

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.

PRELIMINARY OFFICIAL STATEMENT DATED JUNE __, 2022

NEW ISSUE—BOOK-ENTRY ONLY

NO RATING

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described 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.

\$12,445,000*

**COMMUNITY FACILITIES DISTRICT NO. 2020-2 OF THE
CITY OF ESCONDIDO (THE VILLAGES)
SPECIAL TAX BONDS, SERIES 2022**

Dated: Delivery Date

Due: September 1, as shown on inside cover page

The Community Facilities District No. 2020-2 of the City of Escondido (The Villages) Special Tax Bonds, Series 2022 (the "Bonds") are being issued by Community Facilities District No. 2020-2 of the City of Escondido (The Villages) (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 and water and sewer facilities to be owned and operated by the Rincon Del Diablo Municipal Water District; (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 July 1, 2022 (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, 2022. 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, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the City and the District by the City Attorney, and for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, for the Underwriter by Jones Hall, A Professional Law Corporation, 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 July __, 2022.

[STIFEL LOGO]

Dated: July __, 2022

* Preliminary, subject to change.

\$12,445,000*
COMMUNITY FACILITIES DISTRICT NO. 2020-2 OF THE
CITY OF ESCONDIDO (THE VILLAGES)
SPECIAL TAX BONDS, SERIES 2022

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> [†]
--	---	-----------------------------	---------------------	---------------------	--------------------------------------

\$ _____ **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. _____ [†]
\$ _____	_____ %	Term Bonds Due September 1, 2052	Yield: _____ %	Price: _____	CUSIP No. _____ [†]

* Preliminary, subject to change

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the City, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

**CITY OF ESCONDIDO
COUNTY OF RIVERSIDE, CALIFORNIA**

CITY COUNCIL

Paul "Mac" McNamara, *Mayor*
Tina Inscoe, *Deputy Mayor*
Joe Garcia, *Councilmember*
Consuelo Martinez, *Councilmember*
Michael Morasco, *Councilmember*

STAFF

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

BOND AND DISCLOSURE COUNSEL

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

MUNICIPAL ADVISOR

CSG Advisors Incorporated
San Francisco, California

SPECIAL TAX CONSULTANT

Special District Financing & Administration, LLC
Escondido, California

APPRAISER

Kitty Siino & Associates, Inc.
Tustin, California

TRUSTEE

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

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

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

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

	Page
INTRODUCTION	1
The District	1
Sources of Payment for the Bonds	2
Appraisal Report	3
Description of the Bonds	4
Tax Exemption	4
Professionals Involved in the Offering	4
Continuing Disclosure	5
Parity Bonds for Refunding Purposes Only	5
Bond Owners' Risks	5
Other Information	5
FINANCING PLAN	6
Estimated Sources and Uses of Funds	6
THE BONDS	6
General Provisions	6
Debt Service Schedule	7
Redemption	8
Registration, Transfer and Exchange	12
SOURCES OF PAYMENT FOR THE BONDS	12
Limited Obligations	12
Special Taxes	13
Reserve Account of the Special Tax Fund	19
No Teeter Plan	20
Parity Bonds for Refunding Purposes Only	20
THE DISTRICT	20
General Description of the District	20
Authorized Uses of Bond Proceeds	21
Appraisal Report	21
Value-to-Lien Ratios	21
Direct and Overlapping Debt	25
Delinquency History	26
PROPERTY OWNERSHIP AND THE DEVELOPMENT	27
The Developer	27
Development and Financing	28
Development Plan	29
Financing Plan	32
SPECIAL RISK FACTORS	33
Risks of Real Estate Secured Investments Generally	33
Insufficiency of Special Tax Revenues	33
COVID-19 (Coronavirus) Pandemic	35
Concentration of Ownership	35
Property Values	35
Natural Disasters	36
Hazardous Substances	37
Enforcement Delays – Bankruptcy	37
Special Tax Delinquencies	37
FDIC/Federal Government Interests in Parcels	38

Direct and Overlapping Indebtedness.....	39
Payment of Special Taxes is not a Personal Obligation of the Property Owners	39
No Acceleration Provision.....	39
Limited Obligations	39
Ballot Initiatives.....	40
Proposition 218.....	40
Litigation with Respect to Community Facilities Districts.....	41
Loss of Tax Exemption.....	42
No Ratings – Limited Secondary Market	42
Limitations on Remedies	42
Potential Early Redemption of Bonds from Prepayments or Community Facilities District Bond Proceeds	42
Cybersecurity	43
Increasing Mortgage Interest Rates	43
CONTINUING DISCLOSURE.....	43
TAX EXEMPTION	44
LEGAL OPINION	45
ABSENCE OF LITIGATION	46
NO RATING	46
UNDERWRITING	46
FINANCIAL INTERESTS	46
MUNICIPAL ADVISOR	46
MISCELLANEOUS	46
APPENDIX A RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX	A-1
APPENDIX B CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION	B-1
APPENDIX C FORM OF OPINION OF BOND COUNSEL.....	C-1
APPENDIX D APPRAISAL REPORT	D-1
APPENDIX E SUMMARY OF THE INDENTURE	E-1
APPENDIX F FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE	F-1
APPENDIX G BOOK-ENTRY ONLY SYSTEM.....	G-1

[INSERT VICINITY MAP]

[INSERT AERIAL PHOTOGRAPH]

\$12,445,000*
CITY OF ESCONDIDO
COMMUNITY FACILITIES DISTRICT NO. 2020-2 (THE VILLAGES)
SPECIAL TAX BONDS, SERIES 2022

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. 2020-2 of the City of Escondido (The Villages) (the "District") of its Special Tax Bonds, Series 2022 in the aggregate principal amount of \$12,445,000* (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 and water and sewer facilities to be owned and operated by the Rincon Del Diablo Municipal Water District; (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 June 15, 2022, 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 July 1, 2022 (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 E.

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 District contains approximately 91.06 gross acres and approximately 37.42 net taxable acres, and is located in the northern portion of the City, west of North Nutmeg Street along both sides of West Country Club Lane, in the northern portion of the County. Escondido is located adjacent to the west of the City of San Marcos and surrounded by unincorporated County land to the north, east and south. The District is located two miles north of Highway 78 and a half-mile west of Interstate 15. The District is being developed by Lennar Homes of California, LLC., a California limited liability company (successor-by-conversion to, and formerly known as, Lennar Homes of California, Inc.) ("Lennar Homes" or the "Developer"), into 380 single-family attached and detached homes in a master planned community known as "Canopy Grove" (formerly known as "The Villages") containing four neighborhoods: Haven, Reflection, Retreat and Sanctuary. As of April 3, 2022, the date of value of the Appraisal Report (defined below), of the 380 single-family residential units planned within the District, 302 single-family residential units had been completed and conveyed to individual homeowners, and the Developer owned 6 completed model units (2 of which were in escrow) and 72 production units in various stages of construction (70 of which were in escrow). However, homes under contract may not result in closed escrows as sales contracts are subject to cancellation. As of March 1, 2022, 372 building permits for the 380 planned dwelling units have been obtained and will be classified as Developed Property for the Fiscal Year 2022-23

* Preliminary, subject to change.

Special Tax levy. However, as of April 3, 2022, the remaining 8 building permits had been obtained and all 380 parcels will be classified as Developed Property for the Fiscal Year 2023-24 Special Tax levy and for each fiscal year thereafter. Canopy Grove is also expected to include an approximately half-acre commercial property (the "Commercial Property") that the Developer expects to be used as a wedding venue. The Developer has prepaid the Special Tax with respect to the Commercial Property prior to development and the Commercial Property is no longer Taxable Property pursuant to the Rate and Method. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP."

The District is located in a former golf course surrounded by substantially developed property within the City and as a result, 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 with finishing of certain streets and landscaping remaining. See the captions "THE DISTRICT" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT" for further information with respect to the District, Lennar Homes and development within the District.

Formation Proceedings. The District was formed on May 13, 2020 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.

Pursuant to the Act, on April 8, 2020, the City Council adopted Resolution No. 2020-25 (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. 2020-40, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$16,000,000 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 May 13, 2020, the City Council adopted Resolution Nos. 2020-45 and 2020-46 on May 13, 2020 (collectively the "Resolution of Formation"). The Resolution of Formation: (i) established the District; (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 \$16,000,000 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 May 13, 2020, 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 \$16,000,000. A Notice of Special Tax Lien for the District was recorded in the office of the County Recorder on May 27, 2020, as Document No. 2020-0267035. On June 3, 2020, the City Council adopted Ordinance No. 2020-11 (the "Ordinance") which authorizes the levy of a special tax pursuant to the Rate and Method of Apportionment approved at the May 13, 2020 election (the "Rate and Method"), a copy of which is attached hereto as Appendix A.

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. 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 May 9, 2022 (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 as currently planned will consist of 380 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 \$240,613,298 as of April 3, 2022 (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.

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 G — "BOOK-ENTRY ONLY SYSTEM."

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

The Bonds are subject to optional redemption, special mandatory redemption and mandatory sinking fund redemption prior to maturity as described 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 E — "SUMMARY OF THE INDENTURE."

Tax Exemption

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming 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, a Professional Corporation, 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 Jones Hall, A Professional Law Corporation, 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") and by Kitty Siino & Associates, Tustin, California, as Appraiser.

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 F — "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 E.

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 Special Tax Collections	
Total Sources	<u>\$</u>

Uses of Funds:

Acquisition and Construction Fund ⁽¹⁾	\$
Costs of Issuance ⁽²⁾	
Reserve Account of the Special Tax Fund	
Total Uses	<u>\$</u>

⁽¹⁾ Includes [\$_____] to be deposited in the City Improvements Account of the Acquisition and Construction Fund and [\$_____] to be deposited in the Water District Facilities Account of the Acquisition and Construction Fund.

⁽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, 2022 (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 G — "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>
	\$	\$	\$

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, 2029, in whole or in part, from such maturities as are selected by the District and by lot within a maturity, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

<i>Redemption Date</i>	<i>Redemption Price</i>
September 1, 2029 and March 1, 2030	103%
September 1, 2030 and March 1, 2031	102
September 1, 2031 and March 1, 2032	101
September 1, 2032__ 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, 2037, 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:

* Preliminary, subject to change.

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, 2022, 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, 2022 through March 1, 2030	103%
September 1, 2030 and March 1, 2031	102
September 1, 2031 and March 1, 2032	101
September 1, 2032 and any Interest Payment Date thereafter	100

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

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

* *Preliminary, subject to change.*

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 May 13, 2020 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 May 13, 2020, the qualified elector within the District authorized the District to incur indebtedness in an amount not to exceed \$16,000,000 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.

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

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

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

In general, the Rate and Method imposes a different Maximum Special Tax on Taxable Property within the District depending upon whether such Taxable Property is classified as: (i) "Developed Property" (in general, Taxable Property not classified as Final Mapped Property, Undeveloped Property, Property Owner Association Property that are not Exempt Property pursuant to the provisions of the Rate and Method and which is included in a Final Map recorded prior to the January 1 preceding the Fiscal Year in which the Special Tax is being levied and a building permit for new construction was issued prior to March 1st preceding such 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, as determined by the CFD Administrator pursuant to the Indenture.

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

Within the District, based on development status as of March 1, 2022, 372 parcels will be classified as Developed Property for the Fiscal Year 2022-23 Special Tax levy. However, based on building permits obtained within the District as of April 3, 2022, all 380 parcels will be classified as Developed Property for the Fiscal Year 2023-24 Special Tax levy and for each fiscal year thereafter. See Table 2, Table 3 and "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

For Fiscal Year 2022-23, the Assigned Special Tax for Developed Property within the District that is classified as Single Family Residential Property will range from \$1,468.34 per taxable unit with a Residential Floor Area of less than 1,450 square feet to \$2,273.47 per taxable unit with a Building Square Footage of greater than 3,199 square feet. For Fiscal Year 2022-23 the Assigned Special Tax Rate for Final Mapped Property within the District is \$25,359.57 per acre.

On each July 1 the Assigned Special Tax rates for Developed Property and the Maximum Special Tax rate for Final Mapped Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

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, 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.

Table 1 below sets forth the projected Special Tax levy for Fiscal Year 2022-23 by property classification as of March 1, 2022 and as expected at build out. Based on building permits obtained within the District as of March 1, 2022, the cutoff date in the Rate and Method for determining property to be Developed Property for the following fiscal year Special Tax levy, 372 parcels will be classified as Developed Property for the Fiscal Year 2022-23 Special Tax levy. However, based on building permits obtained within the District as of April 3, 2022, all 380 parcels will be classified as Developed Property for the Fiscal Year 2023-24 Special Tax levy and for each fiscal year thereafter. See Table 2, Table 3 and "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 2020-2
OF THE CITY OF ESCONDIDO
(THE VILLAGES)
PROJECTED FISCAL YEAR 2022-23 SPECIAL TAX LEVY

<i>Special Tax Land Use Category</i>	<i>Developed Floor Area</i>	<i>Number of Units or Acres⁽¹⁾</i>	<i>Maximum Assigned Special Tax Rate⁽²⁾</i>	<i>Projected Actual Assigned Special Tax Rate⁽²⁾</i>	<i>Per Unit or Acre</i>	<i>Projected Fiscal Year 2022-23 Annual Special Tax Revenue⁽³⁾⁽⁵⁾</i>
<u>Developed Property</u>						
Residential Property		<u>Units</u>				
	1 > 3,199 sqft	25	\$ 2,849.64	\$ 2,273.47	per Unit	\$ 56,836.83
	2 2,950 - 3,199 sqft	26	2,765.38	2,206.25	per Unit	57,362.49
	3 2,700 - 2,949 sqft	24	2,670.70	2,130.71	per Unit	51,137.11
	4 2,450 to 2,699 sqft	27	2,566.66	2,047.71	per Unit	55,288.13
	5 2,200 to 2,449 sqft	27	2,454.30	1,958.07	per Unit	52,867.80
	6 1,950 to 2,199 sqft	77	2,175.46	1,735.61	per Unit	133,641.59
	7 1,700 to 1,949 sqft	29	2,151.54	1,716.52	per Unit	49,779.12
	8 1,450 to 1,699 sqft	99	1,960.10	1,563.79	per Unit	154,815.07
	9 < 1,450 sqft	38	1,840.46	1,468.34	per Unit	55,796.86
Subtotal - Developed Residential Property		372				\$ 667,525.00
<u>Non-Residential Property</u>						
		<u>Acres</u>				
Non-Residential Property	10 NA	0.0000	\$ 25,329.57	\$ 0.00	per Acre	\$ 0.00
Subtotal - Developed Non-Residential Property						
<u>Undeveloped Property</u>						
Final Mapped Property ⁽⁶⁾	NA NA	0.6187	\$ 25,329.57	\$ 0.00	per Acre	\$ 0.00
Undeveloped Property	NA NA	0.0000	25,329.57	0.00	per Acre	0.00
Grand Total⁽⁴⁾						\$ 667,525.00

(1) As of March 1, 2022, 372 building permits had been issued representing 97.9% of the total 380 expected dwelling units in the District.

(2) Reflects the maximum Assigned Special Tax rates applicable for Fiscal Year 2022-23. The Assigned Special Tax rates escalate annually by 2%.

(3) Based on the building permits issued as of March 1, 2022, and assumes no further development. 100% of the Assigned Special Tax was levied in Fiscal Year 2021-22.

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

(5) The District prepaid the Special Tax with respect to an approximately .502 acre commercial property (the "Commercial Property") prior to development. Such prepayment will generate approximately \$164,700 of proceeds which may be used by the District for Facilities or other lawful purposes of the District. The Commercial Property shall not be subject to the Special Tax levy following prepayment, and the District assumes no Special Taxes will be levied on the Commercial Property.

(6) Comprised of six lots for which no building permit was issued prior to March 1, 2022. However, between March 1, 2022 and April 3, 2022, permits were issued for such parcels.

Sources: City; Developer; Special Tax Consultant.

Backup Special Tax Rates. The Backup Special Tax for an Assessor's Parcel within a Final Map classified or to be classified as Single Family Property is calculated by multiplying the then current Maximum Special Tax per acre for Undeveloped Property by the total acreage of Taxable Property, excluding the acreage associated with Non-Residential Property, Public Property and Property Owner's Association Property in the

portion of such Final Map included within the District and dividing such amount by the number of dwelling units that are or are approved to be Residential Property (i.e., the number of residential lots for single family detached housing or approved dwelling units for single family attached or multi-family housing) within such Final Map included within the District.

In the event any portion of the Final Map is changed or modified, the Backup Special Tax for all Assessor's Parcels within such changed or modified area shall be \$25,329.57 per acre for Fiscal Year 2022-23. In the event any superseding Final Map is recorded as a Final Map within the boundaries of the District, the Backup Special Tax for all Assessor's Parcels within such Final Map shall be \$25,329.57 per acre for Fiscal Year 2022-23. On each July 1 the Backup Special Tax rate will increase by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

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, 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 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. 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 the Commercial Property prior to development. Such prepayment has generated approximately \$164,700 of proceeds which may be used by the District for Facilities or other lawful purposes of the District. The Commercial Property shall not be subject to the Special Tax levy, and the District assumes no Special Taxes will be levied on the Commercial Property.

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 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 E 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 E — “SUMMARY OF THE INDENTURE — COVENANTS AND WARRANTY — Covenants” herein.

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

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

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

- First: To the Administrative Expense Account in an amount up to the Administrative Expenses Cap.
- 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, 2022, 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. 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 E 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 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 E under the caption "DEFEASANCE AND PARITY BONDS."

THE DISTRICT

General Description of the District

The District contains approximately 91.06 gross acres and approximately 37.42 net taxable acres, and is located in the northern portion of the City, west of North Nutmeg Street along both sides of West Country Club Lane. The property within the District is being developed by Lennar Homes into a master planned community known as "Canopy Grove," containing four neighborhoods: Haven, Reflection, Retreat and Sanctuary.

The property within the District is planned for 380 single-family residential units. As of April 3, 2022, Lennar Homes had completed and conveyed 302 homes within the District to individual homeowners. As of such date Lennar Homes owned 6 model homes (2 of which were in escrow) and 72 production units that were in various stages of construction (70 of which were in escrow).

The District is located in a substantially developed area within the City and as a result, 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 with finishing of certain streets and landscaping remaining.

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 is not located within one-half mile of an active earthquake fault. The nearest active fault is the Elsinore Fault located 14 miles east of the subject property. 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, and the costs of certain water and sewer system improvements to be owned and operated by the Rincon Del Diablo Municipal Water District. 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 2021-22 is approximately \$73,559,346. 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 each of the projects within the District provided to the Appraiser by Lennar Homes 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 April 3, 2022, the minimum market value of the Taxable Property within the District was \$240,613,298. 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 Lennar Homes -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 \$240,612,848. The ratio of that value to the \$12,445,000* total principal amount of the Bonds is approximately 19.33*-to-1. Taking other overlapping tax

* Preliminary, subject to change.

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 \$14,422,270* is approximately 16.68*-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 March 1, 2022.

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 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 2022-23 Special Tax levy) and the ratio of the appraised value to its share of the Bonds.

Based on ownership status as of April 3, 2022 (and assuming none of the 72 homes under construction and in escrow close to individual homeowners), individual homeowners and Lennar Homes are expected to be responsible for approximately 81.75%* and 18.25%*, respectively, of the projected Fiscal Year 2022-23 Special Tax levy.

TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 2020-2
OF THE CITY OF ESCONDIDO
(THE VILLAGES)
APPRAISED VALUE-TO-LIEN RATIOS
BY OWNERSHIP AND STATUS OF DEVELOPMENT

Owner	Community Name	Status of Development ⁽¹⁾	No. of Planned Units	Projected Fiscal Year 2022-23 Special Tax Levy ⁽²⁾	Percent of Projected Fiscal Year 2022-23 Special Tax Levy	Projected Fiscal Year 2023-24 Special Tax Levy ⁽²⁾	Percent of Projected Fiscal Year 2023-24 Special Tax Levy	Appraised Value	Bonds Allocated Based on Projected Fiscal Year 2023-24 Special Tax Levy ^{(3)*}	Average Appraised Value-to-Lien Debt [*]
Individual Homeowners		Completed and Sold	302	\$ 545,680.43	81.75%	\$ 543,374.05	80.26%	\$225,608,795	\$9,987,917	22.59
Lennar Homes	Retreat	Model Homes	3	\$ 5,015.92	0.75%	\$ 4,994.71	0.74%	\$ 1,083,597	\$ 91,809	11.80
		Under Construction – Levied 2022/23	12	<u>20,063.66</u>	<u>3.01</u>	<u>19,978.86</u>	<u>2.95</u>	<u>2,145,937</u>	<u>367,237</u>	<u>5.84</u>
Subtotal – Lennar Homes (Retreat)			15	\$ 25,079.58	3.76%	\$ 24,973.57	3.69%	\$ 3,229,534	\$ 459,046	7.04
Lennar Homes	Reflection	Model Homes	3	\$ 4,595.92	0.69%	\$ 4,576.49	0.68%	\$ 1,044,832	\$ 84,122	12.42
		Under Construction – Levied 2022/23	24	<u>36,576.43</u>	<u>5.48</u>	<u>36,421.82</u>	<u>5.38</u>	<u>4,291,875</u>	<u>669,480</u>	<u>6.41</u>
		Under Construction – Not Levied 2022/23	7	<u>0.00</u>	<u>0.00</u>	<u>10,615.11</u>	<u>1.57</u>	<u>1,251,797</u>	<u>195,119</u>	<u>6.42</u>
Subtotal – Lennar Homes (Reflection)			34	\$ 41,172.34	6.17%	\$ 51,613.42	6.06%	\$ 6,588,503	\$ 948,721	6.94
	Haven	Under Construction – Levied 2022/23	12	<u>\$ 21,603.40</u>	<u>3.24</u>	<u>\$ 21,512.10</u>	<u>3.18%</u>	<u>\$ 2,145,938</u>	<u>\$ 395,420</u>	<u>5.43</u>
Subtotal – Lennar Homes (Haven)			12	\$ 21,603.40	3.24%	\$ 21,512.10	3.18%	\$ 2,145,938	\$ 395,420	5.43
Lennar Homes	Sanctuary	Under Construction – Levied 2022/23	16	\$ 33,989.25	5.09%	33,845.58	5.00%	\$ 2,861,250	\$ 622,126	4.60
		Under Construction – Not Levied 2022/23	1	<u>0.00</u>	<u>0.00</u>	<u>1,728.27</u>	<u>0.26</u>	<u>178,828</u>	<u>31,768</u>	<u>5.63</u>
Subtotal – Lennar Homes (Sanctuary)			17	\$ 33,989.25	5.09%	\$ 35,573.85	5.00%	\$ 3,040,078	\$ 653,894	4.65
Grand Total⁽⁴⁾			380	\$ 667,525.00	100.00%	\$ 677,047.00	98.18%	\$240,612,848	\$12,445,000	19.33

* Preliminary, subject to change

(1) Construction status as provided in the Appraisal.

(2) Based on the status of development and ownership sourced from the Appraisal as of April 3, 2022. Projected levy requirement for Fiscal Year 2022-23 includes the estimated debt service due in calendar year 2023 on the Bonds and estimated Administrative Expenses in the amount of \$56,100. Projected levy requirement for the Fiscal Year 2023-24 includes the estimated debt service due in calendar year 2024 on the Bonds and estimated Administrative Expenses in the amount of \$57,222. Based on such level of development, the District does not expect to levy a special tax on Final Map Property (parcels that had not been issued a building permit prior to March 1, 2022) for the Fiscal Year 2022-23 levy. Of the 72 lots identified as under construction, 8 did not receive a building permit and therefore not classified as Developed Property and will not be levied a special tax for Fiscal Year 2022-23 but will be levied in Fiscal Year 2023-24.

(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 2023-24 Special Tax Levy.

(4) Difference between column totals and Grand Total due to rounding.

Sources: Appraiser; Underwriter; Special Tax Consultant.

TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 2020-2
OF THE CITY OF ESCONDIDO
(THE VILLAGES)
APPRAISED VALUE-TO-LIEN RATIOS STRATIFICATION

<i>Appraised Value-to-Lien Category</i>	<i>No. of Developed Units⁽¹⁾</i>	<i>Percent of Total Developed Units⁽¹⁾</i>	<i>Projected Fiscal Year 2023-24 Special Tax Levy⁽²⁾</i>	<i>Percent of Projected Fiscal Year 2023-24 Special Tax Levy</i>	<i>Appraised Value⁽³⁾</i>	<i>Percent of Appraised Value⁽³⁾</i>	<i>Bonds^{(4)*}</i>	<i>Aggregate Appraised Value-to-Lien Ratio*</i>
23:1 to 26:1	98	26%	\$157,052.02	23.20%	\$ 69,982,760	29%	\$ 2,886,819	24.24
20:1 to 23:1	204	54	386,322.03	57.06	155,626,035	65	7,101,099	21.92
10:1 to 20:1	6	2	9,571.20	1.41	2,128,428	1	175,931	12.10
4:1 to 10:1	<u>72</u>	<u>19</u>	<u>124,101.75</u>	<u>18.33</u>	<u>12,875,625</u>	<u>5</u>	<u>2,281,151</u>	<u>5.64</u>
Total	380	100%	\$677,047.00	100.00%	\$240,612,848	100%	\$12,445,000	19.33

* Preliminary, subject to change

(1) Developed units for the projected Fiscal Year 2023-24 levy.

(2) Based on ownership and status of development as of April 3, 2022 per the Appraisal Report, at which time 380 lots had been issued a building permit. Includes the estimated debt service due on the Bonds in calendar year 2024 and estimated Administrative Expenses in the amount of \$57,222. 100% of the Assigned Special Tax was levied in Fiscal Year 2021-22 on property classified as Developed Property under the Rate and Method of Apportionment. The projected Fiscal Year 2023-24 levy is approximately 78% of the Assigned Special Tax.

(3) The Appraised Value used for the calculation of Appraised Value-to-Lien includes value assigned to lots not classified as Developed Property for the Fiscal Year 2022-23 levy based on the status of development as of March 1, 2022. Such lots will be levied as Developed Property for the projected Fiscal Year 2023-24 levy.

(4) 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 2023-24 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. 2020-2 (THE VILLAGES)
DIRECT AND OVERLAPPING DEBT
AS OF APRIL 1, 2022

2021-22 Local Secured Assessed Valuation: \$73,559,346 (Taxable Parcels Only)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/22</u>
Metropolitan Water District General Obligation Bonds	0.002%	\$ 439
Palomar Community College District General Obligation Bonds	0.052	347,115
San Marcos Unified School District General Obligation Bonds	0.072	195,873
Escondido Union High School District General Obligation Bonds	0.246	195,536
Escondido Union School District General Obligation Bonds	0.254	431,925
City of Escondido General Obligation Bonds	0.399	201,961
Palomar Pomerado Hospital District General Obligation Bonds	0.077	313,153
City of Escondido Community Facilities District No. 2020-02	100.000	0⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,686,002
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Diego County General Fund Obligations	0.012%	\$ 29,713
San Diego County Pension Obligation Bonds	0.012	41,277
San Diego County Superintendent of Schools Obligations	0.012	942
Palomar Community College District General Fund Obligations	0.052	756
San Marcos Unified School District General Fund Obligations	0.072	50,431
Escondido Union High School District Certificates of Participation	0.246	126,052
Escondido Union School District Certificates of Participation	0.254	31,084
City of Escondido General Fund Obligations	0.399	11,013
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 291,268
 COMBINED TOTAL DEBT		 \$1,977,270⁽²⁾

Ratios to 2021-22 Assessed Valuation:

Direct Debt (\$0).....	0.00%
Total Direct and Overlapping Tax and Assessment Debt.....	2.29
Combined Total Debt.....	2.69

⁽¹⁾ Excludes the Bonds.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Source: California Municipal Statistics, Inc.

Table 5 sets forth sample tax bills for a sample 2,264 square foot home and a sample 1,994 square foot home within the “Haven” and “Sanctuary” neighborhoods of the District, respectively, for Fiscal Year 2022-23 based on the average appraised value of such homes as of the Date of Value, the estimated Fiscal Year 2022-23 Special Tax levy and actual Fiscal Year 2021-22 Special Tax levy for all other overlapping taxing jurisdictions, assuming no additional development or home sales. The “Haven” neighborhood is located within the San Marcos Unified School District and the “Sanctuary” neighborhood is located within the Escondido Unified School District. Based on the foregoing and the projected debt service on the Bonds, the Administrative Expenses Cap of \$56,100 (which amount shall escalate at 2% per Fiscal Year), in Fiscal Year 2022-23, the projected effective tax rates to be levied on Developed Property within the “Haven” and “Sanctuary” neighborhoods of the District will range from approximately 1.52% to 1.67%.

TABLE 5
CITY OF ESCONDIDO
COMMUNITY FACILITIES DISTRICT NO. 2020-2 (THE VILLAGES)
SAMPLE TAX BILLS

Residential Floor Area (Sq. Ft.):	2,264	1,994
Type of Property:	Detached	Detached
Community Name:	Haven	Sanctuary
Net Taxable Value		
Appraised Value ⁽¹⁾	\$ 816,480.00	\$ 797,600.00
Less: Homeowner's Exemption	(7,000.00)	(7,000.00)
Net Taxable Value	\$ 809,480.00	\$ 790,600.00
Ad Valorem Property Taxes	Rate	Rate
Base Property Tax	1.00000%	1.00000%
Palomar Health 2005A - Debt Service	0.03800	0.03800
San Marcos Unified School District Debt ⁽²⁾	0.05471	
Escondido Union School District Debt ⁽²⁾		0.03657
Escondido High School District Debt ⁽²⁾		0.03233
Palomar Community College Debt ⁽²⁾	0.01943	0.01943
Escondido City Public Safety Facilities Impr Refunding	0.02065	0.02065
MWD Debt Service Remainder of SDCWA	0.00350	0.00350
Total Ad Valorem Property Taxes	1.13629%	1.15048%
Parcel Charges, Assessments, and Special Taxes		
Vector Disease Control	\$ 8.36	\$ 8.36
Mosquito Surveillance	2.28	2.28
County Water Authority Water Availability	10.00	10.00
MWD Water Standby Charge	11.50	11.50
San Marcos Unified School District CFD No. 14	1,108.66	
City of Escondido CFD No. 2020-1 (Services) ⁽³⁾	757.86	757.86
City of Escondido CFD No. 2020-2 (The Villages) ⁽⁴⁾	2,406.18	2,132.82
Total Parcel Charges, Assessments, and Special Taxes	\$ 4,304.84	\$ 2,922.82
Total Taxes	\$ 13,502.88	\$ 12,018.51
Total Effective Tax Rate	1.67%	1.52%

⁽¹⁾ Represents the Appraised Value as reported in the Appraisal.

⁽²⁾ Represents the total *ad valorem* rate levied by this agency.

⁽³⁾ Equal to the actual Special Tax levied for City of Escondido CFD No. 2020-1 (Services) for Fiscal Year 2021-22.

⁽⁴⁾ Equal to 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 2021-22. In Fiscal Year 2021-22, which was the first fiscal year in which Special Taxes were levied, the District levied Special Taxes in the amount of \$482,680.32. For the Fiscal Year 2021-22 Special Tax levy, the delinquencies as of April 10, 2022, on 7 of the 14 delinquent parcels are a result of single parcels which contain multiple dwelling units without separate assessor parcel numbers prior to the

County's cutoff date for billing. Subsequent to separate assessor parcel numbers assigned by the Tax Collector, the District expects such delinquencies to be satisfied through the issuance of supplemental property tax bills by the County. As all 380 units are now permitted, such billing issues will not occur in the future. The delinquent Special Taxes, when collected will be used for Project costs and are not expected to be used for debt service on the Bonds.

TABLE 6
CITY OF ESCONDIDO
COMMUNITY FACILITIES DISTRICT NO. 2020-2 (THE VILLAGES) SPECIAL TAX LEVIES,
DELINQUENCIES AND DELINQUENCY RATES
FISCAL YEAR 2021-22

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Fiscal Year End</i>			<i>Delinquencies as of April 10, 2022</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>
2021-22	482,680.32	139	N/A	N/A	N/A	14	87,227.85	18.07%

Ownership Breakdown:

Lennar Homes	7 ⁽¹⁾	74,079.54	15.35%
Property Owners	7	13,148.31	2.72%

⁽¹⁾ Delinquencies as of April 10, 2022, are a result of single parcels which contain multiple dwelling units without separate assessor parcel numbers prior to the County's cutoff date for billing.

Source: San Diego County Tax Collector Report dated May 2, 2022 reflecting all payments received on or before April 10, 2022.

PROPERTY OWNERSHIP AND THE DEVELOPMENT

The information about the property in the District contained in this Official Statement has been provided by representatives of Lennar Homes 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 Lennar Homes 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 Lennar Homes that they 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 Lennar Homes in the District will be available when needed. None of Lennar Homes, 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 Lennar Homes in the District. Any contributions by Lennar Homes 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 Lennar Homes within the District, the remaining portions of such development may not be completed. Lennar Homes 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

Lennar Homes of California, LLC, a California limited liability company (successor-by-conversion to, and formerly known as, Lennar Homes of California, Inc.) (previously defined as "Lennar Homes" or the "Developer") is based in Irvine, California, and has been in the business of developing residential real estate communities in California since 1996. The Developer is wholly-owned by U.S. Home Corporation, a

Delaware corporation ("U.S. Home"). U.S. Home is wholly-owned by Lennar Corporation, which is based in Miami, Florida. Founded in 1954, Lennar Corporation completed its initial public offering in 1971 and listed its common stock on the New York Stock Exchange in 1972. Lennar Corporation's Class A and Class B common stock are listed on the New York Stock Exchange under the symbols "LEN" and "LEN.B." respectively. Lennar Corporation is one of the largest homebuilders in the United States based on home sales revenues and net earnings, and operates under a number of brand names, including Lennar Homes and U.S. Home. The Developer primarily develops residential communities both within the Lennar Homes family of builders and through consolidated and unconsolidated partnerships in which Lennar Homes maintains an interest.

Lennar Corporation is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Such filings, particularly the Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q, set forth, among other things, certain data relative to the consolidated results of operations and financial position of Lennar Corporation and its consolidated subsidiaries, including Lennar Homes, as of such dates.

The SEC maintains a website that contains reports, proxy and other information statements and other information regarding registrants that file electronically with the SEC, including Lennar Corporation. The address of such website is www.sec.gov. All documents filed by Lennar Corporation pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes.

Copies of Lennar Corporation's Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are available from Lennar Corporation's website at www.lennar.com.

The foregoing website addresses and references to filings with the SEC are given for reference and convenience only, and the information on such websites and on file with the SEC does not form a part of this Official Statement and is not incorporated by reference herein. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such websites. Lennar Corporation and Lennar Homes are not obligated to advance funds for construction or development or to pay ad valorem property taxes or the Special Taxes and investors should not rely on the information and financial statements contained on such websites in evaluating whether to buy, hold or sell the Bonds. The information contained on such websites may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter.

Development and Financing

Intract Infrastructure Development. As a lot is developed for home construction, the lot-specific horizontal improvements need to be constructed (e.g., driveway, sidewalk, utility laterals, retaining walls, street capping (excluding home construction)), impact fees need to be paid (e.g., library, sewer, and school fees), and building permit fees need to be paid. See the caption "—Financing Plan" for a discussion of some of these costs.

Utilities and Other Services. Utility and other services for Canopy Grove are provided by the following:

Electricity:	San Diego Gas & Electric Company
Water/Sewer:	City of Escondido
Gas:	San Diego Gas & Electric Company
Public Schools:	Escondido Union School District, Escondido Union High School District and San Marcos Unified School District

Subdivision Map Status. The District is encompassed by Tract Map No. 16400 recorded with the County on June 15, 2020, Tract Map No. 16422 recorded with the County on September 18, 2020, and Tract Map No. 16453 recorded with the County on May 19, 2021, which govern all 380 lots in the District.

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

No lots in the District are currently located within a 100-year flood plain, requiring flood insurance. See APPENDIX B — “APPRAISAL REPORT — Subject Property Description — Flood Information.”

Other than as described in this Official Statement, Lennar Homes 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.”

Summary of Lennar Homes’ Development Plan. The table below details the proposed and completed development by Lennar Homes of its property within the District as of April 3, 2022.

COMMUNITY FACILITIES DISTRICT NO. 2020-2 (THE VILLAGES)
(As of April 3, 2022)

<i>Neighborhood / Project Name</i>	<i>Estimated Number of Units</i>	<i>Completed Units (Not Closed)⁽¹⁾</i>	<i>Units Under Construction⁽²⁾</i>	<i>Units Under Contract but not Closed</i>	<i>Units With Closed Escrows to Individual Homeowners</i>
Retreat	81	3	12	14	66
Reflection	108	3	31	30	74
Haven	93	0	12	12	81
Sanctuary	<u>98</u>	<u>0</u>	<u>17</u>	<u>16</u>	<u>81</u>
Total	380	6	72	72	302

(1) Includes 6 model units owned by Lennar Homes.

(2) All lots in which trenching of the foundation has commenced are assumed to be under construction.

Source: Lennar Homes.

The development plan does not include the approximately .502 acre Commercial Property for which the Developer prepaid the Special Taxes prior to the issuance of the Bonds. Such prepayment generated approximately \$164,700 of proceeds which may be used by the District for Facilities or other lawful purposes of the District. The Commercial Property shall not be subject to the levy, and the District assumes no Special Taxes will be levied on the Commercial Property. The Developer currently expects the Commercial Property to ultimately be developed and used as a wedding venue.

Development Plan

General Description of the District. The District includes approximately 91.06 gross acres and is located in the City, in the northern portion of the City, west of North Nutmeg Street along both sides of West Country Club Lane. Lennar Homes is developing the property within the District into four neighborhoods within a master planned community known as “Canopy Homes” (formerly known as “The Villages”): “Haven,” “Reflection,” “Retreat” and “Sanctuary” neighborhoods.

As of April 3, 2022, the date of value of the Appraisal Report (defined below), of the 380 single-family residential units planned within the District, 302 single-family residential units had been completed and

conveyed to individual homeowners, and the Developer owned six completed model homes (two of which were in escrow) and 72 production homes in various stages of construction (70 of which were in escrow).

As of June 1, 2022, of the 380 single-family residential units planned within the District, ___ single-family residential units had been completed and conveyed to individual homeowners, and the Developer owned [six] completed model homes (___ of which were in escrow) and ___ production homes in various stages of construction (___ of which were in escrow).

All of the backbone infrastructure required to serve the District has been completed. Sales of homes within Canopy Grove began on August 13, 2020.

Retreat. The Retreat neighborhood is anticipated to be developed with 80 single-family dwelling units in three floor plans ranging in size from approximately 1,535 square feet to approximately 1,986 square feet on condominium mapped lots. As of April 3, 2022, base sales prices within the Retreat neighborhood ranged from approximately \$730,900 to approximately \$743,900. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered.

As of April 3, 2022, of the 81 single-family residential units planned within the Retreat neighborhood, 40 homes had been completed and conveyed to individual homeowners, and the Developer owned three completed model homes (two of which were in escrow) and 12 production homes in various stages of construction (all of which were in escrow). As of June 1, 2022, of the 81 single-family residential units planned within the Retreat neighborhood, ___ homes had been completed and conveyed to individual homeowners, and the Developer owned [three] completed model homes (___ of which were in escrow), ___ completed production homes (___ of which were in escrow), and ___ production homes under construction (___ of which were in escrow). Sales of homes within the Retreat neighborhood began in August 2020 and, as of June 1, 2022, ___ of the remaining ___ homes within the Retreat neighborhood were under contract to be sold to individual homeowners but had not closed escrow.

Reflection. The Reflection neighborhood is anticipated to be developed with 108 single-family dwelling units in three floor plans ranging in size from approximately 1,412 square feet to approximately 1,681 square feet on condominium mapped lots. As of April 3, 2022, base sales prices within the Reflection neighborhood ranged from approximately \$695,900 to approximately \$707,900. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered.

As of April 3, 2022, of the 108 single-family residential units planned within the Reflection neighborhood, 74 homes had been completed and conveyed to individual homeowners, and the Developer owned three completed model homes (none of which were in escrow) and 31 production homes in various stages of construction (30 of which were in escrow). As of June 1, 2022, of the 108 single-family residential units planned within the Reflection neighborhood, ___ homes had been completed and conveyed to individual homeowners, and the Developer owned [three] completed model homes (___ of which were in escrow), ___ completed production homes (___ of which were in escrow), and ___ production homes under construction (___ of which were in escrow). Sales of homes within the Reflection neighborhood began in August 2020 and, as of June 1, 2022, ___ of the remaining ___ homes within the Reflection neighborhood were under contract to be sold to individual homeowners but had not closed escrow.

Haven. The Haven neighborhood is anticipated to be developed with 93 single-family dwelling units in four floor plans ranging in size from approximately 1,525 square feet to approximately 2,592 square feet on detached lots. As of April 3, 2022, base sales prices within the Haven neighborhood ranged from approximately \$746,900 to approximately \$811,500. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered.

As of April 3, 2022 of the 93 single-family residential units planned within the Haven neighborhood, 81 homes had been completed and conveyed to individual homeowners, and the Developer owned 12 production homes in various stages of construction (all of which were in escrow). As of June 1, 2022, of the 93 single-family residential units planned within the Haven neighborhood, ___ homes had been completed and conveyed to individual homeowners, and the Developer owned ___ completed production homes (___ of which were in escrow) and ___ production homes under construction (___ of which were in escrow). Sales of homes within the Haven neighborhood began in August 2020 and, as of June 1, 2022, ___ of the remaining ___ homes within the Haven neighborhood were under contract to be sold to individual homeowners but had not closed escrow.

Sanctuary. The Sanctuary neighborhood is anticipated to be developed with 98 single-family dwelling units in four floor plans ranging in size from approximately 1,994 square feet to approximately 3,209 square feet on detached lots. As of April 3, 2022, base sales prices within the Sanctuary neighborhood ranged from approximately \$815,400 to approximately \$928,400. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives, and any selling concessions or price reductions currently being offered.

As of April 3, 2022 of the 98 single-family residential units planned within the Sanctuary neighborhood, 81 homes had been completed and conveyed to individual homeowners, and the Developer owned 17 production homes in various stages of construction (16 of which were in escrow). As of June 1, 2022, of the 98 single-family residential units planned within the Sanctuary neighborhood, ___ homes had been completed and conveyed to individual homeowners, and the Developer owned ___ completed production homes (___ of which were in escrow) and ___ production homes under construction (___ of which were in escrow). Sales of homes within the Sanctuary neighborhood began in August 2020 and, as of June 1, 2022, ___ of the remaining ___ homes within the Sanctuary neighborhood were under contract to be sold to individual homeowners but had not closed escrow

Although the information in this Official Statement reflects the current development expectations of Lennar Homes, no assurance can be given that home construction and sales will be carried out on the schedule and according to the plans and at the prices described herein, or that the home construction and sale plans or base prices set forth above will not change after the date of this Official Statement. Lennar Homes reserves the right to change its development plans at any time without notice. Additionally, homes under contract to be sold may not result in closed escrows as sales contracts are subject to cancellation. See "SPECIAL RISK FACTORS — Failure to Develop Properties."

COVID-19 Impact. The development of Lennar Homes' planned development within the District is subject to disruption due to the COVID-19 pandemic and related public health and governmental authorities' orders and actions, which could have a material adverse effect on Lennar Homes' ability to complete its proposed development within the District in the time frame and budget, and at the sales prices, described in this Official Statement. Lennar Homes has largely continued, with certain modifications, its home construction and sales activities in the District to date. Lennar Homes has also taken steps at its model home sites, sales offices and jobsites to limit the spread of the COVID-19 outbreak. Lennar Homes has implemented certain changes to its home sales process in an effort to mitigate the spread of COVID-19. Prospective homebuyers have the option of touring homes virtually online, by appointment, or currently, in person. However, in the event that Lennar Homes believes it is advisable to, or is required to, implement additional measures in response to a resurgence of COVID-19 or other public health risks, Lennar Homes may experience further negative impacts on its business and operations.

As of April 3, 2022, Lennar Homes has experienced increases in certain construction costs, supply chain delays, labor shortages, and increased cycle time for home deliveries. However, Lennar Homes has not experienced any significant development delays resulting from work stoppages, reduced attendance of workers, or the ability to obtain necessary inspections and approvals for homes, which may be attributed, directly or indirectly, to the COVID-19 pandemic. While the cost increases and delays may have been and

may continue to be intermittently affected by COVID-19, the majority of cost increases and delays can be attributable to production backlogs due to prior shutdowns or shelter in place orders, the strength of the housing market and the result of vendors not anticipating the scale of the demand for housing materials.

The COVID-19 outbreak is ongoing and, among other things, the ultimate geographic spread of the virus, the emergence and spread of new strains or variants of COVID-19, the duration and severity of the outbreak, the availability and acceptance of effective vaccines, adequate testing and treatments and the prevalence of widespread immunity to COVID-19, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to address its impact remain uncertain. The ultimate effects of COVID-19 on the District, Lennar Homes' operations and financial condition, homebuyers' willingness and ability to pay Special Taxes when due, and the real estate market and United States economy in general are unknown. Such effects, if and as they arise, could have a material adverse effect on the ability to develop the homes in the District as planned, and no assurance can be provided that Lennar Homes will be able to (a) complete in whole or in any part, or within any particular time, its construction of homes within the District; (b) avoid additional material increases in development costs or delays resulting from work stoppages, reduced attendance of workers, shortages or delays in the delivery of building materials, and/or delays in obtaining necessary inspections and approvals; or (c) sell homes, and close home sales or not experience purchase contract cancellations, due to in each case to public health or governmental restrictions, further spread of COVID-19, an economic downturn driven by the pandemic, or otherwise. See "SPECIAL RISK FACTORS—COVID-19 (Coronavirus) Pandemic" herein.

Financing Plan

To date, Lennar Homes has financed its land acquisition and various site development and home construction costs related to its property in the District through internally generated funds (equity and homes sales proceeds). As of April 3, 2022, Lennar Homes had expended approximately \$188.5 million on its development within the District, including land acquisition, land development, homebuilding, marketing and sales costs. As of such date, Lennar Homes anticipates expending an additional approximately \$23.1 million to complete its development within the District, including remaining development, homebuilding, marketing and sales costs.

Lennar Homes expects to use internally generated funds (equity and home sales proceeds) to complete its development in the District. Lennar Homes believes that it will have sufficient funds available to complete its planned development in the District in accordance with the development schedule described in this Official Statement.

Notwithstanding the belief of Lennar Homes that it will have sufficient funds to complete its planned development in the District, there can be no assurance that amounts necessary to finance the remaining planned development by Lennar Homes in the District will be available from Lennar Homes or any other source when needed. Neither Lennar Homes, nor any of its related entities, are under any legal obligation of any kind to expend funds for the development of and construction of homes on its property in the District and there is no direct recourse against Lennar Homes or any of its related entities for nonpayment of ad valorem property taxes or the Special Taxes. Any contributions by Lennar Homes to fund the costs of such development are entirely voluntary.

If and to the extent that the aforementioned sources are inadequate to pay the costs to complete the planned development by Lennar Homes within the District and other financing by Lennar Homes is not put into place, there could be a shortfall in the funds required to complete the planned development by Lennar Homes in the District or to pay ad valorem property taxes or Special Taxes related to Lennar Homes' property in the District, and the remaining portions of such development may not be completed. Many factors beyond Lennar Homes' control, or a decision by Lennar Homes to alter its current plans, may cause the actual sources and uses to differ from the projections. See "SPECIAL RISK FACTORS" herein for a discussion of risk factors.

SPECIAL RISK FACTORS

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

Risks of Real Estate Secured Investments Generally

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

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

Insufficiency of Special Tax Revenues

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

In order to pay debt service on the Bonds, it is generally necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the District has established a Reserve Account under the Indenture to be maintained in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund.” The District will covenant in the Indenture to maintain in the Reserve Account an amount equal to the Reserve Requirement, subject, however, to the availability of Net Taxes in amounts sufficient to do so and to the limitation that the District may not levy the Special Tax in any Fiscal Year at a rate in excess of the maximum amounts permitted under the Rate and Method. See Appendix A and Appendix E 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.)

COVID-19 (Coronavirus) Pandemic

The spread of the novel strain of coronavirus called COVID-19 (“COVID-19”) is having significant negative impacts throughout the world, including in the City. Since mid-March 2020, based on guidance and directives from the State and public health agencies, the City and the State have undergone varying degrees of closure and limited reopening of public buildings and businesses. There have been confirmed cases of COVID-19 in the City, and confirmed cases of COVID-19 are growing throughout the State and health officials are expecting the number of confirmed cases to continue to grow.

The COVID-19 pandemic is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impacts are uncertain. However, the impact of the COVID-19 outbreak could adversely impact development within the District, including, but not limited to, one or more of the following ways: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation, and other services and activities associated with real estate development; (iii) delays in construction where one or more members of the workforce becomes infected with COVID-19; (iv) continued extreme fluctuations in financial markets and contraction in available liquidity; (v) extensive job losses and declines in business activity across important sectors of the economy; (vi) declines in business and consumer confidence that negatively impact economic conditions or cause an economic recession; (vii) the failure of government measures to stabilize the financial sector and introduce fiscal stimulus to counteract the economic impact of the pandemic; (viii) delays in sales or fewer sales due to lower traffic at model home complexes and real estate offices; and (ix) delays in sales, or cancellations, due to mortgage lending issues. The ultimate adverse impact of COVID-19 on the District, the Developer’s operations, finances and ability to complete its developments within the District as planned, homebuyers’ willingness and ability to pay Special Taxes when due, and the real estate market in general is unknown. See the caption “THE DEVELOPMENT AND PROPERTY OWNERSHIP — Lennar Homes’ Development Plan” for more information regarding the potential impact of COVID-19 on Lennar Homes’ proposed development within the District.

Concentration of Ownership

Based on development and ownership status as of April 3, 2022 (and assuming none of the 72 homes or lots under construction and in escrow close to individual homeowners), individual homeowners and Lennar Homes is expected to be responsible for approximately 81.75%* and 18.25%*, respectively, of the projected Fiscal Year 2022-23 Special Tax levy.

The timely payment of principal of and interest on the Bonds depends upon the willingness and ability of the current and future property owners in the District to pay the Special Taxes prior to delinquency. General and local economic conditions and governmental requirements or restrictions may affect the willingness of the current property owners, or any successor property owners, to pay the Special Taxes, and there is no assurance that the current property owners, or any successor property owners, will pay such Special Taxes even if financially able to do so. Due to the concentration of ownership of the property within the District, a failure by Lennar Homes or any successor property owner thereto to pay the Special Taxes may result in a default in the payment of debt service on the Bonds. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

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

* Preliminary, subject to change.

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 \$240,613,298. 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 E — "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 foreclosure on the lien of the Special Taxes in certain circumstances.

FDIC/Federal Government Interests in Parcels

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

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

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

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

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

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

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

Direct and Overlapping Indebtedness

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

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

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

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

No Acceleration Provision

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

Limited Obligations

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

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

Taxes are delinquent. See the caption "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*" The Bonds cannot be accelerated in the event of any default.

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

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

Ballot Initiatives

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. 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.

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.

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 May 13, 2020. 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.

Increasing Mortgage Interest Rates

Between approximately November 2021 and April 2022, mortgage interest rates have increased from approximately 3.1% to 5.0%. Mortgage interest rates are expected to continue to increase in the near term. Increases in mortgage interest rates could have a negative impact on the estimated absorption rates of the planned for-sale residential units in the District described herein. With respect to entry-level households, increased mortgage interest rates may adversely impact the affordability of homes and may increase mortgage payment levels for owning a lower-priced home relative to renting a residence, thereby making purchasing less attractive. With respect to move-up households, higher mortgage interest rates may impact the desire of current homeowners to move from their present home due to the fact that their present home likely has a relatively low mortgage interest rate. In addition, the new home would likely have a higher interest rate on a new mortgage loan as well as higher purchase price and property taxes. Such considerations may decrease the desire for move-up households to purchase a new home.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate, dated as of July __, 2022 (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, 2022, 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 F — “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.

In the past five years, the City filed its audited financial statements for certain Fiscal Years with EMMA after the date (December 1) by which such statements were required to be filed under a continuing disclosure agreement relating to the issuance of the City of Escondido Reassessment District No. 98-1 (Rancho San Pasqual) Limited Obligation Refunding Bonds. The City’s audited financial statements were filed as soon as they were available, but the City did not file unaudited financial statements or notices that the audited financial statements would be filed late. 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 has adopted continuing disclosure compliance policies and procedures as part of its debt management policy. In addition, the City has retained Special District Financing & Administration, LLC to serve as Dissemination Agent for the continuing disclosure undertaking related to the Bonds.

TAX EXEMPTION

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described 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 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, a Professional Corporation.

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, a Professional Corporation, Disclosure Counsel, for the Underwriter by Jones Hall, A Professional Law Corporation, 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] [net] 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.

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, a Professional Corporation, represents the Underwriter on matters unrelated to the Bonds.

MUNICIPAL ADVISOR

The District has retained Urban Futures, Inc., Tustin, 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.

Urban Futures, Inc., 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. 2020-2 OF
THE CITY OF ESCONDIDO (THE VILLAGES)

By: _____
City Manager of the City of Escondido

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES COMMUNITY FACILITIES DISTRICT NO. 2020-2 (THE VILLAGES) CITY OF ESCONDIDO

A Special Tax (as hereinafter defined) shall be levied on all Assessor's Parcels within Community Facilities District No. 2020-2 (The Villages) ("CFD No. 2020-2") of the City of Escondido ("City") and collected each Fiscal Year commencing in Fiscal Year 2020-2021, in an amount determined by the City Council, through the application of this Rate and Method of Apportionment of Special Taxes as described below. All of the real property within the boundaries of CFD No. 2020-2, unless exempted by law or by the provisions hereof, shall be subject to the Special Tax for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the acreage of an Assessor's Parcel as shown on an Assessor's Parcel Map. If the acreage is not shown on an Assessor's Parcel Map, the acreage shown on the applicable Final Map, parcel map, condominium plan, or other recorded County map shall be used. If the acreage information supplied by these alternative sources is not available, or in conflict, the acreage used shall be determined by the CFD Administrator or a designee.

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2020-2 for: the costs of computing the Special Taxes including the Backup Special Tax and preparing and presenting to City Council the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2020-2 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2020-2 or any designee thereof of complying with City and/or CFD No. 2020-2 disclosure requirements associated with applicable federal and State securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to property owner and public inquiries regarding CFD No. 2020-2, including its Special Taxes; the costs of the City, CFD No. 2020-2 or any designee related to the analysis and reduction, if any, of the Special Tax in accordance with Section D; the costs of the City, CFD No. 2020-2 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the City's annual administration fees and third party expenses; the costs of City staff time and reasonable overhead relating to CFD No. 2020-2; and amounts estimated or advanced by the City or CFD No. 2020-2 for any other administrative purposes of CFD No. 2020-2, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Assessor's Parcel" or "Assessor Parcels" means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's parcel number.

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

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

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

“Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2020-2, pursuant to the Act which are secured by a pledge of the Special Taxes.

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

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

“CFD No. 2020-2” means Community Facilities District No. 2020-2 (The Villages) of the City of Escondido.

“City” means the City of Escondido, California.

“City Council” means the City Council of the City, acting as the Legislative Body of CFD No. 2020-2, or its designee.

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

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

“Developed Floor Area” means for any Dwelling Unit, the square footage of assessable space of each Dwelling Unit as defined in Government Code section 65995, subdivision (b)(1). For purposes of this determination, such square footage of assessable space shall be, and the City, acting for CFD No. 2020-2, may rely on, the square footage as identified on the Building Permit(s) issued by the City if found consistent with such code section. Modifications to the originally issued Building Permit made prior to first occupancy may occur and shall be used to adjust the determination of Developed Floor Area. Modifications made after first occupancy, such as additions, shall be subject to then current development fees and not used to determine the Developed Floor Area used in the application of this Rate and Method of Apportionment.

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

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

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

“Facilities” means the public facilities authorized to be financed, in whole or in part, by CFD No. 2020-2.

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

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

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

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

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

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

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

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

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

“Price Point Consultant” means any consultant or firm of such consultants selected by CFD No. 2020-2 that (a) has substantial experience in performing price point studies for residential Dwelling Units within community facilities districts established under the Act or otherwise estimating or confirming pricing for residential Dwelling Units in such community facilities districts, (b) has recognized expertise in analyzing economic and real estate data that relates to the pricing of residential Dwelling Units in such community facilities districts, (c) is in fact independent and not under the control of CFD No. 2020-2, the City or the developer of CFD No. 2020-2, (d) does not have any substantial interest, direct or indirect, with or in (i) CFD No. 2020-2, (ii) the City, (iii) any owner of real property in CFD No. 2020-2, or (iv) any real property in CFD No. 2020-2, and (e) is not connected with CFD

No. 2020-2 or the City as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 2020-2 or the City.

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

“Property Owner Association Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2020-2 that is owned by a property owner association, including any master or sub-association as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year provided however, that no such classification shall reduce the Acreage of all Taxable Property within CFD No. 2020-2 to less than 33.68 Acres as described in Section E.

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

“Public Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2020-2 that is (i) used for rights-of-way or any other purpose and is owned by or irrevocably dedicated to the federal government, the State, the County, the City or any other public agency as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year, provided however, that no such classification shall reduce the Acreage of all Taxable Property within CFD No. 2020-2 to less than 33.68 Acres as described in Section F and provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in a Land Use Category in accordance with its zoning or use, whichever is greater.

“Rate and Method of Apportionment” means the “Rate and Method of Appointment of Special Taxes for Community Facilities District No. 2020-2 (The Villages) of the City of Escondido.”

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

“Special Tax” or “Special Taxes” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within the boundaries of CFD No. 2020-2 in accordance with this Rate and Method of Apportionment.

“Special Tax Requirement” means that amount required in any Fiscal Year for CFD No. 2020-2 to: (i) pay Administration Expenses of CFD No. 2020-2 as provided in this Rate and Method of Apportionment; (ii) pay debt service on all Outstanding Bonds due in the calendar year that commences

in such Fiscal Year; (iii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iv) pay any amounts required to replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of facilities that are eligible to be financed through CFD No. 2020-2 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) fund in anticipation of reasonably anticipated delinquent Special Taxes based on the delinquency rate of Special Taxes within CFD No. 2020-2, 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, as determined by the CFD Administrator pursuant to the Indenture.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2020-2 which have not been prepaid pursuant to Section I or, which are not exempt from the Special Tax pursuant to law or Section F below.

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

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

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

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2020-2 shall be classified as Developed Property, Final Mapped Property, Undeveloped Property, Property Owner Association Property that is not Exempt Property or Public Property that is not Exempt Property and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and E below. Assessor’s Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property, and finally into Land Use Categories.

C. MAXIMUM SPECIAL TAX

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

1. Developed Property

a. Maximum Special Tax

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

The Maximum Special Tax for each Assessor's Parcel of Non-Residential Property shall be the Assigned Special Tax described in Table 1.

b. Assigned Special Tax

The Assigned Special Tax for each Assessor's Parcel of Developed Property is shown in Table 1 below.

TABLE 1
Assigned Special Taxes for Developed Property
Fiscal Year 2020-2021

Land Use Category	Property Description	Unit Type	Developed Floor Area	Assigned Special Tax Per Taxable Unit
1	Residential	DU	Greater than 3,199 sq. ft.	\$2,739.00
2	Residential	DU	2,950 sq. ft. to 3,199 sq. ft.	\$2,658.00
3	Residential	DU	2,700 sq. ft. to 2,949 sq. ft.	\$2,567.00
4	Residential	DU	2,450 sq. ft. to 2,699 sq. ft.	\$2,467.00
5	Residential	DU	2,200 sq. ft. to 2,449 sq. ft.	\$2,359.00
6	Residential	DU	1,950 sq. ft. to 2,199 sq. ft.	\$2,091.00
7	Residential	DU	1,700 sq. ft. to 1,949 sq. ft.	\$2,068.00
8	Residential	DU	1,450 sq. ft. to 1,699 sq. ft.	\$1,884.00
9	Residential	DU	Less than 1,450 sq. ft.	\$1,769.00
10	Non-Residential	Acre	NA	\$24,346.00

c. Backup Special Tax

The Backup Special Tax for the Assessor's Parcels of Residential Property within CFD No. 2020-2 has been estimated below for example purposes. The Backup Special Tax will be determined at the time a Final Map is recorded on property within the boundaries of CFD No. 2020-2. The owner of the property within such Final Map must provide the CFD Administrator a copy of the recorded Final Map and a listing of the square footage of all lots within such Final Map and CFD No. 2020-2 at the time of recordation.

The Backup Special Tax per Assessor's Parcel of Residential Property within the CFD No. 2020-2 shall be determined by multiplying the then current Maximum Special Tax per Acre for Undeveloped Property by the total Acreage of Taxable Property, excluding the Acreage associated with Non-Residential Property, Public Property and Property Owner's Association Property in the portion of such Final Map included within CFD No. 2020-2 and dividing such amount by the number of Dwelling Units that are or are approved to be Residential Property

(i.e., the number of residential lots for single family detached housing or approved Dwelling Units for single family attached or multi-family housing) within such Final Map included within CFD No. 2020-2. The following steps below provides an example of the calculation of the Backup Special Tax for Fiscal Year 2020-2021 for the pending Final Map for Village 1 within CFD No. 2020-2.

Example Backup Special Tax Calculation:

1. Projected Final Map SUB16-009A (Village 1) acres of 16.50 are multiplied by the applicable Maximum Special Tax for Undeveloped Property (Section 2.a) of \$24,346.00 for Fiscal Year 2020-2021.
2. The result of the first step, \$24,346.00 times 16.50 or \$401,709.00, is then divided by the number of Dwelling Units that are or are approved to be Residential Property. The projected number of Residential DU within such Final Map is 151.
3. The result of the second step, \$401,709.00 divided by 151 or \$2,660.32, would be the Backup Special Tax for all DU within such Final Map for Fiscal Year 2020-2021.

Table 2 will be complete at the time each Final Map is approved.

TABLE 2
Backup Special Tax
Fiscal Year 2020-2021

Map / Status	Estimated Final Map Acreage of Taxable Property	Projected Number of Residential Units	Status of Backup Tax*	Backup Special Tax per Lot or Unit*
Unapproved Tentative Tract SUB16-009A (Village 1)	16.50	151	Not Final	
Unapproved Tentative Tract SUB16-009B (Village 2)	8.41	80	Not Final	
Unapproved Tentative Tract SUB16-009C (Village 3)	12.51	149	Not Final	

* Note: The Backup Special Tax per lot or Dwelling Unit shown may be modified as described below.

Notwithstanding the foregoing, if all or any portion of the Final Map contained with the boundaries of CFD No. 2020-2 described in the preceding paragraph is subsequently changed or modified, then the Backup Special Tax for each Assessor's Parcel of Residential Property in such Final Map area contained with the boundaries of CFD No. 2020-2 that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Special Tax anticipated to apply to the changed or modified Final Map area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the total number of Dwelling Units constructed or projected to be constructed within such changed or modified Final Map area contained within the boundaries of CFD No. 2020-2, as reasonably determined by the CFD Administrator.

3. The result of paragraph 2 is the Backup Special Tax per Dwelling Unit which shall be applicable to Assessor's Parcels of Developed Property classified as Residential Property in such changed or modified Final Map area contained within the boundaries of CFD No. 2020-2, subject to increases pursuant to Section C.1.d.

d. Escalation

Each July 1st, commencing July 1, 2021, the Assigned Special Taxes and the Backup Special Tax shall increase annually by two percent (2%) from the amount established in the prior Fiscal Year.

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

a. Maximum Special Tax

The Maximum Special Tax for Final Mapped Property, Undeveloped Property, Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property within CFD No. 2020-2 shall be \$24,346.00 per Acre for Fiscal Year 2020-2021.

b. Escalation

Each July 1st, commencing July 1st 2021, the Maximum Special Tax for Final Mapped Property, Undeveloped Property, Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property shall increase annually by two percent (2%) from the amount established in the prior Fiscal Year.

D. ADJUSTMENT OF THE MAXIMUM SPECIAL TAX ON DEVELOPED PROPERTY

At least 30 days prior to the first issuance of Bonds, the Assigned Special Tax on Developed Property (set forth on Table 1) shall be analyzed in accordance with and subject to the conditions set forth in this Section D. At such time, CFD No. 2020-2 shall select and engage a Price Point Consultant and the CFD Administrator shall request the Price Point Consultant to prepare a Price Point Study setting forth the Minimum Sales Price of Dwelling Units within each Land Use Category or plan type if multiple plan types are contained within one Land Use Category. If, based upon the results of the Price Point Study, the CFD Administrator calculates that the Total Tax Burden applicable to Dwelling Units within one or more Land Use Categories exceeds 1.80% of the Minimum Sales Price of such Dwelling Units, the Assigned Special Tax shall be reduced to the extent necessary to cause the Total Tax Burden that shall apply to all Dwelling Units within such Land Use Category(ies) to not exceed 1.80% of the Minimum Sales Price of such Dwelling Units. Each Assigned Special Tax reduction for a Land Use Category shall be calculated by the CFD Administrator separately. It shall not be required that such reduction be proportionate among all Land Use Categories. However, the CFD Administrator shall reduce the Assigned Special Tax for other Land Use Categories, as applicable, to ensure that, after any reductions occurring pursuant to this Section, the Assigned Special Tax for any Land Use Category is not less than the Assigned Special Tax for the any Land Use Category containing a Dwelling Unit of a lesser Developed Floor Area. For example, the Assigned Special Tax for Land Use Category "1" is at least the Assigned Special Tax for Land Use Category "2"; if such is not true, the Assigned Special Tax for Land Use Category "2" is reduced to equal that of Land Use Category "1". In connection with any reduction in the Assigned Special Tax, the Backup Special Tax for all Dwelling Units shall also be reduced by the CFD Administrator based on the percentage reduction in Assigned Special Tax revenues for each Land Use Category subject to reduction. The Special Tax reductions required pursuant to this paragraph shall be reflected in an amended notice of Special Tax lien which CFD No. 2020-2 shall cause to be recorded by executing a certificate in substantially the same form as Exhibit A attached hereto. The Special Tax

reductions required in this section shall become effective in the Fiscal Year following such actions and applied to levy of Special Taxes in such following Fiscal Year. There will be no adjustments made to the current Fiscal Year levy.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2020-2021 and for each following Fiscal Year, the CFD Administrator shall determine the Special Tax Requirement for such Fiscal Year. The Special Tax shall then be levied as follows:

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

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

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

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

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

F. EXEMPTIONS

Any Assessor's Parcel within the boundaries of CFD No. 2020-2 that is owned or irrevocably dedicated to a public agency as of the date of formation of CFD No. 2020-2 shall be classified as Exempt Property and shall be exempt from the Special Tax in accordance with Section 53340 of the Act. The total Acreage of Taxable Property within CFD No. 2020-2 has been determined to be equal to 91.06 Acres as of the date of formation of CFD No. 2020-2.

Tax exempt status will be irrevocably assigned by the CFD Administrator in the chronological order in which property becomes Public Property or Property Owner Association Property provided however, that no such classification shall reduce the Acreage of all Taxable Property within CFD No. 2020-2 to less than 33.68 Acres. Public Property or Property Owner Association Property that would, if designated as Exempt Property, cause the Acreage of all Taxable Property to be less than 33.68 Acres shall be required to either (i) prepay the Special Tax for such property in full at the then applicable rate per Acre for Property Owner Association Property or Public Property applied to the Acres of such property, which resulting amount is to be used as the Assigned Special Tax in the calculation of the prepayment pursuant to Section I.1 or (ii) be subject to taxation pursuant to the fourth step of Section E.

G. APPEAL

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the CFD Administrator. The written notice of appeal must be filed within the same Fiscal Year as having paid the first installment of the Special Tax that is disputed and the property owner must be current and remain current in the payment of all Special Tax levied on or before the payment date.

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

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

H. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2020-2 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

I. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section I:

"CFD Public Facilities" means \$11,215,914 in Fiscal Year 2020-2021 dollars, or such lower number as determined by the CFD Administrator to be sufficient to fund the Facilities to be provided by CFD No. 2020-2.

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

"Future Facilities Costs" means the CFD Public Facilities minus (i) Facilities costs previously paid from the Expenditures Fund, (ii) moneys currently on deposit in the Expenditures Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance Facilities costs. The required and unfunded portion of this amount may increase by 2% annually to the extent such resulting Future Facilities Costs are able to be funded by CFD No. 2020-2 as determined by the CFD Administrator. In no event shall the amount of Future Facilities Costs be less than zero.

1. Prepayment in Full

The Maximum Special Tax obligation may only be prepaid and permanently satisfied for an Assessor's Parcel of Developed Property, Final Mapped Property or Undeveloped Property for which a Building Permit has been issued, and Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to Section F. The Prepayment Amount for an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued shall be based on the Assigned Special Tax for the applicable Land Use Category shown in Table 1 based on the Building Permit issued

for such Assessor's Parcel and the then current Special Tax rates. The Maximum Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation to pay the Special Tax for such Assessor's Parcel permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Maximum Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay, and within five (5) days of receipt of such notice, the CFD Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2020-2 in calculating the proper amount of a prepayment. Within fifteen (15) business days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the Prepayment Amount of such Assessor's Parcel.

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

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

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

Paragraph No.

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. Compute the Assigned Special Tax and Backup Special Tax for the Assessor's Parcel to be prepaid based on the Developed Property Special Tax which is, or could be, charged in the current Fiscal Year. For Assessor's Parcels of Final Mapped Property (for which a Building Permit has been issued but which is not yet classified as Developed Property) to be prepaid, compute the Assigned Special Tax and Backup Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit which has already been issued for that Assessor's Parcel.
3. (a) Divide the Assigned Special Tax computed pursuant to Paragraph 2 by the total estimated Assigned Special Tax for CFD No. 2020-2 based on the Developed Property Special Tax which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 2020-2, excluding any Assessor's Parcels which have been prepaid, and
 (b) Divide the Backup Special Tax computed pursuant to Paragraph 2 by the estimated total Backup Special Tax at buildout of CFD No. 2020-2, excluding any Assessor's Parcels which have been prepaid.
4. Multiply the larger quotient computed pursuant to Paragraph 3(a) or 3(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to Paragraph 4 by the applicable redemption premium (e.g., the redemption price minus 100%), if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").

6. Compute the current Future Facilities Costs.
7. Multiply the larger quotient computed pursuant to Paragraph 3(a) or 3(b) by the amount determined pursuant to Paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine the Special Tax levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
10. Add the amounts computed pursuant to Paragraphs 8 and 9 to determine the "Defeasance Amount".
11. Verify the administrative fees and expenses of CFD No. 2020-2, including the costs to compute the prepayment, the costs to invest the prepayment proceeds, the costs to redeem Bonds, and the costs to record any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement on the prepayment date or the redemption date.
13. The amount due to fully prepay the Special Tax is equal to the sum of the amounts computed pursuant to Paragraphs 4, 5, 7, 10, and 11, less the amount computed pursuant to Paragraph 12 (the "Prepayment Amount").
14. From the Prepayment Amount, the amounts computed pursuant to Paragraphs 4, 5, 10, and 12 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to Paragraph 7 shall be deposited into the Expenditures Fund. The amount computed pursuant to Paragraph 11 shall be retained by CFD No. 2020-2.

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

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

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

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

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

These terms have the following meaning:

- PP = the partial Prepayment Amount
- P_E = the Prepayment Amount calculated according to Section H.1.a.
- F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Special Tax.
- G = the administrative fee determined in Section H.1.b.

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

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax, and (ii) the percentage by which the Maximum Special Tax shall be prepaid, and within five (5) days of receipt of such notice, the CFD Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2020-2 in calculating the proper amount of a partial prepayment. Within fifteen (15) days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the partial Prepayment Amount of such Assessor's Parcel.

With respect to any Assessor's Parcel that is partially prepaid, the CFD Administrator shall (i) distribute the funds remitted pursuant to Section H.1.d, and (ii) indicate in the records of CFD No. 2020-2 that there has been a partial prepayment of the Maximum Special Tax and that a portion of the Assigned Special Tax and Backup Special Tax equal to the outstanding percentage (1.00 - F) of the Assigned Special Tax and Backup Special Tax shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section E.

J. TERM OF THE SPECIAL TAX

The Special Tax shall be levied annually on each Assessor's Parcels of Taxable Property for a maximum of fifty (50) years as Developed Property from the first levy of special taxes on an applicable Assessor's Parcel as Developed Property.

EXHIBIT A**CERTIFICATE OF MODIFICATION OF SPECIAL TAXES****(Page 1 of 2)****CITY OF ESCONDIDO AND CFD No. 2020-2 CERTIFICATE**

1. Pursuant to Section C.1 of the Rate and Method of Apportionment for the City of Escondido Community Facilities District No. 2020-2 (The Villages) ("CFD No. 2020-2"), the Assigned Special Tax for Developed Property within CFD 2020-2 has been modified. This calculation was based upon a Price Point Study that received by the CFD Administrator on _____.
- a. The information in Table 1 relating to the Assigned Special Tax for Developed Property with CFD No. 2020-2, as stated in Section C.1.b and annually increased as stated in Section C.1.d. of the Rate and Method of Apportionment, has been modified as follows:

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

Land Use Category	Property Description	Unit Type	Developed Floor Area	Assigned Special Tax Per Taxable Unit
1	Residential	DU	Greater than 3,199 sq. ft.	\$[]
2	Residential	DU	2,950 sq. ft. to 3,199 sq. ft.	\$[]
3	Residential	DU	2,700 sq. ft. to 2,949 sq. ft.	\$[]
4	Residential	DU	2,450 sq. ft. to 2,699 sq. ft.	\$[]
5	Residential	DU	2,200 sq. ft. to 2,449 sq. ft.	\$[]
6	Residential	DU	1,950 sq. ft. to 2,199 sq. ft.	\$[]
7	Residential	DU	1,700 sq. ft. to 1,949 sq. ft.	\$[]
8	Residential	DU	1,450 sq. ft. to 1,699 sq. ft.	\$[]
9	Residential	DU	Less than 1,450 sq. ft.	\$[]
10	Non-Residential	Acre	NA	\$[]

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

EXHIBIT A**CERTIFICATE OF MODIFICATION OF SPECIAL TAXES****(Page 2 of 2)****TABLE 2**

Backup Special Taxes for Developed Property
Fiscal Year 20____-20____

Map / Status	Final Map Acreage of Taxable Property	Number of Residential Units	Status of Backup Tax*	Backup Special Tax per Lot or Unit*
Tentative Tract SUB16-009A (Village 1)	[]	[]		\$[]
Tentative Tract SUB16-009B (Village 2)	[]	[]		\$[]
Tentative Tract SUB16-009C (Village 3)	[]	[]		\$[]

* Note: The Backup Special Tax per lot or Dwelling Unit shown may be modified as described in the Rate and Method of Apportionment for CFD No. 2020-2.

1. The Special Tax for Developed Property may only be modified prior to the first issuance of CFD No. 2020-2 Bonds as defined in the Rate and Method of Apportionment.
2. Upon execution of this certificate by CFD No. 2020-2, CFD No. 2020-2 shall cause an amended Notice of Special Tax lien for CFD No. 2020-2 to be recorded reflecting the modifications set forth herein.

By execution hereof, the undersigned acknowledges, on behalf of the City and CFD No. 2020-2, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

CITY OF ESCONDIDO COMMUNITY FACILITIES DISTRICT NO. 2020-2 (THE VILLAGES)

By: _____

Date: _____

APPENDIX B

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING

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 2017 through 2021 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 2017 through 2021.

<i>Area</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
City of Escondido	150,798	151,068	151,311	151,803	151,688
County of San Diego	3,303,366	3,321,118	3,333,319	3,331,279	3,315,404
State of California	39,352,398	39,519,535	39,605,361	39,648,938	39,466,855

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 2016 through 2020.

BUILDING PERMITS AND VALUATIONS
2016 through 2020
City of Escondido
(Dollars in Thousands)

	2016	2017	2018	2019	2020
Valuation					
Residential	\$ 39,866	\$ 89,260	\$ 32,135	\$ 9,155	\$ 54,065
Non-Residential	<u>32,527</u>	<u>33,006</u>	<u>35,592</u>	<u>30,236</u>	<u>29,909</u>
Total	\$ 72,393	\$ 122,266	\$ 67,727	\$ 39,391	\$ 83,974
Units					
Single Family	82	235	22	24	237
Multi Family	<u>88</u>	<u>224</u>	<u>198</u>	<u>0</u>	<u>0</u>
Total	170	459	220	24	237

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2016 through 2020
San Diego County
(Dollars in Thousands)

	2016	2017	2018	2019	2020
Valuation					
Residential	\$ 2,472,237	\$ 2,632,826	\$ 2,673,873	\$ 2,084,655	\$ 2,647,919
Non-Residential	<u>1,782,421</u>	<u>2,371,303</u>	<u>1,901,844</u>	<u>2,359,541</u>	<u>1,973,800</u>
Total	\$ 4,254,658	\$ 5,004,129	\$ 4,575,717	\$ 4,444,196	\$ 4,621,719
Units					
Single Family	2,420	3,960	3,438	3,045	3,160
Multi Family	<u>7,680</u>	<u>6,056</u>	<u>6,132</u>	<u>4,405</u>	<u>6,326</u>
Total	10,100	10,016	9,570	7,450	9,486

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, 2021.

LARGEST EMPLOYERS

City of Escondido
(as of June 30, 2021)

<i>Rank</i>	<i>Employer</i>	<i>Employees</i>
1.	Palomar Medical Center	2,462
2.	Escondido Union School District	2,207
3.	City of Escondido ⁽¹⁾	951
4.	Escondido Union High School District	832
5.	Bergelectric	489
6.	Home Depot	469
7.	Toyota of Escondido	336
8.	Vons Grocery Stores	310
9.	The Classical Academies	205
10.	Henry Avocado Corp	191

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

Source: City of Escondido "Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2021.

LARGEST EMPLOYERS

County of San Diego
(as of June 30, 2021)

<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 Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2021.

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 2016 through 2020. 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

	2017	2018	2019	2020	2021
Civilian Labor Force	1,570,800	1,579,600	1,582,900	1,542,000	1,543,700
Civilian Employment	1,507,200	1,526,100	1,531,000	1,395,700	1,443,800
Civilian Unemployment	63,600	53,500	51,800	146,200	99,900
Civilian Unemployment Rate	4.0%	3.4%	3.3%	9.5%	6.5%
 Total Farm	8,700	9,300	9,700	9,200	8,800
Total Nonfarm	1,452,200	1,482,200	1,503,100	1,385,800	1,438,500
Total Private	1,206,000	1,234,100	1,254,500	1,148,700	1,201,200
Goods Producing	189,200	196,400	200,000	195,400	197,800
Mining and Logging	300	400	400	300	300
Construction	79,500	83,700	84,000	81,300	83,400
Manufacturing	109,400	112,300	115,700	113,800	114,100
Service Providing	1,263,000	1,285,800	1,303,100	1,190,400	1,240,700
Trade, Transportation and Utilities	224,700	225,000	224,000	207,800	216,300
Wholesale Trade	43,800	43,800	44,000	41,300	41,700
Retail Trade	148,900	147,900	145,600	133,200	137,800
Transportation, Warehousing and Utilities	32,000	33,300	34,300	33,300	36,800
Information	23,400	23,600	23,500	22,100	22,200
Financial Activities	74,600	76,000	76,500	74,800	75,500
Professional and Business Services	239,100	249,000	255,800	248,300	264,900
Educational and Health Services	204,300	208,900	216,600	210,900	215,700
Leisure and Hospitality	195,600	199,600	201,700	144,800	161,600
Other Services	55,000	55,500	56,400	44,800	47,300
Government	<u>246,300</u>	<u>248,100</u>	<u>248,600</u>	<u>237,100</u>	<u>237,300</u>
Total, All Industries	1,460,900	1,491,400	1,512,800	1,394,900	1,447,300

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 2021 Benchmark.

The following table summarizes the labor force, employment and unemployment figures for the period from 2016 through 2020 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>
2017	City of Escondido	68,800	66,100	2,700	3.9%
	San Diego County	1,571,900	1,508,200	63,600	4.0
	State of California	19,173,800	18,246,800	927,000	4.8
2018	City of Escondido	69,100	66,900	2,200	3.2%
	San Diego County	1,579,700	1,526,300	53,400	3.4
	State of California	19,263,900	18,442,400	821,500	4.3
2019	City of Escondido	69,000	66,800	2,200	3.2%
	San Diego County	1,580,100	1,528,300	51,800	3.3
	State of California	19,353,700	18,550,500	803,200	4.2
2020	City of Escondido	67,000	61,000	6,000	8.9%
	San Diego County	1,538,400	1,396,500	141,800	9.2
	State of California	18,821,200	16,913,100	1,908,100	10.1
2021	City of Escondido	66,700	62,500	4,200	6.4%
	San Diego County	1,543,700	1,443,800	99,900	6.5
	State of California	18,923,200	17,541,900	1,381,200	7.3

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. 2021 Benchmark.

Personal Income

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

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

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

PERSONAL INCOME
San Diego County
2011-2020
(Dollars in Thousands)

<i>Year</i>	<i>San Diego County</i>	<i>Annual Percent Change</i>
2011	\$145,975,037	--
2012	153,367,801	5.06%
2013	158,965,053	3.65
2014	169,638,087	6.71
2015	179,862,110	6.03
2016	186,813,359	3.86
2017	193,892,473	3.79
2018	203,855,654	5.14
2019	212,748,650	4.36
2020	220,825,596	3.80

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 2011 through 2020. 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⁾
2011 through 2020
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>
2011	\$46,531	\$46,175	\$42,739
2012	48,315	48,813	44,605
2013	49,525	49,303	44,860
2014	52,214	52,363	47,071
2015	54,822	55,833	49,019
2016	56,506	58,048	50,015
2017	58,380	60,549	52,118
2018	61,147	63,720	54,606
2019	63,729	66,619	56,490
	66,266	70,192	59,510

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
2017 through 2021
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>
2017	2,568	\$2,475,387	4,183	\$3,171,906
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	2,860,542	4,394	3,721,504

Source: Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2017-21.

**TAXABLE SALES
2017 through 2021
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>
2017	59,798	\$40,371,715	97,412	\$57,551,360
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
	55,683	49,817,135	98,392	71,588,741

Source: Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2017-21.

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, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

[Closing Date]

City of Escondido
Community Facilities District No. 2020-2 (The Villages)
Escondido, California

Re: \$_____ *Community Facilities District No. 2020-2 of the City of Escondido (The Villages) Special Tax Bonds, Series 2022*

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. 2020-2 of the City of Escondido (The Villages) (the "District") and the authorization and issuance of the District's Special Tax Bonds, Series 2022 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 June 15, 2022 (the "Resolution"), and a Bond Indenture (the "Indenture") dated as of July 1, 2022, by and between the District and The Bank of New York Mellon Trust Company, N.A, as trustee (the "Trustee"). All capitalized terms not defined herein shall have the meaning set forth in the Indenture.

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

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

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

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

(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

(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, a Professional Corporation.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. We

call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

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

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

Respectfully submitted,

APPENDIX D
APPRAISAL REPORT

APPENDIX E

SUMMARY OF THE INDENTURE

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

APPENDIX F

FORM OF DISTRICT CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) dated as of July __, 2022 is executed and delivered by Community Facilities District No. 2020-2 of the City of Escondido (The Villages) (the “District”) in connection with the issuance and delivery by the District of its \$ _____ Special Tax Bonds, Series 2022 (the “Bonds”). The Bonds are being issued pursuant to a Resolution of Issuance adopted on June 15, 2022, by the City Council of the City of Escondido, acting as the legislative body of the District, and the Bond Indenture, dated as of July 1, 2022 (the “Indenture”), by and between the District and The Bank of New York Mellon Trust Company, N.A, as trustee. The District covenants as follows:

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

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

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

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

“City” shall mean the City of Escondido, California.

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

“Dissemination Agent” shall mean, initially, Special District Financing & Administration, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the then current Dissemination Agent a written acceptance of such designation.

“District” shall mean Community Facilities District No. 2020-2 of the City of Escondido (The Villages).

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

“Financial Obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean that certain Official Statement for the Bonds dated June __, 2022.

“Owners” shall mean the registered owners of the Bonds as set forth in the registration books maintained by the Trustee.

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

“Rate and Method of Apportionment” shall mean that certain Rate and Method of Apportionment of Special Tax approved pursuant to the Resolution of Formation.

“Resolution of Formation” shall mean the resolutions adopted by the City Council pursuant to which the City Council formed the District.

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

“State” shall mean the State of California.

“Trustee” shall mean The Bank of New York Mellon Trust Company, N.A or such other entity appointed by the District pursuant to the Indenture to act as the trustee under the Indenture.

Section 3. Provision of Annual Reports.

(a) Not later than April 1 of each year commencing April 1, 2023, the District shall, or shall cause the Dissemination Agent to provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is other than the District, then not later than 15 business days prior to the date referred to in the prior sentence hereof, the District shall provide the Annual Report (in a form suitable for filing with EMMA) to the Dissemination Agent. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District, if any exist, may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report. The Official Statement and the District’s audited financial statements, if any are prepared, will serve as the first Annual Report.

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

(c) If the Dissemination Agent is other than the District and if the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a), the Dissemination Agent shall send, in a timely manner, a notice to EMMA, in the form required by EMMA. If the District acts as its own Dissemination Agent, it shall file a notice with EMMA no later than the date specified in subsection (a) for filing an Annual Report if the District fails to file the Annual Report by that date.

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

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

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

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

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

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

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

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

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

(iii) the aggregate assessed valuation of the Taxable Property within the District;

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

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

(vi) an update of the value-to-lien of the property within the District based on the assessed value and the Special Tax levy for the then current fiscal year, which update may be provided in a form similar to Table 3 in the Official Statement; provided that such update need not include overlapping special tax, assessment or general obligation indebtedness; and

(vii) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes within the District.

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

Section 5. Reporting of Significant Events.

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

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

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

1. mergers, consolidations, acquisitions, the sale of all or substantially all of the assets of the obligated persons or their termination;
2. appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent;
3. nonpayment related defaults;
4. modifications to the rights of Bondholders;
5. bond calls;
6. release, substitution or sale of property securing repayment of the Bonds; and
7. incurrence of a Financial Obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders.

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

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

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

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the District, shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be Special District Financing & Administration, LLC. The Dissemination Agent may resign by providing (i) thirty (30) days written notice to the District and the Trustee and (ii) upon appointment of a new Dissemination Agent hereunder.

Section 8. Amendment; Waiver.

(a) This Disclosure Certificate may be amended, by written agreement of the parties, without the consent of the Owners, and any provision of this Disclosure Certificate may be waived, if all of the following conditions are satisfied: (1) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the

identity, nature or status of the District or the type of business conducted thereby, (2) the undertakings in this Disclosure Certificate as so amended or waived would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (3) the amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners or (ii) does not, in the determination of the District, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

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

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

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

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

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

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

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

To the District:	Community Facilities District No. 2020-2 of the City of Escondido (The Villages) c/o City of Escondido 201 North Broadway Escondido, California 92025 Attention: Director of Administrative Services
To the Fiscal Agent:	The Bank of New York Mellon Trust Company, N.A. 333 South Hope Street, Suite 2525 Los Angeles, California 90071 Attention: Corporate Trust Services
To the Dissemination Agent:	Special District Financing & Administration LLC 437 West Grand Avenue Escondido, California 92025
To the Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35th Floor San Francisco, California 94104 Attention: Municipal Research Department Email: sbrown@stifel.com

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notice or communications should be sent.

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

Section 14. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

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

COMMUNITY FACILITIES DISTRICT NO. 2020-2 OF
THE CITY OF ESCONDIDO (The Villages)

By: _____
Disclosure Representative

SPECIAL DISTRICT FINANCING &
ADMINISTRATION LLC, as Dissemination Agent

By: _____
Authorized Officer

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

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

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

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

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

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

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

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

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

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

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

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

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

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