred from the Reserve

Account pursuant to the Indenture, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

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

See the caption “SPECIAL RISK FACTORS — Potential Early Redemption of Bonds from Prepayments or Community Facilities District Bond Proceeds” for a discussion of the potential for a lower than expected yield on the Bonds as a result of a special mandatory redemption from prepayment of Special Taxes or proceeds of bonds of other community facilities districts.

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

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

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

Each further notice of redemption will be sent not later than the date that notice of redemption is given to the Owners pursuant to the Indenture by first class mail or facsimile to the Depository and posted on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“EMMA”). The sole remedy for the Trustee’s failure to post such redemption notices on EMMA shall be an action in mandamus by the holders of the Bonds and the Parity Bonds for specific performance or a similar remedy to compel performance.

Upon the payment of the redemption price of any Bonds and Parity Bonds being redeemed, each check or other transfer of funds issued for such purpose shall to the extent practicable bear the CUSIP number identifying, by issue and maturity, the Bonds and Parity Bonds being redeemed with the proceeds of such check or other transfer. Redemption notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Bonds or Parity Bonds.

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

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

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

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

Registration, Transfer and Exchange

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

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

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

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

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

The Special Taxes are the primary source of security for the repayment of the Bonds. Under the Indenture, the District has pledged to repay the Bonds from the Net Taxes (which are Special Tax revenues remaining after the payment of the annual Administrative Expenses in an amount not to exceed the Administrative Expenses Cap of \$32,472.96 (which amount shall escalate at 2% per Fiscal Year, commencing July 1, 2024)) and from amounts held in the Special Tax Fund (other than amounts held in the Administrative Expense Account therein). Special Tax revenues include the proceeds of the annual Special Tax levy received by the District, including any scheduled payments and Prepayments thereof, and the net proceeds of the redemption of delinquent Special Taxes or sale of property sold as a result of foreclosure of the lien of delinquent Special Taxes to the amount of said lien, and penalties and interest thereon; provided that any delinquent Special Tax sold to an independent third-party or to the City for 100% of the delinquent amount will no longer be pledged under the Indenture to the payment of the Bonds or Parity Bonds.

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

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

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the City established the District on March 2, 2022 for the purpose of financing of various public improvements required in connection with the proposed development within the District. At a special election held on March 2, 2022, the qualified elector within the District authorized the District to incur indebtedness in an amount not to exceed \$6,000,000 for the District and the levy of the Special Taxes on property within the District to repay such bonds and to finance the Facilities (as defined below). The qualified elector within the District also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness of the District, including the Bonds. Subsequent to the March 2, 2022 formation, on November 4, 2022, the Developer, as the then-owner of all of the property within the Future Annexation Area, executed the Unanimous Approval stating the

Developer’s intention to annex all of the property within the Future Annexation Area into the District pursuant to the Resolution of Formation and the Act. On December 7, 2022, the City Council approved the annexation of the property within the Future Annexation Area to the District in accordance with the Unanimous Approval. See the caption “SPECIAL RISK FACTORS—Ballot Initiatives; Initiative 1935” for a discussion of an initiative that has qualified for the November 2024 Statewide general election which may affect the March 2, 2022 election held within the District.

The Bonds will be repaid only from annual Net Taxes derived from the levy and collection of Special Taxes pursuant to the Rate and Method. The Rate and Method permits the prepayment of Special Taxes for an Assessor’s Parcel, and any such Prepayments will be applied to redeem Bonds and Parity Bonds, if any. The Net Taxes collected from the annual Special Tax levy and the proceeds of any Prepayment have been pledged under the Indenture to the repayment of the Bonds and Parity Bonds.

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

Rate and Method of Apportionment of Special Tax. The Rate and Method applicable to the District is contained in Appendix A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The meaning of the defined terms used in this section are as set forth in Appendix A.

In general, the Rate and Method imposes a different Maximum Special Tax on Taxable Property within the District depending upon whether such Taxable Property is classified as: (i) “Developed Property” (in general, Taxable Property for which a building permit for new construction was issued prior to March 1st of the prior Fiscal Year), (ii) “Final Mapped Property” (in general, parcels of Taxable Property, exclusive of Developed Property, Taxable Property Owner Association Property, and Taxable Public Property, which as of January 1 of the previous Fiscal Year was located within a Final Map), (iii) “Undeveloped Property” (in general, Taxable Property that is not Developed Property, Final Mapped Property, Property Owner Association Property or Public Property) or (iv) “Property Owner Association Property” (in general, Taxable Property that would otherwise be classified as Exempt Property but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage set forth in the Rate and Method). Different Maximum Special Taxes are also applicable to Developed Property depending upon its status as either “Residential Property” or “Non-Residential Property.”

Pursuant to the Rate and Method the District is required to determine the “Special Tax Requirement” for each Fiscal Year. The Special Tax Requirement for the District is the amount required in any Fiscal Year to pay: (i) Administration Expenses; (ii) debt service on all outstanding Bonds and Parity Bonds due in the calendar year that commences in such Fiscal Year; (iii) periodic costs on the Bonds and Parity Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds and Parity Bonds; (iv) any amounts required to replenish any reserve funds for all outstanding Bonds and Parity Bonds; (v) directly for acquisition or construction of Facilities that are eligible to be financed through the District under the Act, as reasonably determined by the City, so long as the inclusion of such amount does not cause an increase in the Special Tax attributable to Final Mapped Property, Undeveloped Property, Public Property that is not Exempt Property, Property Owner Association Property that is not Exempt Property or the levy of the Backup Special Tax; (vi) in anticipation of reasonably anticipated delinquent Special Taxes based on the delinquency rate of Special Taxes within the District, levied in the previous Fiscal Year if available or if not available, the lowest delinquency rate of all community facilities districts of the City, less (vii) a credit for funds available to reduce the annual Special Tax levy after the issuance of Bonds, as determined by the CFD Administrator pursuant to the Indenture.

The Special Tax Requirement for the District is to be satisfied first by levying the Special Tax Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Assigned Special Tax. If additional moneys are needed to satisfy the Special Tax Requirement, the Special Tax will be levied Proportionately on each Assessor's Parcel of Final Mapped Property in an amount up to 100% of the Maximum Special Tax for Final Mapped Property to satisfy the Special Tax Requirement. If additional moneys are still needed to satisfy the Special Tax Requirement, the Special Tax will be levied Proportionately on each Assessor's Parcel of Undeveloped Property in an amount up to 100% of the Maximum Special Tax for Undeveloped Property to satisfy the Special Tax Requirement. If additional moneys are needed to satisfy the Special Tax Requirement, the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax will be increased Proportionately from the Assigned Special Tax up to Maximum Special Tax. Finally, if additional moneys are needed to satisfy the Special Tax Requirement, the Special Tax will be levied Proportionately on each Assessor's Parcel of Public Property which is not Exempt Property and Property Owner Association Property which is not Exempt Property at up to 100% of the Maximum Special Tax for Property Owner Association Property and Public Property to satisfy the Special Tax Requirement.

Within the District, based on development status as of March 1, 2023, 81 units were classified as Developed Property for the Fiscal Year 2023-24 Special Tax levy. However, based on building permits obtained within the District as of March 1, 2024, all 113 units will be classified as Developed Property for the Fiscal Year 2024-25 Special Tax levy and for each fiscal year thereafter. See Table 2, Table 3 and "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

The Assigned Special Tax for Developed Property within the District that is classified as Residential Property ranges from \$2,249.20 per taxable unit with a Developed Floor Area of less than 1,200 square feet to \$2,615.42 per taxable unit with a Developed Floor Area of greater than 1,400 square feet. The Assigned Special Tax for Developed Property within the District that is classified as Non-Residential Property is \$2,558.01 per taxable unit.

Annual Debt Service for the Bonds has been structured so that Developed Property at buildout levied at the Assigned Special Tax rate, assuming no delinquencies beginning in Fiscal Year 2024-25, will generate in each Fiscal Year not less than the Administrative Expenses Cap plus 110% of debt service payable with respect to the Bonds in the calendar year that begins in that Fiscal Year, assuming that Special Taxes are levied and collected on such Developed Property pursuant to the Rate and Method. With respect to Fiscal Year 2023-24, Annual Debt Service on the Bonds due September 1, 2024 has been structured assuming the District will not collect approximately \$32,500 in Special Taxes attributable to 13 dwelling units for which the first installment of the Fiscal Year 2023-24 Special Taxes had not been paid as of March 26, 2024 because the County's process of subdividing parcels within the District had not been completed at the time the County prepared the Fiscal Year 2023-24 tax bills. However, the District has been informed the County sent updated tax bills for such 13 dwelling units on April 5, 2024, and the Fiscal Year 2023-24 amounts due pursuant to such updated tax bills are expected to become delinquent approximately 30 days from such date. See the caption "THE DISTRICT—Delinquency History."

Table 1A below sets forth the Special Tax levy for Fiscal Year 2023-24 by property classification as of March 1, 2023. Based on building permits obtained within the District as of March 1, 2023, the cutoff date in the Rate and Method for determining property to be Developed Property for the Fiscal Year 2023-24 Special Tax levy, 81 units were classified as Developed Property for the Fiscal Year 2023-24 Special Tax levy.

Table 1B below sets forth the projected Special Tax levy for Fiscal Year 2024-25 by property classification as of March 1, 2024. Based on building permits obtained within the District as of the March 1, 2024 cutoff date in the Rate and Method for determining property to be Developed Property for the Fiscal Year 2024-25 Special Tax levy, all 113 units will be classified as Developed Property for the Fiscal Year 2024-25 Special Tax levy and for each fiscal year thereafter. See Table 2, Table 3 and the caption "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

**TABLE 1A
COMMUNITY FACILITIES DISTRICT NO. 2022-1
OF THE CITY OF ESCONDIDO
(ECLIPSE/MOUNTAIN HOUSE)
FISCAL YEAR 2023-24 SPECIAL TAX LEVY**

<i>Special Tax Land Use Category</i>	<i>Developed Floor Area</i>	<i>Number of Units⁽¹⁾</i>	<i>Maximum Assigned Special Tax Rate</i>	<i>Actual Assigned Special Tax Rate</i>	<i>Per Unit or Projected Unit⁽²⁾</i>	<i>Actual Fiscal Year 2023-24 Annual Special Tax Levy⁽³⁾</i>
<u>Developed Property</u>						
Residential Property						
	1	< 1,200 sq. ft.	16	\$2,249.20	\$2,249.20	Per Unit \$ 35,987.20
	2	1200 - 1400 sq. ft.	20	2,371.25	2,371.24	Per Unit 47,424.80
	3	> 1,400 sq. ft.	<u>45</u>	2,615.42	2,615.42	Per Unit <u>117,693.90</u>
Subtotal - Developed Residential Property			81			\$ 201,105.90
<u>Non-Residential</u>						
	4	NA	0	\$2,558.01	\$0.00	Per Projected Unit \$ 0.00
Subtotal - Developed Non-Residential Property						
<u>Undeveloped Property</u>						
Final Map Property ⁽⁵⁾	NA	NA	32	\$2,589.52	\$0.00	Per Projected Unit \$ 0.00
Undeveloped Property	NA	NA	<u>0</u>	2,589.52	0.00	Per Projected Unit <u>0.00</u>
Grand Total⁽⁴⁾			113			\$ 201,105.90

(1) As of March 1, 2023, 81 building permits had been issued representing 71.68% of the total 113 expected dwelling units in the District.

(2) Non-Residential Property, Final Map Property and Undeveloped Property are levied per Projected Dwelling Unit as defined in the Rate and Method of Apportionment.

(3) Based on the building permits issued as of March 1, 2023, and assumes no further development. 100% of the Assigned Special Tax was levied in Fiscal Year 2023-24.

(4) Does not include potential revenues from a Backup Special Tax levy on Developed Residential Property.

(5) Comprised of 32 Units for which no building permit was issued prior to March 1, 2023. However, between March 1, 2023, and June 1, 2023, permits were issued for such Units. These 32 Units will be levied as Developed Property beginning in Fiscal Year 2024-25.

**TABLE 1B
COMMUNITY FACILITIES DISTRICT NO. 2022-1
OF THE CITY OF ESCONDIDO
(ECLIPSE / MOUNTAIN HOUSE)
PROJECTED FISCAL YEAR 2024-25 SPECIAL TAX LEVY**

<i>Special Tax Land Use Category</i>	<i>Developed Floor Area</i>	<i>Number of Units⁽¹⁾</i>	<i>Maximum Assigned Special Tax Rate</i>	<i>Projected Actual Assigned Special Tax Rate</i>	<i>Per Unit or Projected Unit⁽²⁾</i>	<i>Projected Actual Fiscal Year 2024-25 Annual Special Tax Levy⁽³⁾⁽⁵⁾</i>
<u>Developed Property</u>						
Residential Property						
	1	< 1,200 sq. ft.	20	\$2,249.20	\$2,066.08	Per Unit \$ 41,321.60
	2	1200 - 1400 sq. ft.	28	2,371.25	2,178.20	Per Unit 60,989.60
	3	> 1,400 sq. ft.	<u>65</u>	2,615.42	2,402.48	Per Unit <u>156,161.20</u>
Subtotal - Developed Residential Property		113				\$ 258,472.40
<u>Non-Residential</u>						
	4	NA	0	\$2,558.01	\$0.00	Per Projected Unit \$ 0.00
Subtotal - Developed Non-Residential Property						
<u>Undeveloped Property</u>						
Final Map Property ⁽⁶⁾	NA	NA	0	\$2,589.52	\$0.00	Per Projected Unit \$ 0.00
Undeveloped Property	NA	NA	<u>0</u>	2,589.52	0.00	Per Projected Unit <u>0.00</u>
Grand Total⁽⁴⁾		113				\$ 258,472.40

(1) As of June 1, 2023, 113 building permits had been issued representing 100% of the total 113 expected dwelling units in the District.

(2) Non-Residential Property, Final Map Property and Undeveloped Property are levied per Projected Dwelling Unit as defined in the Rate and Method of Apportionment.

(3) Based on the building permits issued as of June 1, 2023, and assumes no further development. The Assigned Special Tax will be levied as prescribed in the RMA which is projected to be approximately 92% of the Assigned Special Tax for Fiscal Year 2024-25.

(4) Does not include potential revenues from a Backup Special Tax levy on Developed Residential Property.

(5) The Developer has prepaid the Special Tax with respect to Zone B of the District. Such prepayment generated approximately \$712,087 of proceeds, which may be used by the District for Facilities or other lawful purposes of the District. The property within Zone B shall not be subject to the Special Tax levy, and the District assumes no Special Taxes will be levied on the property within Zone B.

Sources: City; Developer; Special Tax Consultant.

Backup Special Tax Rates. The Backup Special Tax per Dwelling Unit of Developed Property that is classified as Residential Property is \$2,589.52 per Dwelling Unit.

Prepayment of Special Taxes. The Maximum Special Tax obligation may be prepaid and permanently satisfied for (i) Assessor's Parcels of Developed Property, (ii) Assessor's Parcels of Final Mapped Property or Undeveloped Property for which a building permit has been issued or is pending to be issued, and (iii) Assessor's Parcels of Public Property and/or Property Owner's Association Property that is not Exempt Property. In addition, the Maximum Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued or is pending to be issued may be partially prepaid, provided an Assessor's Parcel of Developed Property may only be partially prepaid prior to or concurrent with the close of escrow of a sale to the initial homebuyer. The partial prepayment amount is calculated based on the sum of the administrative fee, as determined by the Rate and Method, together with the product of the prepayment amount, as calculated pursuant to the Rate and Method, and the percentage of the Maximum Special Tax being partially prepaid, all as specified in Section I of the Rate and Method attached as Appendix A. Future prepayments of Special Taxes will be applied to effect an extraordinary redemption of Bonds and Parity Bonds. See "THE BONDS — Redemption — *Special Mandatory Redemption from Special Tax Prepayments.*"

The Developer has prepaid the Special Tax with respect to Zone B of the District. Such prepayment generated approximately \$712,087 of proceeds, which may be used by the District for Facilities or other lawful

purposes of the District. The property within Zone B shall not be subject to the Special Tax levy, and the District assumes no Special Taxes will be levied on the property within Zone B.

Estimated Debt Service Coverage. In connection with the issuance of the Bonds, the Special Tax Consultant will certify that the Maximum Special Tax that may be levied in each Fiscal Year on Assessor's Parcels within the District classified as Taxable Property will be at least equal to the sum of: (i) 110% of Maximum Annual Debt Service on the Bonds; plus (ii) the Administrative Expenses Cap. Actual collections of the Special Tax will depend on the amount of Special Tax delinquencies.

Limitation on Special Tax Levy and Potential Impact on Coverage. 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 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the District may not be able to increase the tax levy to the Assigned Special Tax in all years.

Levy, Collection and Application of Special Taxes. The Special Taxes are levied and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes, although it is possible that the District could elect to provide handbills to property owners within the District.

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

The District will make certain covenants in the Indenture which are intended to ensure that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds, Parity Bonds and Administrative Expenses when due.

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

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

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

Fourth, the District will covenant in the Indenture that it will not adopt any policy pursuant to the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless

the District has first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Net Taxes to pay the principal of and interest on the Bonds and Parity Bonds when due.

See Appendix F under the caption “COVENANTS AND WARRANTY.”

Although the Special Taxes constitute liens on taxed parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and others could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in the District. See the captions “THE DISTRICT — Direct and Overlapping Debt” and “SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness.” There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described under the caption “SPECIAL RISK FACTORS.”

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

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Taxes levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a Superior Court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District will covenant in the Indenture for the benefit of the owners of the Bonds and any Parity Bonds that it will: (i) commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied; and (iii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement.

The District will covenant in the Indenture that it will deposit the net proceeds of any foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal and interest on the Bonds and any Parity Bonds, to bring the amount on deposit in the Reserve Account up to the Reserve Requirement and to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds. See APPENDIX F — “SUMMARY OF THE INDENTURE — COVENANTS AND WARRANTY — Covenants” herein.

If foreclosure is necessary and other funds (including amounts in the Reserve Account) have been exhausted, debt service payments on the Bonds could be delayed unless the foreclosure proceedings produce sufficient net foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City and the District. See the caption “SPECIAL RISK FACTORS — Enforcement Delays – Bankruptcy.” Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the net proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See the caption “SPECIAL RISK FACTORS — Property Values.” Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the

City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

Collection of Special Taxes and Flow of Funds. The Special Taxes will be levied and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes, although it is possible that the District could elect to provide handbills to property owners within the District. When the County apportions Special Taxes to the District, the District will transmit the Special Taxes to the Trustee for deposit in the Special Tax Fund established by the Indenture.

Except for Prepayments, which will be deposited to the Redemption Account of the Special Tax Fund, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates, in the amounts and in the following order of priority, to:

- First: To the Administrative Expense Account in an amount up to the Administrative Expenses Cap for the current fiscal year.
- Second: To the Interest Account, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date is equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account will be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.
- Third: To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year, commencing September 1, 2024, is equal the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.
- Fourth: To the Redemption Account, the amount needed to make the balance in the Redemption Account one Business Day prior to each September 1 on which a Sinking Fund Payment is due equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency will be made up by an immediate transfer from the Reserve Account, if funded, pursuant to the Indenture; and thereafter, to pay the principal and premium, if any, due in connection with an optional redemption of Bonds or Parity Bonds.
- Fifth: To the Reserve Account of the Special Tax Fund to the extent necessary to replenish the Reserve Account to the Reserve Requirement.
- Sixth: To the Administrative Expense Account of the Special Tax Fund the amount of any Administrative Expenses for the current Bond Year in excess of the Administrative Expenses Cap as directed by the City.
- Seventh: To the Rebate Fund established by the Indenture to the extent directed by the City pursuant to the Indenture.
- Eighth: To the Surplus Fund established by the Indenture such remaining amounts in the Special Tax Fund after making the foregoing transfers on September 1.

Reserve Account of the Special Tax Fund

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement. The term “Reserve Requirement” is defined in the Indenture to mean, that amount as of any date of calculation, equal to the lesser of: (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any; (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds; and (iv) \$226,000.00 the initial Reserve Requirement as of the Date of Delivery of the Bonds. The Reserve Requirement may be satisfied in whole or in part by cash, a Reserve Policy (as defined in the Indenture), or a combination thereof.

Subject to the limits on the maximum annual Special Tax levy set forth in the Rate and Method and in the Indenture, the District will covenant in the Indenture to levy Special Taxes in an amount sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Account at the Reserve Requirement. Amounts in the Reserve Account are to be applied: (i) to pay debt service on the Bonds, or any Parity Bonds, including Sinking Fund Payments, to the extent that other monies are not available therefor; (ii) to redeem Bonds or Parity Bonds in the event of prepayment of Special Taxes, to optionally redeem Bonds or Parity Bonds or in connection with a partial defeasance of Bonds or Parity Bonds, in accordance with the Indenture; and (iii) to pay any rebate requirements. See Appendix F under the caption “CREATION OF FUNDS AND APPLICATION OF PROCEEDS — Reserve Account of the Special Tax Fund.”

No Teeter Plan

Although the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”) which allows each entity levying secured property taxes in the County to draw on the amount of property taxes levied rather than the amount actually collected, as provided for in Section 4701 et seq. of the California Revenue and Taxation Code, the District is not eligible to be included in the County Teeter Plan. Consequently, the District may not draw on the County Tax Loss Reserve Fund in the event of delinquencies in Special Tax payments within the District.

Parity Bonds for Refunding Purposes Only

The District will covenant in the Indenture not to issue Parity Bonds except as provided in the Indenture and only for the purposes of refunding all or a portion of the Bonds and any Parity Bonds. See Appendix F under the caption “DEFEASANCE AND PARITY BONDS.”

THE DISTRICT

General Description of the District

The City is located in the County, approximately eighteen miles inland and thirty miles north of downtown San Diego. The City is located adjacent to the west of the City of San Marcos and surrounded by unincorporated County land to the north, east and south. At its formation, the District initially consisted of approximately 466.61 gross acres, consisting of approximately 3.38 gross acres in Zone A of the District, approximately 1.44 gross acres in a Future Annexation Area (which was annexed into Zone A in December 2022) and approximately 463.23 gross acres in Zone B. However, in December 2023 the Developer prepaid the Special Tax obligations with respect to the property in Zone B of the District and, therefore, the property in Zone B is no longer subject to the Special Tax.

The District is located at the southwest corner of Brotherton Road and South Centre City Parkway in the southern portion of the City. South Centre City Parkway is a frontage road alongside Centre City Parkway

which is the business route for Interstate-15 and a main arterial through the City. The District has been developed by the Developer, into 113 attached three-story townhomes within a gated community known as “Eclipse.” The 113 townhomes developed within the District are organized in 27 buildings with four different floor plans. As of February 9, 2024, the date of value of the Appraisal Report, of the 113 residential units planned within the District, 97 single-family residential units had been completed and conveyed to individual homeowners and the Developer owned 16 single-family residential units over 95% completed, all of which were in escrow to be sold to individual homeowners. Since February 9, 2024, all 16 of the homes owned by the Developer as of such date have been conveyed to individual homeowners.

As of March 1, 2023, 81 building permits for the 113 planned dwelling units had been obtained and were therefore classified as Developed Property for the Fiscal Year 2023-24 Special Tax levy. However, as of March 1, 2024, the remaining 32 building permits had been obtained and all 113 dwelling units will therefore be classified as Developed Property for the Fiscal Year 2024-25 Special Tax levy and for each fiscal year thereafter.

All of the major infrastructure (sewer, water, storm drains, utilities, and arterial roads) necessary to develop the property within the District has been completed. The in-tract infrastructure within the District is substantially complete. See the caption “PROPERTY OWNERSHIP AND THE DEVELOPMENT” for further information with respect to the District, the Developer and development within the District.

Water and sewer service to the property within the District is currently supplied by the City. Electricity and gas is currently supplied by San Diego Gas & Electric Company. Public education instruction is provided by the Escondido Union School District, Escondido Union High School District and San Marcos Unified School District.

The property within the District is not located in an Alquist-Priolo Earthquake Study Zone and the nearest Alquist-Priolo Earthquake Zone is near Lake Henshaw, approximately 20 miles east of the District. Additionally, the District is not located in a flood plain area or in an area which the Department of Forestry and Fire Protection of the State of California has designated as a high fire hazard severity zone. Notwithstanding the foregoing, the property in the District may be subject to unpredictable seismic activity, fires, flood, or other natural disasters. See “SPECIAL RISK FACTORS — Natural Disasters.”

A map showing the location of the District and an aerial photograph thereof appear following the Table of Contents.

Authorized Uses of Bond Proceeds

Proceeds of the Bonds are authorized to be used to pay for the costs of construction of City facilities, including certain storm drain and street improvements. See the caption “FINANCING PLAN.”

Appraisal Report

The estimated assessed value of the property within the District, as shown on the County’s assessment roll for Fiscal Year 2023-24 is approximately \$37,196,940. A property’s assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the taxable property within the District, the City engaged the Appraiser to prepare the Appraisal Report. The Appraiser has an “MAI” designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the City and has no material relationships with the City or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal Report. The City instructed the Appraiser to prepare its analysis and report in conformity with City-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal Report is included as Appendix D — “APPRAISAL REPORT” to this Official Statement.

The purpose of the Appraisal Report was to estimate the minimum market value of the property within the District subject to the lien of the Special Taxes. The estimate of market value takes into consideration and assumes the improvements to be funded with the proceeds of the Bonds have been installed and that the remaining costs to develop the property within the District provided to the Appraiser by the Developer are correct. As a result, the value conclusions are based upon a hypothetical condition that all improvements and benefits to the District, which are to be funded with the proceeds of the Bonds, are completed and in place.

Subject to the assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of February 9, 2024, the minimum market value of the Taxable Property within the District was \$70,508,092. In valuing the property within the District, the Appraiser used a sales comparison approach for the property to be developed and, with respect to the Developer-owned models and production units more than 95% complete, a discounted cash flow analysis was applied. The discounted cash flow analysis accounts for remaining development costs, marketing and carrying costs and a discount rate through the estimated absorption period for such models and production units.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in Appendix D. The City, the Underwriter and the District make no representation as to the accuracy of the Appraisal Report. There is no assurance that the property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by the landowner. See “SPECIAL RISK FACTORS — Property Values,” Appendix D — “APPRAISAL REPORT.”

Value-to-Lien Ratios

The value of the property within the District is significant because, in the event of a delinquency in the payment of Special Taxes, the District may foreclose only against delinquent parcels. Likewise, the ratio of the value of a parcel to its “share” of the Bonds is important because it provides an indication of the extent of the relative burden imposed on each parcel by the applicable Special Tax. As indicated above, the minimum appraised value of the property within the District is not less than \$70,508,092. The ratio of that value to the \$3,350,000 total principal amount of the Bonds is approximately 21.05-to-1. Taking other direct and overlapping tax and assessment debt within the District into account, the ratio of the minimum appraised value to the total amount of existing tax and assessment debt for the District plus the Bonds of \$4,039,800 is approximately 17.45-to-1. See “— Direct and Overlapping Debt.” Table 2 sets forth the appraised value-to-lien ratios of all the taxable property within the District by ownership and development status as of February 9, 2024.

Additionally, Table 3 below sets forth the stratification of value-to-liens of the parcels within the District, based on the appraised value of such parcels set forth in the Appraisal Report and such parcels’ respective shares of the principal amount of the Bonds (allocated to each parcel based upon its respective share of the total projected Fiscal Year 2024-25 Special Tax levy) and the ratio of the appraised value to its share of the Bonds.

**TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 2022-1
OF THE CITY OF ESCONDIDO
(ECLIPSE/MOUNTAIN HOUSE)
APPRAISED VALUE-TO-LIEN RATIOS
BY OWNERSHIP AND STATUS OF DEVELOPMENT**

<i>Owner⁽¹⁾</i>	<i>Status of Development⁽¹⁾</i>	<i>No. of Planned Units</i>	<i>Projected Fiscal Year 2024-25 Special Tax Levy⁽²⁾</i>	<i>Percent of Projected Fiscal Year 2024-25 Special Tax Levy</i>	<i>Appraised Value</i>	<i>Bonds Allocated Based on Projected Fiscal Year 2024-25 Special Tax Levy⁽³⁾</i>	<i>Average Appraised Value-to-Lien Ratio</i>
Individual Homeowners	Completed and Sold	97	\$221,826.92	85.82%	\$ 62,411,040.00	\$ 2,875,046.65	21.71
CWC Escondido 113 LLC	95% Completed / In Escrow	<u>16</u>	<u>36,645.48</u>	<u>14.18</u>	<u>8,097,052.00</u>	<u>474,953.35</u>	<u>17.05</u>
Grand Total		113	\$258,472.40	100.00%	\$ 70,508,092.00	\$ 3,350,000.00	21.05

⁽¹⁾ Ownership and status of development as of February 9, 2024, as described in the Appraisal Report. Since February 9, 2024, all 16 of the homes owned by the Developer as of such date had been conveyed to individual homeowners.

⁽²⁾ Based on the status of development and ownership as of February 9, 2024, as described in the Appraisal Report. Projected Special Tax levy requirements for Fiscal Year 2024-25 include the debt service due in calendar year 2025 on the Bonds and estimated Administrative Expenses in the amount of \$32,472.96 and an allowance for delinquencies of \$0.00. The District did not levy the Special Tax on 32 units classified as Final Mapped Property (parcels that had not yet been issued a building permit prior to March 1, 2023) for the Fiscal Year 2023-24 Special Tax levy. Since March 1, 2023, all of such parcels have received building permits and will be classified as Developed Property for purposes of the projected Fiscal Year 2024-25 Special Tax levy and each fiscal year thereafter.

⁽³⁾ Equal to the principal amount of the Bonds. Does not include overlapping debt secured by *ad valorem* taxes on the property. Allocated based on the proportionate share of the projected Fiscal Year 2024-25 Special Tax levy. Sources: Appraiser; Underwriter; Special Tax Consultant.

TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 2022-1
OF THE CITY OF ESCONDIDO
(ECLIPSE/MOUNTAIN HOUSE)
APPRAISED VALUE-TO-LIEN RATIOS STRATIFICATION
BASED ON SPECIAL TAX LEVY AT FULL BUILDOUT

<i>Appraised Value-to-Lien Category</i>	<i>No. of Developed Units⁽¹⁾</i>	<i>Percent of Total Developed Units</i>	<i>Projected Fiscal Year 2024-25 Special Tax Levy⁽²⁾</i>	<i>Percent of Projected Fiscal Year 2024-25 Special Tax Levy</i>	<i>Appraised Value</i>	<i>Percent of Appraised Value</i>	<i>Bonds⁽³⁾</i>	<i>Aggregate Appraised Value-to-Lien Ratio</i>
Greater than 22.0:1	23	20.35%	\$ 50,098.60	19.38%	\$ 14,389,950.00	20.41%	\$ 649,313.98	22.16
21.0:1 to 22.0:1	74	65.49	171,728.32	66.44	48,021,090.00	68.11	2,225,732.67	21.58
17.0:1 to 21:1	5	4.42	10,891.00	4.21	2,448,414.10	3.47	141,155.21	17.35
Less than 17.0:1	<u>11</u>	<u>9.73</u>	<u>25,754.48</u>	<u>9.96</u>	<u>5,648,637.90</u>	<u>8.01</u>	<u>333,798.13</u>	<u>16.92</u>
Total	113	100.00%	\$ 258,472.40	100.00%	\$ 70,508,092.00	100.00%	\$ 3,360,000.00	21.05

⁽¹⁾ Developed units for the projected Fiscal Year 2024-25 Special Tax levy.

⁽²⁾ Based on the status of development and ownership as of February 9, 2024 as described in the Appraisal Report. Projected Special Tax levy requirements for Fiscal Year 2024-25 includes the debt service due in calendar year 2025 on the Bonds and estimated Administrative Expenses in the amount of \$32,472.96 and an allowance for delinquencies of \$0.00.

⁽³⁾ Equal to the principal amount of the Bonds. Does not include overlapping debt secured by *ad valorem* taxes on the property. Allocated based on the proportionate share of the projected Fiscal Year 2024-25 Special Tax levy.

Source: Appraiser; Underwriter; Special Tax Consultant.

Direct and Overlapping Debt

The District is included within the boundaries of overlapping local agencies providing governmental services. Some of these local agencies have outstanding bonds, and/or the authority to issue bonds, payable from taxes or assessments. The existing and authorized indebtedness payable from taxes and assessments that may be levied upon the property within the District is shown in Table 4 below. In addition to current debt, new community facilities districts and/or special assessment districts could be formed in the future encompassing all or a portion of the property within the District; and such districts or the agencies that formed them could issue more bonds and levy additional special taxes or assessments.

**TABLE 4
CITY OF ESCONDIDO
COMMUNITY FACILITIES DISTRICT NO. 2022-1 (ECLIPSE/MOUNTAIN HOUSE)
DIRECT AND OVERLAPPING DEBT
AS OF MARCH 7, 2024**

2023-24 Local Secured Assessed Valuation: \$37,196,940

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/24</u>
Metropolitan Water District General Obligation Bonds	0.001%	\$ 175
Palomar Community College District General Obligation Bonds	0.023	145,793
Escondido Union High School District General Obligation Bonds	0.139	102,413
Escondido Union School District General Obligation Bonds	0.143	230,277
City of Escondido General Obligation Bonds	0.173	79,583
Palomar Pomerado Hospital District General Obligation Bonds	0.034	131,559
City of Escondido Community Facilities District No. 2022-01	100.000	0⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$ 689,800
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.005%	\$ 19,819
San Diego County Pension Obligation Bonds	0.005	11,175
San Diego County Superintendent of Schools Obligations	0.005	320
Palomar Community College District General Fund Obligations	0.023	301
Escondido Union High School District Certificates of Participation	0.139	65,334
Escondido Union School District Certificates of Participation	0.143	39,276
City of Escondido General Fund Obligations	0.173	3,845
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 140,070
 COMBINED TOTAL DEBT		 \$ 829,870⁽²⁾

Ratios to 2023-24 Assessed Valuation:

Direct Debt (\$0).....	0.00%
Total Direct and Overlapping Tax and Assessment Debt.....	1.85
Combined Total Debt.....	2.23

⁽¹⁾ Excludes issue to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Table 5 sets forth sample tax bills for a sample 1,406 square foot home, which is the average Residential Floor Area of the 97 dwelling units completed and conveyed to individual homeowners within the District as of February 9, 2024, for Fiscal Year 2023-24 based on the average appraised value of such homes as of the Date of Value, the actual Fiscal Year 2023-24 Special Tax levy for all other overlapping taxing jurisdictions, assuming no additional development or home sales. Based on the foregoing and the projected debt service on the Bonds, the Administrative Expenses Cap of \$32,472.96 (which amount shall escalate at 2% per Fiscal Year beginning July 1, 2024), in Fiscal Year 2023-24, the projected effective tax rates to be levied on Developed Property within the District is approximately 1.55%.

**TABLE 5
CITY OF ESCONDIDO
COMMUNITY FACILITIES DISTRICT NO. 2022-1 (ECLIPSE/MOUNTAIN HOUSE)
SAMPLE TAX BILLS**

Average Residential Floor Area (Sq. Ft.)⁽¹⁾:	1,412
Net Taxable Value	
Appraised Value ⁽²⁾	\$ 643,413.00
Less: Homeowner's Exemption	<u>(7,000.00)</u>
Net Taxable Value	\$ 636,413.00
<i>Ad Valorem</i> Property Taxes	Rate
Base Property Tax	1.00000% \$ 6,364.13
Palomar Health 2005A - Debt Service	0.03300 210.02
Escondido Union School District Debt ⁽³⁾	0.03631 231.08
Escondido High School District Debt ⁽³⁾	0.02786 177.30
Palomar Community College Debt ⁽³⁾	0.01789 113.85
Escondido City Public Safety Facilities Impr Refunding	0.01748 111.24
MWD Debt Service Remainder of SDCWA	<u>0.00350 22.27</u>
Total <i>Ad Valorem</i> Property Taxes	1.13604% \$ 7,229.91
Parcel Charges, Assessments, and Special Taxes	
Vector Disease Control	\$ 6.36
Mosquito Surveillance	2.28
County Water Authority Water Availability	10.00
MWD Water Standby Charge	11.50
City of Escondido CFD No. 2020-1 (Services) ⁽⁴⁾	0.00
City of Escondido CFD No. 2022-1 (Eclipse) ⁽⁵⁾	<u>2,615.42</u>
Total Parcel Charges, Assessments, and Special Taxes	\$ 2,645.56
Total Taxes	\$ 9,875.47
Total Effective Tax Rate	1.55%

(1) Represents the average Residential Floor Area of the 97 completed and sold homes as reported in the Appraisal Report.
(2) Represents the average Appraised Value of the 97 completed and sold homes as reported in the Appraisal Report.
(3) Represents the total *ad valorem* rate levied by this agency.
(4) Equal to the Actual Special Tax levied for City of Escondido CFD No. 2020-1 (Services) for Fiscal Year 2023-24.
(5) Equal to 100% of the applicable Assigned Special Tax rate for the District.

Sources: Appraisal, San Diego County Tax Collector's Office; Special Tax Consultant.

Delinquency History

The following table is a summary of Special Tax levies, collections and delinquency rates in the District for Fiscal Year 2022-23 and Fiscal Year 2023-24. In Fiscal Year 2022-23, which was the first fiscal

year in which Special Taxes were levied, the District levied Special Taxes in the amount of \$129,165.30. For the Fiscal Year 2023-24 Special Tax levy, the District levied Special Taxes in the amount of \$201,105.90.

TABLE 6
CITY OF ESCONDIDO
COMMUNITY FACILITIES DISTRICT NO. 2022-1 (ECLIPSE/MOUNTAIN HOUSE)
DELINQUENCIES AND DELINQUENCY RATES

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied⁽¹⁾</i>	<i>Fiscal Year End</i>			<i>Delinquencies as of March 26, 2024</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2022-23	\$129,165.30	1	0	\$0.00	0.00%	0	\$ 0.00	0.00%
2023-24 ⁽²⁾	201,105.90	69	N/A	N/A	N/A	1	1,124.60	1.12

⁽¹⁾ Represents parcels levied prior to complete subdivision of the property within the District. In Fiscal Year 2022-23, represented 53 dwelling units of Developed Property and in Fiscal Year 2023-24 represents 81 dwelling units of Developed Property.

⁽²⁾ As of March 26, 2024, the first installment of the Fiscal Year 2023-24 Special Taxes had not been paid with respect to an additional 13 dwelling units because the County’s process of subdividing parcels within the District had not been completed at the time the County prepared the Fiscal Year 2023-24 tax bills. Annual Debt Service on the Bonds due September 1, 2024 has been structured assuming the District will not collect Fiscal Year 2023-24 Special Taxes from such 13 dwelling units. However, the District has been informed the County sent updated tax bills for such 13 dwelling units on April 5, 2024, and the Fiscal Year 2023-24 amounts due pursuant to such updated tax bills due are expected to become delinquent approximately 30 days from such date. See the caption “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes.”

Source: San Diego County Tax Collector Report reflecting all payments received on or before June 30, 2023.

PROPERTY OWNERSHIP AND THE DEVELOPMENT

The information about the property in the District contained in this Official Statement has been provided by representatives of the Developer and others, and has not been independently confirmed or verified by the Underwriter, the City or the District. The Underwriter, the City, and the District make no representation as to the accuracy or adequacy of the information contained in this caption. There may be material adverse changes in this information after the date of this Official Statement. Neither the Bonds nor the Net Taxes securing the Bonds and any Parity Bonds are personal obligations of the Developer or any affiliate thereof or any other property owner and, in the event that any property owner defaults in the payment of its Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of any property owner or any affiliate thereof. See the caption “SPECIAL RISK FACTORS.”

Notwithstanding the belief of the Developer that its will have sufficient funds to complete its planned development in the District, no assurance can be given that amounts necessary to fund the remaining planned development by the Developer in the District will be available when needed. None of the Developer, or any other entity or person is under any legal obligation of any kind to expend funds for the development of the property as planned by the Developer in the District. Any contributions by the Developer or any other entity or person to fund the costs of its development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development by the Developer within the District, the remaining portions of such development may not be completed. The Developer has no legal obligation to Bondholders to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes. See the caption “SPECIAL RISK FACTORS.”

The Developer

The taxable property in the District has been developed by CWC Escondido 113 LLC, a Delaware limited liability company (previously defined as the “Developer”). The taxable property in the District was the sole asset of the Developer. The two members of the Developer are CWC Escon 113 MGMT LP, a California limited partnership (“CWC Escon”), which is the Developer's managing member, and IHP Capital Partners VI,

LLC, a Delaware limited liability company (“IHP VI”). CWC Escon is affiliated with California West Communities, a privately owned full-service residential land developer and homebuilding company, specializing in land entitlements, land development, homebuilding and sales of both homes and properties (“California West”). California West acquires and develops real estate in the Southern California region, including San Diego, Orange, Riverside and San Bernardino counties.

IHP VI is an investment entity established by IHP Capital Partners to finance for sale residential projects. Founded in 1992, IHP Capital Partners manages investments in for sale residential real estate projects throughout the United States for some of the country’s largest institutional investors.

Development Plan

General. The District has been developed with a gated townhome community known as “Eclipse.” Eclipse consists of 113 single-family attached dwelling units on condominium mapped lots across 27 buildings, with three to six dwelling units in each building. The homes within Eclipse are each three-story attached townhomes, consisting of four floor plans ranging in size from approximately 1,140 square feet to approximately 1,534 square feet. The Developer purchased the northern parcel within the District in December 2020 and the southern parcel in August 2022, and conveyed the final completed homes to individual homeowners in February 2024.

The property within the Eclipse development originally consisted of a northern parcel and a southern parcel, which are bisected by an access road to an electrical substation which is located to the west of the southern parcel. The northern parcel contains 81 homes, all of which had been completed and conveyed to individual homeowners as February 9, 2024. The southern parcels contains 32 homes. As of February 9, 2024, of such 32 homes, 16 had been completed and conveyed to individual homeowners and the Developer owned 16 completed homes, all of which were in escrow to be sold to individual homeowners. Since February 9, 2024, all 16 of the homes owned by the Developer as of such date have been conveyed to individual homeowners.

The table below details the product mix and status of development by the Developer of its property within the District as of March 6, 2024.

<i>Floor Plan</i>	<i>Number of Units</i>	<i>Units With Closed Escrows to Individual Homeowners</i>	<i>Minimum Square Footage</i>	<i>Base Sales Price</i>
1	20	20	1,140	\$581,400
2	28	28	1,290	625,650
3	34	34	1,568	674,240
4	<u>31</u>	<u>31</u>	1,534	667,290
Totals	113	113		

Source: The Developer.

In-Tract Infrastructure Development. All 113 homes within the District had been completed as of February 9, 2024 and all of the in-tract infrastructure serving such homes had been completed.

Subdivision Map Status. The property within the District is encompassed by Tract Map Nos. 16458 and 16559. Tract Map No. 16458 recorded June 22, 2021, and divided the 3.43 acres of the northern parcel into a single lot. Tract Map No. 16559 recorded on March 24, 2023, and divided the 1.43 acres into a single lot. A development plan was filed and approved which divided Tract Map No. 16458 into 81 attached townhome pads, each with two-car garages along with 16 additional parking spots and on-street parking of 13 spaces. Another development plan was filed and approved which divided Tract Map No. 16559 into 32

townhome pads, each with a two-car garage along with 4 additional parking spots along with eight additional on-street parking spaces.

Infrastructure and Entitlements. All of the publicly owned infrastructure improvements serving the property within the District have been completed and all discretionary entitlements are in place.

Other than as described in this Official Statement, the Developer represents that it is not aware of any federally or State classified hazardous materials or any species currently listed as endangered located on any of its property in the District that requires mitigation. See the caption “RISK FACTORS — Hazardous Substances.”

SPECIAL RISK FACTORS

The Bonds have not been rated by any rating agency, and the purchase of the Bonds involves significant risks that are not appropriate for certain investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See “— Property Values” below.

Risks of Real Estate Secured Investments Generally

The Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation: (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses; (iv) adverse changes in local market conditions; and (v) increased delinquencies due to rising mortgage costs and other factors.

No assurance can be given that the property owners within the District will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption “— Enforcement Delays — Bankruptcy” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Insufficiency of Special Tax Revenues

As discussed below, the Special Taxes may not produce revenues sufficient to pay the debt service on the Bonds either due to nonpayment of the amounts levied or because acreage within the District becomes exempt from taxation due to the transfer of title to a public agency.

In order to pay debt service on the Bonds, it is generally necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the District has established a Reserve Account under the Indenture to be maintained in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund.” The District will covenant in the Indenture to maintain in the Reserve Account an amount equal to the Reserve Requirement, subject, however, to the availability of Net

Taxes in amounts sufficient to do so and to the limitation that the District may not levy the Special Tax in any Fiscal Year at a rate in excess of the maximum amounts permitted under the Rate and Method. See Appendix A and Appendix F hereto. As a result, if a significant number of Special Tax delinquencies occurs within the District, the District could be unable to replenish the Reserve Account to the Reserve Requirement due to the limitations on the amount of the Special Tax that may be levied. If such defaults were to continue in successive years, the Reserve Account could be depleted and a default on the Bonds could occur.

The Act 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 will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts, but it is doubtful that they would be upheld as to, for example, property owned by the federal government. If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitation of the Maximum Special Tax, the Special Tax will be reallocated to the remaining taxable parcels within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon their willingness and/or ability to pay the Special Tax. Moreover, if a substantial portion of additional land within the District became exempt from the Special Tax because of public ownership, or otherwise, the Maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the Bonds when due and a default will occur with respect to the payment of such principal and interest.

The District will covenant in the Indenture that, under certain circumstances, it will institute foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*” for provisions which apply in the event of such foreclosure and which the District is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Owners of the Bonds (if the Reserve Account has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City on behalf of the District of the proceeds of sale. The District may adjust the future Special Tax levied on taxable parcels in the District, subject to limitations described above under the caption “THE DISTRICT — Rate and Method of Apportionment,” to provide an amount required to pay interest on and principal of the Bonds, and the amount, if any, necessary to replenish the Reserve Account to an amount equal to the Reserve Requirement, and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in the District will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the Maximum Special Tax rates. See “— Enforcement Delays — Bankruptcy.”

No assurance can be given that the real property subject to sale or foreclosure will be sold, or if sold, that the proceeds of sale will be sufficient to pay any delinquent installments of the Special Tax. The Act does not require the City to purchase or otherwise acquire any lot or parcel of property to be sold at foreclosure if there is no other purchaser at such sale. The Act and the Indenture do specify that the Special Tax will have the same lien priority as for *ad valorem* property taxes in the case of delinquency. Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post judgment interest and authorized costs, unless the consent of the owners of 75% of the Outstanding Bonds is obtained.

Prior to July 1, 1983, the right of redemption from foreclosure sales was limited to a period of one year from the date of sale. Under legislation effective July 1, 1983, the statutory right of redemption from such foreclosure sales has been repealed. However, a period of 20 days must elapse after the date on which the notice of levy of the interest in real property was served on the judgment debtor before the sale of such lot or parcel can be made. Furthermore, if the purchaser at the sale is the judgment creditor (e.g., the District), an action may be commenced by the delinquent property owner within 90 days after the date of sale to set aside such sale. The constitutionality of the aforementioned legislation, which repeals the one year redemption period, has not been tested and there can be no assurance that, if tested, such legislation will be upheld. (Section 701.680 of the Code of Civil Procedure of the State.)

Property Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See "THE DISTRICT — Appraisal Report" and Appendix D — "APPRAISAL REPORT."

The Appraiser has estimated, on the basis of certain assumptions and limiting conditions contained in the Appraisal Report, that as of the Date of Value, the market value of the land and improvements within the District was approximately \$70,508,092. See "THE DISTRICT — Appraisal Report." The Appraisal Report indicates the Appraiser's opinion as to the market value of the properties referred to therein as of the date and under the conditions specified therein. The Appraiser's opinion reflects conditions prevailing in the applicable market as of the Date of Value. The Appraiser's opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

Prospective purchasers of the Bonds should not assume that the taxable land within the District could be sold for the appraised amount or for the assessed values at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value of the property in the District, the Appraiser assumes that any sale will be unaffected by undue stimulus and will occur following a reasonable marketing period, which is not always present in a foreclosure sale. See Appendix D for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser's assumptions to be untrue could result in a reduction of the value of the taxable land and improvements within the District from the market value estimated by the Appraiser.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*"

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, flood, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, bridges and property within the District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. The property within the District is not located in an Alquist-Priolo Earthquake Study Zone and is not located within one-half mile of an active earthquake fault. Additionally, the District is not located in a flood plain area.

In recent years, wildfires have caused extensive damage throughout the State, including within the County. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases

thousands of homes. In some instances entire neighborhoods have been destroyed. Several fires in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events.

The District is not located in an area which the Department of Forestry and Fire Protection of the State of California has designated as a high fire hazard severity zone. However, there is a risk of residential property within the District being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the vicinity of the District. Additionally, property located adjacent to burn areas can be subject to mudslides and flooding, which can cause significant damage and destruction to property.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Hazardous Substances

While government taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may also be relevant. One of the most serious in terms of the potential reduction in the value of a parcel is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Super Fund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the District be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition.

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

It is possible that property in the District may be liable for hazardous substances in the future as a result of the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or the existence, currently, on the property of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling such substance. All of these possibilities could have the effect of reducing the value of the applicable property.

Enforcement Delays – Bankruptcy

In the event of a delinquency in the payment of the Special Taxes, the District is required to commence enforcement proceedings under the circumstances described under the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*” However, prosecution of such proceedings could be delayed due to crowded local court calendars or by bankruptcy, insolvency and other laws generally affecting creditors’ rights (such as the Soldiers’ and Sailors’ Relief Act of 1940) and by the laws of the State relating to judicial and non-judicial foreclosure. Although bankruptcy proceedings would not cause the liens of the Special Taxes to become extinguished, bankruptcy of a person or entity with an interest in the applicable property could result in a delay in the enforcement proceedings because federal bankruptcy laws provide for an automatic stay of foreclosure and tax sale proceedings. Any such delay could

increase the likelihood of delay or default in payment of the principal of and interest on the applicable Bonds. The various legal opinions to be delivered in connection with the issuance of the Bonds, including Bond Counsel's approving legal opinion, are qualified as to the enforceability of the Bonds and the Indenture by reference to bankruptcy, reorganization, moratorium, insolvency and other laws affecting the rights of creditors generally or against public entities such as the District.

Special Tax Delinquencies

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

See APPENDIX F — “SUMMARY OF THE INDENTURE — COVENANTS AND WARRANTY — Covenants” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Indenture, in the event of delinquencies in the payment of Special Taxes. See “— FDIC/Federal Government Interests in Parcels” for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the District's ability to foreclose on the lien of the Special Taxes in certain circumstances.

FDIC/Federal Government Interests in Parcels

The ability of the District to collect interest and penalties specified by the Act and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to parcels in which the Federal Deposit Insurance Corporation (the “FDIC”), or other federal government entities such as Fannie Mae or Freddie Mac, has or obtains an interest.

In the case of the FDIC, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the applicable Special Tax is not paid, the remedies available to the District may be constrained. The FDIC's policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that taxes other than *ad valorem* taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the nonpayment of taxes.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the Ninth Circuit Court of Appeals issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale.

In the case of Fannie Mae and Freddie Mac, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution “this Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, anything in the Constitution or Laws of any State to the contrary notwithstanding.” In the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. For a discussion of risks associated with taxable parcels within the District becoming owned by the federal government, federal government entities or federal government sponsored entities, see “— Insufficiency of Special Tax Revenues.”

The District’s remedies may also be limited in the case of delinquent Special Taxes with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

Direct and Overlapping Indebtedness

The ability of an owner of property within the District to pay the applicable Special Taxes could be affected by the existence of other taxes and assessments imposed upon taxable parcels. See “THE DISTRICT — Direct and Overlapping Debt” herein. The City and other public agencies whose boundaries overlap those of the District could impose additional taxes or assessment liens on the property within the District in order to finance public improvements or services to be located or provided inside of or outside of such area. The lien created on the property within the District through the levy of such additional taxes may be on a parity with the lien of the Special Taxes applicable to the property within the District.

The imposition of additional liens on a parity with the Special Taxes may reduce the ability or willingness of property owners to pay the Special Taxes and increase the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Taxes.

Payment of Special Taxes is not a Personal Obligation of the Property Owners

An owner of a taxable parcel is not personally obligated to pay Special Taxes. Rather, Special Taxes are an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully Special Taxes, the District has no recourse against the property owner.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture.

Limited Obligations

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

The District's legal obligations with respect to any delinquent Special Taxes are limited to: (i) payments from the Reserve Account to the extent of funds on deposit therein; and (ii) the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes are delinquent. See the caption "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*" The Bonds cannot be accelerated in the event of any default.

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

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

Proposition 218

An initiative measure entitled "The Right to Vote on Taxes Act" ("Proposition 218") was approved by the voters at the November 5, 1996 statewide general election. Among other things, Proposition 218 added a new Article XIII C to the California Constitution which states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. While the application of Proposition 218 in this context has not yet been interpreted by the courts and the matter is not completely free from doubt, it is not likely that Proposition 218 has conferred on the voters the power to effect a repeal or reduction of the Special Tax if the result thereof would be to impair the security of the Bonds.

It may be possible, however, for voters or the City Council, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the future levy of Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Nevertheless, to the maximum extent that the law permits it to do so, the District will covenant that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates for the District, unless, in connection therewith,

(i) such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than the Administrative Expenses Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such proposed reduction; and (ii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. The District also will covenant that, in the event an initiative is adopted which purports to reduce or otherwise alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

Ballot Initiatives; Initiative 1935

General. Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Articles XIII A, XIII B, XIII C, and XIII D of the California Constitution were adopted pursuant to measures qualified for the ballot pursuant to the State's constitutional initiative process, including through Proposition 13 in 1978, Proposition 218 in 1996 and Proposition 26 in 2010. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the City, or other local agencies to increase revenues or to increase appropriations.

As described above, Proposition 218 was approved by California voters in 1996 and added Article XIII C to the California Constitution. On November 2, 2010, the voters of the State approved Proposition 26, known as the "Supermajority Vote to Pass New Taxes and Fees Act" ("Proposition 26"). Proposition 26, among other things, amends Article XIII C to the California Constitution principally to define what constitutes a "tax" under the limitations and requirements of that provision. Article XIII C imposes limitations on local governments when imposing certain taxes, including a requirement that the local government submit certain taxes to the electorate for its approval. Before Proposition 26, Article XIII C did not define the term "tax." Proposition 26 broadly defines a tax under Article XIII C to include "any levy, charge, or exaction of any kind imposed by a local government." Proposition 26 lists several exceptions to the definition of "tax," which include (a) a charge for a specific benefit or privilege, which does not exceed the reasonable costs of providing the benefit or privilege, (b) a charge for a government service or product, which does not exceed the reasonable costs of providing the service or product, (c) a charge for the reasonable regulatory costs of issuing licenses and permits, performing investigations, inspections, and audits, and the administrative enforcement thereof, (d) a charge for entrance to or use of local government property, or the purchase, rental, or lease of local government property, (e) a fine, penalty, or other monetary charge imposed as a result of a violation of law, (f) a charge imposed as a condition of property development, and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII C.

Initiative 1935. From time to time other constitutional initiatives or initiative measures may be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State or any political subdivision thereof, including the City, to increase revenues or to increase appropriations, or might affect the ability of the District to collect the Special Tax.

One such proposed voter initiative, titled "The Taxpayer Protection and Government Accountability Act" ("Initiative 1935") has been determined to be eligible for the November 2024 Statewide general election and, unless withdrawn by its proponent prior to June 27, 2024, will be certified as qualified for the ballot in such election. Similar to Proposition 218 and Proposition 26, Initiative 1935 would, among other things, amend the State Constitution to impose additional requirements for the imposition of taxes by State and local governments. Such additional requirements include, among other things, requirements that the title and summary and ballot label or question for each tax measure identify the type, amount or rate, duration, and use of revenue of the tax (the "Initiative 1935 Ballot Label Requirements"). Additionally, Initiative 1935 would provide that any tax imposed after January 1, 2022, not in compliance with its requirements is void 12 months after the effective date of Initiative 1935 unless subsequently reenacted in accordance therewith. If adopted, the scope and impact of Initiative 1935 would be subject to future judicial interpretation. The District is unable

to predict how Initiative 1935, if adopted, might be interpreted by the courts, and there can be no assurance that any such interpretation would not have an adverse impact on the District's ability to levy and collect the Special Taxes.

At the request of the Governor of California and the State Legislature, the California Supreme Court has agreed to consider whether Initiative 1935 should be barred from appearing on the ballot as an unlawful revision of the State Constitution, given its potential wide-ranging impact on the ability of the State and local governments to fund their operations. The Governor and the State Legislature have requested a decision by the California Supreme Court by late June 2024, prior to the ballot certification date. Neither the City nor the District can predict the outcome of the pending litigation.

As described in this Official Statement, the election within the District took place after January 1, 2022 and additional property was annexed into the District in November 2022 via the Unanimous Approval of the landowners that at the time owned all of the property within the annexed area not exempt from the Special Tax. Also as described in this Official Statement, at the election held on March 2, 2022, the qualified electors within the District, consisting solely of the landowners that at the time owned all of the property within the boundaries of the District not exempt from the Special Tax, voted to approve the measure to levy the Special Tax. In connection with such election, such landowners, as the only qualified electors, waived, among other things, compliance with any time limits or other procedural requirements pertaining to the conduct of the March 2, 2022 election and their right to make any protest or complaint or undertake any legal action challenging the validity of the Special Election, and represented that compliance with the procedural requirements for conducting the Special Election, including the receipt of any ballot arguments and impartial analysis, were unnecessary in light of the fact that such electors had received sufficient information regarding the imposition of the Special Tax, the issuance of the Bonds and the formation of the District to allow such electors to properly complete their ballots. Similarly, in the Unanimous Approval, the landowners made substantially similar waivers and representations at the time of annexation of a portion of the property within the Future Annexation Area into the District. In their Affirmation of Waiver, dated April 11, 2024, such electors acknowledged, confirmed and agreed that each such waiver by such electors was a knowing, intelligent and voluntary waiver and that such waivers by such electors encompass, and constitute, a waiver of the Initiative 1935 Ballot Label Requirements and the landowners affirmed therein that they had waived the Initiative 1935 Ballot Label Requirements. Furthermore, in any event, the District believes the materials provided to the qualified electors for the March 2, 2022 election within the District substantially complied with the Initiative 1935 Ballot Label Requirements, which is the standard a court would likely apply to any judicial review of the election held within the District on March 2, 2022.

Litigation with Respect to Community Facilities Districts

Shapiro. The California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro* (2014) 228 Cal.App.4th 756 (the "San Diego Decision"). The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego ("San Diego"). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

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

Horizon. The Sacramento County Superior Court had issued a tentative ruling in *Horizon Capital Investments, LLC v. City of Sacramento et al.* (Case No. 34-2017-80002661). That ruling subsequently became the court’s final order. As described below, this case involved an election to approve the levy of a special tax within a community facilities district (“CFD”) formed under the Act.

In 2017, the City of Sacramento initiated proceedings to form a CFD to finance certain costs to operate and maintain a streetcar line. As permitted by the Act, the proposed district included non-contiguous parcels of non-residential property. Because there were fewer than 12 registered voters residing within the territory of the proposed CFD, the City Council submitted the special tax proposed to be levied within the proposed CFD to the owners of land within the proposed CFD, as required by the Act. The proposed special tax received the requisite two-thirds vote in the landowner election.

Petitioners Horizon Capital Investments, LLC et al. filed a writ of mandate and complaint for reverse validation and declaratory relief. Petitioners argued, and the superior court agreed in its final ruling, that under section 4(a) of article XIII A of the California Constitution (which provides that “Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district [sic], may impose special taxes on such district...”) the phrase “qualified electors” means the registered voters of the entire City of Sacramento and not just the owners of the property within the boundaries of the proposed CFD. Citing the San Diego Decision, the tentative ruling states that the phrase “qualified electors of the district” refers to the registered voters of the entity imposing the special tax, which in this case was the City of Sacramento. Because the vote within the proposed CFD was by landowners only and not by all registered voters in the City of Sacramento, the final ruling states that the special tax is invalid.

The superior court’s final ruling is not binding upon other courts within the State and does not directly apply to the District, the Special Taxes, or the Bonds. The City of Sacramento did not appeal the superior court’s ruling.

The Special Tax Election in the District. With respect to the San Diego Decision, the facts of such case show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in the District had less than 12 registered voters at the time of the election to authorize the Special Taxes. In the San Diego Decision, the court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the court’s holding in the San Diego Decision does not apply to the Special Tax election in the District. Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. The petitioners in *Horizon* filed the writ of mandate within 30 days of the landowner election. Voters in the District approved Special Tax on March 2, 2022. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, the District believes that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought. In connection with the issuance of the Bonds, Bond Counsel expects to deliver its opinion in the proposed form attached hereto as Appendix C.

Loss of Tax Exemption

As discussed under the heading “TAX MATTERS,” interest on the Bonds could cease to be excluded from gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the District. In addition, it is possible that future changes in applicable federal tax laws could cause interest on the Bonds to be included in gross income for federal income taxation or could otherwise reduce the equivalent taxable yield of such interest and thereby reduce the value of the Bonds.

No Ratings – Limited Secondary Market

The District has not applied to have the Bonds rated by any nationally recognized bond rating company, and it does not expect to do so in the future.

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

Limitations on Remedies

Remedies available to the Owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Potential Early Redemption of Bonds from Prepayments or Community Facilities District Bond Proceeds

Property owners within the District are permitted to prepay their Special Taxes at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping community facilities district. Such prepayments will result in a redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of the prepayment. The resulting redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption "THE BONDS — Redemption — *Special Mandatory Redemption from Special Tax Prepayments.*"

Cybersecurity

The City, like many other public and private entities, rely on computer and other digital networks and systems to conduct their operations. 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 efforts of the City to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City, or the administration of the Bonds. The City is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the County tax collector for the levy and collection of Special Taxes and the Trustee. No assurance can be given that the City and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate, dated as of the closing date (the “Disclosure Certificate”), to be executed and delivered by the District at the time of issuance of the Bonds, the District will covenant for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District by April 1 following the end of the District’s Fiscal Year (currently its Fiscal Year ends on June 30) (the “Annual Report”), commencing with the report for the Fiscal Year ending June 30, 2025, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the District with EMMA. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in Appendix G — “FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12.

The District has not had any continuing disclosure undertakings outstanding during the previous five-year period.

In the past five years, (i) the City entered into an installment sale agreement with the California Infrastructure and Economic Development Bank in September, 2021, which constituted a “financial obligation” under the Rule, but notice of such installment sale agreement was filed with EMMA approximately 35 days later than the date required by the Rule; and (ii) the annual report for Fiscal Year 2022-23 with respect to the City of Escondido Community Facilities District No. 2000-01 (Hidden Trails) Special Tax Refunding Bonds, Series 2013 was filed three days after its due date. Except as described in this paragraph, the City and its related entities have not failed to comply with the terms of their prior continuing disclosure undertakings in any material respect in the last five years.

In order to assure compliance with its continuing disclosure obligations going forward, the City and the District have adopted continuing disclosure compliance policies and procedures as part of their debt management policy. In addition, the District has retained Special District Financing & Administration, LLC to serve as Dissemination Agent for the District’s continuing disclosure undertaking related to the Bonds.

Neither the Developer nor any of the property owners within the District have agreed to provide continuing disclosure in connection with the Bonds.

TAX EXEMPTION

In the opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax

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

attributable to such excludable income. The amount of original issue discount deemed received by the Beneficial Owner will increase the Beneficial Owner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of a Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

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

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

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

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

Bond Counsel's opinions with respect to the Bonds may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture

and the Tax Certificate relating to the Bonds, as applicable, permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth LLP.

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

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

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

LEGAL OPINION

The legal opinion of Bond Counsel approving the validity of the Bonds, in substantially the form set forth as Appendix C hereto, will be made available to purchasers of the Bonds at the time of original delivery of the Bonds. Certain legal matters will be passed upon for the City and the District by the City Attorney, and for the District by Stradling Yocca Carlson & Rauth LLP, Disclosure Counsel, for the Underwriter by Anzel Galvan LLP, San Francisco, California, and for the Trustee by its counsel. Bond Counsel undertakes no responsibility to the purchasers of the Bonds for the accuracy, completeness or fairness of this Official Statement.

ABSENCE OF LITIGATION

In connection with the issuance of the Bonds, the City Attorney will deliver an opinion to the effect that, to their actual knowledge, after due inquiry and investigation, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, or any unfavorable decision, ruling or finding, against or affecting the District, which would adversely impact the District's ability to complete the transactions described in, or contemplated by, the Indenture or this Official Statement, restrain or enjoin the collection of the Special Taxes, or in any way contest or affect the validity of the Bonds, the Indenture, the Special Taxes, or the transactions described herein.

NO RATING

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

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$3,375,324.80 (being the aggregate principal amount of the Bonds, less an Underwriter's discount of \$66,900.00 and plus original issue premium of \$92,224.80). The Bond Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES
COMMUNITY FACILITIES DISTRICT NO. 2022-1
(Eclipse / Mountain House)
CITY OF ESCONDIDO**

An annual Special Tax (as hereinafter defined) shall be levied on all applicable Assessor's Parcels (as hereinafter defined) within Community Facilities District No. 2022-1 (Eclipse / Mountain House) ("CFD No. 2022-1") of the City of Escondido ("City") and collected each Fiscal Year commencing in Fiscal Year 2022-2023, in an amount determined by the City Council, through the application of this Rate and Method of Apportionment of Special Taxes ("Rate and Method of Apportionment") as described below. All of the real property within the boundaries of CFD No. 2022-1, unless exempted by law or by the provisions hereof, shall be subject to the Special Tax for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2022-1 including but not limited to: the costs of computing the Special Taxes including the Backup Special Tax and preparing and presenting to City Council the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2022-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2022-1 or any designee thereof of complying with City and/or CFD No. 2022-1 disclosure requirements associated with applicable federal and State securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to property owner and public inquiries regarding CFD No. 2022-1, including its Special Taxes; the costs of the City, CFD No. 2022-1 or any designee related to the analysis and reduction, if any, of the Special Tax in accordance with Section D; the costs of the City, CFD No. 2022-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the City's annual administration fees and third party expenses; the costs of City staff time and reasonable overhead relating to CFD No. 2022-1; and amounts estimated or advanced by the City or CFD No. 2022-1 for any other administrative purposes of CFD No. 2022-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

“Annexed Area” means the property within the boundaries of the future area to be annexed to CFD No. 2022-1. Such area is identified on Exhibit “B” attached to this Rate and Method of Apportionment and identified as “Future Area of Annexation” to Zone A of CFD No. 2022-1 and includes Escondido Tract Map No. SUB15-0023.

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

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

“Assigned Special Tax” means the Special Tax for each Assessor’s Parcel of Developed Property or portion thereof, as determined in accordance with Section C.1.b below.

“Backup Special Tax” means the Special Tax applicable to each Assessor’s Parcel of Developed Property or portion thereof, as determined in accordance with Section C.1.c below.

“Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2022-1, pursuant to the Act which are secured by a pledge of the Special Taxes.

“Building Permit” means the first legal document issued by the City giving official permission for new construction of a building on an Assessor’s Parcel. For purposes of this definition, “Building Permit” shall include any subsequent building permits issued or changed prior to the first occupancy of the structure, as determined by the CFD Administrator.

“CFD Administrator” means the Finance Director or other official of the City responsible for determining the Special Tax Requirement, providing for the levy and collection of the Special Taxes and performing the other duties provided herein.

“CFD No. 2022-1” means Community Facilities District No. 2022-1 (Eclipse / Mountain House) of the City of Escondido.

“City” means the City of Escondido, California.

“City Council” means the City Council of the City, acting as the Legislative Body of CFD No. 2022-1, or its designee.

“Contractual Obligations” means (a) a voluntary contractual assessment established and levied on an Assessor’s Parcel pursuant to Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (commencing with Section 5898.10 et seq.), as amended from time to time, (b) a special tax established and levied on an Assessor’s Parcel pursuant to Section 53328.1 of the California Government Code and related provisions of the Act, as amended from time to time, and (c) any other fee, charge, 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 (e.g., property owner association assessments).

“County” means the County of San Diego, California.

“Developed Floor Area” means for any Dwelling Unit, the square footage of assessable space of such Dwelling Unit as defined in Government Code section 65995, subdivision (b)(1). For purposes of this determination, such square footage of assessable space shall be, and the City, acting for CFD No. 2022-1, may rely on, the square footage as identified on the Building Permit(s) issued by the City if found consistent with such code section. Modifications to the originally issued Building Permit made prior to first occupancy may occur and shall be used to adjust the determination of Developed Floor Area. Modifications made after first occupancy, such as additions, shall be subject to then current development fees and not used to determine the Developed Floor Area used in the application of this Rate and Method of Apportionment.

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

“Dwelling Unit(s)” or “DU” means an individual single-family, detached or attached home, townhome, condominium, apartment, or other such residential Dwelling Unit, including each separate living area within a half-plex, duplex, triplex, fourplex, or other residential structure that comprises an independent facility capable of conveyance or as a rental separate from the primary Dwelling Unit(s).

“Exempt Property” means all Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section F.

“Facilities” means the public facilities authorized to be financed, in whole or in part, by CFD No. 2022-1.

“Final Map” means a subdivision of property by recordation of a final tract map, parcel map, or lot line adjustment by the City, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*), an applicable local ordinance or recordation of a condominium plan pursuant to California Civil Code Section 6624 or functionally equivalent map or instrument that creates individual lots for which Building Permits may be issued without further subdivision.

“Final Mapped Property” means, for each Fiscal Year, all Taxable Property, exclusive of Developed Property, Taxable Property Owner Association Property, and Taxable Public Property, which as of January 1 of the previous Fiscal Year was located within a Final Map.

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

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

“Land Use Category” means any of the categories listed in Section C and for Developed Property as listed in Table 1.

“Lot” means, for the property within Zone B, each of the 36 lots created for the purpose of development within the portion of Final Map 683-J contained within CFD No. 2022-1. The Assigned Special Tax per Lot within Zone B is applied to the first Building Permit issued for either Residential Property or Non-Residential Property. Building Permits issued for additional structures are not subject to the Assigned Special Tax for Zone B but are subject all fees as determined by the City.

“Maximum Special Tax” means for each Assessor’s Parcel and each Fiscal Year, the Maximum Special Tax, determined in accordance with Section C, below, that may be levied on such Assessor’s Parcel in such Fiscal Year.

“Minimum Sale Price” means the minimum price at which Dwelling Units of a given Land Use Category, or plan type if multiple are contained within a Land Use Category, have sold or are expected to be sold in a normal marketing environment, as estimated by the Price Point Consultant, and shall not include prices for such Dwelling Units that are sold at a discount to expected sales prices for the purposes of stimulating the initial sales activity with respect to such Land Use Category.

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

“Outstanding Bonds” means all Bonds which are deemed to be outstanding under an Indenture(s).

“Price Point Consultant” means any consultant or firm of such consultants selected by CFD No. 2022-1 that (a) has substantial experience in performing price point studies for residential Dwelling Units within community facilities districts established under the Act or otherwise estimating or confirming pricing for residential Dwelling Units in such community facilities districts, (b) has recognized expertise in analyzing economic and real estate data that relates to the pricing of residential Dwelling Units in such community facilities districts, (c) is in fact independent and not under the control of CFD No. 2022-1, the City or the developer of CFD No. 2022-1, (d) does not have any substantial interest, direct or indirect, with or in (i) CFD No. 2022-1, (ii) the City, (iii) any owner of real property in CFD No. 2022-1, or (iv) any real property in CFD No. 2022-1, and (e) is not connected with CFD No. 2022-1 or the City as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 2022-1 or the City.

“Price Point Study” means a price point study or a letter updating a previous price point study prepared by the Price Point Consultant pursuant to Section D herein.

“Projected Dwelling Unit(s)” or “PDU” means 81 projected Dwelling Units within the original boundaries of Zone A and 32 projected Dwelling Units within the boundaries of the Annexed Area. The Assigned Special Tax for Nonresidential Developed Property per PDU is

determined based on the total number of projected dwelling units displaced based on the area of the Non-Residential Property as determined by the CFD Administrator. The Special Tax on Undeveloped Property is per PDU determined as described in Section C.2(a).

“Property Owner Association Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2022-1 that is owned by a property owner association, including any master or sub-association as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year provided however, that no such classification shall reduce the Acreage of all Taxable Property within CFD No. 2022-1 to less than the minimum Acreage as described in Section F.

“Proportionately” means (a) for Developed Property in the first step of Section E below, that the ratio of actual Assigned Special Tax levy to the Maximum Assigned Special Tax rate is equal for all Assessor’s Parcels of Developed Property; (b) for Final Mapped Property in the second step of Section E, Proportionately means the ratio of the actual Special Tax levy per Projected Dwelling Unit in Zone A and per Lot in Zone B to the Maximum Special Tax per Projected Dwelling Unit in Zone A and per Lot in B, respectively, is equal for all Assessor’s Parcels of Final Mapped Property; (c) for Undeveloped Property in the third step of Section E below, Proportionately means that the ratio of the actual Special Tax levy per Projected Dwelling Unit in Zone A and per Lot in Zone B to the Maximum Special Tax per Projected Dwelling Unit in Zone A and per Lot in Zone B, respectively, is equal for all Assessor’s Parcels of Undeveloped Property; (d) for Developed Property in the fourth step of Section E, Proportionately means that the amount of the increase above the Assigned Special Tax levy, if necessary, is equal for all Assessor’s Parcels of Developed Property, except that if the Backup Special Tax limits the increase on any Assessor’s Parcel(s), then the amount of the increase shall be equal for the remaining Assessor’s Parcels; and (e) for Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property in the fifth step of Section E, Proportionately means that the ratio of the actual Special Tax levy per Projected Dwelling Unit in Zone A and per Lot in Zone B to the Maximum Special Tax per Projected Dwelling Unit in Zone A and per Lot in Zone B, respectively, is equal for all Assessor’s Parcels of Property Owner Association Property and Public Property.

“Public Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2022-1 that is (i) used for rights-of-way or any other purpose and is owned by the federal government, the State, the County, the City or any other public agency as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year, provided however, that no such classification shall reduce (i) the PDU of all Taxable Property within the original boundaries of Zone A of CFD No. 2022-1 to less than the minimum PDU as described in Section F, (ii) the PDU of all Taxable Property within the Annexed Area of Zone A of CFD No. 2022-1 to less than the minimum PDU as described in Section F, and (iii) the number of all Lots of all Taxable Property within Zone B of CFD No. 2022-1 to less than the minimum number of Lots as described in Section F, and provided that any property leased by a public agency to a private

entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in a Land Use Category in accordance with its zoning or use, whichever is greater.

“Rate and Method of Apportionment” means this “Rate and Method of Appointment of Special Taxes for Community Facilities District No. 2022-1 (Eclipse / Mountain House) of the City of Escondido.”

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

“Special Tax” or “Special Taxes” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within the boundaries of CFD No. 2022-1 in accordance with this Rate and Method of Apportionment.

“Special Tax Requirement” means that amount required in any Fiscal Year for CFD No. 2022-1 to: (i) pay Administration Expenses of CFD No. 2022-1 as provided in this Rate and Method of Apportionment; (ii) pay debt service on all Outstanding Bonds due in the calendar year that commences in such Fiscal Year; (iii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iv) pay any amounts required to replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of Facilities that are eligible to be financed through CFD No. 2022-1 under the Act, as reasonably determined by the City, so long as the inclusion of such amount does not cause an increase in the Special Tax levy attributable to Final Mapped Property, Undeveloped Property, Public Property that is not Exempt Property, Property Owner Association Property that is not Exempt Property or the levy of the Backup Special Tax; (vi) fund in anticipation of reasonably anticipated delinquent Special Taxes based on the delinquency rate of Special Taxes within CFD No. 2022-1 levied in the previous Fiscal Year if available or if not available, the lowest delinquency rate of all community facilities districts of the City, less (vii) a credit for funds available to reduce the annual Special Tax levy after the issuance of Bonds, as determined by the CFD Administrator pursuant to the Indenture.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2022-1 which have not been prepaid in full pursuant to Section I or, which are not exempt from the Special Tax pursuant to law or Section F below.

“Total Tax Burden” means for any Dwelling Unit, the annual Special Tax, together with ad valorem property taxes, special assessments, special taxes for any overlapping community facilities district, and any other taxes, fees, and charges which are levied and imposed on such Dwelling Unit and the real property on which it is located and collected by the County on property tax bills and which are secured by such Dwelling Unit and the real property on which it is located, assuming such Dwelling Unit had been completed, sold and subject to such levies and impositions, excluding both service charges, such as those related to sewer and trash, and Contractual Obligations, as defined herein.

“**Trustee**” means the trustee or fiscal agent under an Indenture(s).

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

“**Zone(s)**” means Zone A or Zone B as geographically identified on Exhibit “B” attached to this Rate and Method of Apportionment.

“**Zone A**” means the specific area identified on Exhibit “B” attached to this Rate and Method of Apportionment as Zone A of the CFD which includes Escondido Tract Map No. SUB15-0022.

“**Zone B**” means the specific area identified on Exhibit “B” attached to this Rate and Method of Apportionment as Zone B of the CFD which includes a portion of Escondido Tract Map No. 683-J.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2022-1 shall be classified as being located within a Zone, and within each Zone as Developed Property, Final Mapped Property, Undeveloped Property, Property Owner Association Property that is not Exempt Property or Public Property that is not Exempt Property and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and E below. An Assessor’s Parcel may contain both Developed Property subject to Special Taxes in accordance with Section C.1 and Taxable Property subject to Special Taxes as Final Mapped Property, Undeveloped Property, Property Owner Association Property that is not Exempt Property or Public Property that is not Exempt Property subject to Special Tax in accordance with Section C.2. Assessor’s Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property, and finally into Land Use Categories.

C. MAXIMUM SPECIAL TAX

An Assessor’s Parcel may contain more than one Land Use Category. The Maximum Special Tax which may be levied on an Assessor’s Parcel shall be the sum of the Maximum Special Tax that can be imposed based on each Land Use Category applicable to such Assessor’s Parcel.

1. Developed Property

a. Maximum Special Tax

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

The Maximum Special Tax for each Assessor’s Parcel of Developed Property that is classified as Non-Residential Property shall be the Assigned Special Tax described in Table 1.

b. Assigned Special Tax

The Assigned Special Tax for each Assessor’s Parcel of Developed Property is shown in Table 1 below. Each Lot within Zone B shall only be classified as Developed Property at the time of the initial issuance of the first Building Permit on such Lot.

TABLE 1
Assigned Special Taxes for Developed Property

Land Use Category	Property Description	Unit Type	Developed Floor Area	Assigned Special Tax Per Taxable Unit
Zone A				
1	Residential	Dwelling Unit	Less than 1,200 sq. ft.	\$2,249.20
2	Residential	Dwelling Unit	1,200 sq. ft. to 1,400 sq. ft.	\$2,371.25
3	Residential	Dwelling Unit	Greater than 1,400 sq. ft.	\$2,615.42
4	Non-Residential	Projected Dwelling Unit	NA	\$2,558.01
Zone B				
1	Residential or Non-Residential	Lot	NA	\$1,790.42

c. Backup Special Tax

The Backup Special Tax for Assessor’s Parcels of Residential Property within each Zone of CFD 2022-1 is as described below.

1. For the property within the initial area of Zone A of CFD No. 2022-1 the Backup Special Tax per Dwelling Unit of Developed Property shall be \$2,589.52 per Dwelling Unit.

2. For the property within the Annexed Area of Zone A of CFD No. 2022-1, the Backup Special Tax per Dwelling Unit of Developed Property shall be \$2,589.52 per Dwelling Unit.
3. For the property within Zone B of CFD No. 2022-1, the Backup Special Tax per Lot of Developed Property shall be \$1,841.57 per Lot.

Notwithstanding the foregoing, (1) if all or any portion of the applicable Final Maps and/or condominium plan contained within the initial boundaries of Zone A or Zone B of CFD No. 2022-1 or (2) if all or any portion of the Final Map and/or condominium plan contained within the boundaries of the Annexed Area described in the second paragraph of this section is subsequently changed or modified, then in each case the Backup Special Tax for each Lot or Dwelling Unit of Residential Property in such Final Map or condominium plan area contained within the boundaries of CFD No. 2022-1 that is changed or modified shall be recalculated as follows:

1. Determine the total Backup Special Tax anticipated to apply to the changed or modified Final Map or condominium plan area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the total number of Dwelling Units constructed or Projected Dwelling Units to be constructed within such changed or modified Final Map or condominium plan area contained within the boundaries of CFD No. 2022-1, as reasonably determined by the CFD Administrator.
3. The result of paragraph 2 is the Backup Special Tax per Dwelling Unit which shall be applicable to Assessor's Parcels of Developed Property classified as Residential Property in such changed or modified Final Map or condominium plan area contained within the boundaries of CFD No. 2022-1.

2. Final Mapped Property, Undeveloped Property, Property Owner Association Property and Public Property

The Maximum Special Tax for Final Mapped Property, Undeveloped Property, Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property shall be determined within each Zone as follows:

- a. Within Zone A of CFD No. 2022-1 the Maximum Special Tax for Final Mapped Property, Undeveloped Property, Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property shall be \$2,589.52 per Projected Dwelling Unit as shown in the fourth column of Table 2. Table 2 below identifies the Assessor Parcels in Zone A in Fiscal Year 2021-22, the Land Use Category for each Assessor's Parcel and the number of Projected Dwelling Units assigned to each Assessor's Parcel. At the beginning of each Fiscal Year prior to the issuance of Bonds, the CFD Administrator shall update the information in Table 2

based on changes in the Assessor Parcels, the Dwelling Units classified as Developed Property as the result of the issuance of Building Permits and modifications, if any, to the Final Map resulting in a change to the number of total PDU at buildout and/or assignment of such PDU to each Assessor Parcel Number. At the beginning of each Fiscal Year after the issuance of Bonds, the CFD Administrator shall update the information in Table 2 based on changes in the Assessor Parcels, the Dwelling Units classified as Developed Property as the result of the issuance of Building Permits and modifications, if any, to the Final Map resulting in a change to the assignment of such PDU to each Assessor Parcel Number, but there will be no changes made to the total PDU at buildout. Given the delay in assigning Assessor Parcel numbers in any given Fiscal Year, it is possible that an Assessor Parcel may consist of a portion that would otherwise be classified as Developed Property, and a portion that is classified into a different Land Use Category. In such cases, the CFD Administrator shall identify for each Assessor's Parcel a number of Projected Dwelling Units within each such Land Use Category. The Special Tax that may be levied on each Assessor's Parcel containing property assigned to the Land Use Categories of Undeveloped Property, Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property within CFD No. 2022-1, in that Fiscal Year pursuant to Section E shall then be based on the number of Projected Dwelling Units determined for the Assessor's Parcel and the Land Use Categories to which they are assigned.

TABLE 2

Zone A: Projected Dwelling Units per Assessor's Parcel for Fiscal Year 2021-2022

Zone A Assessor's Parcel Numbers Fiscal Year 2021-2022	Status of the Assessor Parcel	Number of Dwelling Units Classified as Developed Property	Number of Projected Dwelling Units Not Classified as Developed Property	Total Projected Dwelling Units as Buildout*
Initial Boundaries of Zone A (Final Map SUB15-0022)				
238-130-11-00	Final Map	0	5	5
238-130-26-00	Final Map	0	21	21
238-130-27-00	Final Map	0	55	55
Annexed Area of Zone A (Tentative Map SUB15-0023)				
238-130-35-00	Undeveloped	0	16	16
238-130-36-00	Undeveloped	0	16	16
Total		0	113	113

* The above table shows the Projected Dwelling Units within Final Map SUB15-0022 and Tentative Map SUB15-0023. At the beginning of each Fiscal Year, the information will be revised as described above.

- b. Within Zone B of CFD No. 2022-1 the Maximum Special Tax for Final Mapped Property, Undeveloped Property, Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property shall be \$1,841.57 per Lot.

D. ADJUSTMENT OF THE MAXIMUM SPECIAL TAX ON DEVELOPED PROPERTY

At least 30 days prior to the first issuance of Bonds, the Assigned Special Tax on Developed Property (set forth on Table 1) shall be analyzed in accordance with and subject to the conditions set forth in this Section D unless waived at the City's sole discretion. At such time, CFD No. 2022-1 shall select and engage a Price Point Consultant and the CFD Administrator shall request the Price Point Consultant to prepare a Price Point Study setting forth the Minimum Sales Price of Dwelling Units within each Zone and Land Use Category or plan type if multiple plan types are contained within one Land Use Category. If, based upon the results of the Price Point Study, the CFD Administrator calculates that the Total Tax Burden applicable to Dwelling Units within one or more Land Use Categories exceeds 1.80% of the Minimum Sales Price of such Dwelling Units, the Assigned Special Tax shall be reduced to the extent necessary to cause the Total Tax Burden that shall apply to all Dwelling Units within such Zone and Land Use Category(ies) to not exceed 1.80% of the Minimum Sales Price of such Dwelling Units. Each Assigned Special Tax reduction by Zone and Land Use Category shall be calculated by the CFD Administrator separately. It shall not be required that such reduction be proportionate among all Land Use Categories in a Zone. However, the CFD Administrator shall reduce the Assigned Special Tax for other Land Use Categories in a Zone, as applicable, to ensure that, after any reductions occurring pursuant to this Section, the Assigned Special Tax for any Land Use Category in a Zone is not less than the Assigned Special Tax for the any Land Use Category in such Zone containing a Dwelling Unit of a lesser Developed Floor Area. For example, the Assigned Special Tax for Land Use Category "2" is at least the Assigned Special Tax for Land Use Category "1"; if such is not true, the Assigned Special Tax for Land Use Category "1" is reduced to equal that of Land Use Category "2". In connection with any reduction in the Assigned Special Tax, the Backup Special Tax for all Dwelling Units shall also be reduced by the CFD Administrator based on the percentage reduction in Assigned Special Tax revenues for each Land Use Category subject to reduction. The Special Tax reductions required pursuant to this paragraph shall be reflected in an amended notice of Special Tax lien which CFD No. 2022-1 shall cause to be recorded by executing a certificate in substantially the same form as Exhibit A attached hereto. The Special Tax reductions required in this section shall become effective in the Fiscal Year following such actions and applied to levy of Special Taxes in such following Fiscal Year. There will be no adjustments made to the current Fiscal Year levy.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2022-2023 and for each following Fiscal Year, the CFD Administrator shall levy the Assigned Special Tax on Developed Property at 100% prior to the issuance of Bonds. After the issuance of Bonds, the CFD Administrator shall determine the Special Tax Requirement for such Fiscal Year. The Special Tax shall then be levied as follows:

First: If needed to satisfy the Special Tax Requirement or prior to the issuance of Bonds, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Assigned Special Tax; and

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Final Mapped Property in an amount up to 100% of the Maximum Special Tax for Final Mapped Property to satisfy the Special Tax Requirement; and

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property in an amount up to 100% of the Maximum Special Tax for Undeveloped Property to satisfy the Special Tax Requirement; and

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the levy of the Special Tax on each Assessor's Parcel of Developed Property for which the Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax; and

Fifth: If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Public Property which is not Exempt Property and Property Owner Association Property which is not Exempt Property at up to 100% of the Maximum Special Tax for Property Owner Association Property and Public Property to satisfy the Special Tax Requirement.

F. EXEMPTIONS

Any Assessor's Parcel within the boundaries of CFD No. 2022-1 that is owned or irrevocably dedicated to a public agency as of the date of formation of CFD No. 2022-1 shall be classified as Exempt Property and shall be exempt from the Special Tax in accordance with Section 53340 of the Act. The total number of Projected Dwelling Units within the original boundaries of Zone A of CFD No. 2022-1 has been determined to be equal to 81 PDU, the total number of Projected Dwelling Units within the Annexed Area of Zone A has been determined to be 32 PDU, and the total number of Lots projected to contain Developed Property within Zone B of CFD No. 2022-1 has been determined to be equal to 36 Lots as of the date of formation of CFD No. 2022-1, subject to change as set forth herein.

Except as limited in the following paragraph, the following Assessor's Parcels within the boundaries of CFD No. 2022-1 shall be classified as Exempt Property: (i) Assessor's Parcels which are classified by definition as Public Property or Property Owner Association Property, (ii) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, and (iii) Assessor's Parcels which are used for other types of public uses as determined by the CFD Administrator.

Tax exempt status will be irrevocably assigned by the CFD Administrator in the chronological order in which property becomes Public Property or Property Owner Association Property

provided however, that no such classification shall reduce (i) the Projected Dwelling Units of all Taxable Property within the original boundaries of Zone A of CFD No. 2022-1 to less than 79 PDU, (ii) the Projected Dwelling Units of all Taxable Property within the Annexed Area of Zone A of CFD No. 2022-1 to less than 31 PDU and, (iii) the total number of Lots projected to contain Developed Property within Zone B of CFD No. 2022-1 to less than 35 Lots, each as determined by the CFD Administrator. Public Property or Property Owner Association Property that would, if designated as Exempt Property, cause (i) the Projected Dwelling Units of all Taxable Property within the original boundaries of Zone A of CFD No. 2022-1 to less than 79 PDU, (ii) the Projected Dwelling Units of all Taxable Property within the Annexed Area of Zone A of CFD No. 2022-1 to less than 31 PDU and, (iii) the total number of Lots projected to contain Developed Property within Zone B of CFD No. 2022-1 to less than 35 Lots shall be required to either (i) prepay the Special Tax for such property in full per PDU for Zone A or per Lot for Zone B for Property Owner Association Property or Public Property applied to such property, which resulting amount is to be used as the Assigned Special Tax in the calculation of the prepayment pursuant to Section I.1 or (ii) be subject to taxation pursuant to the fourth step of Section E.

G. APPEAL

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the CFD Administrator. The written notice of appeal must be filed within the same Fiscal Year for which the Special Tax that is disputed was levied and the property owner must be current and remain current in the payment of all Special Taxes levied.

The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the CFD Administrator's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) and a refund, as described, shall be made representing the amount of the adjustment for the most recent Fiscal Year. The CFD Administrator shall determine if funds are available to provide such refund or, if funds are not available in the sole discretion of the CFD Administrator to provide a cash refund, a credit to the levy of Special Tax in one or more subsequent Fiscal Years shall be made in the same amount.

This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to filing any legal actions by such property owner.

H. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2022-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet

its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

I. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section I:

“CFD Public Facilities” means \$3,863,462 in Fiscal Year 2021-2022 dollars, or such lower number as determined by the CFD Administrator to be sufficient to fund the Facilities to be provided by CFD No. 2022-1.

“Expenditures Fund” means funds or accounts, regardless of their names, which are established to hold moneys that are available to acquire or construct Facilities.

“Future Facilities Costs” means the CFD Public Facilities minus (i) Facilities costs previously paid from the Expenditures Fund, (ii) moneys currently on deposit in the Expenditures Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance Facilities costs. The required and unfunded portion of this amount may increase by 2% annually to the extent such resulting Future Facilities Costs are able to be funded by CFD No. 2022-1 as determined by the CFD Administrator. In no event shall the amount of Future Facilities Costs be less than zero.

1. Prepayment in Full

The Maximum Special Tax obligation may be prepaid and permanently satisfied for an Assessor's Parcel of Developed Property, Final Mapped Property or Undeveloped Property for which a Building Permit has been issued or is pending to be issued, and Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to Section F. The Prepayment Amount for an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued or is pending to be issued shall be based on the Assigned Special Tax for the applicable Land Use Category shown in Table 1 based on the Building Permit for such Assessor's Parcel and the then current Special Tax rates. The Maximum Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation to pay the Special Tax for such Assessor's Parcel permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Maximum Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay, and within five (5) days of receipt of such notice, the CFD Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2022-1 in calculating the proper amount of a prepayment. Within fifteen (15) business days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the Prepayment Amount of such Assessor's Parcel.

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

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

Paragraph No.

1. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
2. Compute the Assigned Special Tax and Backup Special Tax for the Assessor’s Parcel to be prepaid based on the Developed Property Special Tax which is, or could be, charged in the current Fiscal Year. For Assessor’s Parcels of Final Mapped Property (for which a Building Permit has been issued or pending but which is not yet classified as Developed Property) to be prepaid, compute the Assigned Special Tax and Backup Special Tax for that Assessor’s Parcel or portion thereof as though it was already designated as Developed Property, based upon the Building Permit .
3. (a) Divide the Assigned Special Tax computed pursuant to Paragraph 2 by the total estimated Assigned Special Tax for CFD No. 2022-1 based on the Developed Property Special Tax which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 2022-1, excluding any Assessor’s Parcels which have been prepaid, and

(b) Divide the Backup Special Tax computed pursuant to Paragraph 2 by the estimated total Backup Special Tax at buildout of CFD No. 2022-1, excluding any Assessor’s Parcels which have been prepaid.
4. Multiply the larger quotient computed pursuant to Paragraph 3(a) or 3(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the “Bond Redemption Amount”).
5. Multiply the Bond Redemption Amount computed pursuant to Paragraph 4 by the applicable redemption premium (e.g., the redemption price minus 100%), if any, on the Outstanding Bonds to be redeemed (the “Redemption Premium”).
6. Compute the current Future Facilities Costs.
7. Multiply the larger quotient computed pursuant to Paragraph 3(a) or 3(b) by the amount determined pursuant to Paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the “Future Facilities Amount”).

8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine the Special Tax levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
10. Add the amounts computed pursuant to Paragraphs 8 and 9 to determine the "Defeasance Amount".
11. Verify the administrative fees and expenses of CFD No. 2022-1, including the costs to compute the prepayment, the costs to invest the prepayment proceeds, the costs to redeem Bonds, and the costs to record any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement on the prepayment date or the redemption date.
13. The amount due to fully prepay the Special Tax is equal to the sum of the amounts computed pursuant to Paragraphs 4, 5, 7, 10, and 11, less the amount computed pursuant to Paragraph 12 (the "Prepayment Amount").
14. From the Prepayment Amount, the amounts computed pursuant to Paragraphs 4, 5, 10, and 12 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to Paragraph 7 shall be deposited into the Expenditures Fund. The amount computed pursuant to Paragraph 11 shall be retained by CFD No. 2022-1.

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

Upon cash payment of the Prepayment Amount due pursuant to the above and upon owner providing confirmation from the County to the CFD Administrator that all prior and current Fiscal Year's Special Taxes, including any delinquency penalties and interest, for such Assessor's Parcel has been paid, the City shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property both prior to and after the

proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

The Maximum Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued may be partially prepaid, provided an Assessor's Parcel of Developed Property may only be partially prepaid prior to or concurrent with the close of escrow of a sale to the initial homebuyer. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (P_E \times F) + G$$

These terms have the following meaning:

PP = the partial Prepayment Amount

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

F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Special Tax.

G = the administrative fee determined in Section H.1.b.

The Special Tax partial Prepayment Amount must be sufficient to redeem at least a \$5,000 increment of Bonds, unless waved by the CFD Administrator.

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax, and (ii) the percentage by which the Maximum Special Tax shall be prepaid, and within five (5) days of receipt of such notice, the CFD Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2022-1 in calculating the proper amount of a partial prepayment. Within fifteen (15) days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the partial Prepayment Amount of such Assessor's Parcel.

With respect to any Assessor's Parcel that is partially prepaid, the CFD Administrator shall (i) distribute the funds remitted pursuant to Section H.1.d, and (ii) indicate in the records of CFD No. 2022-1 that there has been a partial prepayment of the Maximum Special Tax and that a portion of the Assigned Special Tax and Backup Special Tax equal to the outstanding percentage (1.00 - F) of the Assigned Special Tax and Backup Special Tax shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section E.

J. TERM OF THE SPECIAL TAX

The Special Tax shall not be levied beyond Fiscal Year 2075-2076.

EXHIBIT A

**CERTIFICATE OF MODIFICATION OF SPECIAL TAXES
(Page 1 of 2)**

CITY OF ESCONDIDO AND CFD No. 2022-1 CERTIFICATE

1. Pursuant to Section C.1 of the Rate and Method of Apportionment for the City of Escondido Community Facilities District No. 2022-1 (Eclipse / Mountain House) (“CFD No. 2022-1”), the Assigned Special Tax for Developed Property within CFD 2022-1 has been modified. This calculation was based upon a Price Point Study that received by the CFD Administrator on _____.
- a. The information in Table 1 relating to the Assigned Special Tax for Developed Property with CFD No. 2022-1, as stated in Section C.1.b of the Rate and Method of Apportionment, has been modified as follows:

TABLE 1
Assigned Special Taxes for Developed Property
Commencing Fiscal Year 20__-20__

Land Use Category	Property Description	Unit Type	Developed Floor Area	Assigned Special Tax Per Taxable Unit
Zone A				
1	Residential	DU	Less than 1,200 sq. ft.	\$[]
2	Residential	DU	1,200 sq. ft. to 1,400 sq. ft.	\$[]
3	Residential	DU	Greater than 1,400 sq. ft.	\$[]
4	Non-Residential	PDU	NA	\$[]
Zone B				
1	Residential	DU	NA	\$[]
2	Non-Residential	Lot	NA	\$[]

- b. In connection with any reduction in the Assigned Special Tax, the Special Tax for Final Mapped Property, Undeveloped Property, Property Owner Association Property and Public Property per Acre as set forth in Section C.2 and the Backup Special Tax as set forth in Section C.1.c shall also be reduced by the CFD Administrator based on the recalculation of the Undeveloped Special Tax. The Backup Special Tax for Developed Property, as stated in Section C.1.c, shall be modified, to the extent the Final Map has been recorded, as follows:

EXHIBIT A

**CERTIFICATE OF MODIFICATION OF SPECIAL TAXES
(Page 2 of 2)**

TABLE 2
Backup Special Taxes for Developed Property
Commencing Fiscal Year 20__-20__

Zone	Backup Special Tax per Dwelling Unit or Lot*
Zone A	\$[]
Zone B	\$[]

* Note: The Backup Special Tax per lot or Dwelling Unit shown may be modified as described in the Rate and Method of Apportionment for CFD No. 2022-1.

2. The Special Tax for Developed Property may only be modified prior to the first issuance of CFD No. 2022-1 Bonds as defined in the Rate and Method of Apportionment.
3. Upon execution of this certificate by CFD No. 2022-1, CFD No. 2022-1 shall cause an amended Notice of Special Tax lien for CFD No. 2022-1 to be recorded reflecting the modifications set forth herein.

By execution hereof, the undersigned acknowledges, on behalf of the City and CFD No. 2022-1, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

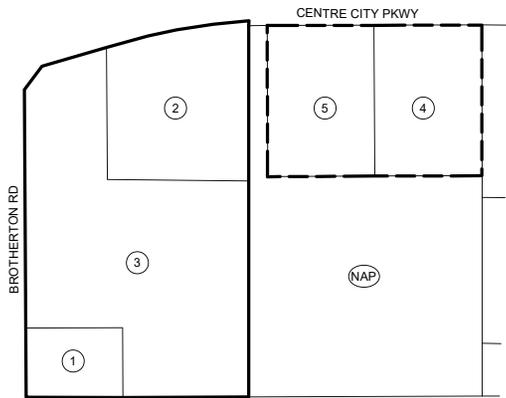
CITY OF ESCONDIDO COMMUNITY FACILITIES DISTRICT NO. 2022-1 (ECLIPSE / MOUNTAIN HOUSE)

By: _____ Date: _____

EXHIBIT B
DEPICTION OF ZONE LOCATION

**BOUNDARY MAP OF
COMMUNITY FACILITIES DISTRICT NO. 2022-1
(ECLIPSE/MOUNTAIN HOUSE)**

OF THE CITY OF ESCONDIDO
COUNTY OF SAN DIEGO
STATE OF CALIFORNIA



ZONE A

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF ESCONDIDO,
THIS ____ DAY OF _____, 20____.

BY: _____
CITY CLERK
CITY OF ESCONDIDO
STATE OF CALIFORNIA

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING THE BOUNDARIES
OF COMMUNITY FACILITIES DISTRICT NO. 2022-1 OF THE CITY OF
ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, WAS
APPROVED BY THE CITY COUNCIL OF THE CITY OF ESCONDIDO AT A
REGULAR MEETING THEREOF, HELD ON THE ____ DAY OF
_____, 20____, BY ITS RESOLUTION NO. _____.

BY: _____
CITY CLERK
CITY OF ESCONDIDO
STATE OF CALIFORNIA

FILED THIS ____ DAY OF _____, 20____, AT
THE HOUR OF ____ O'CLOCK ____ M. AS DOCUMENT
NO. _____ IN BOOK _____ PAGE(S) ____ OF
MAPS OF ASSESSMENTS AND COMMUNITY FACILITIES DISTRICTS IN
THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF SAN
DIEGO, CALIFORNIA.

BY: _____
DEPUTY RECORDER
COUNTY RECORDER, ERNST J. DRONENBURG, JR.
COUNTY OF SAN DIEGO
STATE OF CALIFORNIA

LEGEND:

- LOT NUMBER
- COMMUNITY FACILITIES DISTRICT BOUNDARY (ZONE A)
- FUTURE AREA OF ANNEXATION (ZONE A)*

LOT DESIGNATION			
LOT NO.	SHEET	ZONE	ASSESSOR PARCEL NO.
1	1	A	238-130-11-00
2	1	A	238-130-26-00
3	1	A	238-130-27-00
4*	1	A*	238-130-35-00*
5*	1	A*	238-130-36-00*
6	2	B	187-090-38-00
7	2	B	187-090-39-00
8	2	B	187-090-40-00
9	2	B	187-090-41-00
10	2	B	187-090-42-00
11	2	B	187-090-44-00
12	2	B	187-090-45-00
13	2	B	187-090-46-00
14	2	B	187-090-47-00
15	2	B	187-090-48-00
16	2	B	187-090-49-00
17	2	B	187-090-50-00
18	2	B	187-090-51-00
19	2	B	187-090-53-00
20	2	B	187-090-54-00
21	2	B	187-090-56-00
22	2	B	187-090-57-00
23	2	B	187-090-58-00
24	2	B	187-090-59-00
25	2	B	187-091-13-00
26	2	B	187-091-14-00
27	2	B	187-091-15-00
28	2	B	187-091-16-00
29	2	B	187-091-17-00
30	2	B	187-091-18-00
31	2	B	187-091-19-00
32	2	B	187-091-20-00
33	2	B	187-091-22-00
34	2	B	187-091-23-00
35	2	B	187-091-24-00
36	2	B	187-091-25-00
37	2	B	187-091-26-00
38	2	B	187-091-27-00
39	2	B	187-091-28-00
40	2	B	187-091-29-00
41	2	B	187-091-30-00
42	2	B	187-091-31-00
43	2	B	187-091-32-00
44	2	B	187-091-33-00
45	2	B	187-091-34-00
46	2	B	187-091-35-00

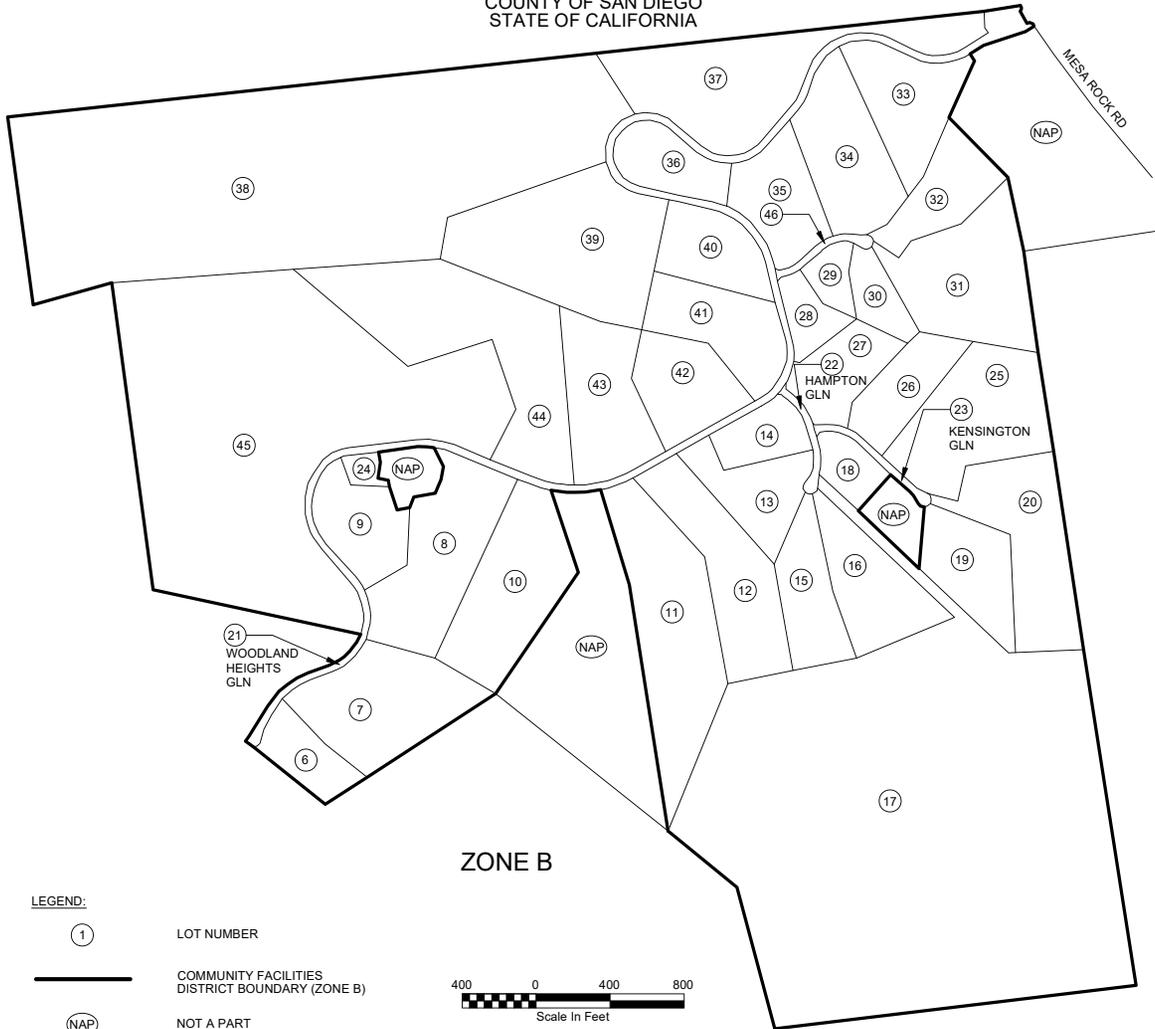
SHEET 1 OF 2
DATE DECEMBER 2021
JOB NO. CFD2022-1

S DFA
SPECIAL DISTRICT FINANCING
& ADMINISTRATION

437 WEST GRAND AVENUE
ESCONDIDO, CALIFORNIA 92025
TELEPHONE: (760)233-2630
FAX: (760)233-2631

BOUNDARY MAP OF
COMMUNITY FACILITIES DISTRICT NO. 2022-1
(ECLIPSE/MOUNTAIN HOUSE)

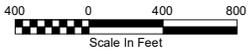
OF THE CITY OF ESCONDIDO
COUNTY OF SAN DIEGO
STATE OF CALIFORNIA



ZONE B

LEGEND:

-  LOT NUMBER
-  COMMUNITY FACILITIES DISTRICT BOUNDARY (ZONE B)
-  NOT A PART



SDFA
SPECIAL DISTRICT FINANCING
& ADMINISTRATION

437 WEST GRAND AVENUE
ESCONDIDO, CALIFORNIA 92025
TELEPHONE: (760)233-2630
FAX: (760)233-2631

SHEET	2 OF 2
DATE	DECEMBER 2021
JOB NO.	CFD2022-1

APPENDIX B

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION

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

General

Escondido is located in a vast valley of the coastal mountain ranges of Southern California. Meaning “hidden” in Spanish and surrounded by avocado and citrus groves, Escondido lies 18 miles inland from the coast, 30 miles northeast of San Diego and 100 miles south of the City of Los Angeles. Escondido was incorporated on October 8, 1888 and operates under general law government with five council members elected at large. The mayor presides over the city council.

Population

POPULATION ESTIMATES 2019 through 2023 City of Escondido, San Diego County and State of California

The following table offers population figures for the City, the County and the State for 2019 through 2023.

<i>Area</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
City of Escondido	151,311	150,861	150,872	150,059	149,799
County of San Diego	3,333,319	3,298,634	3,283,113	3,275,435	3,269,755
State of California	39,605,361	39,538,223	39,286,510	39,078,674	38,940,231

Source: California State Department of Finance, Demographic Research Unit., *E-4 Population Estimates for Cities, Counties, and the State, 2010-2020, with 2010 Census Benchmark, and E-4 Population Estimates for Cities, Counties, and the State, 2020-2023, with 2020 Benchmark.*

Building Activity

The following tables provide summaries of the building permit valuations and the number of new dwelling units authorized in the City and County from 2018 through 2022.

BUILDING PERMITS AND VALUATIONS
2018 through 2022
City of Escondido
(Dollars in Thousands)

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Valuation					
Residential	\$ 32,135	\$ 9,155	\$ 54,065	\$ 131,216	\$ 61,547
Non-Residential	<u>35,592</u>	<u>30,236</u>	<u>29,909</u>	<u>83,916</u>	<u>112,272</u>
Total	\$ 67,727	\$ 39,391	\$ 83,974	\$ 215,132	\$ 173,819
Units					
Single Family	22	24	237	338	183
Multi Family	<u>198</u>	<u>0</u>	<u>0</u>	<u>94</u>	<u>81</u>
Total	220	24	237	432	264

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2018 through 2022
San Diego County
(Dollars in Thousands)

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Valuation					
Residential	\$ 2,673,873	\$ 2,084,655	\$ 2,647,919	\$ 2,610,755	\$ 2,519,824
Non-Residential	<u>1,901,844</u>	<u>2,359,541</u>	<u>1,973,800</u>	<u>2,505,422</u>	<u>1,970,011</u>
Total	\$ 4,575,717	\$ 4,444,196	\$ 4,621,719	\$ 5,116,177	\$ 4,489,835
Units					
Single Family	3,438	3,045	3,160	3,546	3,477
Multi Family	<u>6,132</u>	<u>4,405</u>	<u>6,326</u>	<u>6,646</u>	<u>6,169</u>
Total	9,570	7,450	9,486	10,192	9,646

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

Employment

The following tables show the largest employers located in the City and County as of June 30, 2023.

LARGEST EMPLOYERS City of Escondido (as of June 30, 2023)

<i>Rank</i>	<i>Employer</i>	<i>Employees</i>
1.	Palomar Medical Center	2,906
2.	Escondido Union School District	2,077
3.	City of Escondido ⁽¹⁾	959
4.	Escondido Union High School District	881
5.	Toyota of Escondido	368
6.	Bergelectric	354
7.	Home Depot	332
8.	Vons Grocery Stores	266
9.	The Classical Academies	225
10.	Ne-Mo's Bakery	216

⁽¹⁾ Includes full-time and part-time employees.

Source: City of Escondido Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023.

LARGEST EMPLOYERS County of San Diego (as of June 30, 2023)

<i>Rank</i>	<i>Employer</i>	<i>Employees</i>
1.	University of California, San Diego	35,802
2.	Sharp HealthCare	19,468
3.	County of San Diego	17,954
4.	City of San Diego	11,820
5.	General Atomics	6,745
6.	San Diego State University	6,454
7.	Rady Children's Hospital-San Diego	5,711
8.	San Diego Community College District	5,400
9.	Sempra Energy	5,063
10.	YMCA of San Diego County	5,057

Source: County of San Diego Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023.

Employment and Industry

The City is included in the San Diego-Carlsbad Metropolitan Statistical Area (the “MSA”). The following table represents the Annual Average Labor Force and Industry Employment for the period from 2019 through 2023. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends within the communities served by the District.

INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE San Diego-Carlsbad Metropolitan Statistical Area

	2019	2020	2021	2022	2023
Civilian Labor Force	1,580,800	1,544,300	1,544,400	1,578,500	1,596,400
Civilian Employment	1,529,400	1,399,300	1,444,300	1,523,300	1,534,400
Civilian Unemployment	51,400	145,000	100,100	55,200	62,000
Civilian Unemployment Rate	3.3%	9.4%	6.5%	3.5%	3.9%
Total Farm	9,700	9,200	9,000	9,600	9,500
Total Nonfarm	1,503,100	1,385,800	1,442,100	1,531,200	1,552,100
Total Private	1,254,500	1,148,700	1,204,200	1,284,600	1,300,800
Goods Producing	200,000	195,400	198,500	204,900	205,300
Mining and Logging	400	300	300	400	300
Construction	84,000	81,300	83,800	87,600	89,800
Manufacturing	115,700	113,800	114,400	116,900	115,100
Service Providing	1,303,100	1,190,400	1,243,500	1,326,300	1,346,800
Trade, Transportation and Utilities	224,000	207,800	216,800	222,400	223,100
Wholesale Trade	44,000	41,300	42,100	43,700	43,200
Retail Trade	145,600	133,200	137,600	138,600	139,000
Transportation, Warehousing and Utilities	34,300	33,300	37,100	40,100	40,800
Information	23,500	22,100	21,500	22,100	21,900
Financial Activities	76,500	74,800	76,200	76,900	72,700
Professional and Business Services	255,800	248,300	265,300	282,500	276,000
Educational and Health Services	216,600	210,900	216,700	228,300	243,200
Leisure and Hospitality	201,700	144,800	161,600	193,100	201,600
Other Services	56,400	44,800	47,500	54,400	57,100
Government	248,600	237,100	237,900	246,600	251,300
Total, All Industries	1,512,800	1,395,000	1,451,100	1,540,800	1,561,500

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

Source: State of California, Employment Development Department, March 2023 Benchmark.

The following table summarizes the labor force, employment and unemployment figures for the period from 2019 through 2023 for the City, the County, the State and the nation as a whole.

AVERAGE ANNUAL CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City Of Escondido, County Of San Diego,
State Of California And United States

<i>Year</i>	<i>Area</i>	<i>Labor Force</i>	<i>Employment⁽¹⁾</i>	<i>Unemployment⁽²⁾</i>	<i>Unemployment Rate (%)⁽³⁾</i>
2019	City of Escondido	69,000	66,800	2,200	3.1%
	San Diego County	1,580,800	1,529,400	51,400	3.3
	State of California	19,385,000	18,589,600	795,700	4.1
2020	City of Escondido	66,700	60,600	6,100	9.1%
	San Diego County	1,544,300	1,399,300	145,000	9.4
	State of California	18,958,600	17,037,000	1,921,600	10.1
2021	City of Escondido	66,800	62,500	4,200	6.4%
	San Diego County	1,544,400	1,444,300	100,100	6.5
	State of California	18,956,600	17,568,700	1,387,800	7.3
2022	City of Escondido	68,200	65,900	2,200	3.3%
	San Diego County	1,578,500	1,523,300	55,200	3.5
	State of California	19,169,300	18,348,900	820,400	4.3
2023	City of Escondido	69,000	66,400	2,600	3.8%
	San Diego County	1,596,400	1,534,400	62,000	3.9
	State of California	19,308,300	18,388,300	920,000	4.8

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2023 Benchmark.

Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

Total personal income in San Diego County increased by 51.28% between 2011 and 2020. The following tables summarize personal income for San Diego County for 2011 through 2020.

PERSONAL INCOME
San Diego County
2013-2022
(Dollars in Thousands)

<i>Year</i>	<i>San Diego County</i>	<i>Annual Percent Change</i>
2013	\$155,648,494	--
2014	164,691,400	5.81%
2015	174,081,824	5.70
2016	180,838,809	3.88
2017	187,630,531	3.76
2018	194,949,226	3.90
2019	204,586,175	4.94
2020	222,600,097	8.81
2021	240,216,669	7.91
2022	243,506,541	1.37

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

The following table summarizes 10 years of per capita personal income for the County, State and United States from 2013 through 2022. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME⁽¹⁾
2013 through 2022
San Diego County, State of California, and United States

<i>Year</i>	<i>San Diego County</i>	<i>State of California</i>	<i>United States</i>
2013	\$48,645	\$48,076	\$44,401
2014	50,915	50,619	46,287
2015	53,357	53,817	48,060
2016	55,074	55,863	48,971
2017	56,969	58,214	51,004
2018	59,014	60,984	53,309
2019	62,034	64,174	55,547
2020	67,536	70,061	59,153
2021	73,350	76,991	64,430
2022	74,326	77,036	65,470

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

Taxable Sales

The following tables show a five-year history of taxable sales for the City and the County:

**TAXABLE SALES
2019 through 2023
City of Escondido
(Dollars in Thousands)**

<i>Year</i>	<i>Retail and Food Services Permits</i>	<i>Retail Stores and Food Services Taxable Transactions</i>	<i>Total Permits</i>	<i>Total Taxable Transactions</i>
2019	2,594	\$2,515,560	4,410	\$3,247,673
2020	2,810	2,253,007	4,787	2,963,133
2021	2,559	2,863,248	4,394	3,723,877
2022	2,623	3,005,771	4,528	3,604,200
2023	2,568	2,863,567	4,435	3,721,485

Source: Taxable Sales in California, California Department of Tax and Fee Administration.

**TAXABLE SALES
2018 through 2022
San Diego County
(Dollars in Thousands)**

<i>Year</i>	<i>Retail and Food Services Permits</i>	<i>Retail Stores and Food Services Taxable Transactions</i>	<i>Total Permits</i>	<i>Total Taxable Transactions</i>
2019	59,447	\$42,816,938	101,901	\$61,365,277
2020	62,897	41,336,898	109,428	58,814,528
2021	55,683	49,817,135	98,392	71,588,741
2022	56,988	55,405,594	101,259	80,699,961
2023	55,609	54,839,969	99,265	80,308,649

Source: Taxable Sales in California, California Department of Tax and Fee Administration.

Transportation

Interstate 15 serves the City, extending from San Diego through to Riverside and Las Vegas, Nevada. State Highway 78 runs west to east from the coastline between Oceanside and Carlsbad through the City to Interstate 10 and is one of the main east/west corridors through the County.

The Santa Fe Railroad has a freight service line serving the City, and Amtrak provides passenger service from Oceanside on the San Diego/Los Angeles line. The Sprinter provides commuter rail service from the City to Oceanside.

Two airports serve North County. San Diego International Airport (Lindbergh Field), 35 minutes from the City, provides access to fourteen major national and international commercial airlines and fourteen freight forwarding companies. The smaller McClellan-Palomar Airport, 15 minutes from downtown of the City, offers commercial service to Los Angeles, Las Vegas, Nevada and Phoenix, Arizona. McClellan Palomar also offers complete private aircraft service.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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

[Closing Date]

City of Escondido
Community Facilities District No. 2022-1 (Eclipse/Mountain House)
Escondido, California

Re: *\$3,350,000 Community Facilities District No. 2022-1 of the City of Escondido
(Eclipse/Mountain House) Special Tax Bonds, Series 2024*

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City of Escondido (the “City”) taken in connection with the formation of Community Facilities District No. 2022-1 of the City of Escondido (Eclipse/Mountain House) (the “District”) and the authorization and issuance of the District’s Special Tax Bonds, Series 2024 in the aggregate principal amount of \$3,350,000 (the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the City, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), a resolution adopted by the City Council of the City, acting in its capacity as the legislative body of the District (the “City Council”) on April 10, 2024 (the “Resolution”), and a Bond Indenture (the “Indenture”) dated as of May 1, 2024, by and between the District and The Bank of New York Mellon Trust Company, N.A, as trustee (the “Trustee”). All capitalized terms not defined herein shall have the meaning set forth in the Indenture.

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

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

(2) The Indenture has been duly executed and delivered by the District. The Indenture creates a valid pledge of, and the Bonds are secured by, the Net Taxes and the amounts on deposit in certain funds and accounts established under the Indenture, as and to the extent provided in the Indenture. The Indenture is enforceable in accordance with its terms; provided, however, we express no opinion as to the enforceability of the covenant of the District contained in the Indenture to levy Special Taxes for the payment of Administrative

Expenses or as to indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained therein.

(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations.

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

(5) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner’s basis in the applicable Bond. Original issue discount that accrues for the Bond Owner is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals (as described in paragraph (3) above) and is exempt from State of California personal income tax.

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

The opinions expressed in paragraphs (3) and (5) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District, the City and others and are subject to the condition that the District and the City comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District and the City have covenanted to comply with all such requirements. Other provisions of the Code may give rise to adverse federal income tax consequences to particular Bond Owners. Except as set forth in paragraphs (3), (4), (5) and (6) above, we express no opinion as to any tax consequences related to the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate executed by the District and the City and other documents related to the Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on any Bond if any such change occurs or

action is taken or omitted upon advice or approval of bond counsel other than Stradling Yocca Carlson & Rauth LLP.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

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

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur).

Respectfully submitted,

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APPENDIX D
APPRAISAL REPORT

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APPRAISAL REPORT

UPDATED REPORT

COMMUNITY FACILITIES DISTRICT 2022-1 ZONE A (ECLIPSE BY CALIFORNIA WEST COMMUNITIES) CITY OF ESCONDIDO

Escondido, California
(Appraisers' File No. 2024-1291)



Prepared For

City of Escondido
201 North Broadway
Escondido, California 92025

Prepared By

Kitty Siino & Associates, Inc.
115 East Second Street, Suite 100
Tustin, California 92780

KITTY SIINO & ASSOCIATES, INC.

REAL ESTATE APPRAISERS & CONSULTANTS

March 11, 2024

Christina Holmes, Director of Finance

City of Escondido

201 North Broadway

Escondido, California 92025

Reference: Appraisal Report
Community Facilities District No. 2022-1 Zone A
Eclipse by California West Communities
Southwest corner of South Centre City Parkway and Brotherton Road
Escondido, California

Dear Ms. Holmes:

At the request and authorization of the City of Escondido, we have completed an updated Appraisal Report of Zone A ("CFD No. 2022-1 Zone A") of Community Facilities District No. 2022-1 of the City of Escondido ("CFD No. 2022-1") which consists of a townhome neighborhood known as Eclipse being built and marketed by CWC Escondido 113 LLC ("CWC Escondido 113"), a related entity to California West Communities. CFD No. 2022-1 Zone A is proposed for 113 single family townhomes known as Eclipse. Out of the total 113 proposed homes, 97 have closed to individuals with the final 16 houses all in escrow and due to close within the next month. The physical status of the lands is all 113 houses over 95 percent complete.

The valuation methods used in this report are the Sales Comparison Approach and a Discounted Cash Flow Analysis, along with a mass appraisal technique for the existing homes as defined within this report. The fee simple estate of the subject property has been valued subject to the lien of CFD No. 2022-1 Zone A. This report is written with the special assumption that the subject properties are enhanced by the improvements and/or fee credits to be funded by the special tax bonds proposed to be issued by CFD No. 2022-1 (the "City of Escondido CFD No. 2022-1 Zone A Special Tax Bonds").

As a result of our investigation, the concluded minimum market value for CFD No. 2022-1 Zone A is:

Eclipse:

CWC Escondido 113 Ownership (16 houses)	\$ 8,097,052
Individually Owned Homes Minimum Market Value (97 houses)	<u>\$ 62,411,040</u>

Aggregate Appraised Value for CFD No. 2022-1 Zone A **\$ 70,508,092**

The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of February 9, 2024.

Ms. Holmes
City of Escondido
March 11, 2024
Page Two

Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. This Appraisal Report is intended to comply with both the Uniform Standards of Professional Appraisal Practice ("USPAP" January 2020 - 2022) and with the Appraisal Standards of the California Debt and Investment Advisory Commission ("CDIAC"). The appraiser is not responsible for unauthorized use of this report.

This letter of transmittal is part of the attached report, which sets forth the data and analyses upon which our opinion of value is, in part, predicated.

Respectfully submitted,

KITTY SIINO & ASSOCIATES, INC.



Kitty S. Siino, MAI
California State Certified General
Real Estate Appraiser (AG004793)

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ADDENDA

Escondido CFD 2022-1 Zone A Boundary Map
Map Nos. 16458, 16559 and Precise Development Plans for North & South
Discounted Cash Flow Analysis
Improved Residential Sales Map and Summary Chart
Appraisers' Qualifications

ASSUMPTIONS AND LIMITING CONDITIONS

1. This report might not include full discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. It is assumed that the subject property is subject to the special tax lien of CFD No. 2022-1 Zone A.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable; however, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material used in this report are included only to assist the reader in visualizing the property and may not be to scale.
7. It is assumed that there are no hidden or unapparent conditions of either property, subsoil or structures that would render them more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch or photograph included in this report may show approximate dimensions and is included only to assist the reader in visualizing the properties. Maps, photographs and exhibits found in this report are provided for reader reference

purposes only. No guarantee regarding accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements (if any) are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert relating to asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials that may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Proposed improvements, if any, are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings, if any, must not be used in conjunction with any other appraisal and are invalid if so used.
16. The Americans with Disabilities Act ("ADA") became effective on January 26, 1992 and has been updated several times since then. The appraiser has made no specific compliance survey and analysis of the property to determine whether they conform to the various detailed requirements of the ADA, nor is the appraiser a qualified expert regarding the requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, a possible noncompliance with requirements of the ADA in estimating the value has not been considered.
17. It is assumed there are no environmental concerns that would slow or thwart development of the subject properties and that the soils are adequate to support the highest and best use conclusions.
18. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party

to whom it is addressed without the written consent of the appraiser, and in any event, only with proper qualification and only in its entirety. Permission is given for this appraisal to be published as a part of the Official Statement or similar document for the City of Escondido CFD No. 2022-1 Zone A Special Tax Bonds.

HYPOTHETICAL CONDITION

1. It is assumed that all improvements and/or benefits to the subject properties, which are to be funded by the City of Escondido CFD No. 2022-1 Zone A Special Tax Bond proceeds are completed and in place.

EXTRAORDINARY ASSUMPTION

1. It is assumed that both the sales information and the remaining costs to develop the subject property are true and correct. We have reviewed the sales information, and it appears reasonable; however, we have not reviewed escrow documents on each individual sale. We have received estimates of the remaining fees provided by California West Communities and/or their representatives. We have reviewed these remaining fees/costs, and they appear reasonable; however, we are not experts in the cost estimating field and are relying on these costs in the valuation. If actual remaining costs differ, it may change the value conclusions.

City of Escondido
Community Facilities District No. 2022-1 Zone A
(Eclipse)



PURPOSE OF THE APPRAISAL

The purpose of this appraisal report is to estimate the value of the fee simple interest of the subject property, subject to the special tax lien of the City of Escondido CFD No. 2022-1 Zone A Special Tax Bonds.

THE SUBJECT PROPERTY

The subject property consists of 113 proposed 3-story townhomes within the gated community known as Eclipse in Escondido in North San Diego County located at the southwest corner of Brotherton Drive and South Centre City Parkway. Eclipse is covered by Map Numbers 16458 and 16559 along with approved development site plans. The ownership and condition of the lands is detailed in the table below.

Description	No. Lots	Ownership	Condition/Status
Units 1-81 of Map 16458 and Units 82-84, 86-87, 99-102, 105-107 and 110-113 of Map 16559	97	Individuals	Completed Houses / Closed
Units 85, 88-98, 103-104 and 108-109 of Tract 16559	<u>16</u>	CWC Escondido 113	Homes over 95% Complete (all in escrow)
Total Eclipse	<u>113</u>		

INTENDED USE OF THE REPORT

It is the appraiser's understanding that the client, the City of Escondido, will utilize this report in disclosure documents related to the sale of the City of Escondido CFD No. 2022-1 Zone A Special Tax Bonds. This report may be included in the Official Statement or similar document to be distributed in connection with the marketing and offering of the bonds. It is the appraiser's understanding that there are no other intended uses of this report.

DEFINITIONS

Market Value

The term "Market Value" as used in this report is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1. buyer and seller are typically motivated;*
- 2. both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest;*
- 3. a reasonable time is allowed for exposure in the open market;*
- 4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- 5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*¹

Inherent in the Market Value definition is exposure time or the time the subject property would have been exposed on the open market prior to the appraisal in order to sell at the concluded values. In the case at hand and considering current market conditions the exposure time for each individually owned property or the entire developer owned property in a bulk sale is less than one year.

Aggregate Retail Proceeds

As used in the Discounted Cash Flow Analysis, Aggregate Retail Proceeds is defined:

"The sum of the appraised values of the individual units, as if all of the units were completed and available for retail sale, at date of value. The sum includes an allowance for lot premiums, when applicable. This is not the market value of the project in bulk."

Bulk Value

Bulk Value is defined as:

¹ The Appraisal of Real Estate, 13th Edition

The value of a group of lots, parcels, or homes to a single purchaser, on a specified date, under the terms and conditions of the definition of market value.

Discounted Cash Flow (DCF) Analysis

A Discounted Cash Flow Analysis is:

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate.

Finished Lot/Pad

The term “Finished Lot/Pad” is defined as:

“A parcel which has legal entitlements created by a recorded subdivision map and a condominium or site plan map, whose physical characteristics are a fine graded level pad per unit with infrastructure contiguous to each individual pad, asphalt paved roads and the necessary utilities. This term assumes the payment of all applicable development fees with the exception of building permit and plan check fees.”

Minimum Market Value

The term “Minimum Market Value” as used in this report is defined as:

“The base market value of a new home. That is, most buyers purchase some upgrades, options and/or lot premiums when purchasing a new home. The sales price for the new home typically includes the base price for the plan, plus any upgrades, options or lot premiums, less concessions, if any, which were given or paid for by the builder and/or lender. The concluded minimum market value is for the base value of the plan only, not taking into consideration any upgrades, options or premiums.”

Mass Appraisal

The term “Mass Appraisal” as used in this report is defined as:

“The process of valuing a universe of properties as of a given date using standard methodology employing common data and allowing for statistical testing”²

² USPAP 2014-2015 Edition

In the case at hand, the statistical testing included reviewing all original builder sales and reviewing the Multiple Listing Service (“MLS”) for any re-sales and/or listings of each plan type. In addition, we have determined the actual range of sales prices for each plan type which will be utilized in the valuation process. The search of the MLS and inspection of the site resulted in no current resale listings and no resales within the subject property.

Hypothetical Condition

The Term “Hypothetical Condition” is defined by USPAP as:

“That which is contrary to what exists but is supposed for the purpose of the analysis”

The Hypothetical Condition within this report is that subject property is enhanced by the improvements and/or fee credits to be funded by the bonds issued by CFD No. 2022-1 Zone A.

Extraordinary Assumption

The term “extraordinary assumption” is defined by USPAP as:

“An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusion”

The extraordinary assumption in this report is that the reported sales information and remaining costs/fees as received from the developer and/or their representatives are true and accurate. We have reviewed the sale information, and it appears reasonable. However, we have not reviewed escrow documents on each sale. We have reviewed the remaining costs and fees and they appear reasonable; however, we are not experts in the field of cost estimating. It should be noted that these costs were relied upon in the valuation of the subject property and if actual costs differ, it may change the value conclusions.

PROPERTY RIGHTS APPRAISED

The property rights being appraised are of a fee simple estate interest, subject to easements of record and subject to CFD No. 2022-1 Zone A. The definition of “fee simple estate” is defined as:

“absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”³

EFFECTIVE DATE OF VALUE

The subject properties are valued as of February 9, 2024.

DATE OF REPORT

The date of this report is March 11, 2024.

SCOPE OF APPRAISAL

As previously stated, the purpose of this appraisal is to report the appraiser’s best estimate of the market value for the subject property, CFD No. 2022-1 Zone A, which is known as the townhome neighborhood of Eclipse in the City of Escondido. Eclipse is being developed by CWC Escondido 113 LLC (a related entity to California West Communities). Out of the total 113 proposed houses in CFD No. 2022-1 Zone A all houses are over 95 percent complete including 97 homes closed to individuals with the final 16 all in escrow and due to close within the next month. This appraisal will be presented in the following format:

- County of San Diego Description
- City of Escondido Description
- Immediate Surroundings Description
- Brief Description of City of Escondido CFD No. 2022-1 Zone A
- Subject Property Description
- San Diego County Residential Market Analysis

³ The Appraisal of Real Estate, 13th Edition

- Highest and Best Use Analysis
- Valuation Procedure, Analysis and Conclusions
- Appraisal Report Summary

In valuing the subject property, the value estimates will be based upon the highest and best use conclusion using the Sales Comparison Approach along with a Discounted Cash Flow Analysis for the various bulk-owned property. The Sales Comparison Approach to value is defined as:

“...a set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sales prices of the comparables based on the elements of comparison. The Sales Comparison Approach may be used to value improved properties, vacant land or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales is available.”⁴

In the Sales Comparison Approach, market value is estimated by comparing properties similar to the subject that have recently been sold, are listed for sale or are under contract. Neither a cost or income approach was utilized as they were not considered necessary to arrive at credible results. As the builder owns 16 houses over 95 percent complete within the subject property, a Discounted Cash Flow Analysis will also be utilized. Finally, we will utilize a mass appraisal technique which includes reviewing all builder sales for each plan and searching the MLS for any resales and/or resale listings.

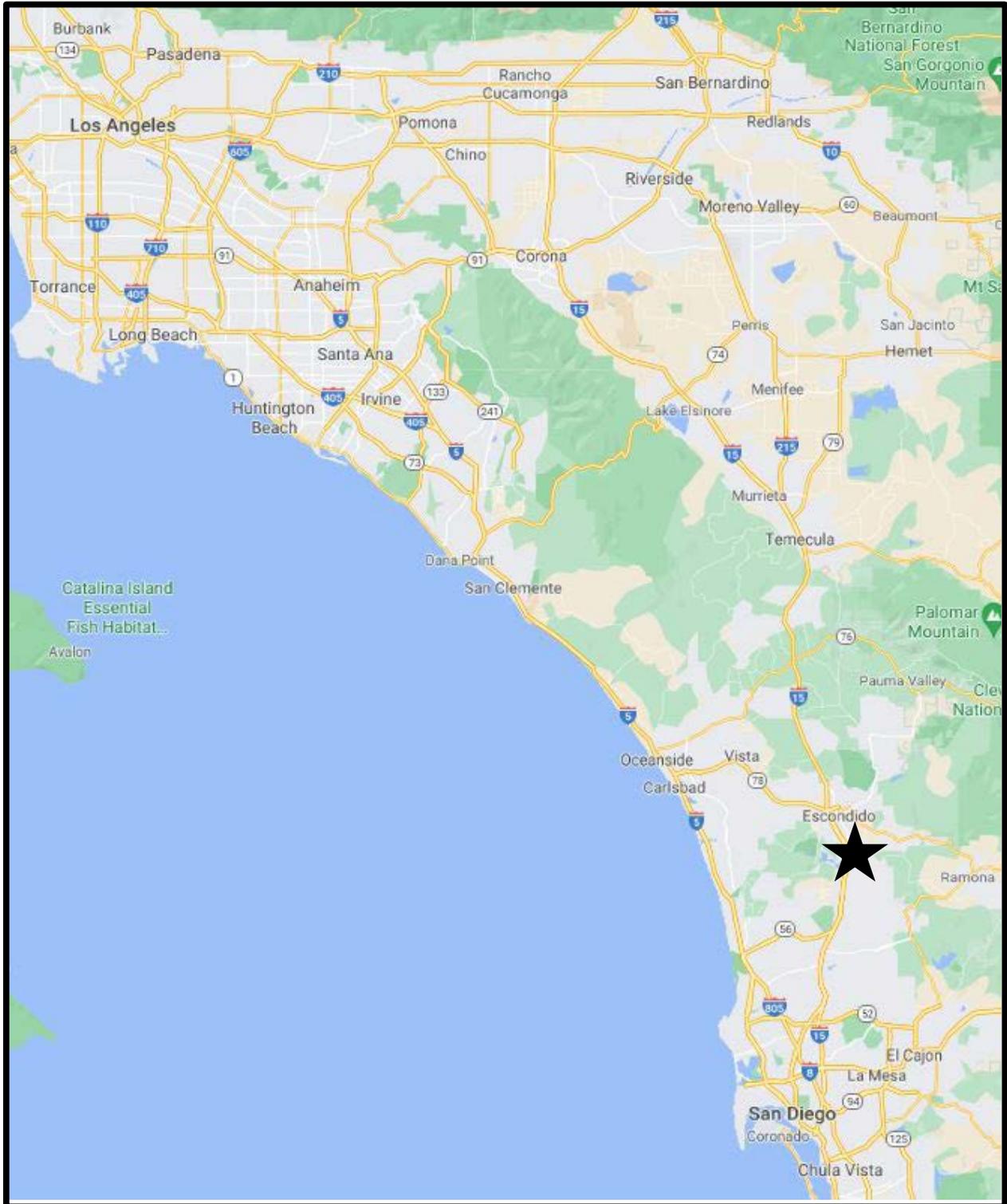
The due diligence of this appraisal report included the following:

1. Compiled demographic information and related that data to the subject properties to perform a feasibility/demand analysis.
2. Gathered and analyzed information on the subject marketplace, reviewed several real estate brokerage publications on historical and projected growth in the subject market and researched the micro and macro-economic outlook within San Diego County and the Escondido market area.
3. Inspected the subject properties between November 1, 2023, and February 9, 2024.
4. Had the site flown by an aerial photographer on November 11, 2023.

⁴ Dictionary of Real Estate Appraisal, Fourth Edition, 2002

5. Interviewed representatives from California West Communities in order to obtain project information.
6. Reviewed Title Reports on the subject property.
7. Reviewed Phase I and Limited Phase II reports on the subject property.
8. Reviewed Soils Reports for the subject property.
9. Searched the area for relevant comparable residential land sales, inspected and verified each sale with a buyer or seller or broker familiar with the transaction.
10. Searched the area for relevant comparable new home residential projects, including sales prices and concessions and interviewed representatives from each comparable project.
11. Reviewed the sales brochures on the subject neighborhood.
12. Reviewed builder sales information on each home.
13. Reviewed Multiple Listing Service information to determine if there are any resales, pending sales or listings of resale homes within Eclipse.

COUNTY OF SAN DIEGO AREA REGIONAL MAP



COUNTY OF SAN DIEGO AREA DESCRIPTION

General Surroundings

The subject property is located in the northern portion of the County of San Diego (the "County") in the southern portion of the City of Escondido. The County is located in the southwest corner of the State of California bordering Mexico on the south, Imperial County to the east, and Riverside and Orange Counties to the north. The Pacific Ocean is its western border. The County has approximately 4,525 square miles (325 square miles of which is water) and includes terrain from ocean beaches to foothills to mountains and deserts. San Diego County has 70 miles of coastline and the climate ranging from Mediterranean to semi-arid.

Population

The San Diego region experienced faster growth rates than most of California during the past several decades. Between January 1990 and January 2010, the population grew from 2,480,072 to 3,095,313 or an annual average growth of approximately 1.1 percent per year with the growth from January 2010 to January 2019 (population 3,333,319) averaging 0.83 percent per year. Between January 2020 (3,298,634) and January 2023 (3,269,755) the population has decreased an average amount of 0.48 percent per year. According to the California Department of Finance, the population decrease in the County is consistent with the State which experienced a 0.53 percent decrease in January 2022 and a 0.35 percent decrease in January 2023, reportedly due to sharp declines in natural increase (net number of births minus deaths) and foreign immigration along with domestic out-migration. The migration is thought to be due to several factors which include the high cost of living in California coupled with the work from home factor which began during COVID which allows some employees to work in California however live in a lower cost of living state. The most recent projections from SANDAG (San Diego's regional planning agency) are for the county population to increase to 3,620,329 by 2035 which reflects a 0.85 percent average annual increase over the next twelve years. It should be noted that the most recent population estimated we could find were completed in 2016, prior to the decrease in population.

Transportation

Four major interstate freeways bisect the County: Interstate 5, Interstate 15, Interstate 8 and Interstate 805. Interstate 5 is the major north/south arterial throughout the State of California. It generally follows the coastal route in the San Diego County area. Interstate 15 is also a north/south arterial; however, it is located inland through the more mountainous regions of the County. Interstate 8 provides east/west access through the southern portion of the County, while Interstate 805 generally parallels Interstate 5 beginning near Del Mar providing a third north/south route between I-15 and I-5.

The County is well served with train service by Amtrak, Metrolink and the Coaster. In addition, downtown San Diego has a trolley which provides access around the downtown area and to the Mexican border. Air service is provided by San Diego International Airport (approximately 25 miles south), John Wayne Airport in Orange County (approximately 60 miles northwest), and Palomar Airport in Carlsbad (approximately 10 miles west).

Economy

The U.S. economy in the past few years has experienced challenging times due to reactions from the COVID disruption. These economic challenges include significant inflation, increasing interest rates, banks' instability and reaching an agreement on the debt ceiling. During COVID, the Federal, State, County and City Governments ("Governments") originally shut down non-essential businesses and areas where social gatherings occur in order to slow the spread of the virus. This created a strain on small and large businesses alike. Restaurants and hotels were hit hard and travel reduced drastically as citizens were urged to stay home. Layoffs occurred with reports of 40 million people filing for unemployment the first few months of the pandemic. The Governments attempted to curtail the job losses and hardships with the approval of over \$5.6 trillion in COVID relief to our nation. In addition, the Federal Reserve Board ("Board") reduced interest rates and started quantitative easing by buying bonds. This legislation helped shore up the U.S. economy; however, due to the significant amount of new money introduced into the economy, inflation began occurring at a rate not seen for 40 years. As of December 2023, the national inflation rate was at 3.4 percent; up from a low of 2.97 in

July 2023, and down from the peak in June 2022 of 9.1 percent. This compares to a 1.24 annual percent rate for 2020 and an average of 1.74 percent annual rate for the previous ten years. Whether it is a result of world turmoil, supply chain issues due to COVID or from the additional money entering the economy, inflation has been hitting Americans hard.

In an effort to curb inflation, the Federal Reserve Board (“Board”) began raising interest rates. Between March 2022 and August 2023, there were eleven interest rate increases rising the Federal Funds Rate (“FFR”) from 0.25 – 0.50 percent to 5.25 – 5.50 percent. The Board has not increased rates since August due to the decrease in inflation coupled with other signs in the economy. While the eleven increases appeared to help slow inflation, the quick, significant increases strained bank balance sheets. Three major banks failed in early 2023 with the government taking unprecedented action to help shore them up. At the most recent Board meeting (January 31, 2024) they continued to pause the increases for the fourth meeting in a row, however stated there would probably not be a cut in March, as was anticipated by the markets, which was shown in a decrease of over 300 points in the DJIA. After the December Board meeting, some analysts had predicted the first Federal Funds Rate cut would be in March which created a boon to the economy as the stock market increased to an all-time high and bond rates decreased the end of December and in January 2024 based on the news. In addition to causing bank instability, the FFR increases over the past couple years increased a typical 30-year fixed mortgage rate from 2.98 percent as of November 10, 2021, to the high of 7.79 percent as of October 2023; however, the rate has dropped to 6.9 percent as of February 22, 2024 (per Federal Reserve Economic Data-St. Louis). This steep increase over the past two years has significantly affected the real estate market.

The COVID disruption to the economy also caused extreme volatility in the stock market with the Dow Jones Industrial Average (“DJIA”) dropping from 29,398 in February 2020 to 19,174 in March 2020, a drop of 37 percent. The Government interventions resulted in a bounce back in the DJIA to 27,111 by June 2020 with the stock market then climbing up to a peak of 36,799 in January 2022. In February 2022, Russia began invading Ukraine

which caused volatility in world economics followed by U.S. inflation, interest rate increases and instability in the U.S. due to the debt ceiling being reached. In addition, Israel declared war on Hamas on October 7, 2023, which added to the strain. All of these factors caused a drop in the DJIA of over ten percent from January 2022 to the low on October 27, 2023 (32,418); however, the Federal Reserve Board's notes from December coupled with strong economic news, brought the stock market to a new all-time high of 39,069 (February 22, 2024). It appears the recent Board's decision not to increase rates further and their suggestion that a decrease may occur in the next year has been generally well received by investors. Current concerns on the U.S. economy include the nation's debt limit which can only be increased through government approvals. The current partisanship in our government caused a stand-off in increasing the debit limit which has been in danger of being reached numerous times with several temporary deals being reached, however, no permanent agreements at this time.

The significant increase in mortgage rates over the past year is just one part of the puzzle affecting the impact of new housing on the broader economy. Additional risks include homebuilders trying to find balanced inventory levels, supply chain issues, both wage and price increases, and persistent inflation. Over the past 25 years, San Diego County's economy has had significant cycles with home prices almost doubling from 1995 to 2005, then falling by over 40 percent during the Great Recession, taking prices back to around 2002 levels. Home values appeared to hit bottom in 2009 then remained essentially flat for two to three years with the majority of the County housing market seeing an improvement beginning in early-2012. Contrary to homebuilder's original thoughts of a slowdown due to the COVID pandemic, new home buyers stepped up in the spring of 2020 and new home sales were significantly higher during the second half of 2020 versus the previous year and continued extremely strong throughout 2021 and the first half of 2022. This exceptional activity in new home sales was the one bright spot in the COVID disruption and is thought to be due to several factors, including: a tight supply of resale homes; historically low interest rates; millennials finally buying homes; and the work from home factor which began during the pandemic and allowed residents to live in more suburban areas without long commutes. As rates began increasing in early 2022, there

was a significant slowdown in sales and softening of prices within the County. The high mortgage rates have significantly slowed existing homeowners from moving, and the limited availability of existing homes on the market has resulted in new homes capturing a larger share of the total home sales.

While most jobs have come back, job losses were significant during the COVID recession as the Nation’s unemployment rate went from 3.5 percent in February 2020 to 14.4 percent in April 2020, with the December 2023 National unemployment rate at 3.5 percent (Employment Development Department, not seasonally adjusted). The unemployment rate for San Diego County was estimated at 4.3 percent (as of December 2023 per the Employment Development Department). This reflects a decrease from the peak during the Great Recession of 11 percent in 2010 and a decrease from the peak during COVID of 15 percent. The current unemployment rate for the County of 4.3 percent is lower than the California rate at 5.1 percent and higher than the December 2023 National rate of 3.5 percent. Below is a table comparing San Diego County’s unemployment rate to the unemployment rates of the surrounding counties as of December 2023.

Jurisdiction	As of	Unemployment Rate*
Los Angeles County	Dec-2023	5.0%
Riverside County	Dec-2023	5.2%
San Bernardino County	Dec-2023	5.0%
Orange County	Dec-2023	3.8%
San Diego County	Dec-2023	4.3%

Source: State of California E.D.D.; *Not Seasonally Adjusted

The latest UCLA Anderson Forecast (“Forecast”) was issued December 6, 2023, and stated they predict no recession but a weak U.S. Economy in 2024. They believe with retail sales continuing to have robust growth and the backlog of durable goods orders growing along with factory construction soaring, that core inflation will continue to come down. As of December, they expected the Fed to continue to pause increases and are forecasting that that Board will hold the rate until the sufficient weakness in the economy which they forecast will be in mid-to-late 2024. They opine that while monetary policy

tightened, fiscal policy eased with the combination of the CHIPS Act, the Infrastructure Act and the Inflation Reduction Act which all added significant demand to the economy and increased investment. They do state that the impact of higher interest rates will be felt in restraining growth in 2024. The Forecast mentions risks to their current forecast include a possible shutdown of government, geopolitical events and the possibility of a different national economic policy in 2025 due to the election.

The UCLA Forecast for California is typically more positive than the overall Nation due to job growth in California; however, this Forecast suggests a slower-growing California economy. They do believe that employment numbers for the fourth quarter 2023 and beginning of 2024 will see small but positive growth. The unemployment rate for the fourth quarter of 2023 is expected to average 4.7 percent while the average for 2024 and 2025 is forecast to be 4.5 percent and 3.8 percent respectively. Total employment growth rates are forecast to be 0.3 percent in 2024 and 0.9 percent in 2025 while real personal income is forecast to grow by 1.7 percent in 2024 and 2.7 percent in 2025. Despite the higher interest rates, the continued demand for limited housing stock, coupled with state policies should induce new homebuilding. They are estimating 127,000 net new units to be permitted in California in 2024 and grow to 155,000 in 2025.

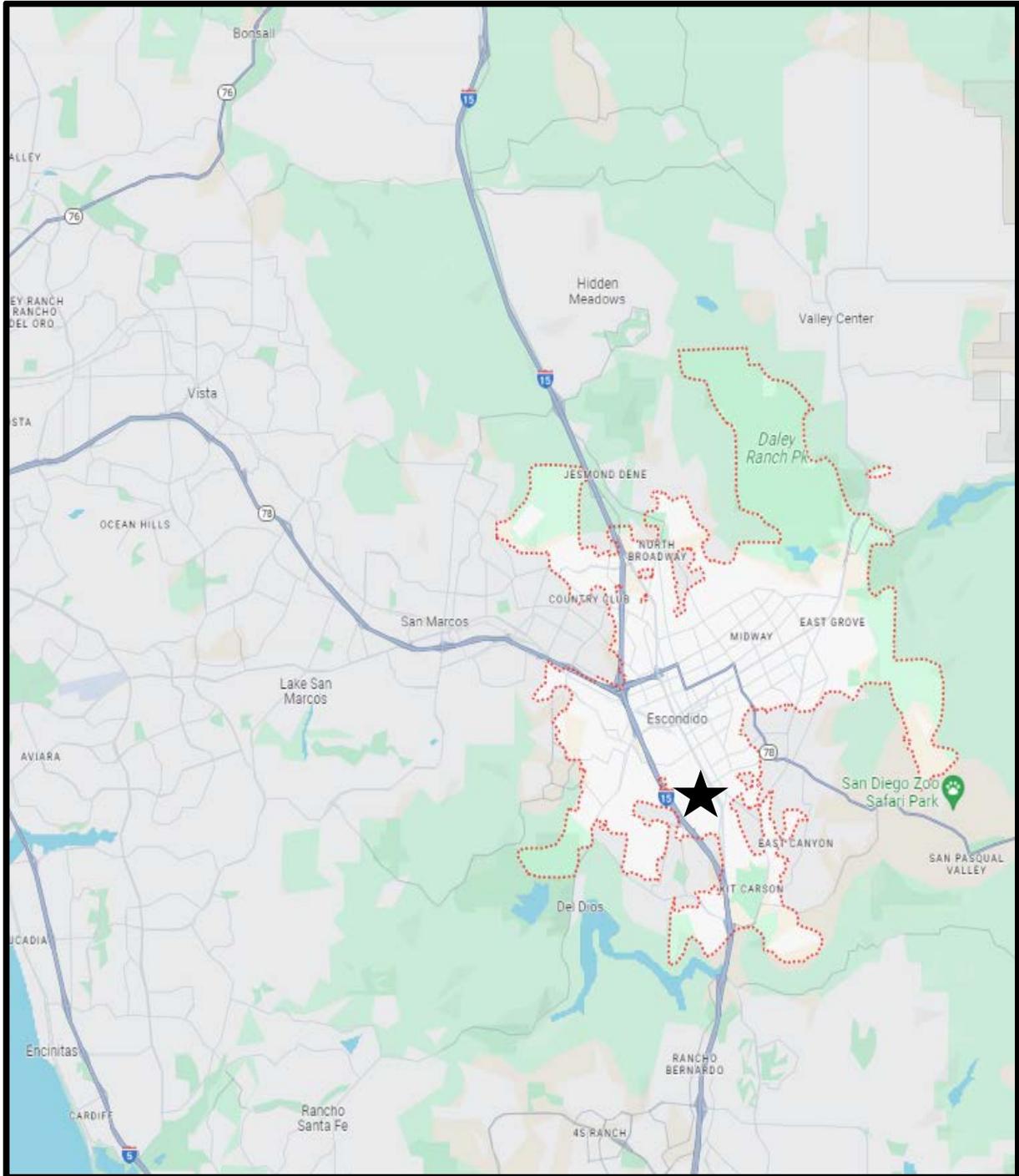
One bright spot in the current economy is sales of new homes. While existing homeowners are reluctant to put their houses on the market due to their under-four percent mortgages, new home sales continue. Even with rates in the seven percent range, new homes are still selling. This is partially due to the extremely limited availability of existing homes on the market, coupled with homebuilders offering to buy-down interest rates to help new home buyers. While new homes historically captured 10 – 13 percent of total home sales; over the past year new homes are capturing over 30 percent of total home sales. This rush to new home purchases has put pressure on pricing, even while interest rates have soared. During the Great Recession median housing prices (existing) increased in San Diego County changing from \$191,818 in 1997 to a peak of \$616,870 in August 2005 to a low of \$326,832 in March 2009. Median prices surpassed the pre-recession high and as of March 2020 were \$675,000 while January 2024 median prices

in the County are \$925,000 (an increase of 12.1 percent year over year) per the California Association of Realtors. This will be discussed further in the San Diego County Housing Market section later within this report.

Conclusion

Population in the County has increased over the past 30 years with predictions for continued population growth, even though the State and County have lost population over the past couple years. The Nation's economy has been slowing after the Board increased the FFR over five percent to fight historical inflation which began during COVID. One bright spot during COVID was housing due to low interest rates, coupled with the rising prices in the coastal market and the demand for housing, set up a new housing boom in the inland markets. This was followed by a significant drop in sales due to existing homeowners being unwilling to give up their low-rate mortgages which has created additional sales of new homes. Current concerns for the San Diego County economy include stubborn inflation, the high prices of homes, higher interest rates, supply chain issues, possible government shutdown along with the Russian/Ukraine and Israel/Palestine conflicts, which are all creating volatility in both local and global financial markets. In conclusion, the County is expected to continue to grow in population due to its Southern California location.

CITY OF ESCONDIDO AREA MAP



CITY OF ESCONDIDO DESCRIPTION

General Area

The City of Escondido ("City") is located in the northern portion of San Diego County at the intersection of I-15 and State Route 78 (Escondido) Freeway. It is adjacent to the west of San Marcos and surrounded by unincorporated County lands to the north, east and south. Escondido is 27 miles northeast of San Diego and 97 miles southeast of Los Angeles. The City encompasses 37.5 square miles and was incorporated on October 8, 1888. The subject property is located about three miles south of Highway 78 and ½ mile east of I-15 in the southern portion of the City.

The City is bounded by the City of San Marcos and unincorporated lands to the west; Harmony Grove and the Elfin Forest (unincorporated County lands) to the southwest; the community of Rancho Bernardo to the south; The San Diego Zoo Wild Animal Park to the southeast; unincorporated lands to the east, Valley Center to the northeast and unincorporated lands beyond which is Bonsall to the north.

Population

At incorporation in 1888 the City had an estimated population of 500. Slow growth occurred over the next 60 years with the 1950 population at 6,544 when the area's growth took off. As WWII ended, industry grew bringing people to the area with the population generally doubling every 10 years to 16,377 in 1960; 36,792 in 1970, 64,355 in 1980 and 108,635 in 1990. The January 2023 population of Escondido (most recent available) is estimated at 149,799 per the California Department of Finance. This represents a decrease of 0.2 percent from January 2022, similar to the County and State reported decrease. Historically the growth of the city has been slowing due to the essential build-out of the available land for development. Between 2011 and 2014 the population grew between 1.0 and 1.5 percent per year while between 2015 and 2018 the population grew between 0.5 and 1.0 percent reflecting the essential build-out. According to the SANDAG population growth forecast for 2021 Escondido had a population of 150,978 in 2016 and is forecasted to reach 163,593 in 2025 which suggests an annual population growth of

0.9 percent which doesn't appear to have occurred the past few years. The subject new home project will bring new growth to the City.

History

Escondido was discovered and first identified by Juan Bautista de Anza, a Spanish explorer in 1776. Escondido means hidden in Spanish. The area became part of the Rancho Rincon del Diablo land grant conveyed to Juan Bautista Alvarado in 1843 by the Mexican governor at the time. In 1886 the Escondido Land and Town Company acquired the land grant, laid out the town site and divided the valley into small farms for grapes and citrus. They offered free land to anyone who would build a church or school enticing the beginning of the Lime Street School (first area school) and for the University of Southern California to build a seminary. In 1887 the Escondido Land and Town Company invested in the railroad and in 1888 the Oceanside to Escondido line was opened making travel to the area easier. The City grew slowly but steadily as an agricultural center and the location was ideal for grapes, citrus and later avocados. Prior to prohibition there were over a dozen wineries in Escondido but only one survived. Currently there are 19 wineries, three urban tasting rooms and four craft breweries in the City including Stone Brewing Company, a successful, internationally known brewery.

Access/Commercial

Escondido is located around the interchange of Highway 78 and I-15 with generally six on/off ramps providing access into the City. Along I-15, north of Highway 78, Centre City Parkway provides access downtown as the Business route for I-15 and El Norte Parkway are the on-off ramps. Highway 78 provides access to Oceanside and the Pacific Ocean to the west while to the east of I-15 it becomes a commercial corridor and branches off to the south. South of Highway 78 the offramps in the City include Valley Parkway which provides access into the downtown area, Auto Park Way/5th Avenue and Citracado Parkway/Felicita Road which provides access into the south-end of town from I-15, near the subject property.

The largest retail areas within the City include the downtown area along Centre City Parkway, the North County Westfield Mall located at the southern end of the City and the Auto Park and surrounding retail located near Valley Parkway and Auto Park Way, also at the southern end of the City. The Auto Mall includes most of the major dealerships including Acura, Audi, Chevrolet, Ford, Honda, Kia, Mazda, Mitsubishi, Volkswagen and Volvo. Retail surrounding the Auto Mall includes the Escondido Promenade which is anchored by Target and Dicks sporting goods, a Home Depot/Albertson's anchored shopping center, an Aldi/BevMo anchored center and several surrounding smaller strip centers. In the northwest portion of the City, is the El Norte Parkway Plaza anchored by Von's supermarket and Nordahl Marketplace (in the City of San Marcos) with a Walmart and Kohl's, across from a Costco.

Housing/Development

The major residential developments currently selling within the City include Eclipse (marketed by California West Communities - subject), Boulevard (condominium project by Warmington) and Mountain House (custom lot development marketed by California West Communities) along with Wohlford Estates (coming soon by Beazer). New home projects which have sold out in the past few years include Harmony Grove (Lennar), Canopy Grove (Lennar) and Sunrise Jade and Sunrise Amber, both condominiums by Lennar. There are several additional residential projects in the planning stages of development.

Education

The city is served by the Escondido Union School District and the Escondido Union High School District. The Escondido Union School District runs 17 elementary schools, one Intermediate School (grades 4-8) and five middle schools (grades 6-8) along with available pre-school and "limitless learning" on-line school. The Escondido Union High School District runs five high schools along with an adult education school. The subject property is served by Miller Elementary School (about 0.4 miles west of the subject), Del Dios Middle School (about two miles northwest of the subject), and San Pasqual High School (about 1.5 miles southeast of the subject).

IMMEDIATE SURROUNDINGS

Eclipse is located at the southwest corner of Brotherton Road and South Centre City Parkway in the southern portion of the City of Escondido. South Centre City Parkway is a frontage road alongside Centre City Parkway which is the business route for I-15 and a main arterial through the City. The subject is surrounded by existing residences to the north, both residences and a transformer station to the west and a commercial site with a KinderCare and Promise Church as major tenants to the south. Across Centre City Parkway to the east is a gas station, a hotel and a 44-unit apartment site under construction along with some existing condominiums constructed in the last few years. One block north is Boulevard Park, a new condominium complex by Warmington Homes that is now selling.

Access to the subject property is considered good with exits at Citracado Parkway (one block south of the subject) and east three blocks to Centre City Parkway and north to Brotherton Road and the subject property. Centre City Parkway merges into I-15 about one mile south of the subject. Additional access is from Highway 78, exit Centre City Parkway and head south for about 2.75 miles to Brotherton Road and the subject property.

The site is within the Centre City Specific Plan and further defined as within the Southern Entry District. The Southern Entry District is an area in transition with access from I-15 into southern Escondido. The vision of this District is for a mix of multi-family and mixed use development along with neighborhood serving commercial. There are walking or biking trails from this District either planned or in place to connect with Kit Carson Park, Grape Day Park, the Escondido Creek Trail, the Inland Rail Trail and Pine Street Pathway.

Shopping is available within 1.5 miles north with a Trader Joe's Market, a Von's Supermarket along with a Sprouts Market, all along Centre City Parkway. Within 1.5 miles south is the North County Mall, a Westfield mall anchored by Macy's, J.C. Penny's and a Target along with several nationally known stores and restaurants.

CITY OF ESCONDIDO COMMUNITY FACILITIES DISTRICT NO. 2022-1

The City of Escondido CFD No. 2022-1 Resolution of Intention (Resolution No. 2022-02) was adopted by the City Council on January 26, 2022, and directed the preparation of the CFD Report. We have reviewed the CFD Report prepared by Special District Financing and Administration dated March 2, 2022. Per the Report, CFD No. 2022-1 was initially proposed to include approximately 466.61 total gross acres consisting of two special tax zones including Zone A which, at the time, included 3.38 gross acres and was expected to be developed into 81 single family residential units along with a future area of annexation to Zone A consisting of 1.44 acres that was expected to be developed into 32 single family residential units. Zone B includes approximately 463.23 gross acres proposed to be developed into 36 new single family dwelling units. It should be noted that this appraisal is for only Zone A, including both the original 3.38 acres and the annexation area of 1.44 acres which are proposed to be developed into 113 single family residential units. Zone B is not included in this appraisal report. The proposed facilities are necessary to meet the increased demands placed upon the City, as a result of the development occurring within the boundaries of CFD No. 2022-1 Zone A.

The Facilities to be funded by CFD No. 2022-1 include, but are not limited to, facilities in the City's development fee programs used to finance expansion projects. Per Exhibit A of the CFD Report, the public facilities include (a) City water connection facilities including modernization, rehabilitation, relocation and expansion of existing facilities and related infrastructure; (b) City wastewater connection facilities including modernization, rehabilitation, relocation and expansion of existing facilities and related infrastructure; (c) Regional traffic facilities including modernization, rehabilitation, relocation and expansion of existing facilities and related infrastructure; (d) Other public facilities including modernization, rehabilitation, relocation and expansion of existing public facilities and related infrastructure; (e) Park facilities including modernization, rehabilitation, relocation and expansion of existing facilities and related infrastructure; and, (f) The costs attributable to planning, engineering, designing, leasing, financing, acquiring, expanding, relocation, rehabilitation, or constructing (or any combination thereof), of City Facilities

(including, without limitation, construction, management, inspection, materials testing and construction staking); and “debt” as defined in Government Code Section 53317(d), the costs to issue and sell any such debt (including, without limitation, underwriter’s discount, appraisals, market studies, reserve fund, capitalized interest, bond counsel, disclosure counsel, special tax consultant, bond trustee or fiscal agent, bond and official statement printing, and administrative expenses of the City and/or CFD No. 2022-1) and all other incidental expenses.

Per the CFD Report the estimated costs as shown in Exhibit C of the CFD Report for Zone A are shown below.

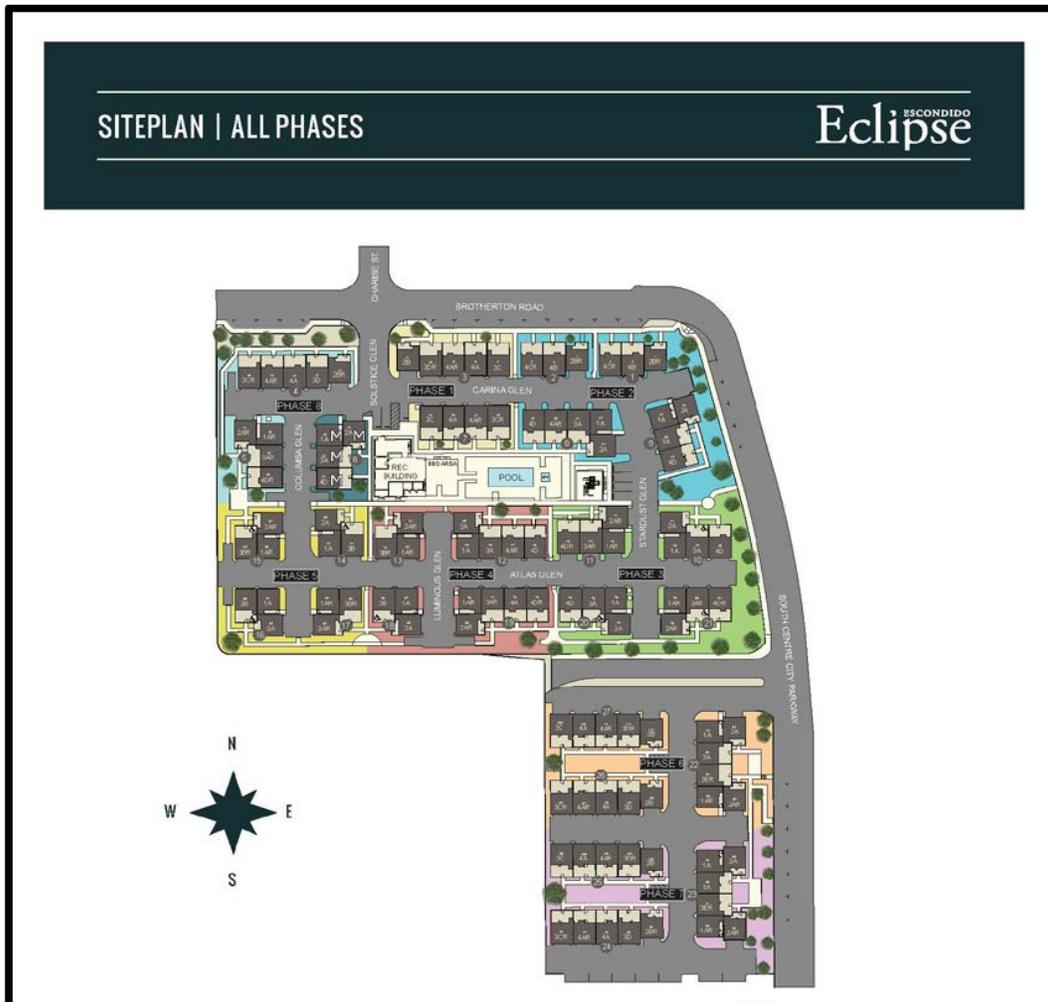
City of Escondido Development Impact Fees:	
City Water Connection	\$396,630
Wastewater Connection	\$847,500
Traffic Local Fee	\$236,777
SANDAG Traffic Fee (Regional)	\$297,811
Public Facilities Fee	\$561,609
Park Fee	\$753,005
Drainage Facilities Fee	\$53,022
Subtotal City Facilities	\$3,146,354

In addition to the above amounts incidental expenses will be included in the levy of special taxes. Incidental expenses include the annual costs associated with the determination of the amount of Special Taxes, collection of Special Taxes, payment of Special Taxes or costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2022-1 Zone A. The estimate of incidental expenses associated with the issuance, sale and delivery of bonds are not expected to exceed 9.75% of the proceeds of the bond issue. The incidental expenses associated with the annual administration of CFD No. 2022-1 are expected to be \$30,000. The above amounts are all estimated in 2021 dollars and are subject to change.

The boundary map showing CFD No. 2022-1 Zone A is located in the Addenda. Per the latest sources and uses (dated March 1, 2024) the estimated facilities to be funded by CFD No. 2022-1 Zone A is \$3,012,124, plus a reserve fund of \$226,000 and cost of issuance along with underwriter’s discount of \$342,200 for a total bond amount estimated at \$3,580,324 (all amounts subject to change).

SUBJECT PROPERTY DESCRIPTION

The subject property consists of CFD No. 2022-1 Zone A which is encompassed by the community known as Eclipse by California West Communities. Eclipse is made up of a northern parcel and a southern parcel which are bisected by an access road to the San Diego Gas and Electric substation located adjacent to the west of the southern parcel. There are 113 proposed 3-story attached townhomes in 27 buildings with four plans to choose from within Eclipse. All the 113 houses are over 95 percent complete with 97 closed to individuals and the remaining 16 in escrow. The subject property is described below.



Location: Southwest corner of Brotherton Road and South Centre City Parkway, City of Escondido

Legal Property

Description: Northern Portion – Escondido SUB 15-0022 Tract Map 16458 Lot 1, Units 1- 81
Southern Portion - Escondido SUB 15-0023 Tract Map No. 16559, Lot 1 Units 82-113.

Property Owner: CWC Escondido 113 LLC owns Units 85, 88-98, 103-104 and 108-109 of Tract 16559. Individual owners own Units 1-81 of Tract 16458 and Units 82-84, 86-87, 99-102, 105-107 and 110-113 of Tract 16559

Assessor's Parcel Nos. : Northern Portion - Map 16458 = APNs 238-130-3901 thru 3981 and Southern Portion – Map 16559 = 238-130-3600 (to be subdivided further).

Property Taxes: We have reviewed the 2023/24 property tax invoice on a sample house within Eclipse which relates to APN No. 238-130-39-01. Per the County of San Diego Tax Assessor's Office, the parcel has an assessed value of \$577,000 less the homeowner's exemption of \$7,000. The taxes are \$9,654.80 for the year which includes \$5,700.00 for the general levy and miscellaneous taxes of \$775.44 along with \$3,179.36 in Fixed Charged Assessments which includes \$2,371.24 for CFD 2022-1 and \$778.00 for CFD 2020-1 (services CFD) along with \$30.12 of miscellaneous charges. The overall tax rate based on the assessed value is 1.69 percent which appears typical for new homes in the area that are within a CFD.

Three-Year Sales History: CWC Escondido 113 LLC purchased the Northern Portion (Tract Map 16458) in December 2020 for \$6,640,000. CWC Escondido 113 LLC purchased the Southern Portion (Tract 16559) in August 2022 for \$2,860,000.

Size and Shape: The subject property is generally "L" shaped however it is bisected by an access road to the San Diego Gas and Electric transfer station that is located adjacent to the southern portion of the site. The subject property contains 4.86 acres per recorded Maps 16458 (northern parcel – 3.43 acres) and Map 16559 (southern parcel – 1.43 acres). This gross area includes open areas, slopes, internal streets and setback areas.

Zoning: The subject property is designated SP 15 (also known as the Centre City Specific Plan) per the City's zoning and land use maps. Per the Centre City Specific Plan the site is shown as being in the Southern Entry District with the mixed use overlay and residential with varying densities (12.6 up to 18 dwelling units per acre; 16.8 up to 24 dwelling units per acre; and, 21 up to 30 dwelling units per acre) allowed along with mixed use, senior housing and some retail uses. The subject has 113 units over 4.86 acres which results in 23.25

dwelling units per acre which is within one of the permitted residential land uses.

Entitlements: The subject property is encompassed by Tract Map Nos. 16458 and 16559. Map No. 16458 recorded June 22, 2021, and divided the 3.43 acres of the northern parcel into a single lot. Tract Map No. 16559 recorded on March 24, 2023, and divided the 1.43 acres into a single lot. A development plan was filed and approved which divided Map 16458 into 81 attached townhome pads, each with two-car garages along with 16 additional parking spots and on-street parking of 13 spaces. Another development plan was filed and approved which divided Map 16559 into 32 townhome pads, each with a two-car garage along with 4 additional parking spots along with eight additional on-street parking spaces. The approved 81 and 32 units make up the 113 subject units.

Topography: The subject property was generally two in-fill parcels which were generally level at street grade of both Brotherton Road and South Centre City Parkway, generally the north and east borders of the subject property. Drainage appears to be within an engineered in-street storm drain system.

Soils Condition: We have reviewed two Interim As-Graded Geotechnical Reports prepared for both the northern parcel and the southern parcel, each prepared by Christian Wheeler Engineering of San Diego California. The report for the north parcel is dated June 30, 2021, while the report for the south parcel is dated December 15, 2022. Both reports conclude that the soil engineering and engineering geologic aspects of the grading are in compliance with the approved geotechnical report and the grading plan as long as all recommendations contained in both reports are adhered to during construction. There do not appear to be any visible signs of soils issues based on our field inspection; however, we are not trained in geology.

It is an assumption of this report that the soils are adequate to support the highest and best use conclusion and that all recommendations made relating to soil conditions within the reports were adhered to during construction. This is evidenced by City inspectors on site throughout construction as well as Certificates of Occupancy permits being obtained on site.

Seismic Information: Per the above referenced soils report, the subject property is not located within an Alquist Priolo Earthquake Study Zone. Per the California website, the nearest Alquist Priolo Zone is near Lake Henshaw over 20 miles east of the subject.

Environmental
Concerns:

We have reviewed a Phase I and Limited Phase II Environmental Site Assessment for both the northern parcel and the southern parcel, both dated June 25, 2020, and both prepared by GeoSoils, Inc. of Carlsbad. Both studies revealed no evidence of recognized environmental conditions.

It is an assumption in this report that the subject property is free and clear of any environmental issues which would slow or thwart development of the site and that all recommendations contained in the above referenced studies were adhered to. This is suggested by (1) the developer obtaining all required construction permits and (2) City inspectors on site throughout construction as well as Certificate of Occupancy permits being obtained on closed homes.

Flood Information: Per the FEMA Maps 0673C1077G and 0673C1079H, both dated May 16, 2012 the subject property is identified as within Zone X (areas of minimal flooding) and doesn't require flood insurance.

Easements and
Encumbrances:

We have reviewed two Preliminary Title Reports, one for the north parcel and one for the south parcel.

Map 16458 – North Parcel Title Order No. NHSC-6499582 dated January 27, 2021. The exceptions are:

Item Nos. 1, 2 and 3 refer to property taxes and assessments on the property. Item Nos. 4 and 5 were intentionally deleted. Item Nos. 6 and 9 refer to abutter's rights of ingress and egress which were relinquished, Item No. 7 is in regard to extending drainage structures beyond the limits of Brotherton Road. Item No. 8 refers to an easement for sewer and appurtenance and incidental purposes. Item No. 10 refers to a contract for Improvements in Public Rights of Way recorded in 1976. Item No. 11 refers to a deed of trust and Item No. 12 states no known matters otherwise appropriate to be shown were deleted from the report.

Map 16559 – South Parcel Title Order No. NHSC-6499598 dated December 7, 2022. The exceptions are:

Item Nos. 1, 2 and 3 were intentionally deleted. Item Nos. 4 and 5 refer to property taxes and CFD No. 2022-1 (subject CFD). Item Nos. 6 thru 11 refer to easements for drainage, utility, maintenance access. Item No. 12 refers to a deed of trust on the site. Item No. 13 refers to a Restrictive Covenant Agreement recorded on the site in 2021.

It is an assumption of this appraisal report that the subject lands are free and clear of any liens and/or encumbrances other than CFD 2022-1. The appraisers are not title experts and it is recommended that any concerns relating to title should be addressed to the appropriate experts.

Utilities: All normal utilities serve or will serve the subject property by the following companies:

Electrical:	San Diego Gas & Electric Company
Natural Gas:	San Diego Gas & Electric Company
Sewer/Water:	City of Escondido
Schools:	Escondido Union School District Escondido Union High School District

Streets/Access: Access to the subject project from the south is via I-15 to Centre City Parkway and north to the subject approximately 0.9 mile or from the north, exit Citracado and head east 0.5 mile to Centre City Parkway then north for 0.25 mile. Additional access is via State Route 78 to Centre City Parkway and south 2.8 miles to the subject.

I-15 is a major north/south California freeway providing access to international borders both north and south.

State Route 78 is an east/west freeway connecting with I-5 and the beach cities to the west and terminating in Escondido.

Centre City Parkway has on/off ramps both from State Route 78 and I-15 and is a main commercial arterial through the southern portion of the city of Escondido. Centre City Parkway is also the business I-15 in Escondido.

Brotherton Road is an access road in southern Escondido which begins to the west at Felicita Road and terminates past Centre City Parkway. Brotherton Road does not have a traffic signal at Centre City Parkway.

Internal streets within the subject property include Solstice Glen, Carina Glen, Luminous Glen, Atlas Glen, Stardust Glen and Columba Glen in the north parcel and Stella Glen in the south parcel.

Current Condition: Both the north and the south parcel have been developed into the community known as Eclipse. Eclipse is a gated townhome community with 113 proposed units. All land development is complete. All 113 houses are over 95 percent complete with 97 of the houses closed to individual homeowners and the remaining 16 in escrow and due to close within the next month.

Costs to Complete: The subject property is being developed into 113 three-story townhome units in 27 buildings with three to six units in each building. All land development is complete per the builder with no remaining land development costs. There are \$43,872 in remaining Development Impact Fees (DIF) per builder representatives. While a portion or all of the DIF fees are anticipated to be paid by the subject CFD, it is unknown at this time how much construction proceeds will be included in the 2022-1 bond sale. For purposes of this analysis, we are including the above fees as a cost to the builder. The individual homeowners are not responsible for any of these remaining costs and the builder currently owns 16 of the units. Dividing the \$43,872 by 16 builder-owned units results in \$2,742.00 remaining costs per unit.

The above remaining costs will be taken into consideration in the final valuations later within this report.

HOA: The Eclipse Homeowners Association dues are estimated at \$274 per month at build-out per the Eclipse brochure. This includes the recreation facility including a pool, spa, barbeque grills, covered outdoor picnic area and tot lot.

Improvement
Description:

Eclipse is a gated community proposed for 113 three-story designer townhomes. All are single family attached homes. There are four plans ranging in size from 1,140 to 1,568 square feet, all with two-car attached garages. Eclipse homes are of a Spanish architectural style. Exteriors include concrete tile roofs, Masonite fiberglass entry doors with Kwikset smart keypad hardware, roll-up garage doors and finished garages. Kitchens include quartz countertops and Whirlpool stainless steel appliances. Interiors include ceramic tiles at entry, kitchen, baths and laundry and carpet throughout, panel doors, Therma foil cabinets with Euro hinges and dual glazed vinyl windows and fire sprinklers. Master suites include walk-in closets and quartz countertops in the bathrooms. Technology includes Wi-Fi enabled digital thermostat, tankless water heater, EV car-charging conduit, USB ports in kitchen and master bedroom and a Ubiquiti/Lutron home control package.

There have been 97 homes closed to date with pricing ranging from \$537,900 to \$799,900 with the highest priced home being a model home that closed with significant upgrades. The production homes have actual closing pricing from \$537,900 to \$729,845. These prices include base pricing plus any premiums, builder options and purchased options, less all concessions including lender concessions. The homes over 95 percent complete within Eclipse are detailed by plan below.

Plan	Room Count	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
1	2 / 2.5	3 / 2	1,140	18	2
2	2 / 2.5	3 / 2	1,290	23	5
3	3 / 2.5	3 / 2	1,568	27	7
4	4 / 3.5	3 / 2	1,534	29	2
Total				97	16

SAN DIEGO COUNTY HOUSING MARKET

In reviewing the County’s housing market, a study of population and economic growth needs to be conducted. As of January 1 , 2023, the County had a population of 3,269,755, which indicates an average annual decrease of about 0.5 percent over the past three years which is similar to the State. The decrease is due partially to the COVID pandemic allowing for people to work remotely and moving to less expensive areas. Projections are for the County to continue at an annual 0.8 percent growth rate for the next twelve years.

Over the past twenty years the County has seen various cycles in the housing market as with most of Southern California. The Great Recession impacted San Diego County significantly; however, the recovery was quicker in coastal areas than inland areas due to the coastal influence. Median housing prices (all types) in the County increased over 100 percent from \$324,000 at the lowest point in 2011 to the current \$973,100 per the California Association of Realtors which is slightly lower than the August peak of \$1,000,000 median home price in San Diego County.

Economic growth in the San Diego area had been strong between 2010 and 2019 with job losses occurring during the COVID pandemic in 2020 and growing in 2021, 2022 and 2023. Below is a table depicting job growth in the County over this time period.

San Diego Job Growth			
Year	Employment	Increase	% Increase
2023	1,591,100	32,287	2.1%
2022	1,558,813	85,113	5.8%
2021	1,473,700	76,700	5.5%
2020	1,396,500	(149,600)	(9.6)%
2019	1,528,300	11,400	0.75%
2018	1,516,900	19,500	1.30%
2017	1,497,400	22,500	1.53%
2016	1,474,900	20,000	1.37%
2015	1,454,900	36,400	2.57%
2014	1,418,500	7,300	0.52%
2013	1,411,200	37,300	2.71%
2012	1,373,900	23,000	1.70%
2011	1,350,900	19,000	1.43%
2010	1,331,900	(93,400)	(6.55%)
2009	1,425,300	(22,500)	(1.55%)
2008	1,447,800	6,500	0.45%

*Based on September 2023 numbers per EDD

The unemployment rate for the County was 4.3 percent in December 2023, well below the high of 15 percent in April 2020, and lower than the current California unemployment rate of 5.1 percent. The end of 2022 saw lower unemployment rates than the County's pre-COVID unemployment rate in February 2020 of 4.1 percent, however 2023 has shown unemployment rising slightly. While unemployment rates are still near historical lows, the inflation factor has significantly affected the economy.

The housing market has played a large role in the past two recessions. In the Great Recession, due to increased interest rates and rising home prices between June 2004 and mid-2006, the market reaction was to create non-conventional financing alternatives, such as sub-prime and non-conventional mortgages, to artificially maintain the boom housing market of 2004 and 2005. By 2007, the housing market saw a shake-up because of the problems in the sub-prime and non-conventional mortgage markets, which played a role in the 2008 upheaval of Wall Street and contributed significantly to the U.S. economic downturn of the Great Recession. Due to stricter income verification on new loans and the lack of available credit, coupled with job losses and declining home prices, sales of new homes slowed for the next few years and essentially remained flat until mid-2012 when home prices began a steady climb.

During the COVID disruption, new home sales were one of the brightest spots in both the local and national economies. While new home sales slowed in March and April 2020 due to the onset of the COVID pandemic, both sales and prices increased significantly due to strong demand from May 2020 throughout COVID until spring 2022 when interest rate increases began affecting the home-buying market. The rising interest rates alone did not seem to slow sales in Spring 2022. However, a combination of increasing home prices and falling consumer confidence, added to the significant interest rate increases, slowed new home sales significantly beginning in mid-2022. Due to the significantly higher mortgage interest rates, existing homeowners are not moving which has stifled the existing home market, making the new home market the only option for some. While existing home sales are down 30 percent from 2019 (prior to COVID), new home sales are up 11 percent year over year (note this includes the slowing market in 2022 due to

interest rate increases). In January 2022 mortgage rates were 3.22 percent (for a typical 30-year fixed conventional mortgage) while as of February 22, 2024, the rate for the same loan is 6.9 percent. On a \$500,000 mortgage, the monthly payment for this loan has increased from \$2,162 to \$3,274 or over 51 percent.

Per the Zonda National Economic and Housing Market Update in January 2024, the rate of growth of new home sales is off from COVID highs but up from 2022 sales numbers, suggesting a healthy market. Per their survey of over 300 new-home builders nationally, the builders are stating sales are continuing but report they had to adjust pricing and incentives to “find the market.” In the January 2023 survey, 50 percent of builders surveyed were lowering their prices and the remaining 50 percent stated their pricing was flat. In January 2024, the survey resulted in 54 percent of the builders stating their pricing was flat and 42 percent of builders stating they were increasing pricing with three percent dropping prices. This is a very different dynamic than in January 2023 which was partly due to builder’s readjusting concessions (interest rate buy-downs), and partly due to the market accepting the mortgage rate increases. In today’s market over 60 percent of new-home builders in the U.S. are offering either full-term or temporary interest rate buy-downs (John Burns Research and Consulting) which is helping to sustain new home sales.

The larger public homebuilders began offering significant interest rate buy-downs in early 2023 in order to keep absorption rates steady, which reportedly cost between \$30,000 and \$100,000 in incentives. The builders are attempting to find the “sweet spot” in incentives. In their September survey of 300 builders nationwide, Zonda asked builders to check all that they were offering and found 70 percent of builders surveyed were offering rate buydowns, 60 percent were offering funds towards closing costs, 33 percent were offering flex dollars, 22 percent were offering lower home prices and 20 percent were offering funds toward options and upgrades. The question is, how long can builders continue to offer these significant incentives. As rates go higher, the extent that builders can buy-down the mortgage rates goes down. In the January 2024 Zonda survey, 56 percent of builders surveyed anticipate a 1-5 percent increase in pricing in 2024 while 25 percent anticipate prices to flatten.

Home loan mortgage rates have been and are still playing a huge part in the housing market. The Board held mortgage rates at all-time lows after the Great Recession and again after the COVID Recession in an attempt to assist the housing market's recovery. Low rates helped home sales during this time. However, first-time buyers are now having a hard time entering the housing market due to rising prices and rising interest rates. Mortgage applications had been spiking in late 2020 and 2021 due to the low rates and the fear rates were going to start ticking up, which began happening in March 2022. The Board has increased the rate eleven times between March 2022 and August 2023, which increased the FFR from 0-0.25 percent to 5.25-5.50 percent. At the latest Board meeting in January 2024, they paused the FFR increases for the fourth time and suggested decreases in 2024 will begin sometime after March. The financial markets had been anticipating a possible March decrease which caused volatility in the financial markets in December 2023 and January 2024. The FFR increases are supposed to help slow the high inflation rate in the Nation, which appears to be occurring as the latest reports are showing inflation in December 2023 at 3.4 percent, significantly down from a high of 9.1 percent in June 2022.

While new home builders slowed production as sales slowed in 2022, the spring of 2023 brought optimism to builders once again. Sales were up month over month as buyers adjusted to higher mortgage rates and existing home inventory is at all-time lows. Existing homeowners that are locked into a 3 percent mortgage are not moving up due to the current 6.5+ percent rates. This is creating a supply issue for existing homes. New home sales are benefiting from this supply issue as in some cases, the only option for homebuyers are new homes. Per Zonda, historically, new homes captured 10 to 13 percent of all home sales; however, due to the limited supply of existing homes currently on the market, new homes are capturing 33 percent of all home sales nationwide. In San Diego County the new home market is constrained due to the limited amount of new product. Per the January 28, 2024, Ryness Report, there are 49 new home projects in all of San Diego and Imperial Counties, down from 62 new home projects one year prior.

Residential Land Development

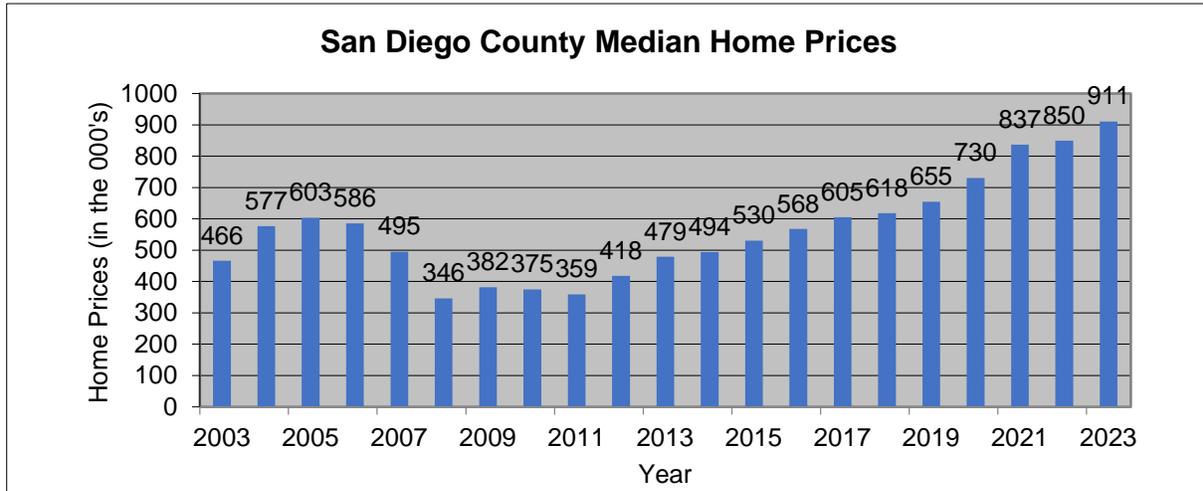
While there had been little land development going on in most of San Diego County during the years 2008-2011, the second half of 2012 saw a resurgence. From 2013 until 2019 there was a general incline in the amount of actively selling projects and pricing which prompted an increase in land development activity. New home projects went from an average of 32 in 2013 in the County to up to 102 new home projects in 2019, 97 in 2020, 62 in 2021, 53 in 2022, 62 in 2023 and 49 new home projects currently selling in the County. This sell-out of new home projects has put additional pressure on pricing.

While new homes have been selling good in San Diego County, it is interesting to note that large master planned communities have not come back. It is thought that the increase in regulations, which has significantly increased the time of processing entitlements, has limited the master developers in California. While prior to the recession it was not unusual to see several large master-planned communities selling lots to builders, there are few available on the market today. The majority of land sales over the past few years include single tracts of land with maps ready to record or a public builder buying a larger piece of land but developing the land for its own use such as Lennar did at Canopy Grove and TriPointe is doing at Citro in Fallbrook.

New Home Sales and Pricing

We have researched new single-family homes within the San Diego real estate market in order to reflect residential trends. It should be noted these sales numbers and prices pertain to new home sales while later in this section we discuss existing home sales. In reviewing new home sales in the San Diego - Imperial market area, per the January 28, 2024, Ryness Report, the North Inland San Diego market (houses the subject) has 47 percent of the new home projects in all of the County. There are 23 new home communities including the subject project, however it should be noted that the subject is sold out and another is nearing sell-out and nine additional communities that are temporarily sold out.

Below is a graph showing the median home price (existing sales per the California Association of Realtors) in San Diego County over the past 20 years which reflects the significant appreciation in the subject marketplace. It should be noted that the median price peaked at \$1,000,000 in August 2023 and has fallen since then.



According to the California Association of Realtors' most recent data, within overall Southern California, the median price paid for an existing single-family detached home in January 2024 (\$790,000) is the same as the month prior median home price, however up 7.0 percent year-over-year from \$738,250 in January 2023. These overall Southern California numbers compare to San Diego County with \$925,000 as the median price paid for an existing detached home in the County in January 2024, up 1.2 percent from December 2023 (\$911,500), and up 12.1 percent on a year-over-year basis (\$824,900). Below is a table showing the sales and prices for the Southern California area by County per the California Association of Realtors.

Southern California Existing Home Sales						
County	Jan. 2024	Dec. 2023	Jan. 2023	Price MTM % Change	Price YTY % Change	Sales YTY % Change
Los Angeles	\$833,000	\$853,340	\$778,540	-2.4%	7.0%	0.8%
Orange	\$1,320,000	\$1,300,000	\$1,194,500	1.5%	10.5%	-1.0%
Riverside	\$610,000	\$607,500	\$585,000	0.4%	4.3%	-0.1%
San Bernardino	\$477,500	\$506,000	\$446,900	-5.6%	6.8%	15.6%
San Diego	\$925,000	\$911,500	\$824,900	1.5%	12.1%	0.00%
Ventura	\$870,000	\$882,500	\$815,000	-1.4%	6.7%	15.8%
Southern Calif.	\$790,000	\$790,000	\$738,250	0.0%	7.0%	2.2%

Source: California Association of Realtors

Based on January 2024 median existing homes prices, in comparison to the majority of the surrounding counties, San Diego County is higher than the Inland Empire, Los Angeles and Ventura and lower than Orange County with a median home price of \$925,000 reflecting a 12.1 percent year over year increase. On a more micro level, the current median home price in Escondido for a new or existing detached home (for January 2024 per Redfin) is \$770,000 (median of 64 sales); \$810,000 in the City of San Marcos (adjacent to the west – median of 33 sales) and \$823,246 in the community of Valley Center (adjacent to the northeast – 12 sales).

Eclipse Sales and Pricing

The subject property consists of Escondido 2022-1 Zone A which includes 113 proposed homes being marketed as the community of Eclipse by California West Communities. Eclipse's first home sold in December 2021 with 113 homes sold to date (97 closed to date) suggesting an average sales rate of 4.5 homes per month. This is considered to be a very good sales rate as the average sales rate per project in the North Inland San Diego submarket was 3.4 sales per month year to date.

Within Eclipse base pricing on all on the floor plans has increased since grand opening in late 2021. It should be noted that the net sales prices reported by the builder do not include mortgage incentives which include mortgage rate buy-downs and help with closing costs. The builder has shared these costs, and they are included in our valuation analysis. The mortgage incentives range from a low of \$0 to a high of \$40,001 on the closed homes to date. These incentives do not show up on the public record, however, are a cost to the builder. In addition, we have reviewed information from several marketing companies which report new home sales information, including John Burns and Zonda. Per John Burns, sixty percent of the builders across the U.S. are offering mortgage incentives. They believe the "magic mortgage rate" is in the 5.5 percent range. With current rates in the 6.9 range for fixed loans, there is a disconnect.

Our search for comparable new home projects within the Inland North San Diego County market resulted in six new home projects currently selling in the subject market area including the subject community. Other than the subject neighborhood, there is one

neighborhood located in Escondido, two in Vista, one in Oceanside and one in San Marcos.

Summary

San Diego County had seen substantial increases in pricing since 2012 with most areas, including the subject, showing astronomical increases from mid-2020 through early 2022. While existing home sales were originally down when COVID began in spring/early summer 2020, new home sales subsequently shot up due to the existing home market supply being constrained and interest rates hitting all-time lows. The latest statistics suggest a possible slowdown in sales as interest rates continue to rise. The Inland North San Diego County new-home submarket is performing in line with the County's real estate market as a whole. The subject market area saw an increase in pricing consistent with most of Southern California throughout 2020 and 2021 and appeared to be continuing in the beginning of 2022. The past year has seen sales slow and prices lowering; followed by price increases as builders offered additional incentives. Builders' optimism appears to have returned with builders generally believing prices will increase or remain flat. Despite uncertainty hitting the market due to rising interest rates and inflation, most observers agree that the San Diego housing market is still healthy, and population is anticipated to grow in the area. It is believed that as the population continues to increase, housing growth will also continue, despite a slowdown.

HIGHEST AND BEST USE ANALYSIS

The highest and best use is a basic concept in real estate valuation due to the fact that it represents the underlying premise (i.e., land use) upon which the estimate of value is based. In this report, the highest and best use is defined as:

"the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value"⁵

Proper application of this analysis requires the subject properties to first be considered "As If Vacant" in order to identify the "ideal" improvements in terms of use, size and timing of development. The existing improvements (if any) are then compared to the "ideal" improvements to determine if the use should be continued, altered or demolished preparatory to redevelopment of the site with a more productive or ideal use.

"As If Vacant"

In the following analysis, we have considered the site's probable uses, or those uses which are physically possible; the legality of use, or those uses which are allowed by zoning or deed restrictions; the financially feasible uses, or those uses which generate a positive return on investment; and the maximally productive uses, or those probable permissible uses which combine to give the owner of the land the highest net return on value in the foreseeable future.

Physically Possible Uses

The subject site consists of two separate parcels, bisected by a driveway. The northern parcel contains 3.43 acres while the southern parcel contains 1.43 acres. Both parcels are considered to be in-fill sites that are generally level at street grade of the surrounding streets. The driveway that bisects the two parcels provides access into a San Diego Electric transfer station which is located adjacent to the southern parcel on the west. We have reviewed two soils reports and two environmental reports on the sites. All studies revealed the site was suitable for the proposed development if all recommendations

⁵ The Appraisal of Real Estate, 11th Edition

contained in the reports were adhered to during construction. Both sites have been developed into finished pads with internal streets paved and utilities brought to each home pad.

The site is surrounded to the north by existing residential, to the west by an electrical transfer station and residential land use, to the south by a commercial center with a preschool and a church as tenants and to the east by Centre City Parkway, a main commercial corridor through Escondido. Based on the physical analysis, the size, access and topography make the subject property physically suited for numerous types of development; however, the surrounding use of residential and the grading and development that has occurred on the sites suggest residential development.

Legality of Use

The subject property is located in the City of Escondido, the entity responsible for the approval of development. The site is designated as SP 15 (Centre City Specific Plan) with the subject located in the Southern Entry District with an allowed mixed use of residential and generally service commercial land use. Two maps have been approved on the parcels, Tract 16458 (Northern Parcel) and Tract 16559 (Southern Parcel). Two development plans have been approved allowing for 81 attached 3-story townhomes on the north parcel and for 32, 3-story townhomes on the southern parcel for a total of 113 dwellings on the 4.86 total acres. This results in a density of 23.25 dwelling units per acre which is an allowed density per the Specific Plan.

Based on the legality of use analysis, the type of development for which the subject property can be utilized is narrowed to residential use. This is consistent with the findings of the physically possible uses.

Feasibility of Development

The third and fourth considerations in the highest and best use analysis are economic in nature, i.e., the use that can be expected to be most profitable. As discussed under the San Diego County Housing Market section earlier within this report, the North San Diego

market has shown good absorption and generally increasing prices since the COVID disruption.

There are currently 42 new home neighborhoods selling in the San Diego Imperial market per Ryness Company. In 2021, there were 93 new home projects while in 2019 there were 102 new home projects, suggesting that demand is occurring faster than supply can meet. However, builders pulled back as interest rates increased believing buyers would disappear. This has not happened due to the extremely limited supply of both existing and new homes in the area. The subject property consists of a new home neighborhood which has experienced very good sales rates. There have been temporary sell-outs as homes are released in phases and some sell out within a few days. Homes within the neighborhood are all 3-story attached townhomes which range from 1,140 to 1,568 square feet. The neighborhood has been well received in the marketplace. Based on the above analysis, the highest and best use for the subject property appears to be for residential development.

Maximum Productivity

Based on the market activity of residential lands in the immediate area, we have concluded there is a need/demand for residential lands. Based on the current active projects in the area, coupled with population growth projected in the subject marketplace, it is our opinion that the subject property is feasible for residential development.

Highest and Best Use Conclusion – “As If Vacant”

The final determinant of highest and best use, as vacant, is the interaction of the previously discussed factors (i.e., physical, legal, financial feasibility and maximum productivity considerations). Based upon the foregoing analysis, it is our opinion that the highest and best use for the subject property “As if Vacant” is for residential development.

Highest and Best Use – “As Improved”

As earlier detailed, the subject property consists of Eclipse, a gated townhome community with a social club and pool. The homes range in size from 1,140 to 1,568 square feet with the latest base pricing from \$603,900 to \$727,900 and an average sales rate of 4.5 homes

per month. The project is sold-out with the final 15 houses all in escrow and due to close over the next month. The sales rate is considered to be very good. There have been price increases within all of the plans since the project opened in late 2021.

Additionally, we have reviewed Empire Economics' Price Point Review Study of Eclipse dated November 20, 2023. An original Price Point Study was conducted in December, 2021 by Empire Economics. The Review was conducted to ascertain if prices had decreased since the original Study. The November 20, 2023 Review concluded that the prices of the recent escrow closings (using base sales prices less concessions) increased on average 14.9 percent from the original Study completed in December 2021. Empire Economics found that most of the price appreciation occurred between mid-2022 and early 2023 with the first half of 2023 showing pricing essentially stable with a slight softening in the market since then. It was determined by Empire Economics that an additional update in to the Price Point Review Study was not needed in February 2024 as all homes have been sold. Based on the subject neighborhood's sales rates, it is our conclusion that the highest and best use for the subject property is for the continued use, as improved.

VALUATION ANALYSIS AND CONCLUSIONS

The Sales Comparison Approach will be the primary approach used to value the subject property. This approach compares similar properties that have recently sold or are in escrow. In determining the value for the property, a unit of comparison needs to be addressed. In the case of the existing home valuations, a single new-home sale is the unit of comparison. Due to the limited availability of new home projects, our search will include both the North Inland San Diego and the North Coastal San Diego submarkets to find comparable new attached homes for sale. In determining the value for each house, a base value less concessions will be concluded for each plan which will be considered a minimum market value as most buyers typically purchase some premiums, upgrades or options which increase the price of the home.

In the case of the completed (over 95 percent complete) builder-owned production units, the houses will be valued using the Sales Comparison Approach to value to conclude on a retail value for each plan, followed by a Discounted Cash Flow (“DCF”) Analysis due to the single ownership of multiple houses. The DCF will take into account the fair market value of the completed homes (utilizing the Sales Comparison Approach), remaining development costs (if any), the marketing and carrying costs associated with selling off the homes, a profit due to the developer of the homes, and a discount rate reflecting both the risk associated with selling off the homes along with the time value of money during the estimated absorption period. In the case of individually owned homes, the concluded base value will be used for each plan and a mass appraisal technique will be addressed. In determining the concluded base value, new home sales in the area will be reviewed and compared with sales of the subject completed homes using standard methodology and statistical testing. All of the value conclusions will take into consideration improvements and/or benefits to be funded by the CFD No. 2022-1 Zone A Special Tax Bonds and their lien. A summary of the final value conclusions will be reported at the end of this valuation section.

House Valuation Analysis

Below is a summary of Eclipse. We searched the local Multiple Listing Service and made a physical inspection for any resales within Eclipse and none were found. We have searched the subject market area and arrived at six comparable projects, including the subject community, to be used in our analysis. A listing of the Improved Residential Sales Data is located in the Addenda.

Plan	Room Count	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
1	2 / 2.5	3 / 2	1,140	18	2
2	2 / 2.5	3 / 2	1,290	23	5
3	3 / 2.5	3 / 2	1,568	27	7
4	4 / 3.5	3 / 2	1,534	29	2
Total				97	16

The most appropriate new home comparable data for Eclipse Plan 1 are:

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj	1	2 / 2.5	3 / 2	1,140	--
1	2	2 / 2.5	3 / 2	1,290	\$510.00
1	3	3 / 2.5	3 / 2	1,568	\$468.05
2	1	2 / 2.5	3 / 2	1,102	\$565.25
2	2	2 / 2.5	3 / 2	1,191	\$526.36
3	4	2 / 2.5	3 / 2	1,231	\$522.25
4	2	2 / 2	3 / 2	1,196	\$574.41
4	3	3 / 2.5	3 / 2	1,362	\$527.16

All new home comparables are located within Escondido, Vista or San Marcos. The homes are all of similar quality, design and appeal. Adjustments were considered (when applicable) for location, views, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The comparable new home sales have base prices ranging from \$468.05 to \$574.41 per square foot with generally the smaller sized plans at the high-end of the range and the largest sized plans at the low-end of the range. This is typical due to economies of scale obtained during construction. The subject Plan 1 had a final asking base price of \$529.74 per square foot. There have been 18 closings of Plan 1 within Eclipse with sales prices less all concessions from \$471.84 - \$614.04 per square foot; however, the highest priced home was a model

with significant upgrades. The highest priced production home was sold at \$559.39 per square foot. It should be noted that the reported sales prices include premiums and options purchased by the buyer as well as any concessions given by the builder including rate buydowns and closing costs, if applicable. There are currently two escrows of Plan 1 with a sales price range of \$542.78 to \$544.48 per square foot. The two escrows are at the higher end of the sales price range, which suggests an appreciating market. All homes appear to be in excellent condition with little to no physical depreciation visible. It has been concluded that Plan 1 has a base current market value of \$510.00 per square foot. This calculates as follows:

$$1,140 \text{ sf} \times \$510.00 = \$581,400$$

The most appropriate new home comparable data for Eclipse Plan 2 are:

Data	Plan	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj	2	2 / 2.5	3 / 2	1,290	--
1	1	2 / 2.5	3 / 2	1,140	\$529.74
1	3	3 / 2.5	3 / 2	1,568	\$468.05
2	2	2 / 2.5	3 / 2	1,191	\$526.36
3	4	2 / 2.5	3 / 2	1,231	\$522.26
4	2	2 / 2	3 / 2	1,196	\$574.41
4	3	3 / 2.5	3 / 2	1,362	\$527.16

All new home comparables are located within Escondido, Vista or San Marcos. The homes are all of similar quality, design and appeal. Adjustments were considered (when applicable) for location, views, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The comparable new home sales have base prices ranging from \$468.05 to \$574.41 per square foot with generally the smaller sized plans at the high-end of the range and the larger plans at the low-end of the range. This is typical due to economies of scale obtained during construction. The subject Plan 2 had a final asking base price of \$510.00 per square foot. There have been 23 closings of Plan 2 within Eclipse with sales prices less all concessions from \$430.39 - \$568.14 per square foot; however, the highest sale referred to the model home with significant upgrades. The highest priced production home closed at \$519.64. It should be noted that the reported sales prices include premiums and options purchased by the buyer

as well as any concessions given by the builder including rate buydowns and closing costs, if applicable. There are currently five escrows of Plan 2 with a sales price range of \$488.27 to \$553.80 per square foot. The price difference in the escrows versus closed sales suggests appreciation in the subject market. All homes appear to be in excellent condition with little to no physical depreciation visible. It has been concluded that Plan 2 has a base current market value of \$485.00 per square foot. This calculates as follows:

$$1,290 \text{ sf} \times \$485.00 = \$625,650$$

The most appropriate new home comparable data for Eclipse Plan 3 are:

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj	3	3 / 2.5	3 / 2	1,568	--
1	2	2 / 2.5	3 / 2	1,290	\$510.00
1	4	4 / 3.5	3 / 2	1,568	\$474.51
2	4	3 / 2.5	3 / 2	1,461	\$480.42
2	5	3 / 2.5	3 / 2	1,637	\$455.04
3	1	3 / 2.5	2 / 2	1,468	\$480.18
3	5	3 / 3	3 / 2	1,501	\$468.29
4	3	3 / 2.5	3 / 2	1,362	\$527.16
4	4	2 / 2.5	3 / 2	1,640	\$452.43
5	1	3 / 3	3 / 2	1,618	\$431.64
6	1	3 / 2.5	2 / 2	1,877	\$455.51

All new home comparables are located within Escondido, Oceanside, Vista or San Marcos. The homes are all of similar quality, design and appeal. Adjustments were considered (when applicable) for location, views, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The comparable new home sales have base prices ranging from \$431.64 to \$527.16 per square foot with generally the smaller sized plans at the high-end of the range and the larger plans at the low-end of the range. This is typical due to economies of scale obtained during construction. The subject Plan 3 had a final asking base price of \$468.05 per square foot. There have been 27 closings of Plan 3 within Eclipse with sales prices less all concessions from \$374.30 - \$510.14; however, the highest price home was for the model with significant upgrades. The highest priced production home that has closed was \$455.99 per square foot. It should be noted that the reported sales prices include premiums and options

purchased by the buyer as well as any concessions given by the builder including rate buy-downs and closing costs, if applicable. There are currently seven escrows of Plan 3 with a sales price range of \$443.30 to \$469.84 per square foot. The price difference in the escrows versus closed sales generally shows the appreciation in the subject market. All homes appear to be in excellent condition with little to no physical depreciation visible. It has been concluded that Plan 3 has a base current market value of \$430.00 per square foot. This calculates as follows:

$$1,568 \text{ sf} \times \$430.00 = \$674,240$$

The most appropriate new home comparable data for Eclipse Plan 4 are:

Data	Plan	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj	4	4 / 3.5	3 / 2	1,534	--
1	2	2 / 2.5	3 / 2	1,290	\$510.00
1	4	4 / 3.5	3 / 2	1,568	\$474.51
2	4	3 / 2.5	3 / 2	1,461	\$480.42
2	5	3 / 2.5	3 / 2	1,637	\$455.04
3	1	3 / 2.5	2 / 2	1,468	\$480.18
3	5	3 / 3	3 / 2	1,501	\$468.29
4	3	3 / 2.5	3 / 2	1,362	\$527.16
4	4	2 / 2.5	3 / 2	1,640	\$452.43
5	1	3 / 3	3 / 2	1,618	\$431.64
6	1	3 / 2.5	2 / 2	1,877	\$455.51

All new home comparables are located within Escondido, San Marcos, Vista or Oceanside. The homes are all of similar quality, design and appeal. Adjustments were considered (when applicable) for location, views, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The comparable new home sales have base prices ranging from \$431.64 to \$527.16 per square foot with generally the smaller sized plans at the high-end of the range and the larger plans at the low-end of the range. This is typical due to economies of scale obtained during construction. The subject Plan 4 had a final asking base price of \$474.51 per square foot. There have been 29 closings of Plan 4 within Eclipse with sales prices less all concessions from \$393.66 - \$519.41 per square foot; however, the highest priced home was a model with significant upgrades. The highest priced production home sold for \$475.78 per square foot. It should be noted that the reported sales prices include premiums and options purchased by the buyer as well as any concessions given by the builder including rate

buydowns and closing costs, if applicable. There are currently two escrows of Plan 4 with a sales price range of \$463.83 to \$467.25 per square foot. The price difference in the escrows versus closed sales generally shows the appreciation in the subject market. All homes appear to be in excellent condition with little to no physical depreciation visible. It has been concluded that Plan 4 has a base current market value of \$435.00 per square foot. This calculates as follows:

$$1,534 \text{ sf} \times \$435.00 = \$667,290$$

Builder Owned Retail Value

Within Eclipse there are sixteen production homes (over 95 percent complete and all in escrow) owned by the builder. The retail base value conclusions for the builder-owned homes are calculated as follows:

Plan 1 (2 x \$581,400)	\$ 1,162,800
Plan 2 (5 x \$625,650)	3,128,250
Plan 3 (7 x \$674,240)	4,719,680
Plan 4 (2 x \$667,290)	<u>1,334,580</u>
TOTAL	<u>\$10,345,310</u>

Absorption Period

In order to arrive at an absorption period for the builder-owned homes within Eclipse, the absorption rate the project has been reviewed. The average sales rate within Eclipse was 4.5 homes per month. Per Ryness Report, the average sales rate in overall San Diego County year to date is 3.3 homes per project per month while the average sales rate in the subject inland north San Diego submarket is 3.4 homes per month. The subject project has outperformed both the County and the subject’s submarket.

There are a total of 16 homes owned by the builder. All 16 homes are in escrow and due to close in the next month. We have based our absorption rates on the subject historical and current sales rates along with the overall market sales rates along with considering current escrows. We have concluded that the 16 builder-owned homes will be absorbed over a three-month time period if sold at the concluded home values.

Remaining Costs

As discussed earlier within this report the developer owned property has some remaining DIF fees which equate to \$2,742 per unit or \$43,872 which relate to the 16 builder-owned homes. We are assuming a straight average of the costs over the absorption period of the homes in three months.

Expenses

In determining an expense rate, several builders in the subject area have been interviewed as to their expenses on selling existing inventory. Expenses include marketing and general administrative costs. These costs typically range from six to ten percent depending on varying factors such as absorption period, intensity of marketing, etc. Eight percent has been estimated for marketing expenses and two percent for general and administrative costs for a total of ten percent in expenses for the subject neighborhood's analysis.

Profit

Several interviews with merchant builders in the area were conducted in order to determine an appropriate profit percentage for the subject properties. In the early 2000s, developers typically attempted to achieve a 10 to 12 percent profit based on gross sales proceeds. During the Great Recession, this range was lowered considerably to six to eight percent with some builders drastically lowering their profit potential in order to maintain their work force. As the market improved, so did the profits. This appears to be occurring once again as prices have increased in the past year. A ten percent profit is considered appropriate in the analysis for these neighborhoods.

Discount Rate

In selecting a discount rate, the following was completed:

1. Interviews with merchant builders in the North Inland San Diego area
2. Review of current market conditions including current market rates as well as yields reflected in other markets (i.e., municipal bonds, corporate bonds, etc.)
3. The quality, construction, historical sales and product on the subject properties
4. Discussed the project with equity investors and master plan community developers

The homes within the subject property have been well received in the marketplace with very good absorption rates. Due to the good sales rates and minimal supply, a ten percent discount rate is considered appropriate for the subject neighborhoods.

Discounted Cash Flow Summary

The discounted revenue (see DCF Analyses in Addenda) for the builder owned homes resulted in the bulk value of \$8,097,052.

Eclipse Builder Ownership

California West owns 16 homes, over 95 percent complete which are all production homes and all in escrow. The builder-owned homes have been valued using a discounted cash flow in order to arrive at a bulk value due to the single owner.

The final value conclusion for the builder owned property is:

Builder Owned Homes (16 Houses)	<u>\$ 8,097,052</u>
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Eclipse - Individual Owners Value Conclusion

In determining the value for the individually owned homes, we have considered the concluded base price values less concessions for the homes which is considered a minimum market value. This is due to homebuyers typically purchasing some addition upgrades, options or pay some premiums for the lot. The concluded values are shown on the following page:

Plan 1 (18 x \$581,400)	\$ 10,465,200
Plan 2 (23 x \$625,650)	14,389,950
Plan 3 (27 x \$674,240)	18,204,480
Plan 4 (29 x \$667,290)	<u>19,351,410</u>
TOTAL	<u>\$ 62,411,040</u>

In an additional analysis, we have reviewed the original builder sales prices for the closed homes. Sales occurred between February 2022 and February 2024 for the 113 homes. The builders reported closing prices for the individually owned homes total \$62,724,913. The concluded current minimum market value for the individually owned homes totals

\$62,411,040. The difference is due to two offsetting main factors. The base pricing has increased over the past two years between 15 and 29 percent (or from \$70,000 to \$164,000) depending on the plan, which would suggest that the actual sales prices would be lower than the current market values. However, the actual prices include all concessions given by the builder along with all options, upgrades and premiums purchased by the homebuyer. Within the subject 97 closed houses, the average upgrades and options for the closed sales equates to \$15,393 per unit and the average concessions equates to \$12,803 per unit. The options, premiums and upgrades that were purchased partially offset the increase in base pricing over the two-year time period. It is our conclusion that the original builder sales prices further substantiate the concluded minimum market value for the individually owned homes.

APPRAISAL REPORT SUMMARY

The appraisal assignment was to value the property within the City of Escondido CFD No. 2022-1 Zone A which includes 113 proposed new homes within the townhome community known as Eclipse by California West Communities. Eclipse includes a pool and social area for the residents. The project has sold out. There are 97 homes closed to individuals, and 16 remaining production houses which are all in escrow. All structures appear to be in excellent condition with no visible depreciation. We have reviewed builder sales and reviewed the local MLS for any resales.

The subject property was valued utilizing the Sales Comparison Approach to value, a Discounted Cash Flow and a mass appraisal technique for the individually owned homes. A minimum value was determined by concluding at a base value for the homes. The valuation took into account the improvements/benefits to be funded by the Special Tax CFD 2022-1 Bond Proceeds along with the CFD 2022-1 special tax lien. The concluded aggregate value for the subject properties, subject to their respective special tax lien, is:

Eclipse:

CWC Escondido 113 Ownership (16 houses)	\$ 8,097,052
Individually Owned Homes Minimum Market Value (97 houses)	<u>\$ 62,411,040</u>

Aggregate Appraised Value for CFD No. 2022-1 Zone A **\$ 70,508,092**

The above values are stated as of said date of value and subject to the attached Assumptions and Limiting Conditions and Appraiser's Certification.

APPRAISERS' CERTIFICATION

The appraiser certifies that to the best of his knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased, professional analyses, opinions and conclusions.
3. The appraisers have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
4. The appraisers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.
5. This appraisal was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
6. The analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
7. Kitty Siino has made a personal inspection of the property that is the subject of this report.
8. Kitty Siino has performed appraisal services on the subject property in the past three years. An appraisal was completed in October 2023, however due to time delay, an updated appraisal was requested.
9. No other appraisers have provided significant professional assistance to the persons signing this report.
10. The reported analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Kitty Siino has completed the requirements of the continuing education program of the Appraisal Institute.



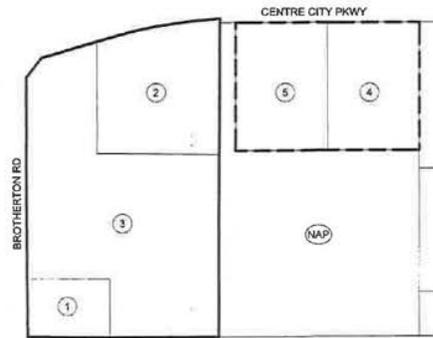
Kitty S. Siino, MAI
State Certified General
Real Estate Appraiser (AG004793)

ADDENDA

City of Escondido
CFD No. 2022-1 Zone A Boundary Map

BOUNDARY MAP OF
COMMUNITY FACILITIES DISTRICT NO. 2022-1
(ECLIPSE/MOUNTAIN HOUSE)

OF THE CITY OF ESCONDIDO
COUNTY OF SAN DIEGO
STATE OF CALIFORNIA



ZONE A

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF ESCONDIDO,
THIS 5TH DAY OF JANUARY 2022

BY: *JL BE*
CITY CLERK
CITY OF ESCONDIDO
STATE OF CALIFORNIA

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING THE BOUNDARIES
OF COMMUNITY FACILITIES DISTRICT NO. 2022-1 OF THE CITY OF
ESCONDIDO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, WAS
APPROVED BY THE CITY COUNCIL OF THE CITY OF ESCONDIDO AT A
REGULAR MEETING THEREOF, HELD ON THE 16TH DAY OF
JANUARY 2022, BY ITS RESOLUTION NO. 2022-02

BY: *JL BE*
CITY CLERK
CITY OF ESCONDIDO
STATE OF CALIFORNIA

FILED THIS 18TH DAY OF FEBRUARY 2022, AT
THE HOUR OF 10:17 O'CLOCK A.M. AS DOCUMENT
NO. 2022-7000033 IN BOOK 49 PAGE(S) 89 OF
MAPS OF ASSESSMENTS AND COMMUNITY FACILITIES DISTRICTS IN
THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF SAN
DIEGO, CALIFORNIA.

BY: *[Signature]*
DEPUTY RECORDER
COUNTY RECORDER, ERNEST J. DRONENBURG, JR.
COUNTY OF SAN DIEGO
STATE OF CALIFORNIA

LEGEND:

①

LOT NUMBER

————— COMMUNITY FACILITIES
DISTRICT BOUNDARY (ZONE A)

----- FUTURE AREA OF ANNEXATION
(ZONE A)*

LOT DESIGNATION			
LOT NO.	SHEET	ZONE	ASSESSOR PARCEL NO.
1	1	A	238-130-11-00
2	1	A	238-130-26-00
3	1	A	238-130-27-00
4*	1	A*	238-130-35-00*
5*	1	A*	238-130-38-00*
6	2	B	187-090-38-00
7	2	B	187-090-39-00
8	2	B	187-090-40-00
9	2	B	187-090-41-00
10	2	B	187-090-42-00
11	2	B	187-090-44-00
12	2	B	187-090-45-00
13	2	B	187-090-46-00
14	2	B	187-090-47-00
15	2	B	187-090-48-00
16	2	B	187-090-49-00
17	2	B	187-090-50-00
18	2	B	187-090-51-00
19	2	B	187-090-53-00
20	2	B	187-090-54-00
21	2	B	187-090-56-00
22	2	B	187-090-57-00
23	2	B	187-090-58-00
24	2	B	187-090-59-00
25	2	B	187-091-13-00
26	2	B	187-091-14-00
27	2	B	187-091-15-00
28	2	B	187-091-16-00
29	2	B	187-091-17-00
30	2	B	187-091-18-00
31	2	B	187-091-19-00
32	2	B	187-091-20-00
33	2	B	187-091-22-00
34	2	B	187-091-23-00
35	2	B	187-091-24-00
36	2	B	187-091-25-00
37	2	B	187-091-26-00
38	2	B	187-091-27-00
39	2	B	187-091-29-00
40	2	B	187-091-29-00
41	2	B	187-091-30-00
42	2	B	187-091-31-00
43	2	B	187-091-32-00
44	2	B	187-091-33-00
45	2	B	187-091-34-00
46	2	B	187-091-35-00

SHEET 1 OF 2
DATE DECEMBER 2021
JOB NO. CFD2022-1

SDFA
SPECIAL DISTRICT FINANCING
& ADMINISTRATION

437 WEST GRAND AVENUE
ESCONDIDO, CALIFORNIA 92025
TELEPHONE: (760)233-2630
FAX: (760)233-2631

BK 49 PG 89

2022-7000033

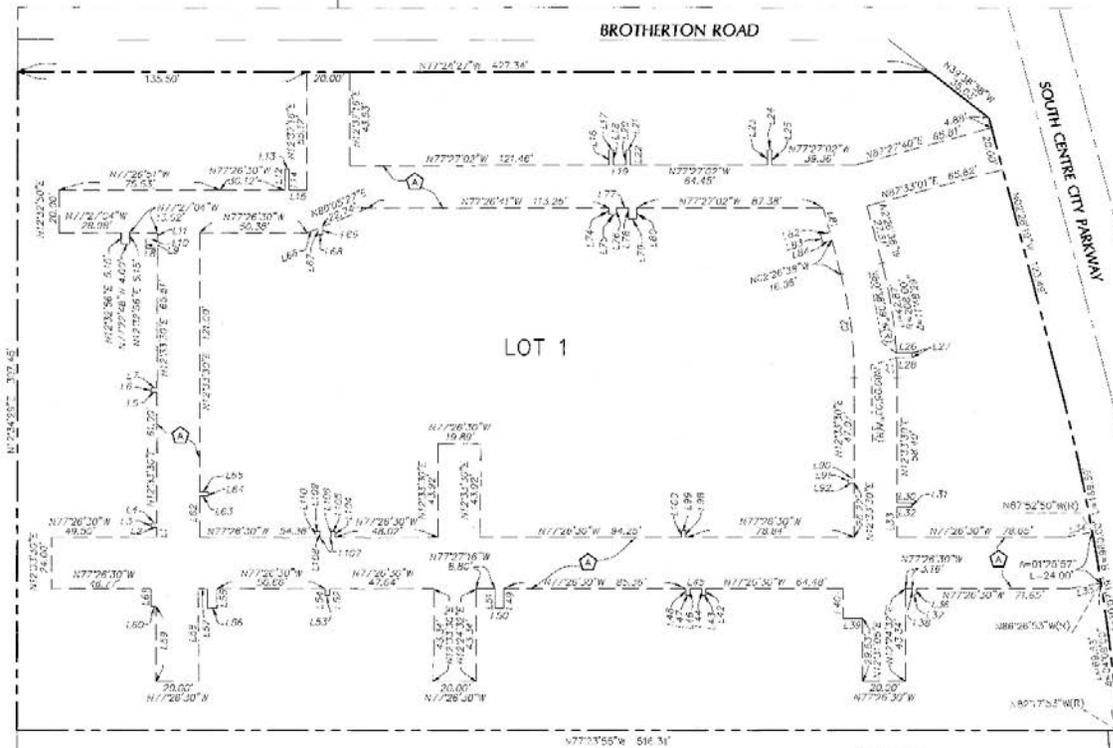
2022-7000033

BK 49 PG 89

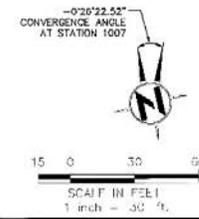
MAP Nos. 16458 & 16559
And Precise Plan Maps

ESCONDIDO TRACT NO. SUB15-0022

NO.	BEARING	LENGTH
L1	N12°33'30"E	4.78'
L2	N77°26'30"W	3.00'
L3	N12°33'30"E	2.00'
L4	N77°26'30"W	3.00'
L5	N77°26'30"W	3.00'
L6	N12°33'30"E	2.00'
L7	N77°26'30"W	3.00'
L8	N77°26'30"W	5.50'
L9	N12°36'27"E	4.00'
L10	N77°26'30"W	5.50'
L11	N12°36'27"E	3.02'
L12	N12°33'30"E	10.00'
L13	N77°26'30"W	2.00'
L14	N12°33'30"E	10.00'
L15	N77°26'30"W	8.41'
L16	N12°32'58"E	7.00'
L17	N77°27'02"W	2.00'
L18	N12°32'58"E	7.00'
L19	N77°27'02"W	8.03'
L20	N12°38'57"E	7.59'
L21	N77°27'02"W	2.00'
L22	N12°30'57"E	7.00'
L23	N12°32'58"E	7.00'
L24	N77°27'02"W	2.00'
L25	N12°32'58"E	7.00'
L26	N77°26'30"W	7.42'
L27	N12°33'30"E	2.00'
L28	N77°26'30"W	7.52'
L29	NOT USED	
L30	N77°26'30"W	7.00'
L31	N12°33'30"E	2.00'
L32	N77°26'30"W	7.00'
L33	N77°33'30"E	13.89'
L34	N87°27'32"W	13.22'
L35	N87°37'32"W	15.17'
L36	N12°33'25"E	3.00'
L37	N77°26'30"W	2.00'
L38	N12°33'25"E	3.00'
L39	N77°26'30"W	9.05'
L40	N12°36'02"E	13.72'
L41	NOT USED	
L42	N12°33'25"E	3.02'
L43	N77°00'48"W	2.00'
L44	N12°33'25"E	3.00'
L45	N77°26'30"W	8.48'
L46	N12°33'30"E	3.00'
L47	N12°33'30"E	3.00'
L48	N12°33'30"E	3.00'
L49	N12°34'29"E	9.05'
L50	N77°26'30"W	4.00'
L51	N12°34'39"E	9.08'
L52	N12°32'03"E	3.00'
L53	N77°26'30"W	2.00'
L54	N12°32'03"E	3.00'
L55	N12°33'30"E	9.00'
L56	N77°26'30"W	4.50'
L57	N12°33'30"E	9.00'
L58	N12°33'30"E	3.00'
L59	N77°26'30"W	2.31'
L60	N77°26'30"W	2.00'
L61	N12°33'30"E	8.00'
L62	N12°33'30"E	19.31'
L63	N77°25'54"W	4.00'
L64	N12°35'40"E	2.00'
L65	N77°25'54"W	4.00'
L66	N80°05'27"E	5.40'
L67	N12°33'30"E	3.00'
L68	N77°26'30"W	2.00'
L69	N12°33'30"E	3.93'
L70	NOT USED	
L71	NOT USED	
L72	NOT USED	
L73	NOT USED	
L74	N12°32'19"E	3.00'
L75	N77°27'31"W	3.52'
L76	N12°30'38"E	3.01'
L77	N77°27'05"W	8.52'
L78	N12°37'16"E	0.02'
L79	N77°22'52"W	4.00'
L80	N12°24'04"E	5.33'
L81	N02°28'38"W	12.00'
L82	N87°33'22"E	4.50'
L83	N02°28'38"W	4.00'
L84	N87°33'22"E	4.50'
L85	NOT USED	
L86	NOT USED	
L87	NOT USED	
L88	NOT USED	
L89	N77°26'30"W	3.00'
L90	N12°33'30"E	2.00'
L91	N77°26'30"W	3.00'
L92	NOT USED	
L93	NOT USED	
L94	NOT USED	
L95	NOT USED	
L96	NOT USED	
L97	NOT USED	
L98	N12°33'30"E	3.00'
L99	N77°26'30"W	2.00'
L100	N12°33'30"E	2.00'
L101	NOT USED	
L102	NOT USED	
L103	NOT USED	
L104	N12°33'20"E	3.00'
L105	N77°26'30"W	2.00'
L106	N12°33'20"E	3.00'
L107	N77°26'30"W	5.37'
L108	N12°33'20"E	3.00'
L109	N77°26'30"W	2.00'
L110	N12°33'20"E	3.00'
L111	N12°33'20"E	3.00'



NO.	DELTA	RADIUS	LENGTH
C1	02°38'33"	208.00'	8.58'
C2	15°00'00"	108.00'	49.23'



BIVE
JOB No. 130179.1.00 DEL PRADO NORIH

EASEMENTS
A PUBLIC UTILITY AND ACCESS EASEMENT GRANTED TO THE CITY OF ESCONDIDO HEREON.

SCALE IN FEET
1 inch = 30'

MAP NO. 16559

SHEET 2 OF 3 SHEETS

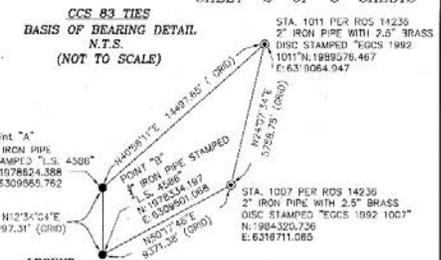
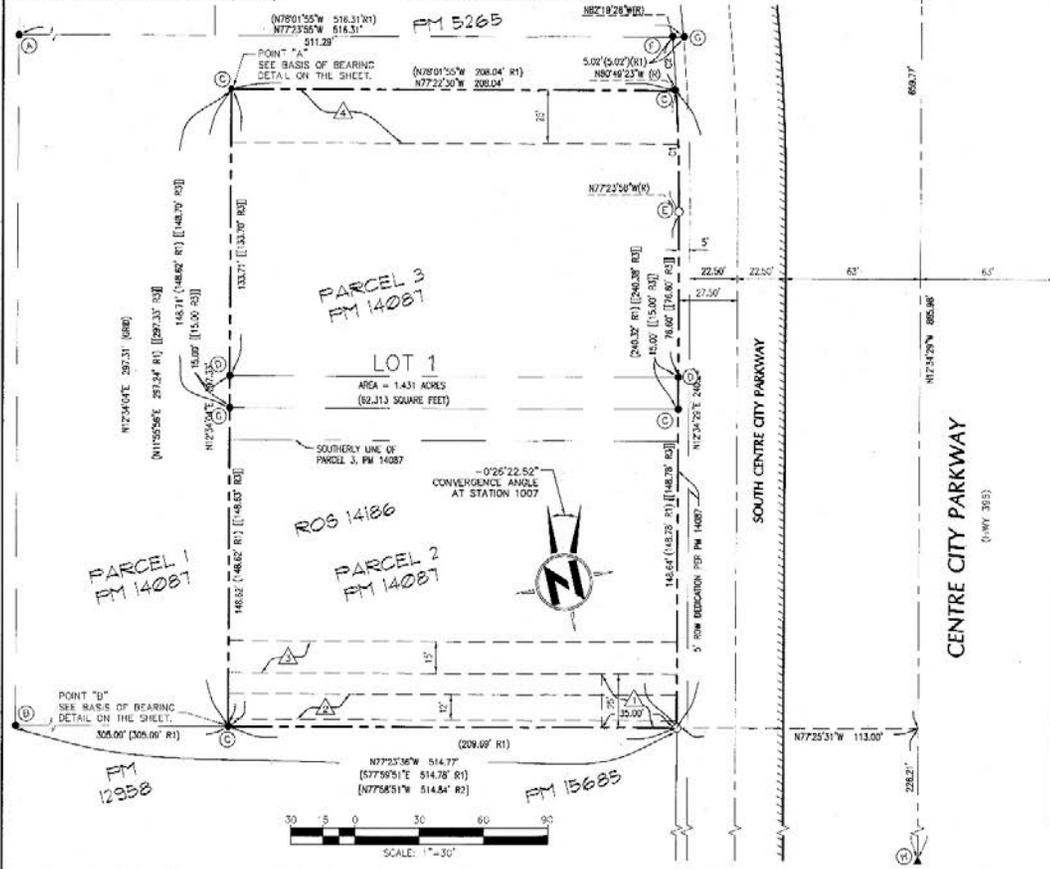
ESCONDIDO SUB15-0023 IN THE CITY OF ESCONDIDO, CALIFORNIA PROCEDURE OF SURVEY

BASIS OF BEARINGS
THE BASIS OF BEARINGS FOR THIS SURVEY IS THE CALIFORNIA COORDINATE SYSTEM, CC583, ZONE 6, EPOCH 1991.35, AS ESTABLISHED BY THE STATION 1007 AND STATION 1011 PER RECORD OF SURVEY NO. 14236, THE BEARING FROM STATION 1007 AND STATION 1011 IS N42°19'34.1"E.

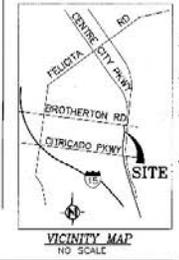
QUOTED BEARINGS FROM REFERENCE MAPS OR DEEDS MAY OR MAY NOT BE IN TERMS OF SAID SYSTEM.

THE COMBINED GRID FACTOR AT STATION NO. 1007 IS 0.9999921763
GRID DISTANCE = GROUND DISTANCE X COMBINED GRID FACTOR
ELEVATION AT STATION 1007 IS 627.705 (NAVD85).

NO.	DELTA	RADIUS	LENGTH
C1	325.25'	855.00'	57.08'
C2	130.03'	255.00'	25.02'

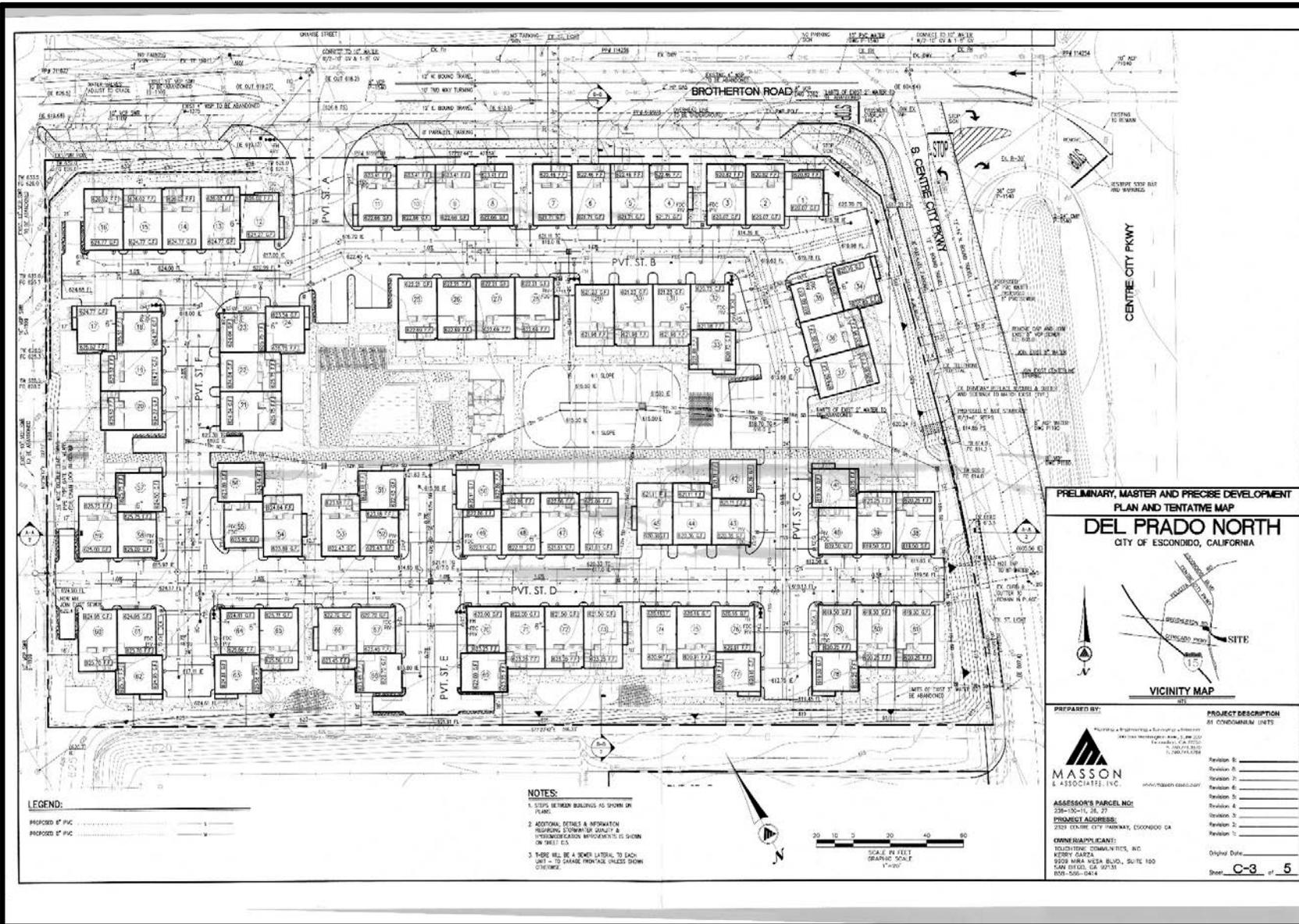


- LEGEND**
FOUND MONUMENT AS DESCRIBED BELOW ●
SET 2"x2" IRON PIPE WITH DISC STAMPED "L.S. 0086" AS NOTED ○
- (A) FOUND 2" IRON PIPE WITH DISC STAMPED "L.S. 2804" ACCEPTED PER PARCEL MAP 0285, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY NOVEMBER 4, 1976.
 - (B) FOUND 1/2" STEEL PIN WITH PLASTIC CAP STAMPED "L.S. 5803", PER CORNER RECORD 3181.
 - (C) FOUND 3/4" IRON PIPE AND DISC STAMPED "L.S. 3691 500AL", ACCEPTED PER PARCEL MAP NO. 14087, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY DECEMBER 23, 1985.
 - (D) FOUND 1" IRON PIPE WITH PLASTIC CAP STAMPED "L.S. 4580", ACCEPTED PER RECORD OF SURVEY 14186, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY MAY 21, 1993.
 - (E) FOUND 3/4" IRON PIPE, NO DISC, ACCEPTED AS MONUMENT SET PER PARCEL MAP 14087, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 23, 1985, RESET PER LEGEND.
 - (F) FOUND 2" IRON PIPE, DISC STAMPED "L.S. 3687", ACCEPTED PER PARCEL MAP 14087, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 23, 1985.
 - (G) FOUND 3/4" IRON PIPE WITH DISC, ILLEGIBLE, ACCEPTED AS MONUMENT PER PARCEL MAP 14087, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 23, 1985.
 - (H) FOUND 1 1/2" DIAMETER WELL MONUMENT, STAMPED "D.V. HWY" ACCEPTED PER MISCELLANEOUS SURVEY MAP #01.
- INDICATES FINAL MAP BOUNDARY
INDICATES EASEMENT LINE
INDICATES OFFSET LINE
INDICATES ACCESS RIGHTS WAIVED AND RELINQUISHED PER DOCUMENTS RECORDED DECEMBER 1, 1954 IN BOOK 5445, PAGE 325, AND JANUARY 3, 1964 AS INSTRUMENT NO. 1950, BOTH IN OFFICIAL RECORDS, SHOWN HEREON FOR REVISION PURPOSES ONLY.
INDICATES RECORD DATA PER PARCEL MAP 14087 (R1)
INDICATES RECORD DATA PER PARCEL MAP 15685 (R2)
INDICATES RECORD DATA PER R.O.S. 14186 (R3)



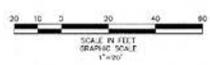
- EASEMENTS**
- △ EASEMENT TO THE STATE OF CALIFORNIA FOR DRAINAGE DITCH PURPOSES, RECORDED JANUARY 5, 1965 AS INSTRUMENT NO. 1493, OF OFFICIAL RECORDS.
 - △ EASEMENT TO THE CITY OF ESCONDIDO FOR DRAINAGE PIPELINE, RECORDED JANUARY 3, 1973 AS INSTRUMENT NO. 73-00218, OF OFFICIAL RECORDS.
 - △ EASEMENT TO SAN DIEGO GAS AND ELECTRIC COMPANY PUBLIC UTILITIES, INGRESS AND EGRESS PURPOSES, RECORDED FEBRUARY 3, 1992 AS INSTRUMENT NO. 1992-0068972, OF OFFICIAL RECORDS.
 - △ EASEMENT TO SAN DIEGO GAS AND ELECTRIC COMPANY PUBLIC UTILITIES, INGRESS AND EGRESS PURPOSES, RECORDED FEBRUARY 3, 1992 AS INSTRUMENT NO. 1992-0068968, OF OFFICIAL RECORDS.

BIVE
JOB No. 13017 DEL PRADO SOUTH



LEGEND:
 PROPOSED PAV
 PROPOSED PAV

NOTES:
 1. STAIRS BETWEEN BUILDINGS AS SHOWN ON PLANS.
 2. ADDITIONAL DETAILS & INFORMATION REGARDING SYSTEMS OR QUALITY & MODIFICATION IMPROVEMENTS IS SHOWN ON SHEET C-3.
 3. THERE WILL BE A SLOPE LATERAL TO EACH UNIT TO DRAIN FROM/AGE UNLESS SHOWN OTHERWISE.



PRELIMINARY, MASTER AND PRECISE DEVELOPMENT PLAN AND TENTATIVE MAP
DEL PRADO NORTH
 CITY OF ESCONDIDO, CALIFORNIA



PREPARED BY:
MASSON & ASSOCIATE, INC.
 238-130-11, 36, 27
 9329 MIRA MESA BLVD., SUITE 100
 SAN DIEGO, CA 92131
 619-592-0414

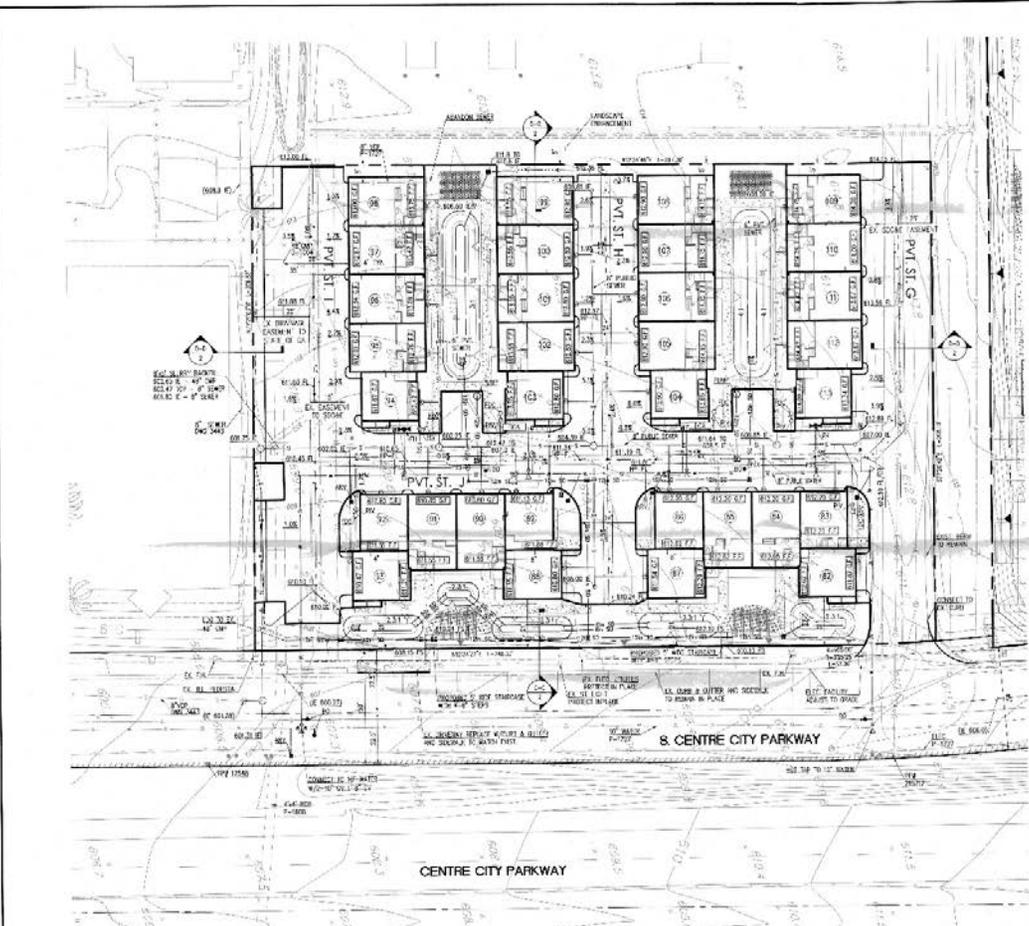
PROJECT DESCRIPTION
 81 CONDENSED UNITS

ASSESSOR'S PARCEL NO.:
 238-130-11, 36, 27

PROPERTY ADDRESS:
 2323 CENTRE CITY PARKWAY, ESCONDIDO, CA

OWNER/APPPLICANT:
 TOUCHSTONE COMMUNITIES, INC.
 KERRY GARZA
 9329 MIRA MESA BLVD., SUITE 100
 SAN DIEGO, CA 92131
 619-592-0414

Original Date: _____
 Sheet **C-3** of **5**



LEGEND:

PROPOSED BY INC _____

PROPOSED BY INC _____

NOTE: TREE DIA. IS NO SMALLER THAN 10 FEET OF THE TRUNK DIA.



**PRELIMINARY, MASTER AND PRECISE DEVELOPMENT PLAN
AND TENTATIVE MAP
DEL PRADO SOUTH
CITY OF ESCONDIDO, CALIFORNIA**



VICINITY MAP

PREPARED BY:



ASSessor's PARCEL NO. 236-130-02 & 36

PROJECT ADDRESS: 2339 CENTRE CITY PARKWAY, ESCONDIDO CA

OWNER/DEVELOPER: TOLLSTONE COMMUNITIES, INC. 2600 W. GARDEN SAN MARINO, CA 91764
2800 W. META BLVD., SUITE 150 SAN DIEGO, CA 92108
858-588-5454

PROJECT DESCRIPTION
22 CONDOMINIUM UNITS

- Revision 11 _____
- Revision 10 _____
- Revision 9 _____
- Revision 8 _____
- Revision 7 _____
- Revision 6 _____
- Revision 5 _____
- Revision 4 _____
- Revision 3 _____
- Revision 2 _____
- Revision 1 _____

Original Date: _____
Sheet **C-3** of **5**

NOTE

1. ALL DIMENSIONS BETWEEN BRACKETED NOTICES OTHERWISE.
2. ALL DIMENSIONS, SPECIES & INFORMATION REGARDING STRENGTH, QUALITY & PERFORMANCE APPROXIMATE & SHOWN ON SHEET AS IS.
3. THERE WILL BE A SEWER LATERAL TO EACH UNIT TO SERVE TOILETS, SINKS, TUBS & SHOWER.

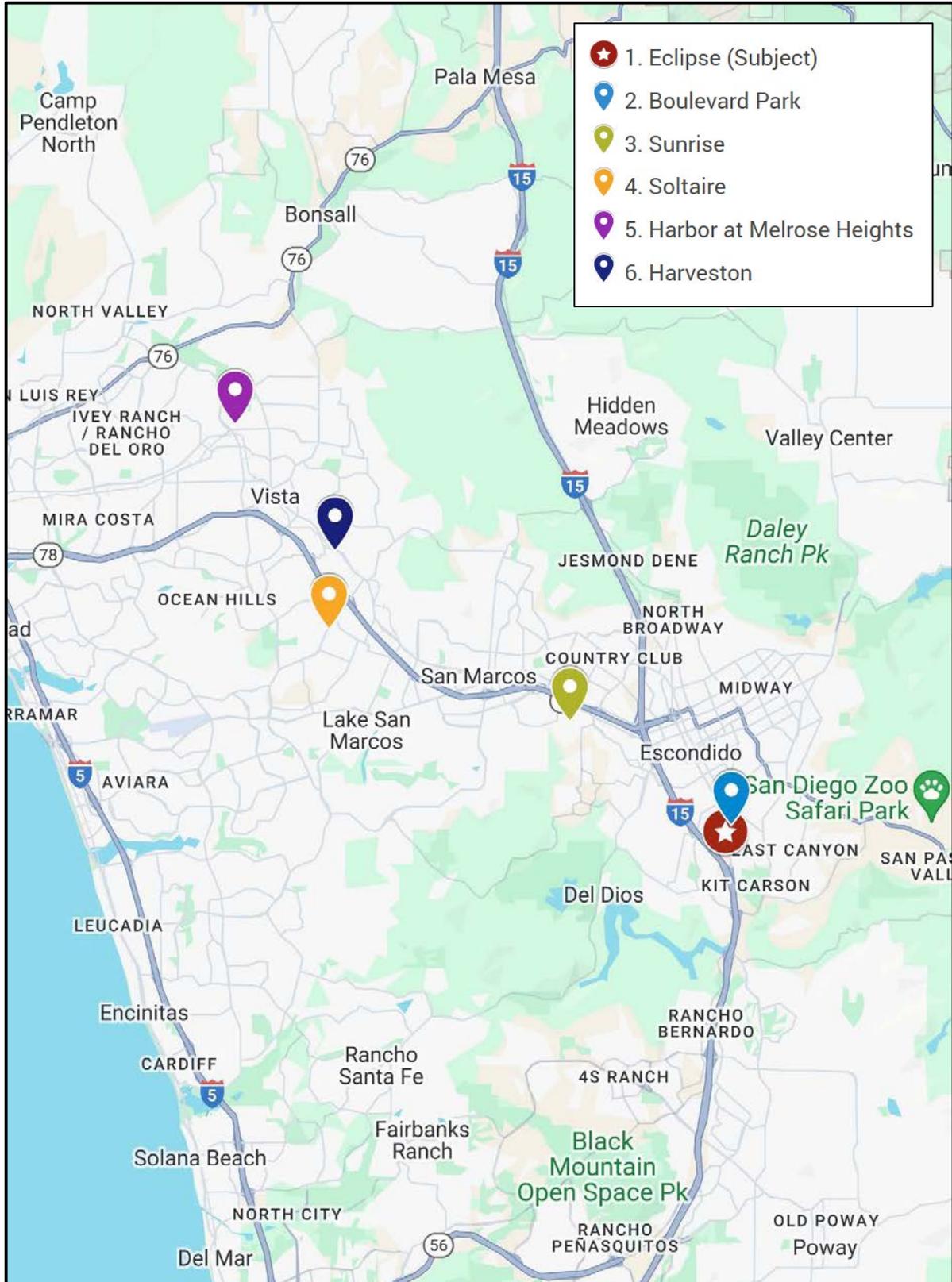
BUILDER-OWNED HOMES
DISCOUNTED CASH FLOW ANALYSIS

Eclipse Builder-Owned Houses Discounted Cash Flow Analysis

MONTH	Months	MONTH 1	MONTH 2	MONTH 3	TOTAL
	3				
INCOME:					
Retail Sales	10,345,310	\$3,448,437	\$3,448,437	\$3,448,437	\$10,345,310
TOTAL INCOME		<u>\$3,448,437</u>	<u>\$3,448,437</u>	<u>\$3,448,437</u>	<u>\$10,345,310</u>
EXPENSES:					
Remaining Costs		(\$14,624)	(\$14,624)	(\$14,624)	(\$43,872)
Marketing & Carrying Expenses	10%	(\$344,844)	(\$344,844)	(\$344,844)	(\$1,034,531)
Profit	10%	(\$344,844)	(\$344,844)	(\$344,844)	(\$1,034,531)
TOTAL EXPENSES		(\$704,311)	(\$704,311)	(\$704,311)	(\$2,112,934)
NET CASH FLOW		\$2,744,125	\$2,744,125	\$2,744,125	\$8,232,376
Discount Factor	10%	<u>0.9917</u>	<u>0.9835</u>	<u>0.9754</u>	
DISCOUNTED CASH FLOW		\$2,721,447	\$2,698,955	\$2,676,650	\$8,097,052
CUMULATIVE DISCOUNTED CASH FLOW		<u>\$2,721,447</u>	<u>\$5,420,402</u>	<u>\$8,097,052</u>	<u>\$8,097,052</u>

IMPROVED RESIDENTIAL SALES MAP
& SUMMARY CHART

IMPROVED RESIDENTIAL SALES MAP



IMPROVED RESIDENTIAL SALES SUMMARY CHART

Data No.	Project Name Location/Developer	Plan	Room Count	Size (SF)	Floors/ Parking	Min Lot Size / Absorb	Base Sales Price	Price/SF
1	Eclipse, Centre City Parkway & Brotherton Road, Escondido / California West Communities (recently sold out – final base pricing)	1	2 / 2.5	1,140	3 / 2	Attached Townhomes 3-story	\$603,900	\$529.74
		2	2 / 2.5	1,290			\$657,900	\$510.00
		3	3 / 2.5	1,568			\$733,900	\$468.05
		4	4 / 3.5	1,534			\$727,900	\$474.51
2	Boulevard Park, Centre City Parkway north of Brotherton Road, Escondido / Warmington Homes	1	2 / 2.5	1,102	3 / 2	Attached Townhomes 3-story	\$622,900	\$565.25
		2	2 / 2.5	1,191			\$626,900	\$526.36
		3	3 / 2.5	1,468			\$727,900	\$495.84
		4	3 / 2.5	1,461			\$701,900	\$480.42
		5	3 / 2.5	1,637			\$744,900	\$455.04
		6	4 / 3.5	1,818			TSO	N/A
3	Amber at Sunrise & Jade at Sunrise, Sunrise Avenue, San Marcos / Lennar (recently sold out – reported pricing is final base pricing)	1	3 / 2.5	1,468	2 / 2	Attached 2 and 3-story Townhomes	\$704,900	\$480.18
		2	3 / 2.5	1,497	2 / 2		\$710,900	\$474.88
		3	3 / 2.5	1,615	2 / 2		\$736,900	\$456.28
		4	2 / 2.5	1,231	3 / 2		\$642,900	\$522.26
		5	3 / 3	1,501	3 / 2		\$702,900	\$468.29
		6	3 / 3.5	1,858	3 / 2		\$736,900	\$396.61
		7	4 / 3.5	1,934	3 / 2		\$761,900	\$393.95
4	Soltaire E/S Sycamore Avenue at Green Oak Road, Vista / Beazer Homes	1	1 / 1	1,082	3 / 2	Attached Townhomes 2-story	\$614,990	\$568.38
		2	2 / 2	1,196			\$686,990	\$574.41
		3	3 / 2.5	1,362			\$717,990	\$527.16
		4	2 / 2.5	1,640			\$741,990	\$452.43
		5	3 / 2.5	1,576			\$761,990	\$483.50
		6	3 / 2.5	1,627			\$766,990	\$471.41
5	Harbor at Melrose Heights, North Melrose Drive and Oceanside Blvd, Oceanside / TruMark Homes	1	3 / 3	1,618	3 / 2	Attached 3-story	\$698,400	\$431.51
		2	4 / 3.5	1,930			\$827,900	\$428.96
		3	3 / 2.5	2,193			\$852,415	\$388.70
6	Harveston, Phillips Street & Wingwood Lane, Vista / Century Communities	1	3 / 2.5	1,877	2 / 2	Detached Cluster	\$854,990	\$455.51
		2	4 / 2.5	1,959			\$864,990	\$441.55
		3	4 / 3	2,219			\$944,990	\$425.86

APPRAISER'S QUALIFICATIONS

QUALIFICATIONS OF KITTY S. SIINO, MAI

Education

Bachelor of Arts in Business Administration, Financial Investments, California State University, Long Beach, California (1980)

Post-Graduate Study, Real Estate Development, University of California, Irvine, California

Appraisal Institute Classes: Uniform Standards of Professional Appraisal Practice, A & B; Appraisal Principles; Appraisal Procedures; Basic Income Capitalization; Advanced Income Capitalization; Narrative Report Writing; Advanced Applications, Case Studies. Successfully completed all classes in addition to successfully completing the writing of a Demonstration Report and taking the Comprehensive Exam. Became a Member of the Appraisal Institute in December 1996. Have completed over 100 hours of continuing education through the Appraisal Institute every five years.

Employment

1988 - Present:

Self-Employed Real Estate Appraiser. Duties include the appraisal of various types of properties such as commercial, retail, industrial and vacant land. More complex assignments include easements, right-of-ways and special assessment districts. From 1996 to present, specialized in special assessment districts and community facilities districts appraisals for public entities, including Jurupa Community Services District, Corona Norco Unified School District, City of Corona, City of Chula Vista, City of San Marcos and City of Moreno Valley.

1986-1988:

Project Manager of Development for Ferguson Partners, Irvine, California. Duties included land acquisitions; review of fee appraisals and valuations; analysis of proposed development; planning and design; and management of development, construction and lease-up. The types of properties developed were commercial and industrial. Duties ranged from raw, vacant site development through property management of recently developed projects.

1981 - 1986

Manager of Finance, Construction for Community Development Division, The Irvine Company, Irvine, California. Duties included originating and managing a newly formed division of finance to bridge between the accounting functions and project management functions. Worked with analysis and budgets for Community Development Division. Coordinated with cities in forming new Assessment Districts and Community Facilities Districts to finance major infrastructure improvements. Types of properties were apartments and single-family residential lots on a for sale basis to apartment and homebuilders.

1980 - 1981

Investment Counselor, Newport Equity Funds, Newport Beach, California. Duties included obtaining private financing for residential properties, working with appraisals of properties and analyzing the investments.

Licenses

Real Estate Sales Person, State of California, 1980
Certified General Appraiser, State of California (#AG004793)

Organizations

MAI #11145 - The Appraisal Institute

Public Financing

CASTOFF Meetings, 2006, 2007, 2008, 2009, 2010, 2011, 2013, 2014, 2015, 2017, 2018
and 2019

Speaker, Mello-Roos & Special Assessment Financing, UCLA Extension Public Policy
Program, February 2009 and March 2011

APPENDIX E
UPDATED PRICE POINT STUDY

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COMMUNITY FACILITIES DISTRICT NO. 2022-1
(ZONE A: ECLIPSE)

CITY OF ESCONDIDO
SAN DIEGO COUNTY, CALIFORNIA

PRICE POINT *REVIEW* STUDY
(COMPARISON OF CURRENT PRICE POINTS TO
PREVIOUSLY RECOMMENDED/ORIGINAL PRICE POINTS)

BY EMPIRE ECONOMICS, INC.
JOSEPH T. JANCZYK, PH.D.

NOVEMBER 20, 2023

INTRODUCTION

Since a Bond Sale is expected to occur for CFD No. 2022-1 (Eclipse) in the near term, the City of Escondido has requested a Price Point *Review* Study per the requirements of the Rate & Method of Apportionment (RMA).

Accordingly, to perform this Study, the City of Escondido has engaged Empire Economics (Empire), a firm specializing in performing research for land secured financings on behalf of public entities only.

The purpose of the Price Point *Review* Study for CFD No. 2022-1 is to compare **the recent escrow net sales prices (base priced reduced by builder concessions)** to the Original Price Points dated December 13, 2021 that were used to set the special taxes; the potential outcomes are as follows:

- **Higher:** If the current net base price for a project/plan are higher/same than the original price point, then the original price point remains the same.
- **Lower:** If the current net base price for a project/plan is below the prior price point, then the original price point is reduced.

The Special Tax Analyst will then utilize the price points, along with other factors, to determine whether the levels of Special Taxes are in compliance with the City of Escondido's tax burdens for homeowners.

DESCRIPTION OF THE ECLIPSE PROJECT

Eclipse is a newly developing residential project by California West Communities that is expected to have 113 townhomes with four different floor plans that have living areas form 1,140 to 1,568 sq. ft. of living area.

The project commenced sales in December 2021, and as of November 3, 2023, 77 have closed their escrows.

Please refer to the following page for some pictures of Eclipse.



RECENT ESCROW CLOSING - NET PRICES TRENDS

California West Communities provided Empire Economics with detailed information on the 77 homes that have closed escrows: size of living area, date of closing, base sales prices, and total concessions, among other factors.

Accordingly, for each of these homes, Empire calculated the net base sales prices using the following formula:

$$\text{Net Base Prices} = \text{Base Price} - \text{Total Concession (Lender and Builder)}$$

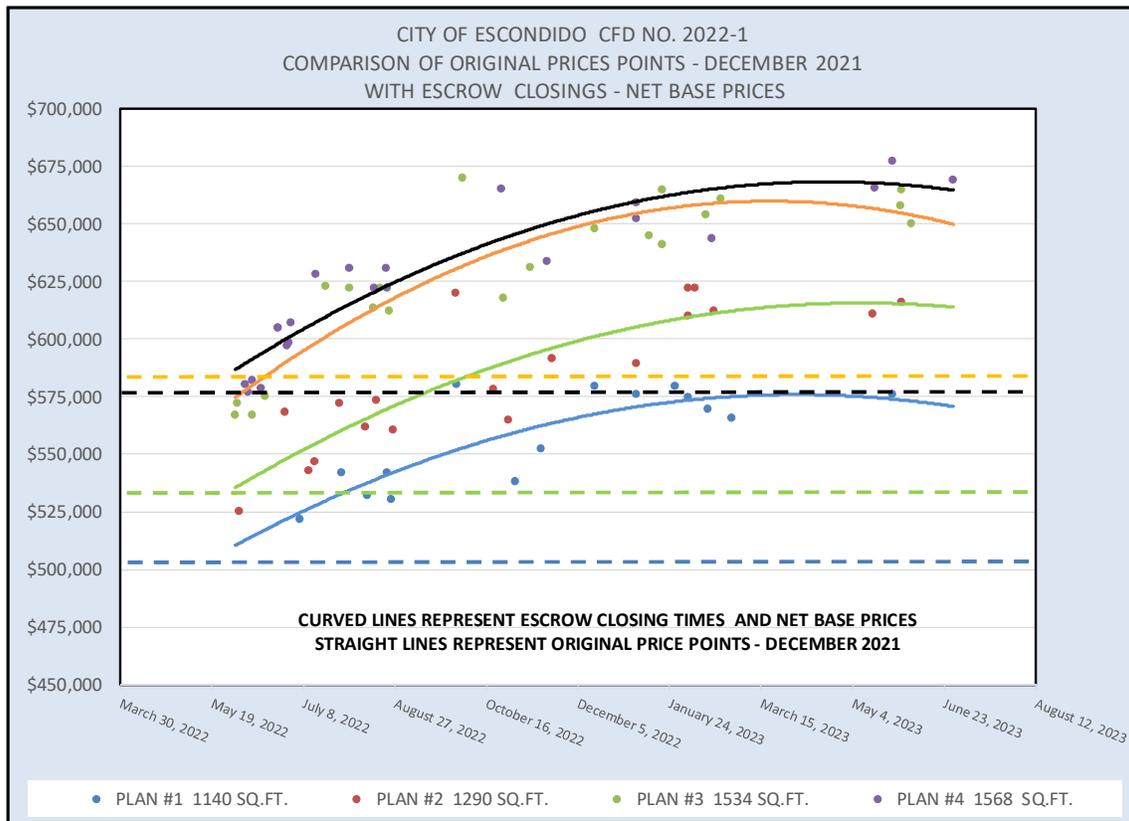
For Eclipse, as a whole, as well as for each of the plans, in particular, the escrow closing net base prices have increased from when the project entered the marketplace in December 2022.

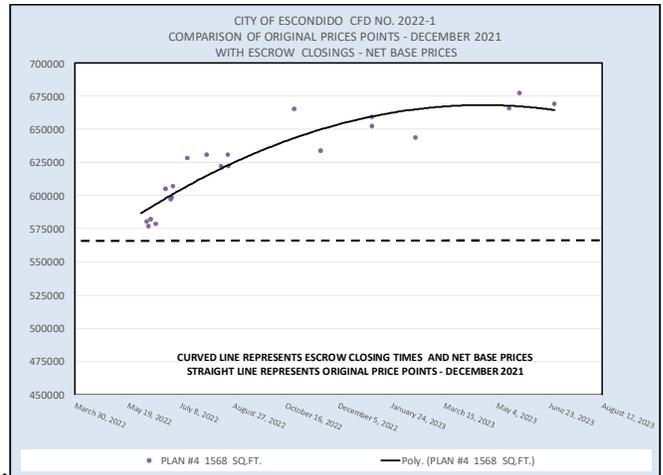
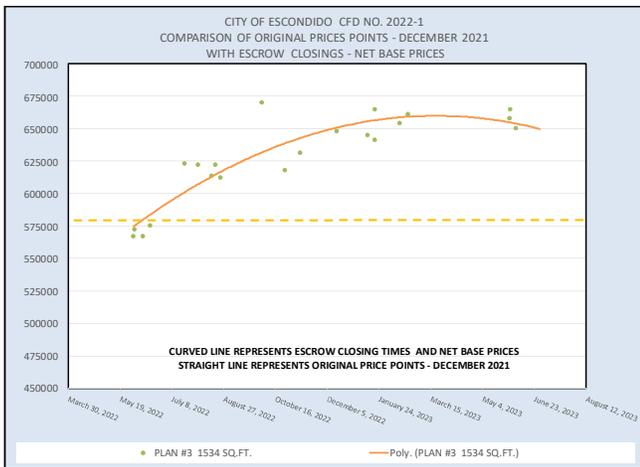
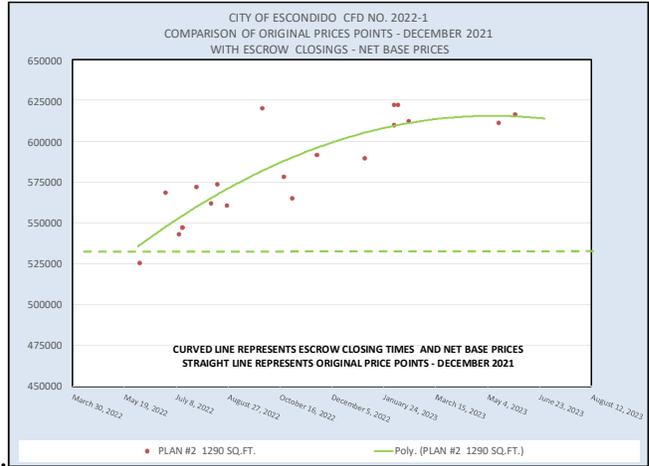
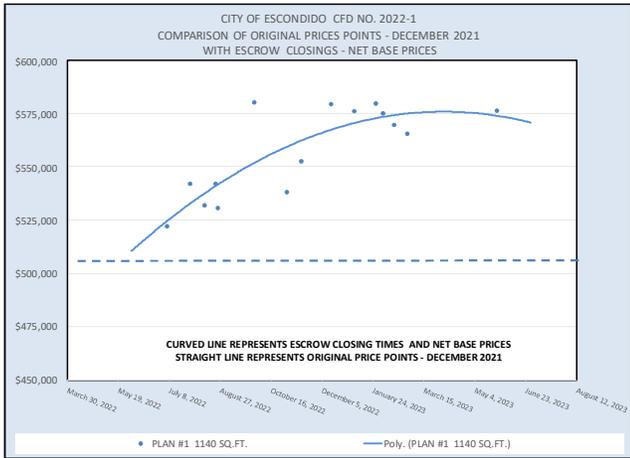
Most of the price appreciation occurred during May 19, 2022 to January 2023.

From January 2023-May 2023, prices have been relatively stable.

For June 2023, the most recent escrow closings, price trendline declined, but just slightly.

Please refer to the following graphs for additional information:





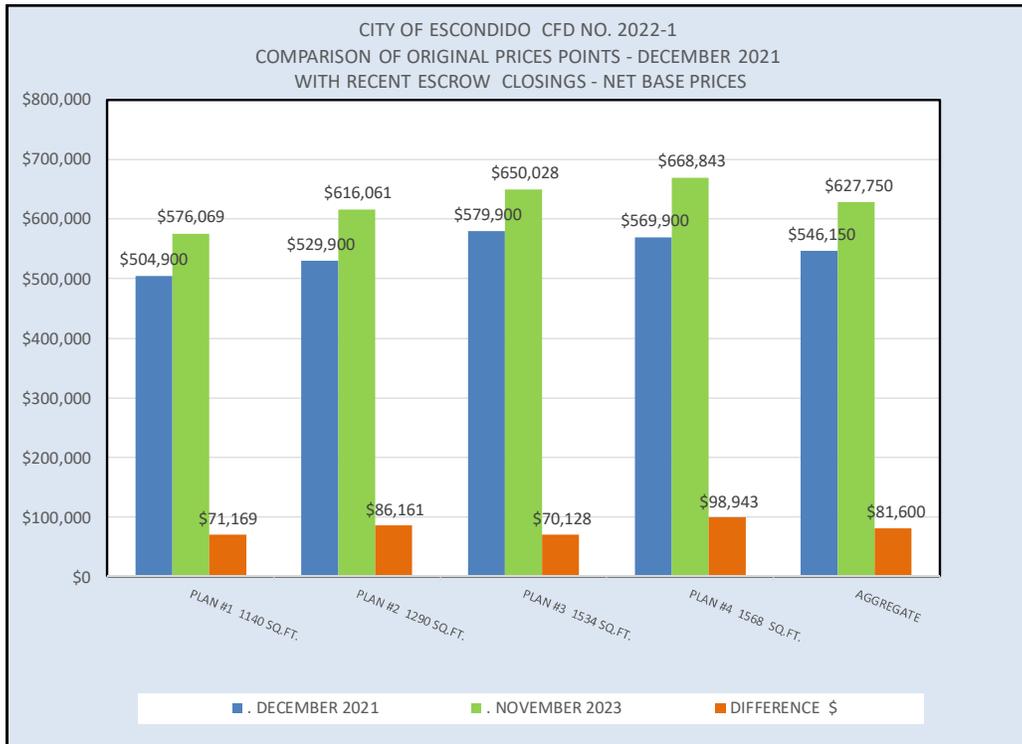
CONCLUSIONS.

Based upon a comprehensive analysis of the original price points as of December 2021 and the current price points as of November 2023, the appropriate “current net base prices” for the Rate and Method of Apportionment are now discussed.

The above analysis has shown that the originally recommended price points the Eclipse project are “ALL BELOW” the net base housing prices that have recently closed escrows.

*** ALL OF THE ORIGINAL PRICE POINTS HAVE BEEN CONFIRMED - NO PRICE REDUCTIONS***

- The current market values for each of the project/plans in CFD No. 2022-1 are higher than the December 2021 price points by some 14.9%/avg., a differential of +\$81,600/avg.
- With regards the four plans, the differences ranged from +14.1% for the smallest plan to +17.4% for the largest plan; so the largest size homes had slightly higher rates of appreciation.



APPENDIX: DATA TABLES

Close of		Base	Total	Net Base
Escrow	Plan	Price	Concessions	Price
7/6/22	1A	\$524,900	\$3,000	\$521,900
7/29/22	1A	\$544,900	\$3,000	\$541,900
8/12/22	1AR	\$534,900	\$3,000	\$531,900
8/23/22	1A	\$544,900	\$3,000	\$541,900
8/25/22	1AR	\$534,900	\$4,500	\$530,400
9/30/22	1A	\$589,900	\$9,793	\$580,107
11/1/22	1AR	\$564,900	\$26,922	\$537,978
11/15/22	1A	\$579,900	\$27,565	\$552,335
12/14/22	1AR	\$596,900	\$17,621	\$579,279
1/6/23	1AR	\$575,900	\$0	\$575,900
1/27/23	1A	\$601,900	\$22,500	\$579,400
2/3/23	1A	\$594,900	\$20,016	\$574,884
2/14/23	1A	\$579,900	\$10,570	\$569,330
2/27/23	1AR	\$580,900	\$15,457	\$565,443
5/26/23	1AR	\$601,900	\$25,831	\$576,069
6/3/22	2B	\$529,900	\$4,500	\$525,400
6/28/22	2B	\$574,900	\$6,500	\$568,400
7/11/22	2A	\$549,900	\$6,913	\$542,987
7/14/22	2BR	\$549,900	\$3,000	\$546,900
7/28/22	2A	\$574,900	\$3,000	\$571,900
8/11/22	2AR	\$564,900	\$3,000	\$561,900
8/17/22	2A	\$574,900	\$1,500	\$573,400
8/26/22	2AR	\$564,900	\$4,500	\$560,400
9/29/22	2A	\$624,900	\$5,000	\$619,900
10/20/22	2A	\$609,900	\$31,919	\$577,981
10/28/22	2AR	\$594,900	\$30,058	\$564,842
11/21/22	2A	\$609,900	\$18,579	\$591,321
1/6/23	2AR	\$594,900	\$5,733	\$589,167
2/3/23	2A	\$624,900	\$3,000	\$621,900
2/3/23	2AR	\$626,900	\$17,117	\$609,783
2/7/23	2AR	\$626,900	\$5,000	\$621,900
2/17/23	2A	\$631,900	\$20,000	\$611,900
5/15/23	2BR	\$631,900	\$21,020	\$610,880
5/31/23	2AR	\$631,900	\$15,839	\$616,061

Close of		Base	Total	Net Base
Escrow	Plan	Price	Concessions	Price
6/1/22	3DR	\$569,900	\$3,000	\$566,900
6/2/22	3C	\$574,900	\$3,000	\$571,900
6/10/22	3C	\$569,900	\$3,000	\$566,900
6/17/22	3C	\$574,900	\$0	\$574,900
7/20/22	3A	\$625,900	\$3,000	\$622,900
8/2/22	3A	\$624,900	\$3,000	\$621,900
8/15/22	3AR	\$614,900	\$1,500	\$613,400
8/19/22	3A	\$624,900	\$3,000	\$621,900
8/24/22	3AR	\$614,900	\$3,000	\$611,900
10/3/22	3A	\$669,900	\$0	\$669,900
10/25/22	3AR	\$644,900	\$27,158	\$617,742
11/9/22	3B	\$659,900	\$28,928	\$630,972
12/14/22	3BX	\$674,900	\$26,901	\$647,999
1/13/23	3A	\$659,900	\$15,000	\$644,900
1/20/23	3BR	\$644,900	\$3,774	\$641,126
1/20/23	3BX	\$681,900	\$17,336	\$664,564
2/13/23	3BR	\$676,900	\$23,034	\$653,866
2/21/23	3BR	\$676,900	\$16,173	\$660,727
5/30/23	3D	\$681,900	\$24,047	\$657,853
5/31/23	3AR	\$681,900	\$17,432	\$664,468
6/5/23	3CR	\$681,900	\$31,872	\$650,028
6/6/22	4A	\$584,900	\$4,500	\$580,400
6/8/22	4AR	\$579,900	\$3,000	\$576,900
6/10/22	4A	\$584,900	\$3,000	\$581,900
6/15/22	4A	\$579,900	\$1,500	\$578,400
6/24/22	4B	\$609,900	\$5,000	\$604,900
6/24/22	4CR	\$609,900	\$5,000	\$604,900
6/29/22	4CR	\$599,900	\$3,000	\$596,900
6/30/22	4B	\$599,900	\$1,500	\$598,400
7/1/22	4D	\$609,900	\$3,000	\$606,900
7/15/22	4AR	\$630,900	\$3,000	\$627,900
8/2/22	4D	\$634,900	\$4,500	\$630,400
8/16/22	4DR	\$624,900	\$3,000	\$621,900
8/22/22	4D	\$634,900	\$4,500	\$630,400
8/23/22	4DR	\$624,900	\$3,000	\$621,900
10/24/22	4D	\$679,900	\$15,000	\$664,900
11/18/22	4DR	\$654,900	\$21,419	\$633,481
1/6/23	4AR	\$669,900	\$17,654	\$652,246
1/6/23	4D	\$669,900	\$10,932	\$658,968
2/16/23	4A	\$654,900	\$11,500	\$643,400
5/16/23	4A	\$691,900	\$26,359	\$665,541
5/26/23	4AR	\$691,900	\$14,841	\$677,059
6/28/23	4DR	\$691,900	\$23,057	\$668,843

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APPENDIX F

SUMMARY OF THE INDENTURE

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

DEFINITIONS

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

Account. The term “Account” means any account created pursuant to the Indenture.

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

Acquisition and Construction Fund. The term “Acquisition and Construction Fund” means the fund by that name established pursuant to the Indenture.

Acquisition and Funding Agreement. The term “Acquisition and Funding Agreement” means the Funding Agreement, dated as of March 1, 2022, by and among the City, acting for and on behalf of itself and the District, CWC Escondido 113, LLC, a Delaware limited liability company, and TTLC CalWest, LLC, a California limited liability company, as it may be amended.

Administrative Expense Account. The term “Administrative Expense Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

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

Administrative Expenses Cap. The term “Administrative Expenses Cap” means \$32,472.96, which amount shall escalate at 2.00% per Fiscal Year, commencing July 1, 2024.

Alternate Penalty Account. The term “Alternate Penalty Account” means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

Annual Debt Service. The term “Annual Debt Service” means the principal amount of any Outstanding Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds or Parity Bonds in such Bond Year, if the Bonds and any Parity Bonds are retired as scheduled.

Authorized Investments. The term “Authorized Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(1) For all purposes, including defeasance investments in refunding escrow accounts: (a) cash; or (b) obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S., including U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, General Services Administration, guaranteed Title XI financing, Government National Mortgage Association (GNMA) and State and Local Government Series; or (c) obligations of government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Mortgage Corporation (FHLMC) debt obligations, Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives), Federal Home Loan Banks (FHL Banks), Federal National Mortgage Association (FNMA) debt obligations, Financing Corp. (FICO) debt obligations, Resolution Funding Corp. (REFCORP) debt obligations and U.S. Agency for International Development (U.S.A.I.D.) guaranteed notes.

(2) For all purposes other than defeasance investments in refunding escrow accounts: (a) obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America: Export-Import Bank, Rural Economic Community Development Administration, U.S. Maritime Administration, Small Business Administration, U.S. Department of Housing & Urban Development (PHAs), Federal Housing Administration and Federal Financing Bank; (b) direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), obligations of the Resolution Funding Corporation (REFCORP) and senior debt obligations of the Federal Home Loan Bank System; (c) U.S. dollar denominated deposit accounts, including demand deposits, time deposits, certificates of deposit (including those placed by a third party pursuant to a separate agreement between the District and the Trustee), other deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, federal funds and bankers' acceptances with domestic commercial banks (including those of the Trustee and its affiliates) (i) which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank) or (ii) which are insured by the Federal Deposit Insurance Corporation; (d) commercial paper which is rated at the time of purchase in the single highest classification "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase; (e) investments in a money market mutual fund rated "AAM," "AAM G" or better by S&P, including funds for which the Trustee or its affiliates receive and retain a fee for services provided to the fund, including investment advisory, custodial, transfer agency or other management services; (f) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America, or any agency, instrumentality or local governmental unit of any such state, which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and: (i) which are rated, based on irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or (ii) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (1)(b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (2) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in the Indenture on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; (g) municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of at least "Aa2/AA" or higher by both Moody's and S&P; (h) Investment Agreements (supported by appropriate opinions of counsel that such Investment Agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms); and (i) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent that the Trustee is authorized to register such investment in its name.

The value of the above investments will be determined as follows: (a) for the purpose of determining the amount in any fund, all Authorized Investments credited to such fund will be valued at market value. The Trustee will determine the market value based on accepted industry standards, including the Trustee's internal systems, and from accepted industry providers. Accepted industry providers will include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Bank of America Merrill Lynch or Salomon Smith Barney. Notwithstanding anything to the contrary in the Indenture, in making any valuation of investments under the Indenture, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it; and (b) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest thereon.

Authorized Representative of the District. The term "Authorized Representative of the District" means the Mayor of the City, or the City Manager, any Deputy City Manager, or the Director of Finance of the City, or any other officer or employee authorized by the City Council of the City or by an Authorized Representative of the District to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Representative of the District.

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

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

Bonds. The term "Bonds" means the District's Special Tax Bonds, Series 2024.

Bond Year. The term "Bond Year" means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds or an issue of Parity Bonds will begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date.

Business Day. The term "Business Day" means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Trustee is located, are not required or authorized by law, regulation or executive order, to close or to remain closed.

Certificate of an Authorized Representative. The term "Certificate of an Authorized Representative" means a written certificate or warrant request executed by an Authorized Representative of the District.

City. The term "City" means the City of Escondido, California.

City Council. The term "City Council" means the City Council of the City.

City Improvements Account. The term "City Improvements Account" means the account by that name created and established in the Acquisition and Construction Fund pursuant to the Indenture.

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

Continuing Disclosure Certificate. The term “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the District in connection with the issuance of the Bonds, as originally executed by the District and as it may be from time to time amended or supplemented in accordance with its terms.

Costs of Issuance. The term “Costs of Issuance” means the costs and expenses incurred in connection with the formation of the District and the issuance and sale of the Bonds or any Parity Bonds, including the acceptance and initial annual fees and expenses of the Trustee and its counsel, legal fees and expenses, costs of printing the Bonds and Parity Bonds and the preliminary and final official statements for the Bonds and Parity Bonds, fees of financial consultants, costs of the appraisal and all other related fees and expenses, including reimbursement to property owners within the District for design, engineering and legal costs, as set forth in a Certificate of an Authorized Representative of the District.

Costs of Issuance Account. The term “Costs of Issuance Account” means the account by that name created and established in the Acquisition and Construction Fund pursuant to the Indenture.

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

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

District. The term “District” means Community Facilities District No. 2022-1 of the City of Escondido (Eclipse/Mountain House) established pursuant to the Act and Resolution No. 2020-45 adopted by the City Council of the City on May 13, 2020.

Event of Default. The term “Event of Default” means an event described in the Indenture.

Fiscal Year. The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the next following June 30.

Gross Taxes. The term “Gross Taxes” means the amount of all Special Taxes received by the District together with the proceeds collected from the sale of property pursuant to foreclosure for the delinquency of such Special Taxes remaining after the payment of all costs related to such foreclosure actions.

Indenture. The term “Indenture” means the Bond Indenture, dated as of May 1, 2024, by and between the District and the Trustee, together with any Supplemental Indenture approved pursuant thereto.

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom: (1) is in fact independent and not under the domination of the District or the City; (2) does not have any substantial interest, direct or indirect, in the District or the City; and (3) is not connected with the District or the City as a member, officer or employee of the District or the City, but who may be regularly retained to make annual or other reports to the District or the City.

Interest Account. The term “Interest Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

Interest Payment Date. The term “Interest Payment Date” means September 1, 2024 and each March 1 and September 1 thereafter; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

Investment Agreement. The term “Investment Agreement” means one or more agreements for the investment of funds of the District complying with the criteria therefor as set forth in subsection (2)(h) of the definition of Authorized Investments in the Indenture.

Maximum Annual Debt Service. The term “Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds by adding the following for each Bond Year: (1) the principal amount of all Outstanding Bonds and Parity Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and (2) the interest payable on the aggregate principal amount of all Bonds and Parity Bonds Outstanding in such Bond Year if the Bonds and Parity Bonds are retired as scheduled.

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

Net Taxes. The term “Net Taxes” means Gross Taxes minus amounts set aside to pay Administrative Expenses.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

Ordinance. The term “Ordinance” means Ordinance No. 2022-03 adopted by the City Council on March 16, 2022, providing for the levying of the Special Tax.

Outstanding. The terms “Outstanding” or “Outstanding Bonds and Parity Bonds” means all Bonds and Parity Bonds theretofore issued by the District, except: (i) Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with the Indenture; (ii) Bonds and Parity Bonds for payment or redemption of which monies have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture or any applicable Supplemental Indenture for Parity Bonds; and (iii) Bonds and Parity Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to the Indenture or for which a replacement has been issued pursuant to the Indenture.

Owner. The term “Owner” means the person or persons in whose name or names any Bond or Parity Bond is registered.

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

Participants. The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds or Parity Bonds as securities depository.

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

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

Principal Account. The term “Principal Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

Principal Office of the Trustee. The term “Principal Office of the Trustee” means the office of the Trustee located in Los Angeles, California, or such other office or offices as the Trustee may designate from time to time provided, however, that solely for purposes of the surrender or presentation of Bonds for payment, transfer or exchange, the Principal Office of the Trustee will be the designated corporate trust agency or operations office of the Trustee.

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

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

Rating Agency. The term “Rating Agency” means Moody’s or S&P, or both, as the context requires.

Rebate Account. The term “Rebate Account” means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

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

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

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

Redemption Account. The term “Redemption Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

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

Representation Letter. The term “Representation Letter” means the Blanket Letter of Representations from the District to the Depository as described in the Indenture.

Reserve Account. The term “Reserve Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

Reserve Policy means a letter of credit, insurance policy, surety bond or other such funding instrument issued by a municipal bond insurance company rated least “Aa2” or higher by Moody’s or “AA-” or higher by S&P at the time of the delivery of such Reserve Policy, delivered to the Trustee for the purpose of providing all or a portion of the Reserve Requirement for Bonds and Parity Bonds.

Reserve Requirement. The term “Reserve Requirement” means that amount as of any date of calculation equal to the lesser of: (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any; (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds; and (iv) the initial Reserve Requirement for the Bonds.

Resolution of Formation. The term “Resolution of Formation” means, collectively, Resolution No. 2022-10 adopted by the City Council on March 2, 2022, pursuant to which the City Council established the District, and Resolution No. 2022-182, adopted by the City Council on December 7, 2022, pursuant to which the District approved the annexation of additional property into the District.

RMA. The term “RMA” means the Rate and Method of Apportionment of Special Tax for the District approved by the qualified electors of the District at the March 2, 2022 election.

Sinking Fund Payment. The term “Sinking Fund Payment” means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedules set forth in the Indenture and any annual sinking fund payment schedule to retire any Parity Bonds which are designated as Term Bonds.

Six-Month Period. The term “Six-Month Period” means the period of time beginning on the Delivery Date of each issue of Bonds or Parity Bonds, as applicable, and ending six consecutive months thereafter, and each six month period thereafter until the latest maturity date of the Bonds and the Parity Bonds (and any obligations that refund an issue of the Bonds or Parity Bonds).

Special Tax Administrator. The term “Special Tax Administrator” means the individual or entity appointed by the City to administer the calculation and collection of the Special Taxes.

Special Tax Requirement. The term “Special Tax Requirement” means that amount required in any Fiscal Year for the District to: (i) pay debt service on all Outstanding Bonds and Parity Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay Administrative Expenses; (iii) pay any amounts required to establish or replenish any reserve funds on all Outstanding Bonds and Parity Bonds; (iv) pay for reasonable anticipated Special Tax delinquencies; (v) pay directly for acquisition or construction of facilities authorized under the Act and the RMA to the extent that the inclusion of such amount does not increase the Special Tax levy on Approved or Undeveloped Property (as such terms are defined in the RMA); (vi) pay any amounts required to establish or replenish any delinquency management funds established in association with the Special Taxes; less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the District pursuant to the Indenture.

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

Special Taxes. The term “Special Taxes” means the taxes authorized to be levied by the District on property within the District in accordance with the Ordinance, the Resolution of Formation, the Act, the voter approval obtained at the March 2, 2022 election in the District and the unanimous approval of certain property owners accepted by the legislative body of the District on December 7, 2022, including any scheduled payments and any Prepayments thereof, the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and penalties and interest thereon; provided that any delinquent Special Tax sold to an independent third-party or to the City for 100% of the delinquent amount shall no longer be pledged hereunder to the payment of the Bonds or Parity Bonds.

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

Subaccount. The term “Subaccount” means any subaccount created pursuant to the Indenture

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

Surplus Fund. The term “Surplus Fund” means the fund by that name created and established pursuant to the Indenture.

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

Tax-Exempt. The term “Tax-Exempt” means, with reference to an Authorized Investment, an Authorized Investment the interest earnings on which are excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, other than one described in Section 57(a)(5)(C) of the Code.

Term Bonds. The term “Term Bonds” means the Bonds maturing on September 1, 2040, September 1, 2048 and September 1, 2054 and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

Trustee. The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States, at its principal corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Indenture, and any successor thereto.

Underwriter. The term “Underwriter” means, with respect to the Bonds, Stifel, Nicolaus & Company, Incorporated, and with respect to each issue of Parity Bonds, the institution or institutions, if any, with whom the District enters into a purchase contract for the sale of such issue.

GENERAL AUTHORIZATION AND BOND TERMS

Amount, Issuance, Purpose and Nature of Bonds and Parity Bonds. Under and pursuant to the Act, the Bonds, together with any Parity Bonds authorized by the City Council in accordance with the Indenture, will be issued for the purposes of financing the Project, paying Costs of Issuance, funding the Reserve Account and paying capitalized interest on the Bonds; provided that the aggregate principal amount of the Bonds and any Parity Bonds may not exceed the total indebtedness presently authorized or subsequently authorized by the qualified electors within the District in accordance with the Act. The Bonds and any Parity Bonds will be and are limited obligations of the District and are payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the Net Taxes and the other amounts in the Special Tax Fund (other than amounts in the Administrative Expense Account of the Special Tax Fund).

Type and Nature of Bonds and Parity Bonds. Neither the faith and credit nor the taxing power of the City, the State of California, or any political subdivision thereof other than the District is pledged to the payment of the Bonds or any Parity Bonds. Except for the Net Taxes, no other taxes are pledged to the payment of the Bonds or any Parity Bonds. The Bonds and any Parity Bonds are not general or special obligations of the City nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the Special Tax Fund (exclusive of the Administrative Expense Account), as more fully described in the Indenture. The District’s limited obligation to pay the principal of, premium, if any, and interest on the Bonds and any Parity Bonds from amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds or any Parity Bonds may compel the exercise of the taxing power by the District (except as pertains to the Special Taxes) or the City or the forfeiture of any of their property. The principal of and interest on the Bonds and any Parity Bonds and premiums upon the redemption thereof, if any, are not a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds and any Parity Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the District’s property, or upon any of its income, receipts or revenues, except the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) which are, under

the terms of the Indenture and the Act, set aside for the payment of the Bonds, any Parity Bonds and interest thereon, and neither the members of the legislative body of the District or the members of the City Council nor any persons executing the Bonds or any Parity Bonds are liable personally on the Bonds or any Parity Bonds, by reason of their issuance.

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

Equality of Bonds and Parity Bonds and Pledge of Net Taxes. Pursuant to the Act and the Indenture, the Bonds and any Parity Bonds will be equally payable from and secured by a first pledge of and lien on the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account), without priority for number, date of the Bonds or Parity Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and any Parity Bonds and any premiums upon the redemption thereof, will be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) which are set aside for the payment of the Bonds and any Parity Bonds; provided that any delinquent Special Tax sold to an independent third-party or to the City for 100% of the delinquent amount will no longer be pledged under the Indenture to the payment of Bonds or Parity Bonds. Amounts in the Special Tax Fund (other than the Administrative Expense Account therein) constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and any Parity Bonds and, so long as any of the Bonds and any Parity Bonds or interest thereon remain Outstanding, will not be used for any other purpose, except as permitted by the Indenture or any Supplemental Indenture. Notwithstanding any provision contained in the Indenture to the contrary, Net Taxes deposited in the Rebate Fund and the Surplus Fund will no longer be considered to be pledged to the Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, the Acquisition and Construction Fund or the Administrative Expense Account of the Special Tax Fund will be construed as a trust fund held for the benefit of the Owners.

Nothing in the Indenture or any Supplemental Indenture precludes: (i) subject to the limitations contained under the Indenture, the redemption prior to maturity of any Bonds or Parity Bonds subject to call and redemption and payment of said Bonds or Parity Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as later amended, or under any other law of the State of California; or (ii) the issuance, subject to the limitations contained in the Indenture, of Parity Bonds which are payable from Net Taxes.

Bond Register. The Trustee will keep or cause to be kept, at its office, sufficient books for the registration and transfer of the Bonds and any Parity Bonds which will upon reasonable prior notice be open to inspection by the District during all regular business hours, and, subject to the limitations set forth in the Indenture, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Bonds and any Parity Bonds as provided in the Indenture.

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

Mutilated, Lost, Destroyed or Stolen Bonds or Parity Bonds. If any Bond or Parity Bond becomes mutilated, the District will execute, and the Trustee will authenticate and deliver, a new Bond or Parity Bond

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

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

Book-Entry System. The Bonds will be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the ownership of each such Bond will be registered in the registration books kept by the Trustee in the name of the Nominee as nominee of the Depository. Except as provided in the Indenture, all of the Outstanding Bonds will be registered in the registration books kept by the Trustee in the name of the Nominee. At the election of the District, any Parity Bonds may also be issued as book-entry bonds registered in the name of the Nominee as provided in the Indenture, in which case the references in the provisions relating to the book-entry system in the Indenture to "Bonds" will be applicable to such Parity Bonds.

With respect to Bonds registered in the registration books kept by the Trustee in the name of the Nominee, the District and the Trustee have no responsibility or obligation to any such Participant or to any Person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Trustee have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds; (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event that the Bonds are redeemed in part; or (iv) the payment to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The District and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of the principal of, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond and for all other purposes whatsoever. The Trustee will pay all principal of, premium, if any, and interest due on the Bonds only to or upon the order of the respective Owner, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to

satisfy and discharge fully the District's obligations with respect to payment of the principal, premium, if any, and interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the registration books kept by the Trustee, will receive a Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the Indenture. Upon delivery by the Depository to the Trustee and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee in the Indenture will refer to such new nominee of the Depository.

Representation Letter. In order to qualify the Bonds and any Parity Bonds which the District elects to register in the name of the Nominee for the Depository's book-entry system, an Authorized Representative of the District has been authorized to execute from time to time and deliver to such Depository the Representation Letter. The execution and delivery of the Representation Letter does not in any way limit the provisions of the Indenture or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the registration books kept by the Trustee. The District agrees to take all action necessary to continuously comply with all representations made by it in the Representation Letter. In addition to the execution and delivery of the Representation Letter, the Authorized Representatives of the District are authorized to take any other actions, not inconsistent with the Indenture, to qualify the Bonds for the Depository's book-entry program.

Transfers Outside Book-Entry System. In the event that: (i) the Depository determines not to continue to act as securities depository for the Bonds; or (ii) the District determines that the Depository will no longer so act, then the District will discontinue the book-entry system with the Depository. If the District fails to identify another qualified securities depository to replace the Depository then the Bonds so designated will no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but will be registered in whatever name or names Persons transferring or exchanging Bonds designate, in accordance with the provisions of the Indenture.

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

Initial Depository and Nominee. The initial Depository under the Indenture will be The Depository Trust Company, New York, New York. The initial Nominee will be Cede & Co., as Nominee of The Depository Trust Company, New York, New York.

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Creation of Funds. There have been created and established and will be maintained by the Trustee the following funds and accounts:

(1) The Community Facilities District No. 2022-1 of the City of Escondido (Eclipse/Mountain House) Special Tax Fund (the "Special Tax Fund") (in which there will be established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account, and an Administrative Expense Account).

(2) The Community Facilities District No. 2022-1 of the City of Escondido (Eclipse/Mountain House) Rebate Fund (the "Rebate Fund") (in which there will be established a Rebate Account and an Alternate Penalty Account).

(3) The Community Facilities District No. 2022-1 of the City of Escondido (Eclipse/Mountain House) Acquisition and Construction Fund (the "Acquisition and Construction Fund") (in

which there will be established a City Facilities Account and a Costs of Issuance Account). The moneys in the City Improvements Account of the Acquisition will be disbursed in accordance with the Acquisition and Funding Agreement.

(4) The Community Facilities District No. 2022-1 of the City of Escondido (Eclipse/Mountain House) Surplus Fund (the “Surplus Fund”).

The amounts on deposit in the foregoing funds, accounts and subaccounts will be held by the Trustee. The Trustee will invest and in accordance with the provisions of the Indenture and will disburse the amounts in such funds, accounts and subaccounts and disburse investment earnings thereon in accordance with the provisions of the Indenture.

In connection with the issuance of any Parity Bonds, which may be issued only for the purpose of refunding the Bonds as described in the Indenture, the Trustee, at the direction of an Authorized Representative of the District, may create new funds, accounts or subaccounts, or may create additional accounts and subaccounts within any of the foregoing funds and accounts for the purpose of separately accounting for the proceeds of the Bonds and any Parity Bonds.

Deposits to and Disbursements from Special Tax Fund. (a) Except for Prepayments, which will be deposited to the Redemption Account of the Special Tax Fund, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Indenture, in the following order of priority, to: (1) the Administrative Expense Account of the Special Tax Fund up to the Administrative Expenses Cap; (2) the Interest Account of the Special Tax Fund; (3) the Principal Account of the Special Tax Fund; (4) the Redemption Account of the Special Tax Fund; (5) the Reserve Account of the Special Tax Fund; (6) the Administrative Expense Account of the Special Tax Fund to the extent that Administrative Expenses exceed or are expected to exceed the Administrative Expenses Cap; (7) the Rebate Fund; and (8) the Surplus Fund.

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

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

Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption, will be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively.

For the purpose of assuring that the payment of principal of and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer required by the Indenture, at least one Business Day prior to each March 1 and September 1, the Trustee will make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds or any Parity Bonds, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account and the Administrative Expense Account) are inadequate to make the foregoing transfers, then any deficiency will be made up by transfers from the Reserve Account:

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

(b) To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year, commencing September 1, 2022, equals the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account will be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.

Redemption Account of the Special Tax Fund. (a) With respect to each September 1 on which a Sinking Fund Payment is due, after the deposits have been made to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund as required by the Indenture, the Trustee will next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account one Business Day prior to each September 1 on which a Sinking Fund Payment is due equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency will be made up by an immediate transfer from the Reserve Account, if funded, pursuant to the Indenture. Moneys so deposited in the Redemption Account will be used and applied by the Trustee to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedules set forth in the Indenture, and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule in the Supplemental Indenture for such Parity Bonds.

(b) After making the deposits to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund pursuant to the Indenture and to the Redemption Account for Sinking Fund Payments then due pursuant to clause (a) above, and in accordance with the District's election to call Bonds for optional redemption as set forth in the Indenture, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee will transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund (other than the Administrative Expense Account therein) may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

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

(d) Moneys set aside in the Redemption Account will be used solely for the purpose of redeeming Bonds and Parity Bonds and will be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and

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

Reserve Account of the Special Tax Fund. There will be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. The Reserve Requirement may be satisfied in whole or in part by cash, a Reserve Policy, or a combination thereof. The amounts in the Reserve Account will be applied as follows:

(a) Moneys in the Reserve Account will be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due and for the purpose of making any required transfer to the Rebate Fund pursuant to the Indenture upon written direction from the District. If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee will withdraw from the Reserve Account, first from the cash on deposit therein, and second from a draw on the Reserve Policy, if any, for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers referred to in the Indenture, the Trustee will transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement by first, repaying any amounts due under the Reserve Policy, and second to fund the Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund will be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Administrative Expense Account, the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next September 1. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, including any amounts necessary to pay costs related to the Reserve Policy, if any, then the District will include the amount necessary to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

(c) In connection with a redemption of Bonds pursuant to the Indenture or Parity Bonds in accordance with any Supplemental Indenture, or a partial defeasance of Bonds or Parity Bonds in accordance with the Indenture, amounts in the Reserve Account may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such redemption or partial defeasance equals the Reserve Requirement. The District will set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to the Indenture to partially defease Bonds or Parity Bonds, and

the Trustee will make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for the Bonds or an issue of Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds, as applicable, in the final Bond Year for such issue. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the provisions of the Indenture will be withdrawn from the Reserve Account on the Business Day before each March 1 and September 1 and will be transferred to the Acquisition and Construction Fund or an Account therein, as directed by an Authorized Representative of the District, until all amounts have been disbursed from the Acquisition and Construction Fund (or such fund is closed) and thereafter to the Interest Account of the Special Tax Fund.

Rebate Fund. (a) The Trustee will establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund and will establish a separate Rebate Account and Alternate Penalty Account therein. All money at any time deposited in the Rebate Account or the Alternate Penalty Account of the Rebate Fund will be held by the Trustee in trust, for payment to the United States Treasury. A separate subaccount of the Rebate Account and the Alternate Penalty Account will be established for the Bonds and each issue of Parity Bonds the interest on which is excluded from gross income for federal income tax purposes. All amounts on deposit in the Rebate Fund with respect to the Bonds or an issue of Parity Bonds will be governed by the Indenture and the Tax Certificate for such issue, unless the District obtains an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on the Bonds and Parity Bonds will not be adversely affected if such requirements are not satisfied.

(1) Rebate Account. The following requirements will be satisfied with respect to each subaccount of the Rebate Account:

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

(ii) Annual Transfer. Within 55 days of the end of each Bond Year for which Rebatable Arbitrage must be calculated as required by the Tax Certificate for each issue, upon the written direction of an Authorized Representative of the District, an amount will be deposited to each subaccount of the Rebate Account by the Trustee from any funds so designated by the District if and to the extent required, so that the balance in the Rebate Account equals the amount of Rebatable Arbitrage so calculated by or on behalf of the District in accordance with clause (i) above with respect to the Bonds and each issue of Parity Bonds to which the Indenture is applicable. In the event that immediately following any transfer required by the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit to the credit of the applicable subaccount of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from an Authorized Representative of the District, the Trustee will withdraw the excess from the appropriate subaccount of the Rebate Account and then credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee will pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in each subaccount of the Rebate Account: (X) not later than 60 days after the end of: (A) the fifth Bond Year for the Bonds and each issue of Parity Bonds to which the Indenture is applicable; and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year for the Bonds and each issue of Parity Bonds, as applicable; and (Y) not later than 60 days after the payment or redemption of all of the Bonds or an issue of Parity Bonds, as applicable, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

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

(2) Alternate Penalty Account.

(i) Six-Month Computation. If the 1½% Penalty has been elected for the Bonds or an issue of Parity Bonds, within 85 days of each particular Six-Month Period, the District will determine or cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The District will obtain expert advice in making such determinations.

(ii) Six-Month Transfer. Within 85 days of the close of each Six-Month Period, the Trustee, at the written direction of an Authorized Representative of the District, will deposit an amount in the appropriate subaccounts of the Alternate Penalty Account from any source of funds held by the Trustee pursuant to the Indenture and designated by the District in such written directions or provided to it by the District, if and to the extent required, so that the balance in each subaccount of the Alternate Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in clause (a)(2)(i) above. In the event that immediately following any transfer provided for in the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit in a subaccount of the Alternate Penalty Account exceeds the amount required to be on deposit therein to make the payments required by clause (iii) below, the Trustee, at the written direction of an Authorized Representative of the District, may withdraw the excess from the applicable subaccount of the Alternate Penalty Account and credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee will pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in a subaccount of the Alternate Penalty Account, not later than 90 days after the close of each Six-Month Period the 1½% Penalty, if applicable and payable, computed with respect to the Bonds and any issue of Parity Bonds in accordance with Section 148(f)(4) of the Code. In the event that, prior to the time of any payment required to be made from a subaccount of the Alternate Penalty Account, the amount in such subaccount is not sufficient to make such payment when such payment is due, the District will calculate the amount of such deficiency and direct the Trustee, in writing, to deposit an amount equal to such deficiency into such subaccount of the Alternate Penalty Account from any funds held by the Trustee pursuant to the Indenture and designated by the District in such written directions prior to the time such payment is due. Each payment required to be made pursuant to the foregoing provision will be made to the Internal Revenue Service, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T or will be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Accounts of the Rebate Fund with respect to the Bonds or an issue of Parity Bonds after redemption and payment of such issue and after making the payments described in clauses (a)(1)(iii) or (a)(2)(iii) (whichever is applicable), may be withdrawn by the Trustee at the written direction of the District and utilized in any manner by the District.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the Rebate Fund requirements of the Indenture will survive the defeasance and final payment of the Bonds and any Parity Bonds with respect to which an Account has been created in the Rebate Fund.

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

(e) Trustee. The Trustee has no responsibility to monitor or calculate any amounts payable to the U.S. Treasury pursuant to the Rebate Fund requirements of the Indenture and will be deemed constructively to have complied with its obligations thereunder if it follows the written instructions of the District given pursuant to the Indenture.

Surplus Fund. After making the transfers required by the Indenture, as soon as practicable after each September 1, the Trustee will transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to the Indenture. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District: (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor; (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (iii) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses; (iv) to the Acquisition and Construction Fund to pay Project Costs; or (v) after all Project Costs have been paid, to the District, for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative and the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund will be invested at the written direction of the District in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes. Such amounts will be disbursed as directed by an Authorized Representative of the District.

Acquisition and Construction Fund. (a) The moneys in the Costs of Issuance Account will be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative of the District, and any

balance remaining therein after 180 days will be transferred by the Trustee to the City Improvements Account of the Acquisition and Construction Fund as directed in writing by an Authorized Representative of the District. Following such transfer to the Acquisition and Construction Fund, the Costs of Issuance Account will be closed.

(b) The moneys in the City Improvements Account of the Acquisition and Construction Fund shall be applied exclusively to pay the Project Costs. Amounts for Project Costs will be disbursed by the Trustee from the City Improvements Account of the Acquisition and Construction Fund, as specified in a Request for Disbursement of Project Costs. A properly executed Request for Disbursement of Project Costs must be submitted in connection with each requested disbursement and the Trustee may rely thereon without investigating the accuracy thereof.

(c) Upon receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the City Improvements Account of the Acquisition and Construction Fund is no longer needed to pay Project Costs, the Trustee will: (i) transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the City Improvements Account of the Acquisition and Construction Fund to the Interest Account, the Principal Account or Redemption Account of the Special Tax Fund, or to the Surplus Fund, as directed in such certificate, provided that in connection with any direction to transfer amounts to the Surplus Fund there is delivered to the Trustee with such certificate an opinion of Bond Counsel to the effect that such transfer to the Surplus Fund will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes; and (ii) thereafter, close the Acquisition and Construction Fund.

Investments. Moneys held in any of the Funds, Accounts and Subaccounts under the Indenture will be invested at the written direction of the District upon at least two (2) Business Days' notice in accordance with the limitations set forth below only in Authorized Investments which will be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Authorized Investments will be credited or charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on a Fund, Account or Subaccount will be applied as follows: (i) investment earnings on all amounts deposited in the Acquisition and Construction Fund (including the Accounts therein), the Special Tax Fund, the Surplus Fund and the Rebate Fund and each Account therein (other than the Reserve Account of the Special Tax Fund) will be deposited in those respective Funds, Accounts and Subaccounts; and (ii) investment earnings on all amounts deposited in the Reserve Account will be deposited therein to be applied as set forth in the Indenture. Ratings of Authorized Investments referred to in the Indenture will be determined at the time of purchase of such Authorized Investments and without regard to rating subcategories. The Trustee will have no responsibility to monitor the ratings of Authorized Investments after the initial purchase of such Authorized Investments or the responsibility to validate the ratings of Authorized Investments prior to the initial purchase. Moneys in the Funds, Accounts and Subaccounts held under the Indenture may be invested by the Trustee as directed in writing by the District, from time to time, in Authorized Investments subject to the following restrictions (provided that the Trustee is not required to verify compliance with such restrictions and may rely on the District's written instructions as evidence of such compliance):

(a) Moneys in the Acquisition and Construction Fund and the Accounts therein will be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Acquisition and Construction Fund or the Accounts therein. Notwithstanding anything in the Indenture to the contrary, amounts in the Acquisition and Construction Fund or the Accounts therein three years after the Delivery Date for the Bonds and the proceeds of each issue of Parity Bonds issued on a tax-exempt basis which are remaining on deposit in the Acquisition and Construction Fund on the date which is three years following the date of issuance of such issue of Parity Bonds will be invested by the District only in Authorized Investments the interest on which is excluded from gross income under Section 103 of the Code (other than bonds the interest on which is a tax

preference item for purposes of computing the alternative minimum tax of individuals under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds from which such proceeds were derived, unless in the opinion of Bond Counsel such restriction is not necessary to prevent interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes from being included in gross income for federal income tax purposes.

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

(c) Moneys in the Reserve Account of the Special Tax Fund may be invested only in Authorized Investments (other than the Authorized Investment described in clause (2)(i) of the definition thereof) which, taken together, have a weighted average maturity not in excess of five years; provided that such amounts may be invested in an Investment Agreement to the later of the final maturity of the Bonds or any Parity Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with the Indenture; and provided that no such Authorized Investment of amounts in the Reserve Account allocable to the Bonds or an issue of Parity Bonds mature later than the respective final maturity date of the Bonds or the issue of Parity Bonds, as applicable.

(d) Moneys in the Rebate Fund will be invested only in Authorized Investments of the type described in clause (1) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government pursuant to the Indenture or in Authorized Investments of the type described in clause (2)(e) of the definition thereof.

(e) In the absence of written investment directions from the District, the Trustee will invest solely in Authorized Investments specified in clause (2)(e) of the definition thereof, as directed in a separate standing written investment direction by the District. If no such written investment direction from the District is received, the funds will be uninvested. The Trustee may rely conclusively on the written investment directions of the District as to the suitability and legality of the directed investment.

The Trustee will sell, or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such funds and accounts or from such funds and accounts. Notwithstanding anything in the Indenture to the contrary, the Trustee is not responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the Indenture. Any Authorized Investments that are registrable securities will be registered in the name of the Trustee.

The Trustee may act as principal or agent in the making or disposing of any investment and will be entitled to its customary fee for making such investment. The Trustee may sell at the best market price obtainable, or present for redemption, any Authorized Investment so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund of account to which such Authorized Investment is credited, and subject to the Indenture, the Trustee will not be liable or responsible for any loss resulting from such investment. For investment purposes, the Trustee may commingle the funds and accounts established under the Indenture, but will account for each separately. The Trustee is authorized, in making or disposing of any investment permitted by the Indenture, to deal with itself (in its individual capacity) or which one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

The District acknowledges that, to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the District specifically waives receipt of such confirmations

to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

COVENANTS AND WARRANTY

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

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

(a) Punctual Payment; Against Encumbrances. The District covenants that it will receive all Special Taxes in trust for the Owners and will deposit all Special Taxes with the Trustee immediately upon their apportionment to the District, and the District has no beneficial right or interest in the amounts so deposited except as provided by the Indenture. All such Special Taxes will be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

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

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

(b) Levy of Special Tax. Beginning in Fiscal Year 2024 and so long as any Bonds or Parity Bonds issued under the Indenture are Outstanding, the District has covenanted to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay: (1) the principal of and interest on the Bonds and any Parity Bonds when due; (2) the Administrative Expenses; and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement, including any amounts to pay costs related to the Reserve Policy, if any. The District further covenants that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

(c) Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Bonds and any Parity Bonds that it will: (i) commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied; and (iii) diligently

pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement. The District may, but is not obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account. The District may treat any delinquent Special Tax sold to an independent third-party or to the City for at least 100% of the delinquent amount as having been paid. Proceeds of any such sale up to 100% of the delinquent amount will be deposited in the Special Tax Fund.

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

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

(e) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries are made of all transactions relating to the Project, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts will at all times during business hours be subject to the inspection of the Trustee or of the Owners or the Owners of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

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

(1) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or any Parity Bonds or of any other monies or property which would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “private activity bonds” within the meaning of Section 141 of the Code.

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

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

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

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

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

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

(8) Subsequent Opinions. If the District obtains a subsequent opinion of Bond Counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation, where such opinion is required in connection with a change or amendment to the Indenture or the procedures set forth in the Tax Certificate, it will obtain an opinion substantially to the effect originally delivered by Stradling Yocca Carlson & Rauth, a Professional Corporation, that interest on the Bonds is excluded from gross income for federal income tax purposes.

(g) Reduction of Maximum Special Taxes. The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District determines that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the District below the levels provided in the Indenture would interfere with the timely retirement of the Bonds and Parity Bonds. The District determines it to be necessary in order to preserve the security for the Bonds and Parity Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District covenants, that it will not initiate proceedings to reduce the maximum Special Tax rates for the District, unless, in connection therewith, the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that: (i) such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than the Administrative Expenses Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such proposed reduction; and (ii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

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

(i) Limitation on Right to Tender Bonds. The District covenants that it will not adopt any policy pursuant to Section 53344.1 of the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District has first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Net Taxes to pay the principal of and interest on the Bonds and Parity Bonds when due.

(j) Continuing Disclosure. The District covenants to comply with the terms of the Continuing Disclosure Certificate and with the terms of any agreement executed by the District with respect to any Parity Bonds to assist the Underwriter in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission; provided, however, that a failure to comply will not be considered an event of default under the Indenture and the Owners will be limited to enforcing the terms thereof in accordance with the terms of the Continuing Disclosure Certificate.

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

AMENDMENTS TO INDENTURE

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

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

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

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

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

(e) to modify, alter or amend the RMA in any manner, so long as the Trustee receives a certificate of an Independent Financial Consultant stating that: (i) such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than the Administrative Expenses Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such amendment and (ii) based on the current development plan for parcels within the District, do not reduce the maximum Special Tax which could be levied upon taxable property within the District to an amount which is less than the Administrative Expenses Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such amendment;

(f) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Owners, as evidenced by the opinion of counsel delivered pursuant to the Indenture;
or

(g) to modify, alter, amend or supplement the Indenture in any other respect, as may be required to fund all or a portion of the Reserve Requirement with a Reserve Policy.

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

If at any time the District desires to adopt a Supplemental Indenture, which pursuant to the terms of the Indenture requires the consent of the Owners, the District will so notify the Trustee and deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee will, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Owners at their addresses as they appear in the Bond Register. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and state that a copy thereof is on file at the office of the Trustee for inspection by all Owners. The failure of any Owners to receive such notice will not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding as required by the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee receives an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding, which instrument or instruments refer to the proposed Supplemental Indenture described in such notice, and specifically consents to and approves the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, will thereafter become a part of the proceedings for the issuance of the Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, Bonds or Parity Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, will be disregarded and will be treated as though they were not Outstanding for the purpose of any such determination; except that in determining whether the Trustee will be protected in relying upon any such demand, request, direction, consent or waiver of an Owner, only Bonds or Parity Bonds which the Trustee actually knows to be owned or held by or for the account of the District or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District, will be disregarded unless all Bonds or Parity Bonds are so owned or held, in which case such Bonds or Parity Bonds will be considered Outstanding for the purpose of such determination.

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

Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds. After the effective date of any action taken as provided in the amendment provisions of the Indenture, the District may determine

that the Bonds or any Parity Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date and presentation of such Owner's Bond or Parity Bond for the purpose at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation as to such action will be made on such Bonds or Parity Bonds. If the District so determines, new Bonds or Parity Bonds so modified as, in the opinion of the District, are necessary to conform to such action will be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date such new Bonds or Parity Bonds will be exchanged at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, without cost to each Owner of Outstanding Bonds or Parity Bonds, upon surrender of such Outstanding Bonds or Parity Bonds.

The Trustee will have the right to require such opinions of counsel as it deems necessary concerning: (i) the lack of material adverse effect of the amendment on Owners; (ii) that such amendment is authorized or permitted under the Indenture and complies with the terms of the Indenture; and (iii) the fact that the amendment will not affect the tax status of interest with respect to the Bonds.

TRUSTEE

Trustee. The Bank of New York Mellon Trust Company, N.A. will be the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District under the Indenture. The Trustee has represented that it has (or is a member of a bank holding company system whose bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000. The District may, at any time, appoint a successor Trustee satisfying the requirements of the Indenture for the purpose of receiving all money which the District is required to deposit with the Trustee thereunder and to allocate, use and apply the same as provided in the Indenture.

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

The Trustee has been authorized to redeem the Bonds and Parity Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Trustee will cancel all Bonds and Parity Bonds upon payment thereof in accordance with the provisions of the Indenture.

The District will from time to time, subject to any agreement between the District and the Trustee then in force, timely pay to the Trustee following demand therefor compensation for its services, reimburse the Trustee for all its advances and expenditures, including, but not limited to, advances to and fees, costs and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties under the Indenture, and indemnify and save the Trustee, its officers, directors, employees and agents, harmless against costs, claims, expenses and liabilities, including, without limitation, fees, costs and expenses of its attorneys (not arising from its own gross negligence or willful misconduct) which it may incur in the exercise and performance of its powers and duties under the Indenture or under any document or transaction executed or contemplated in connection with the Indenture. The foregoing obligation of the District to indemnify the Trustee will survive the removal or resignation of the Trustee or the discharge of the Bonds and Parity Bonds. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or

other debtor relief law. Upon an Event of Default, and only upon an Event of Default, the Trustee will have a first lien with right of payment prior to payment on account of principal of and premium, if any, and interest on any Bond or Parity Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it.

Removal of Trustee. The District may at any time, upon 30 days' notice, remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor is a bank or trust company having (or whose parent bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. Any removal will become effective only upon acceptance of appointment by the successor Trustee. If any bank or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee and notice of the successor Trustee's identity and address being sent by the successor Trustee to the Owners.

Resignation of Trustee. The Trustee may at any time resign and be discharged from its duties and obligations under the Indenture by giving written notice to the District. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee satisfying the criteria in the Indenture by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed by the District within thirty (30) days of giving such notice or removal or resignation, then the Trustee, or any Owner may petition, at the sole expense of the District, a court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint a successor Trustee under the Indenture.

Liability of Trustee. The recitals of fact and all promises, covenants and agreements contained in the Indenture and in the Bonds and any Parity Bonds will be taken as statements, promises, covenants and agreements of the District, and the Trustee assumes no responsibility or liability for the correctness of the same and makes no representations whatsoever as to the validity or sufficiency of the Indenture, the Bonds or any Parity Bonds, and will incur no responsibility or liability in respect thereof, other than in connection with its express duties or obligations specifically set forth in the Indenture, in the Bonds and any Parity Bonds, or in the certificate of authentication assigned to or imposed upon the Trustee. The Trustee will not have nor be under any responsibility or duty with respect to the issuance of the Bonds or any Parity Bonds for value. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own gross negligence or willful misconduct. The Trustee will not be liable for any action taken or omitted by it or any of its officers, employees or agents in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture. The Trustee is not liable for any error of judgment made in good faith by a responsible officer, unless it is proved that the Trustee was grossly negligent in ascertaining pertinent facts. The Trustee may consult with counsel and the advice or any opinion of counsel will be full and complete authorization and protection in respect of any action taken or omitted by it under the Indenture in good faith and in accordance with such advice or opinion of counsel. The Trustee will not be accountable for the use or application by the District of any of the Bonds or Parity Bonds or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of the Indenture or for the use and application of money received by any paying agent. The Trustee may become the owner of Bonds or Parity Bonds secured by the Indenture with the same rights it would have if not Trustee.

The Trustee will be entitled to request and receive written instructions from the District and/or Owners and will have no responsibility or liability for any losses or damages of any nature that may arise from any action taken or not taken by the Trustee in accordance with the written direction of any such party. The

Trustee will not be liable with respect to any action taken or omitted to be taken by it in accordance with the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of an Owner and/or the District pursuant to the provisions of the Indenture, unless such party will have offered to the Trustee security or indemnity (satisfactory to the Trustee in its sole and absolute discretion) against the costs, expenses and liabilities which may be incurred by it in compliance with such request or direction.

Neither the Trustee nor any of its directors, officers, employees, agents or affiliates will be responsible for nor have any duty to monitor the performance of any action of the District or any of its directors, members, officers, agents, affiliates or employees, nor will it have any liability in connection with the malfeasance or nonfeasance by such party. The Trustee may assume performance by all such persons of their respective obligations. The Trustee will have no enforcement or notification obligations relating to breaches of representations or warranties of any other person. The Trustee will be conclusively protected in acting upon any notice, resolution, request, consent, order, certificate, report, Bond, Parity Bond or other paper or document signed or presented by the proper party or parties as provided under the Indenture. The Trustee may, at the expense of the District, request, rely on and act in accordance with officer's certificates and/or opinions of counsel, and will incur no liability and will be fully protected in acting or refraining from acting in accordance with such officer's certificates and opinions of counsel.

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

Whenever in the administration of its express obligations under the Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof is specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a written certificate of the District, and such certificate will be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may but is not obligated to accept other evidence of such matter or may require such additional evidence as to it may seem reasonable. It has been understood and agreed that no such act will broaden or imply the Trustee's acceptance of a broadening of the scope of the Trustee's duties and obligations under the Indenture unless the Trustee provides written acceptance thereof.

The Trustee has no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it under the Indenture, or as to the correctness of any amounts received, but its liability is limited to the proper accounting for such funds as it actually receives. No provision in the Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of its rights or powers.

The Trustee will not be deemed to have knowledge of any default or event of default under the Indenture until an officer at the Trustee's corporate trust office responsible for the administration of its duties under the Indenture has actual knowledge thereof or the Trustee has received written notice thereof at its corporate trust office.

The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

Before taking any action under the Indenture, the Trustee may require indemnity and security satisfactory to the Trustee be furnished to it for and from any expenses and liabilities and to protect it against any liability it may incur thereunder.

The immunities extended to the Trustee also extend to its directors, officers, employees and agents (including its counsel).

The Trustee is not liable for any action taken or not taken by it in accordance with the direction of the Owners of 25% (or other percentage provided for in the Indenture) in aggregate principal amount of Bonds and Parity Bonds Outstanding relating to the exercise of any right, power or remedy available to the Trustee. In the event of conflicting instructions under the Indenture, the Trustee will follow the direction of the group of holders holding the largest aggregate principal amounts of the Bonds and Parity Bonds and will be protected in so doing.

The permissive right of the Trustee to do things enumerated in the Indenture will not be construed as a duty or in any way expand or impliedly expand the scope of the Trustee's duties thereunder, and, with respect to such permissive rights, the Trustee will not be answerable for other than its gross negligence or willful misconduct.

The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and will not be answerable for the conduct of the same if appointed by it with reasonable care.

The Trustee may become the Owner or pledgee of the Bonds and Parity Bonds with the same rights it would have if it were not Trustee.

The Trustee will perform such duties and only such duties as are specifically set forth in the Indenture and no implied duties or obligations will be read into the Indenture against the Trustee. These duties will be deemed purely ministerial in nature, and the Trustee will not be liable except for the performance of such duties, and no implied covenants or obligations will be read into the Indenture against the Trustee.

If an Event of Default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person.

The District will, to the extent permitted by law, indemnify and save the Trustee and its officers, directors, agents, and employees harmless from and against (whether or not litigated) all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of: (i) the use, maintenance, condition or management of, or from any work or thing done on, the Project; (ii) any breach or default on the part of the District in the performance of any of its obligations under the Indenture and any other agreement made and entered into for purposes of the Bonds and Parity Bonds; (iii) any act of the City, the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project; (iv) any act of any assignee of, or purchaser from, the City, the District or of any of its or their agents, contractors, servants, employees or licensees with respect to the Project; (v) the construction or acquisition of the Project or the expenditure of Project Costs; (vi) the exercise and performance by the Trustee of its powers and duties under the Indenture or any related document; (vii) the sale of the Bonds and Parity Bonds and the carrying out of any of the transactions contemplated by the Bonds and Parity Bonds or the Indenture; or (viii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made in light of the circumstances in which they were made, not misleading in any official statement or other disclosure document utilized in connection with the sale or marketing of the Bonds and Parity Bonds. The foregoing indemnification extends to the Trustee's officers, agents, employees, successors and assigns. No indemnification will be made under the Indenture or other agreements for willful misconduct or negligence by the Trustee, its officers, agents, employees, successors or assigns. The District's

indemnification obligations under the Indenture will remain valid and binding notwithstanding maturity and payment of the Bonds and Parity Bonds, or the resignation or removal of the Trustee. The foregoing indemnity will survive the termination of the Indenture and the earlier removal or resignation of the Trustee.

In accepting the trust created by the Indenture, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners, the District and the City, having any claim against the Trustee arising from the Indenture will look only to the funds and accounts held by the Trustee thereunder for payment, except as otherwise provided therein. Under no circumstances will the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE PROJECT, OR ANY PORTION THEREOF. In no event will the Trustee be liable for incidental, indirect, punitive, special or consequential loss or damage of any kind whatsoever (including but not limited to loss of profit), in connection with or arising out of the Project or the Indenture for the existence, furnishing, functioning or use and possession of the Project, irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Trustee will not be liable to the parties to the Indenture or deemed in breach or default thereunder if and to the extent its performance thereunder is prevented by reason of force majeure. The term “force majeure” means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure will include, but not limited to, acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics, pandemics, quarantine restrictions, acts of civil or military authority or other similar occurrences.

The Trustee will have the right to accept and act upon directions given pursuant to the Indenture and delivered using Electronic Means (“Electronic Means” means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Indenture); provided, however, that the District will provide to the Trustee an incumbency certificate listing each Authorized Representative of the District with the authority to provide such directions and containing specimen signatures of such authorized officers, which incumbency certificate will be amended whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee directions using Electronic Means and the Trustee in its discretion elects to act upon such directions, the Trustee’s understanding of such directions will be deemed controlling. The District understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions and that the Trustee will conclusively presume that directions that purport to have been sent by an authorized officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Representative of the District. The District will be responsible for ensuring that only Authorized Officers will transmit such Instructions to the Trustee and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and a compliance with such directions, notwithstanding such directions conflict or are inconsistent with a subsequent written direction. The District agrees (i) to assume all risks arising out of the use of Electronic Means to submit directions to the Trustee, including, without limitation, the risk of the Trustee acting on unauthorized directions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions to the Trustee and that there may be more secure methods of transmitting directions than the method(s) selected by the District; and (iii) that the security procedures (if any) to be followed in connection with its transmission of directions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it is a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, will be the successor to the Trustee without the execution or filing of any paper or further act, anything in the Indenture to the contrary notwithstanding.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Any one or more of the following events constitute an “Event of Default”: (a) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond or Parity Bond when and as the same become due and payable, whether at maturity as therein expressed, by declaration or otherwise; (b) default in the due and punctual payment of the interest on any Bond or Parity Bond when and as the same become due and payable; or (c) except as described in clauses (a) or (b), default by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, the Bonds or any Parity Bonds, which default continues for a period of 30 days after the District has been given notice in writing of such default by the Trustee or the Owners of twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds and Parity Bonds.

The Trustee has agreed to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under clause (a) or (b) above and within 30 days of the Trustee’s actual knowledge of an Event of Default under clause (c) above.

Remedies of Owners. Upon the occurrence of an Event of Default, any Owner may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds and Parity Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture, including: (a) by mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture; (b) by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or (c) by a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default occurs and is continuing and if requested and directed so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and Parity Bonds and if indemnified to its satisfaction, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, deems most expedient in the interests of the Owners of the Bonds and Parity Bonds.

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

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Owners under the provisions of the Indenture relating to the Bonds and Parity Bonds will be applied by the Trustee in the following order: First, to the payment of the costs, fees and expenses of the Trustee in declaring such Event of Default and in performing its duties and obligations under the Indenture, including reasonable compensation to its agents, attorneys and counsel; Second, upon presentation of the several Bonds and Parity Bonds, to the payment of the fees, costs and expenses of the Owners in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Trustee; and Third, to the payment of the whole amount of interest on and principal of the Bonds and Parity Bonds then due and unpaid, with interest on overdue installments of principal

and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds and Parity Bonds; provided, however, that in the event that such amounts are insufficient to pay the full amount of such interest and principal, then such amounts will be applied in the following order of priority: (a) first to the payment of all installments of interest on the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing; (b) second, to the payment of all installments of principal, including Sinking Fund Payments, of the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing; and (c) third, to the payment of interest on overdue installments of principal and interest on the Bonds and Parity Bonds on a pro rata basis based on the total amount then due and owing.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its obligations under the Indenture, whether upon its own discretion or upon the request of the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds and Parity Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other such litigation. Any suit, action or proceeding which any Owner of Bonds or Parity Bonds have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds and Parity Bonds similarly situated and the Trustee is appointed (and the successive respective Owners of the Bonds and Parity Bonds issued thereunder, by taking and holding the same, will be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds and Parity Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds and Parity Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact. Nothing in the Indenture will be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or Parity Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights and of the Owners of the Bonds and Parity Bonds under the Indenture, the Trustee will be entitled, as a matter of right to which the District expressly agrees, to the appointment of a receiver or receivers of the Net Taxes and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment confers.

Non-Waiver. Nothing in the Indenture, or in the Bonds or the Parity Bonds, affects or impairs the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds and Parity Bonds to the respective Owners of the Bonds and Parity Bonds at the respective dates of maturity, as provided in the Indenture, or to pay the Trustee its fees and expenses as provided therein, out of the Net Taxes and other moneys therein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Owners will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds or Parity Bonds to exercise any right or power accruing upon any default will impair any such right or power or be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the

Trustee or the Owners by the Act or by the Indenture may be enforced and exercised from time to time and as often as deemed expedient by the Trustee or the Owners, as the case may be.

Limitations on Rights and Remedies of Owners. No Owner of any Bond or Parity Bond issued under the Indenture has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless: (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds and Parity Bonds then Outstanding have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners have tendered to the Trustee indemnity and security reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or omitted to comply with such request for a period of sixty (60) days after such written request has been received by, and said tender of indemnity and security has been made to, the Trustee.

Such notification, request, tender of indemnity and security and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds and Parity Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds and Parity Bonds have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided therein, and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner provided therein and for the equal benefit of all Owners of the Outstanding Bonds and Parity Bonds.

The right of any Owner of any Bond and Parity Bond to receive payment of the principal of and interest and premium (if any) on such Bond and Parity Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, will not be impaired or affected without the written consent of such Owner, notwithstanding any other provision of the Indenture.

Termination of Proceedings. In case any Owner has proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings have been discontinued or abandoned for any reason, or have been determined adversely, then and in every such case, the District, the Trustee and the Owners will be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Owners will continue as if no such proceedings had been taken.

DEFEASANCE AND PARITY BONDS

Defeasance. If the District pays or causes to be paid, or there is otherwise paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond will cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond or Parity Bond under the Indenture and any Supplemental Indenture relating to such Parity Bond will thereupon cease, terminate and become void and be discharged and satisfied, except for the District's indemnification obligations under the Indenture, which will survive. In the event of a defeasance of all Outstanding Bonds and Parity Bonds pursuant to the Indenture, the Trustee will execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver to the District's general fund all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds and Parity Bonds.

Any Outstanding Bond or Parity Bond will be deemed to have been paid within the meaning expressed above if such Bond or Parity Bond is paid in any one or more of the following ways: (a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable; (b) by depositing with the Trustee, in trust, at or before maturity, money

which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable; or (c) by depositing with the Trustee or another escrow bank appointed by the District, in trust, federal securities described in clause (1) of the definition of Authorized Investments, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable.

If paid as provided above, then, at the election of the District, and notwithstanding that any Outstanding Bonds and Parity Bonds have not been surrendered for payment, all obligations of the District under the Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond will cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid all sums due thereon, and except for the tax covenants of the District contained in the Indenture or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of such election will be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In connection with a defeasance under clause (c) above, there will be provided to the District and the Trustee a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds and Parity Bonds to be defeased in accordance with the Indenture, as and when the same become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds or Parity Bonds being defeased have been legally defeased in accordance with the Indenture and any applicable Supplemental Indenture.

Upon a defeasance, the Trustee, upon request of the District, will release the rights of the Owners of such Bonds and Parity Bonds which have been defeased under the Indenture and any Supplemental Indenture and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance under the Indenture of all Outstanding Bonds and Parity Bonds, the Trustee will pay over or deliver to the District any funds held by the Trustee at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds and Parity Bonds when due. The Trustee will, at the written direction of the District, mail, first class, postage prepaid, a notice to the Owners whose Bonds or Parity Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness. The District may at any time after the issuance and delivery of the Bonds under the Indenture issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expense Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued only for the purposes of refunding all or a portion of the Bonds or Parity Bonds then Outstanding subject to the following specific conditions, which have been made conditions precedent to the issuance of any such Parity Bonds by the Indenture:

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

(b) The issuance of such Parity Bonds has been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds has been provided for by a Supplemental Indenture duly adopted by the District which specifies the following: (1) the purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited; (2) the authorized principal amount of such Parity Bonds; (3) the date and the maturity date or dates of such Parity Bonds; provided that: (i) each maturity date falls on a September 1; (ii) all such Parity Bonds of like maturity are identical in all respects, except as to number; (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, are established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates; and (iv) the maturity of such Parity Bonds does not exceed the maturity of the Bonds being refunded; (4) the description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication; (5) the denominations and method of numbering of such Parity Bonds; (6) the amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds; (7) the amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account of the Special Tax Fund to increase the amount therein to the Reserve Requirement; (8) the form of such Parity Bonds; and (9) such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The District has received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee is directed by the District to accept any of such documents bearing a prior date): (1) a certified resolution of the City Council, acting as the legislative body of the District, authorizing the issuance of such Parity Bonds; (2) a written request of the District as to the delivery of such Parity Bonds; (3) an opinion of Bond Counsel and/or general counsel to the District to the effect that: (i) the District has the right and power under the Act to execute and deliver the Supplemental Indenture relating to such Parity Bonds, such Supplemental Indenture has been duly and lawfully executed by the District, and the Indenture and such Supplemental Indenture are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (ii) the Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (iii) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and the Supplemental Indenture executed and delivered in connection with such Parity Bonds and are entitled to the benefits of the Indenture and such Supplemental Indenture, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and such Supplemental Indenture; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued; (4) a certificate of the District containing such statements as may be reasonably necessary to show compliance with the foregoing requirements of the Indenture; (5) a certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds; and (6) such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

MISCELLANEOUS

Cancellation of Bonds and Parity Bonds. All Bonds and Parity Bonds surrendered to the Trustee for payment upon maturity or for redemption will be upon payment therefor, and any Bond or Parity Bond purchased by the District as authorized in the Indenture and delivered to the Trustee for such purpose will be,

cancelled forthwith and will not be reissued. The Trustee will destroy such Bonds and Parity Bonds, as provided by law, and, upon request of the District, furnish to the District a certificate of such destruction.

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

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

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

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

Unclaimed Moneys. Anything in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds and Parity Bonds which remain unclaimed for two years after the date when such Outstanding Bonds or Parity Bonds have become due and payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds or Parity Bonds become due and payable, will be repaid by the Trustee (without liability for interest) to the District, as its absolute property and free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the District for the payment of such Outstanding Bonds or Parity Bonds; provided, however, that, before being required to make any such payment to the District, the Trustee, at the expense of the District, will cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds or Parity Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date will not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

Provisions Constitute Contract. The provisions of the Indenture constitute a contract between the District and the Owners and the provisions thereof will be construed in accordance with the laws of the State of California. In case any suit, action or proceeding to enforce any right or exercise any remedy will be brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Owners or the Trustee, then the District, the Trustee and the Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken. After the issuance and delivery of

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

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

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

Entire Agreement; Severability. The Indenture and the exhibits thereto set forth the entire agreement and understanding if the parties related to the transaction and supersedes all prior agreements and understandings, oral or written. If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, will be deemed severable and will not be affected thereby, and the Indenture, the Bonds and any Parity Bonds issued pursuant thereto will remain valid and the Owners will retain all valid rights and benefits accorded to them under the laws of the State of California.

APPENDIX G

FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) dated May 9, 2024 is executed and delivered by Community Facilities District No. 2022-1 of the City of Escondido (Eclipse/Mountain House) (the “District”) in connection with the issuance and delivery by the District of its \$3,350,000 Special Tax Bonds, Series 2024 (the “Bonds”). The Bonds are being issued pursuant to a Resolution of Issuance adopted on April 10, 2024, by the City Council of the City of Escondido, acting as the legislative body of the District, and the Bond Indenture, dated as of May 1, 2024 (the “Indenture”), by and between the District and The Bank of New York Mellon Trust Company, N.A, as trustee. The District covenants as follows:

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

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

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

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

“City” shall mean the City of Escondido, California.

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

“Dissemination Agent” shall mean, initially, Special District Financing & Administration, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the then current Dissemination Agent a written acceptance of such designation.

“District” shall mean Community Facilities District No. 2022-1 of the City of Escondido (Eclipse/Mountain House).

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

“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 MSRB consistent with the Rule.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean that certain Official Statement for the Bonds dated April 16, 2024.

“Owners” shall mean the registered owners of the Bonds as set forth in the registration books maintained by the Trustee.

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

“Rate and Method of Apportionment” shall mean that certain Rate and Method of Apportionment of Special Tax approved pursuant to the Resolution of Formation.

“Resolution of Formation” shall mean the resolutions adopted by the City Council pursuant to which the City Council formed the District.

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

“State” shall mean the State of California.

“Trustee” shall mean The Bank of New York Mellon Trust Company, N.A or such other entity appointed by the District pursuant to the Indenture to act as the trustee under the Indenture.

Section 3. Provision of Annual Reports.

(a) Not later than April 1 of each year commencing April 1, 2025, the District shall, or shall cause the Dissemination Agent to provide to EMMA and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate; provided, however, the initial Annual Report shall consist of the Official Statement. If the Dissemination Agent is other than the District, then not later than 15 business days prior to the date referred to in the prior sentence hereof, the District shall provide the Annual Report (in a form suitable for filing with EMMA) to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District, if any exist, may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

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

(c) If the Dissemination Agent is other than the District and if the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a), the Dissemination Agent shall send, in a timely manner, a notice to EMMA, in the form required by EMMA. If the District acts as its own Dissemination Agent, it shall file a notice with EMMA no later than the date specified in subsection (a) for filing an Annual Report if the District fails to file the Annual Report by that date.

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

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

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

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

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

(a) Financial Statements. The audited financial statements of the District for the prior fiscal year, if any have been prepared and which, if prepared, shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements, if any are prepared, are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), 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) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following information:

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

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

(iii) the aggregate assessed valuation of the Taxable Property within the District;

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

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

(vi) an update of the value-to-lien of the property within the District based on the assessed value and the Special Tax levy for the then current fiscal year, which update may be provided in a form similar to Table 3 in the Official Statement; provided that such update need not include overlapping special tax, assessment or general obligation indebtedness; and

(vii) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes within the District.

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

Section 5. Reporting of Significant Events.

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

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

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;
2. appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent;
3. nonpayment related defaults;
4. modifications to the rights of Bondholders;
5. bond calls;
6. release, substitution or sale of property securing repayment of the Bonds; and
7. incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders.

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

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

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

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the District, shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be Special District Financing & Administration, LLC. The Dissemination Agent may resign by providing (i) thirty (30) days written notice to the District and the Trustee and (ii) upon appointment of a new Dissemination Agent hereunder.

Section 8. Amendment; Waiver.

(a) This Disclosure Certificate may be amended, by written agreement of the parties, without the consent of the Owners, and any provision of this Disclosure Certificate may be waived, if all of the following conditions are satisfied: (1) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the District or the type of business conducted thereby, (2) the undertakings in this Disclosure Certificate as so amended or waived would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (3) the

amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners or (ii) does not, in the determination of the District, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

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

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

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

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

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the District is acting as the Dissemination Agent, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any Dissemination Agent shall be paid (i) compensation by the District for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District pursuant to this Disclosure Certificate. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

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

To the District: Community Facilities District No. 2022-1 of the City of Escondido (Eclipse/Mountain House)
c/o City of Escondido
201 North Broadway
Escondido, California 92025
Attention: Director of Administrative Services

To the Fiscal Agent: The Bank of New York Mellon Trust Company, N.A.
333 South Hope Street, Suite 2525
Los Angeles, California 90071
Attention: Corporate Trust Services

To the Dissemination Agent: Special District Financing & Administration LLC
437 West Grand Avenue
Escondido, California 92025

To the Participating Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104
Attention: Municipal Research Department
Email: sbrown@stifel.com

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notice or communications should be sent.

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

Section 14. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

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

COMMUNITY FACILITIES DISTRICT NO. 2022-1 OF
THE CITY OF ESCONDIDO (ECLIPSE/MOUNTAIN
HOUSE)

By: _____

Disclosure Representative

SPECIAL DISTRICT FINANCING &
ADMINISTRATION LLC, as Dissemination Agent

By: _____
Authorized Officer

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APPENDIX H

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

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

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

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

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

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

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

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

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

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

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

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

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

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

