

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2024**NEW ISSUE—BOOK-ENTRY ONLY****NO RATING**

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.

\$3,360,000*

**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.

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 __, 2024.

[STIFEL LOGO]

Dated: _____, 2024

* Preliminary, subject to change.

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

\$3,360,000*
COMMUNITY FACILITIES DISTRICT NO. 2022-1 OF THE
CITY OF ESCONDIDO (ECLIPSE/MOUNTAIN HOUSE)
SPECIAL TAX BONDS, SERIES 2024

MATURITY SCHEDULE

\$ _____ Serial Bonds

<i>Maturity Date</i> <i>(September 1)</i>	<i>Principal</i> <i>Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.</i> [†]
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\$ _____ Term Bonds

\$ _____	% Term Bonds Due September 1, 20__	Yield: _____%	Price: _____%	CUSIP No. _____ [†]
\$ _____	% Term Bonds Due September 1, 20__	Yield: _____%	Price: _____%	CUSIP No. _____ [†]
\$ _____	% Term Bonds Due September 1, 20__	Yield: _____%	Price: _____%	CUSIP No. _____ [†]

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**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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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

Attachment "1"

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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Attachment "1"

[INSERT VICINITY MAP]

Attachment "1"

[INSERT AERIAL PHOTOGRAPH]

\$3,360,000*
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 \$3,360,000* (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,

* Preliminary, subject to change.

Attachment "1"

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.

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.”

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
Plus Original Issue Premium
Plus Funds on Hand⁽¹⁾
Total Sources

Uses of Funds:

Acquisition and Construction Fund
Costs of Issuance⁽³⁾
Reserve Account of the Special Tax Fund
Total Uses

⁽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	\$	\$	\$
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
Total	\$ _____	\$ _____	\$ _____

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, 20_, in whole or in part, from such maturities as are selected by the District and by lot within a maturity, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

* Preliminary, subject to change.

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

Term Bonds Maturing September 1, 20__

*Sinking Fund Redemption Date
(September 1)*

Sinking Fund Payments

*

* Maturity.

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

Term Bonds Maturing September 1, 20__

*Sinking Fund Redemption Date
(September 1)*

Sinking Fund Payments

_*

* Maturity.

The Bonds maturing on September 1, 20__ (the “20__ Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established under the Indenture, on September 1, 20__, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 20__ Term Bonds so called for

redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 20 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 20_

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

Sinking Fund Payments

*

* Maturity.

If the District purchases Term Bonds during the Fiscal Year immediately preceding one of the sinking fund redemption dates specified above, the District will notify the Trustee at least 45 days prior to the redemption date as to the principal amount purchased, and the amount purchased will be credited at the time of purchase to the next Sinking Fund Payment for the Term Bond so purchased, to the extent of the full principal amount of the purchase. All Term Bonds purchased 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, 20_, and will be redeemed by the Trustee, from any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in 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

* Preliminary, subject to change.

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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 (as defined in the Indenture)) 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

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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

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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 County is expected to send updated tax bills for such 13 dwelling units by the end of March 2024, and the Fiscal Year 2023-24 amounts due pursuant to such updated tax bills are expected to become delinquent 30 days from the date such updated tax bills are distributed. See the caption "THE DISTRICT—Delinquency History."

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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

^{*} Preliminary subject to change.

(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

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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 Expense Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such proposed reduction; and (ii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

Third, the District 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

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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) \$_____ 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 \$3,360,000* total principal amount of the Bonds is approximately 20.98*-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 \$4,049,800* is approximately 17.41*-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.

* Preliminary, subject to change.

**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	\$ 2,883,628.88	21.64
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>476,371.12</u>	<u>17.00</u>
Grand Total		113	\$258,472.40	100.00%	\$ 70,508,092.00	\$ 3,360,000.00	20.98

* Preliminary, subject to change.

(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 estimated 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 estimated 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%	\$ 651,252.23	22.10
21.0:1 to 22.0:1	74	65.49	171,728.32	66.44	48,021,090.00	68.11	2,232,376.65	21.51
17.0:1 to 21:1	5	4.42	10,891.00	4.21	2,448,414.10	3.47	141,576.57	17.29
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>334,794.55</u>	<u>16.87</u>
Total	113	100.00%	\$ 258,472.40	100.00%	\$ 70,508,092.00	100.00%	\$ 3,360,000.00	20.98

* Preliminary, subject to change.

⁽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 estimated 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 estimated 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	<u>3,845</u>
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), 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
Ad Valorem 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 Ad Valorem 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 County is expected to send updated tax bills for such 13 dwelling units by the end of March 2024, and the amounts due are expected to become delinquent 30 days from the date such updated tax bills are distributed. 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

Attachment "1"

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.

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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 Expense Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such proposed reduction; and (ii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. 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 D.

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 Community Facilities 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 12/15/2024, 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. 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

Attachment "1"

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 \$_____ (being the \$_____ aggregate principal amount of the Bonds, less an Underwriter's discount of \$_____ and [plus/less] original issue [premium/discount] of \$_____). 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 certain other conditions. The Underwriter's compensation is contingent upon the successful issuance of the Bonds.

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Under certain circumstances, the Underwriter may offer and sell the Bonds to certain dealers and others at prices lower or yields higher than those stated on the page immediately following the cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

FINANCIAL INTERESTS

The fees being paid to the Underwriter and its counsel, Bond Counsel, Disclosure Counsel and the Trustee are contingent upon the issuance and delivery of the Bonds. From time to time, Stradling Yocca Carlson & Rauth LLP, represents the Underwriter on matters unrelated to the Bonds.

MUNICIPAL ADVISOR

The District has retained CSG Advisors Incorporated, San Francisco, California, as Municipal Advisor for the sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CSG Advisors Incorporated, is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as presentations of fact, and actual results may differ substantially from those set forth therein. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the Owners of the Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City.

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

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

By: _____
City Manager of the City of Escondido

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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	151,803	150,872	150,059	149,799
County of San Diego	3,333,319	3,331,279	3,283,113	3,275,435	3,269,755
State of California	39,605,361	39,648,938	39,286,510	39,078,674	38,940,231

Source: California State Department of Finance, Demographic Research Unit. 2010 Census 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 2018 through 2022. 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

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Civilian Labor Force	1,579,800	1,583,600	1,547,300	1,547,800	1,589,600
Civilian Employment	1,526,600	1,532,200	1,401,900	1,447,500	1,534,800
Civilian Unemployment	53,200	51,400	145,400	100,300	54,700
Civilian Unemployment Rate	3.4%	3.2%	9.4%	6.5%	3.4%
Total Farm	9,300	9,700	9,200	9,000	9,500
Total Nonfarm	1,482,200	1,503,100	1,385,800	1,442,100	1,534,200
Total Private	1,234,100	1,254,500	1,148,700	1,204,200	1,287,300
Goods Producing	196,400	200,000	195,400	198,500	205,200
Mining and Logging	400	400	300	300	400
Construction	83,700	84,000	81,300	83,800	87,400
Manufacturing	112,300	115,700	113,800	114,400	117,400
Service Providing	1,285,800	1,303,100	1,190,400	1,243,600	1,329,000
Trade, Transportation and Utilities	225,000	224,000	207,800	216,800	222,400
Wholesale Trade	43,800	44,000	41,300	42,100	43,800
Retail Trade	147,900	145,600	133,200	137,600	138,300
Transportation, Warehousing and Utilities	33,300	34,300	33,300	37,100	40,200
Information	23,600	23,500	22,100	21,500	22,000
Financial Activities	76,000	76,500	74,800	76,200	77,000
Professional and Business Services	249,000	255,800	248,300	265,300	285,200
Educational and Health Services	208,900	216,600	210,900	216,700	227,600
Leisure and Hospitality	199,600	201,700	144,800	161,600	193,400
Other Services	55,500	56,400	44,800	47,500	54,500
Government	248,100	248,600	237,100	237,900	246,800
Total, All Industries	1,491,400	1,512,800	1,395,000	1,451,100	1,543,700

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 2022 Benchmark.

Attachment "1"

The following table summarizes the labor force, employment and unemployment figures for the period from 2018 through 2022 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>
2018	City of Escondido	69,100	66,900	2,200	3.2%
	San Diego County	1,579,800	1,526,600	53,200	3.4
	State of California	19,289,500	18,469,900	819,600	4.2
2019	City of Escondido	69,100	67,000	2,200	3.1%
	San Diego County	1,583,600	1,532,200	51,400	3.2
	State of California	19,413,200	18,617,900	795,300	4.1
2020	City of Escondido	66,800	60,700	6,100	9.2%
	San Diego County	1,547,300	1,401,900	145,400	9.4
	State of California	18,971,600	17,047,600	1,924,000	10.1
2021	City of Escondido	66,900	62,700	4,300	6.4%
	San Diego County	1,547,800	1,447,500	100,300	6.5
	State of California	18,973,400	17,586,300	1,387,100	7.3
2022	City of Escondido	68,700	66,400	2,200	3.2%
	San Diego County	1,589,600	1,534,800	54,700	3.4
	State of California	19,252,000	18,440,900	811,100	4.2

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. 2022 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.

Attachment "1"

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
2018 through 2022
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>
2018	2,595	\$2,490,232	4,345	\$3,222,233
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

Source: Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA").

**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>
2018	59,836	41,886,825	100,674	59,041,042
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

Source: Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA").

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.

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: \$_____ *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 \$_____ (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

Attachment "1"

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.

(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 Internal Revenue Code of 1986, as amended (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

Attachment "1"

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,

Attachment "1"

APPENDIX D
APPRAISAL REPORT

APPENDIX E
UPDATED PRICE POINT STUDY

APPENDIX F
SUMMARY OF THE INDENTURE

APPENDIX G

FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE

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

Attachment "1"

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.