



CITY of ESCONDIDO

COUNCIL MEETING AGENDA

WEDNESDAY, JUNE 15, 2022

4:00 PM - Closed Session - Cancelled

5:00 PM - Regular Session

Escondido City Council Chambers, 201 North Broadway, Escondido, CA 92025

WELCOME TO YOUR CITY COUNCIL MEETING

We welcome your interest and involvement in the legislative process of Escondido. This agenda includes information about topics coming before the City Council and the action recommended by City staff.

MAYOR

Paul McNamara

DEPUTY MAYOR

Tina Inscoe (District 2)

COUNCILMEMBERS

Consuelo Martinez (District 1)

Joe Garcia (District 3)

Michael Morasco (District 4)

CITY MANAGER

Sean McGlynn

CITY ATTORNEY

Michael McGuinness

CITY CLERK

Zack Beck

HOW TO WATCH

The City of Escondido provides three ways to watch a City Council meeting:

In Person



201 N. Broadway

On TV



Cox Cable Channel 19 and U-verse Channel 99

Online



www.escondido.org



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HOW TO PARTICIPATE

The City of Escondido provides two ways to communicate with the City Council during a meeting:

In Person



Fill out Speaker Slip and Submit to City Clerk

In Writing



<https://escondido-ca.municodemeetings.com>

ASSISTANCE PROVIDED

If you need special assistance to participate in this meeting, please contact our ADA Coordinator at 760-839-4869. Notification 48 hours prior to the meeting will enable the city to make reasonable arrangements to ensure accessibility. Listening devices are available for the hearing impaired – please see the City Clerk.





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WEDNESDAY, JUNE 15, 2022

REGULAR SESSION

5:00 PM Regular Session

MOMENT OF REFLECTION

City Council agendas allow an opportunity for a moment of silence and reflection at the beginning of the evening meeting. The City does not participate in the selection of speakers for this portion of the agenda, and does not endorse or sanction any remarks made by individuals during this time. If you wish to be recognized during this portion of the agenda, please notify the City Clerk in advance.

FLAG SALUTE

The City Council conducts the Pledge of Allegiance at the beginning of every City Council meeting.

CALL TO ORDER

Roll Call: Garcia, Inscoc, Martinez, Morasco, McNamara

PRESENTATIONS

2022 San Diego County Fair

ORAL COMMUNICATIONS

In addition to speaking during particular agenda items, the public may address the Council on any item which is not on the agenda provided the item is within the subject matter jurisdiction of the City Council. State law prohibits the Council from discussing or taking action on such items, but the matter may be referred to the City Manager/staff or scheduled on a subsequent agenda. Speakers are limited to only one opportunity to address the Council under Oral Communications.

CONSENT CALENDAR

Items on the Consent Calendar are not discussed individually and are approved in a single motion. However, Council members always have the option to have an item considered separately, either on their own request or at the request of staff or a member of the public.

1. AFFIDAVITS OF PUBLICATION, MAILING, AND POSTING (COUNCIL/RRB) -



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2. APPROVAL OF WARRANT REGISTER (COUNCIL) -

Request the City Council approve the City Council and Housing Successor Agency warrant numbers:

363791 – 363957 dated June 1, 2022.

Staff Recommendation: Approval (Finance Department: Christina Holmes)

3. APPROVAL OF MINUTES: none scheduled

4. ISSUANCE OF THE COMMUNITY FACILITIES DISTRICT NO. 2020-2 (THE VILLAGES) SPECIAL TAX BONDS -

Request the City Council, acting as the legislative body of Community Facilities District No. 2020-02 of the City of Escondido (The Villages) (the “District”), adopt Resolution No. 2022-59 (the “Resolution”) to authorize the issuance and sale of Special Tax Bonds, Series 2022 (the “Bonds”) and approve certain documents and the taking of certain other actions in connection therewith.

Staff Recommendation: Approval (Finance Department: Christina Holmes, Director of Finance)

Presenter: Christina Holmes

a. Resolution No. 2022-59

5. BUDGET ADJUSTMENT OF \$157,760 FOR BEFORE & AFTER SCHOOL PROGRAM -

Request the City Council authorize a budget adjustment in the amount of \$157,760 for the Before & After School Program.

Staff Recommendation: Approval (Community Services Department: Joanna Axelrod)

Presenter: Robert Rhoades



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6. GENERAL MUNICIPAL ELECTION – NOVEMBER 8, 2022 – REQUEST THE CITY COUNCIL ADOPT RESOLUTIONS CALLING FOR AN HOLDING A GENERAL MUNICIPAL ELECTION FOR THE OFFICE OF MAYOR, CITY COUNCIL DISTRICT 1 AND CITY COUNCIL DISTRICT 2 AND REQUESTING CONSOLIDATION WITH THE NOVEMBER 8, 2022, STATEWIDE GENERAL ELECTION -

Request the City Council Adopt Resolutions calling for and holding a General Municipal Election and requesting consolidation with the November 8, 2022, Statewide General Election.

Adopt Resolution No. 2022-55, calling for and giving notice of a General Municipal Election on November 8, 2022 for the following elective offices: One (1) City Council Member with a four-year term to represent District One, One (1) City Council Member with a four-year term to represent District Two, and One (1) Mayor with a four-year term to be elected at-large.

Adopt Resolution No. 2022-56 requesting the Board of Supervisors, County of San Diego, to consolidate the City's General Municipal Election with the Statewide General Election.

Staff Recommendation: Approval (City Clerk's Office: Zack Beck)

Presenter: Zack Beck

a. Resolution No. 2022-55

b. Resolution No. 2022-56

CONSENT RESOLUTIONS AND ORDINANCES (COUNCIL/RRB)

The following Resolutions and Ordinances were heard and acted upon by the City Council/RRB at a previous City Council/Mobilehome Rent Review meeting. (The title of Ordinances listed on the Consent Calendar are deemed to have been read and further reading waived.)

PUBLIC HEARINGS

7. 2021 REPORT ON DRINKING WATER PUBLIC HEALTH GOALS -

Request the City Council receive and file the Drinking Water Public Health Goals Report for years 2019 - 2021, and accept public comment on the report.

Staff Recommendation: Receive and file (Utilities Department: Christopher W. McKinney, Deputy City Manager / Director of Utilities).

Presenter: Reed Harlan



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8. ANNUAL ACTION PLAN FOR FISCAL YEAR 2022-23 DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (“HUD”) FUNDING OF COMMUNITY DEVELOPMENT BLOCK GRANT (“CDBG”), HOME INVESTMENT PARTNERSHIP PROGRAM (“HOME”) FOR AFFORDABLE HOUSING ACTIVITIES AND EMERGENCY SOLUTIONS GRANTS (“ESG”) -

Request the City Council adopt Resolution No. 2022-75 approving the CDBG and HOME budgets and allocations, and adopt Ordinance No. 2022-11 authorizing the Deputy City Manager to execute contracts with service providers. It is also requested that the City Council adopt Resolution No. 2022-84 approving the FY 2022-2023 One-Year Action Plan to HUD.

Staff Recommendation: Approval (City Manager Office: Rob Van De Hey, Deputy City Manager/ Director of Information Systems)

Presenters: Holly Nelson and Johnathan Lung

- a. Ordinance No. 2022-11 (first reading and introduction)
- b. Resolution No. 2022-75
- c. Resolution No. 2022-84

9. SHORT-FORM RENT INCREASE APPLICATION FOR WESTWINDS MOBILEHOME PARK (FILE NO. 0697-20-10302) -

Request the City Council review Westwinds Mobilehome Park short-form application and if desired, adopt the Rent Review Board Resolution No. RRB 2022-74.

Staff Recommendation: Consider the short-form rent increase application submitted by Westwinds Mobilehome Park and if approved, adopt Rent Review Board Resolution No. RRB 2022-74 (City Manager Office: Robert Van De Hey)

Presenter: Holly Nelson

- a. Resolution No. 2022-74

FUTURE AGENDA

10. FUTURE AGENDA

The purpose of this item is to identify issues presently known to staff or which members of the City Council wish to place on an upcoming City Council agenda. Council comment on these future agenda items is limited by California Government Code Section 54954.2 to clarifying questions, brief announcements, or requests for factual information in connection with an item when it is discussed.

Staff Recommendation: None (City Clerk's Office: Zack Beck)

COUNCILMEMBERS SUBCOMMITTEE REPORTS AND OTHER REPORTS



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CITY MANAGER'S WEEKLY ACTIVITY REPORT

The most current information from the City Manager regarding Economic Development, Capital Improvement Projects, Public Safety, and Community Development. This report is also available on the City's website, www.escondido.org.

ORAL COMMUNICATIONS

In addition to speaking during particular agenda items, the public may address the Council on any item which is not on the agenda provided the item is within the subject matter jurisdiction of the City Council. State law prohibits the Council from discussing or taking action on such items, but the matter may be referred to the City Manager/staff or scheduled on a subsequent agenda. Speakers are limited to only one opportunity to address the Council under Oral Communications.

ADJOURNMENT

UPCOMING MEETING SCHEDULE

Wednesday, June 22, 2022 4:00 & 5:00 PM Regular Meeting, *Council Chambers*
Wednesday, July 13, 2022 4:00 & 5:00 PM Regular Meeting, *Council Chambers*

SUCCESSOR AGENCY

Members of the Escondido City Council also sit as the Successor Agency to the Community Development Commission, Escondido Joint Powers Financing Authority, and the Mobilehome Rent Review Board.



AFFIDAVITS
OF
ITEM
POSTING



STAFF REPORT

June 15, 2022
File Number 0400-40

SUBJECT

APPROVAL OF WARRANT REGISTER (COUNCIL)

DEPARTMENT

Finance

RECOMMENDATION

Request approval for City Council and Housing Successor Agency warrant numbers 363791 – 363957 dated June 1, 2022.

Staff Recommendation: Approval (Finance Department: Christina Holmes)

FISCAL ANALYSIS

The total amount of the warrants for the period of May 26 – June 1, 2022, is \$2,470,307.24

BACKGROUND

The Escondido Municipal Code Section 10-49 states that warrants or checks may be issued and paid prior to audit by the City Council, provided the warrants or checks are certified and approved by the Director of Finance as conforming to the current budget. These warrants or checks must then be ratified and approved by the City Council at the next regular Council meeting.



Consent Item No. 3

June 15, 2022

APPROVAL
OF
MINUTES



STAFF REPORT

June 15, 2022
File Number 0685-10

SUBJECT

ISSUANCE OF THE COMMUNITY FACILITIES DISTRICT NO. 2020-2 (THE VILLAGES) SPECIAL TAX BONDS

DEPARTMENT

Finance

RECOMMENDATION

Request the City Council, acting as the legislative body of Community Facilities District No. 2020-02 of the City of Escondido (The Villages) (the “District”), adopt Resolution No. 2022-59 (the “Resolution”) to authorize the issuance and sale of Special Tax Bonds, Series 2022 (the “Bonds”) and approve certain documents and the taking of certain other actions in connection therewith.

Staff Recommendation: Approval (Finance: Christina Holmes, Director of Finance)

Presenter: Christina Holmes, Director of Finance

FISCAL ANALYSIS

The sale of the Bonds has no fiscal impact to the City. The Bonds to be issued by the City, for and on behalf of the District will be the sole responsibility of the property owners through a levy of Special Taxes on property within the District. Cost of issuance will be paid from the bond proceeds as well. The administration cost to the City for the Bonds will be built into the annual levy process and reimbursed by the special taxes collected.

PREVIOUS ACTION

The Villages Project was approved by the City Council on November 15, 2017.

On June 12, 2019, the City Council adopted Resolution No. 2019-83, authorizing a Reimbursement Agreement to evaluate a request from Lennar Homes of California (“Lennar”) to form a Community Facilities District (“CFD”) for The Villages Project to fund public facilities.

On March 20, 2020, the City Council adopted Resolution No. 2020-20, approving Amended and Restated City of Escondido Statement of Goals and Policies Regarding the Establishment of Community Facilities Districts. Section 53312.7(a) of the Mello-Roos Act requires the City to consider and adopt local goals and policies concerning the use of the Mello-Roos Act prior to the initiation of proceedings on or after January 1, 1994 to establish a new community facilities district. The Goals and Policies provide guidance and



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conditions for the conduct by the City of proceedings for, and the issuance of bonds secured by special taxes levied in, a community facilities district established under the Mello-Roos Act.

On April 8, 2020, the City Council adopted Resolution No. 2020-25 declaring its intent to establish CFD No. 2020-2, The Villages Project CFD to fund public facilities.

On May 13, 2020, the City Council adopted Resolution No. 2020-45 approving the establishment of Community Facilities District No. 2020-2 (The Villages) and Resolution No. 2020-46 declaring the necessity to issue and sell bonds and incur other debt to finance the authorized public facilities, including an amount not to exceed \$16,000,000.

On July 21, 2021, the City Council adopted Resolution No. 2021-78, setting the Special Tax Levy for Community Facilities District No. 2020-2 (The Villages) for Fiscal Year 2021/22. The Special Tax Levy was assessed on 216 developed lots in the Project that had building permits issued before March 1, 2021 in accordance with the Acquisition and Funding Agreement with Lennar Homes and the Rate and Method of Apportionment of Special Tax ("RMA") established at the time CFD No. 2020-2 was formed. The Special Taxes received by the City are deposited to a separate fund of the City to be used for annual administrative expenses and fund the future bond debt service payments.

BACKGROUND

A Community Facilities District ("CFD") is a special taxing district that is formed at the request of a project proponent with the approval of the local jurisdiction. CFD's were established in State Government Code in 1982 (also referred to as the Mello-Roos Act) to provide an alternate method for private property owners to finance the acquisition, construction and maintenance of certain public capital facilities, and/or to cover the related cost of ongoing services. Under the Mello-Roos Act, the initial steps in the formation of a community services district to finance public improvements are adopting a resolution declaring the City's intention to establish a community facilities district and levy special taxes, and a resolution to issue bonds.

At the request of Lennar, the City Council approved the formation of CFD No. 2020-2 on May 13, 2020, to fund the public facilities fees associated with the Villages Project ("Project"), a development that includes 380 residential homes; recreational, social, and community amenities in a Village Center; and approximately 48.9 acres of permanent open space with active greenbelts and 3.5 acres of parks. Under the Acquisition and Funding Agreement with Lennar and Resolution No. 2020-46 declaring the necessity to issue and sell bonds and incur other debt to finance the authorized public facilities, bonds would be issued when the majority of the units are either under construction or completed. 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 Special Tax levy. 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.



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The proposed Resolution No. 2022-59 authorizes the issuance and sale of the special tax bonds and approves several bond documents. Pursuant to the Resolution, the true interest cost of the Bonds cannot exceed 6.00% and the principal amount of the Bonds cannot exceed \$13,000,000. Stifel, Nicolaus & Company, Incorporated has been engaged by the City as the Underwriter (the “Underwriter”) of the Bonds, and the Underwriter’s Discount paid pursuant to the Bond Purchase Agreement cannot exceed 1.50% of the principal amount of the Bonds. Pursuant to Section 5852.1 of the California Government Code, the City’s Municipal Advisor, CSG Advisors Incorporated, has provided good faith estimates of the costs related to the Bonds, which are attached as Exhibit A to the Resolution.

The City’s Goals and Policies adopted by Resolution No. 2020-20 require a minimum value-to-debt ratio for special tax financings of 4.00:1 (the value-to-lien calculation compares the value of the property to the proposed principal amount of the Bonds and bonds issued by overlapping community facilities districts and assessment districts). The value of the property is determined by an independent appraiser engaged by the City. Kitty Siino & Associates, Inc. (the “Appraiser”) prepared the 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. Subject to the assumptions and limiting conditions of the Appraisal, the minimum market value of the taxable property in the District is estimated at \$240,613,298, resulting in an estimated value to lien ratio of approximately 19.33:1 based on a preliminary estimate of the par amount of the Bonds of \$12,445,000 (preliminary).

The following documents, as referred to within the Resolution No. 2022-59 are to be approved:

Preliminary Official Statement. The Official Statement is the primary disclosure document for investors in the Bonds. A Preliminary Official Statement will be circulated to potential investors prior to the pricing of the Bonds. After the Bonds have been priced, a Final Official Statement will be circulated to investors; the Final Official Statement should be identical to the Preliminary Official Statement except for the addition of pricing information (principal amount, interest rates, redemption terms). The distribution of the Preliminary Official Statement by the City is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the bonds. If the City Council concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the Bonds, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been “deemed final.”

Continuing Disclosure Certificate. Under SEC Rule 15c2-12, the underwriter of the Bonds may only purchase the Bonds if it has determined that the City is obligated to provide continuing disclosure, including annual updates of the financial and operating data included in the Official Statement and notices of certain specified events. The form of the Continuing Disclosure Certificate is included as an Appendix F of the Preliminary Official Statement.



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Bond Indenture. This document governs the Bonds and the use of special taxes from the District to pay debt service on the Bonds. The special taxes will be levied on the regular County of San Diego tax roll and collected by the County from each taxable parcel in the District. The County will remit these special taxes to the City. The City will remit them to the Trustee specified therein as BNY Mellon Trust Company, N.A. (the “Trustee”). The Trustee will use the revenues to (1) pay administrative costs of the District, and (2) pay principal of and interest on the Bonds to the bond owners. The Trustee will also hold the net proceeds of the Bonds until authorized by the District to release such proceeds for reimbursement to the Developer or use by the City to construct public facilities as previously authorized by the District and consistent with provisions of the Bond Indenture.

Bond Purchase Agreement. At the time the Bonds are sold, the City will enter into a Bond Purchase Agreement with the Underwriter, who will agree to underwrite the Bonds subject to satisfaction of the conditions described in the Bond Purchase Agreement.

RESOLUTIONS

- A. Resolution No. 2022-59 to authorize the issuance and sale of Special Tax Bonds, Series 2022

ATTACHMENTS

- a. Attachment 1 – Preliminary Official Statement
- b. Attachment 2 – Continuing Disclosure Certificate
- c. Attachment 3 – Bond Indenture
- d. Attachment 4 – Bond Purchase Agreement

RESOLUTION NO. 2022-59

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2020-2 OF THE CITY OF ESCONDIDO (THE VILLAGES) AUTHORIZING THE ISSUANCE OF ITS SPECIAL TAX BONDS, SERIES 2022 IN A PRINCIPAL AMOUNT NOT TO EXCEED THIRTEEN MILLION DOLLARS (\$13,000,000) AND APPROVING CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City Council (the “City Council”) of the City of Escondido (the “City”), has heretofore undertaken proceedings to establish Community Facilities District No. 2020-2 of the City of Escondido (The Villages) (the “District”) and declared the necessity to issue bonds on behalf of the District pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (Act); and

WHEREAS, pursuant to Resolution Nos. 2020-45 and 2020-46 adopted by the legislative body of the District on May 13, 2020, certain bond propositions were submitted to the qualified electors within the District, and were approved by more than two-thirds of the votes cast at the election held on May 13, 2020; and

WHEREAS, the legislative body of the District desires to issue a first series of bonds for the District at this time under the Act to finance certain public facilities which the District is authorized to finance (the “Facilities”); and

WHEREAS, the District desires to finance certain Facilities through the issuance of bonds in an aggregate principal amount not to exceed \$13,000,000 designated as the “Community Facilities District No. 2020-2 of the City of Escondido (The Villages) Special Tax Bonds, Series 2022” (the “Bonds”); and

WHEREAS, in order to effect the issuance of the Bonds, the District desires to enter into various agreements and approve certain documents in substantially the forms presented herein; and

WHEREAS, based on the appraisal of real property prepared by Kitty Siino & Associates, Inc. (the "Appraisal") of property within the District, the value of the real property in the District subject to the special tax to pay debt service on the Bonds is more than three times the sum of the principal amount of the Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the District as calculated in the manner set forth in Section 53345.8(a) of the Act; and

WHEREAS, the City Council has determined in accordance with Section 53360.4 of the Act that a negotiated sale of the Bonds to Stifel, Nicolaus & Company, Incorporated (the "Underwriter") in accordance with the terms of the Bond Purchase Agreement for the Bonds to be entered into by the District and the Underwriter (the "Bond Purchase Agreement") approved as to form by this City Council herein will result in a lower overall cost to the District than a public sale; and

WHEREAS, the District has determined to adopt the City's Debt Management Policy adopted by the City Council of the City on April 5, 2017, as the debt management policy of the District; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California:

1. That the above recitations are true.

2. The issuance of the Bonds is hereby authorized in an aggregate principal amount not to exceed \$13,000,000, with the exact principal amount to be determined by the official signing the Bond Purchase Agreement in accordance with Section 5 below. The City Council hereby determines that it is prudent in the management of the District's fiscal affairs to issue the Bonds. The Bonds shall mature on the dates and pay

interest at the rates set forth in the Bond Purchase Agreement to be executed on behalf of the District in accordance with Section 5 hereof. All other provisions of the Bonds shall be governed by the terms and conditions of the Bond Indenture (the "Indenture"), which Indenture shall be substantially in the form on file with the City Clerk, with such additions thereto and changes therein (including, but not limited to, changes in the amount to be maintained in the Reserve Account (as defined in the Indenture)) as the officer or officers executing the same deem necessary to enhance the security for the Bonds, to cure any ambiguity or defect therein, to insert the offering price(s), interest rate(s), selling compensation, principal amount per maturity, redemption dates and prices and such other related terms and provisions as limited by Section 5 hereof or to conform any provisions therein to the Bond Purchase Agreement or the Official Statement delivered to the Underwriter of the Bonds. Approval of such changes shall be conclusively evidenced by the execution and delivery of the Indenture by one of the following: the Mayor of the City, or the City Manager, any Deputy City Manager, or the Director of Finance of the City (each, an "Authorized Officer") or the designee thereof is hereby authorized and directed to execute the Indenture. Capitalized terms used in this Resolution which are not defined herein have the meanings ascribed to them in the Indenture.

3. The Bonds shall be executed on behalf of the District by the manual or facsimile signature of the Mayor of the City or his or her written designee and be attested by the manual or facsimile signature of the City Clerk. The Bank of New York Mellon Trust Company, N.A is hereby appointed to act as trustee, registrar and transfer agent for the Bonds.

4. The covenants set forth in the Indenture to be executed in accordance with Section 2 above are hereby approved, shall be deemed to be covenants of the City Council and shall be complied with by the District and its officers. The Indenture shall constitute a contract between the District and the Owners of the Bonds.

5. The form of the Bond Purchase Agreement presented at this meeting is hereby approved and each of the Authorized Officers is hereby authorized to execute the Bond Purchase Agreement, with such additions thereto and changes therein relating to dates and numbers as are necessary to conform the Bond Purchase Agreement to the dates, amounts and interest rates applicable to the Bonds as of the sale date. Approval of such additions and changes shall be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement by one or more of such Authorized Officers; provided, however, that the Bond Purchase Agreement shall be signed only if the Underwriter's discount does not exceed 1.50% of the principal amount of the Bonds and only if the true interest cost on the Bonds does not exceed 6.50%. Each of the Authorized Officers is authorized to determine the day on which the Bonds are to be priced in order to attempt to produce the lowest borrowing cost for the District and may reject any terms presented by the Underwriter if determined not to be in the best interest of the District.

6. The form of the Continuing Disclosure Certificate presented at this meeting is hereby approved and each of the Authorized Officers is hereby authorized and directed to execute the Continuing Disclosure Certificate in the form hereby approved, with such additions therein and changes thereto as the officer or officers executing the same deem necessary to cure any defect or ambiguity therein, with such approval to be conclusively evidenced by the execution and delivery of such certificate.

7. The form of the Preliminary Official Statement presented at this meeting is hereby approved and the Underwriter is hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the Bonds in the form hereby approved, together with such additions thereto and changes therein as are determined necessary by the Authorized Officers to make such Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission. Each of the Authorized Officers is hereby authorized to execute a final Official Statement in the form of the Preliminary Official Statement, together with such changes as are determined necessary by the

Authorized Officers, to make such Official Statement complete and accurate as of its date. The Underwriter is further authorized to distribute the final Official Statement for the Bonds and any supplement thereto to the purchasers of the Bonds upon the execution of the final Official Statement as described above.

8. In accordance with the requirements of Section 53345.8 of the Act, based on the Appraisal, the legislative body of the District hereby determines that the value of the real property in the District subject to the special tax to pay debt service on the Bonds is more than three times the principal amount of the Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the District, all as calculated in the manner provided in Section 53345.8(a) of the Act.

9. Each Authorized Officer is authorized to provide for all services necessary to effect the issuance of the Bonds. Such services shall include, but not be limited to, printing the Bonds, obtaining legal services, trustee and paying agent services, and any other services deemed appropriate as set forth in a certificate of such Authorized Officer. Each Authorized Officer is authorized to pay for the cost of such services, together with other costs of issuance, from Bond proceeds deposited pursuant to the Indenture.

10. The Authorized Officers, the City Clerk and the other officers and staff of the City and the District responsible for the fiscal affairs of the District are hereby authorized and directed to take any actions and execute and deliver any and all documents as are necessary to accomplish the issuance, sale and delivery of the Bonds in accordance with the provisions of this Resolution and the fulfillment of the purposes of the Bonds as described in the Indenture, including, in the discretion of any of the Authorized Officers, the execution and delivery of a letter of credit or cash depository agreement with respect to the special taxes to be levied on property owned by the developer within the District and The Bank of New York Mellon Trust Company, N.A, and providing certificates to the Underwriter as to the accuracy of any

information relating to the District which is included within the Official Statement. Any document authorized herein to be signed by the City Clerk may be signed by a duly appointed deputy clerk.

11. The District hereby adopts the City's Debt Management Policy, as amended, supplemented and restated from time to time, as the debt management policy of the District pursuant to California Government Code Section 8855.

12. The good faith estimates of costs related to the Bonds which are required by Section 5852.1 of the California Government Code are disclosed in Exhibit A hereto and are available to the public at the meeting at which this Resolution is approved.

13. This Resolution shall take effect from and after its date of adoption.

EXHIBIT A
GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the District by CSG Advisors Incorporated (the District's "Municipal Advisor") in consultation with Stifel, Nicolaus & Company, Incorporated, the Underwriter of the Bonds.

Principal Amount. The Municipal Advisor has informed the District that, based on the District's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the Bonds to be sold is \$12,440,000 (the "Estimated Principal Amount"), which excludes approximately \$53,000 of net premium estimated to be generated based on current market conditions, which together total \$12,493,000 of gross proceeds of the Bonds. Net premium is generated when, on a net aggregate basis for a single issuance of bonds, the price paid for the bonds is higher than the face value of such bonds.

True Interest Cost of the Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 5.00%.

Finance Charge of the Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties and inclusive of reimbursements to the developer of the project for the costs to form the District (or costs associated with the Bonds), is \$746,000.

Amount of Proceeds to be Received. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the District for sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$10,672,000.

Total Payment Amount. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Bonds, plus the finance charge for the Bonds, as described above, not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$25,911,000.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to: (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates; (b) the actual principal amount of Bonds sold being different from the Estimated Principal Amount; (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates; (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates; (e) other market conditions; or (f) alterations in the District's financing plan, delays in the financing, additional legal work or a combination of such factors and additional finance charges, if any, attributable thereto. Market interest rates are affected by economic and other factors beyond the control of the District.

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

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**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.

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[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	\$
Uses of Funds:	
Acquisition and Construction Fund ⁽¹⁾	\$
Costs of Issuance ⁽²⁾	
Reserve Account of the Special Tax Fund	
Total Uses	\$

⁽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	<u>55,796.86</u>
Subtotal - Developed Residential Property		372				\$ 667,525.00
<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	25,329.57	0.00	per Acre	<u>0.00</u>
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	20,063.66	3.01	19,978.86	2.95	2,145,937	367,237	5.84
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	36,576.43	5.48	36,421.82	5.38	4,291,875	669,480	6.41
		Under Construction – Not Levied 2022/23	7	0.00	0.00	10,615.11	1.57	1,251,797	195,119	6.42
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	\$ 21,603.40	3.24	\$ 21,512.10	3.18%	\$ 2,145,938	\$ 395,420	5.43
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	0.00	0.00	1,728.27	0.26	178,828	31,768	5.63
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	<u>(7,000.00)</u>	<u>(7,000.00)</u>
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	<u>0.00350</u>	<u>0.00350</u>
Total Ad Valorem Property Taxes	1.13629%	1.15048%
	\$ 9,198.04	\$ 9,095.69
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⁾	<u>2,406.18</u>	<u>2,132.82</u>
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

Fiscal Year	Amount Levied	Parcels Levied	Fiscal Year End			Delinquencies as of April 10, 2022		
			Parcels Delinquent	Amount Delinquent	Percent Delinquent	Parcels Delinquent	Amount Delinquent	Percent Delinquent
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	<u>380</u>	<u>6</u>	<u>72</u>	<u>72</u>	<u>302</u>

⁽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 repayment 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.

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

(b) In the event that the Dissemination Agent is an entity other than the District, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report, the District shall provide the Annual

Report to the Dissemination Agent. If by fifteen (15) Business Days prior to the due date for an Annual Report the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District will be filing the Annual Report in compliance with subsection (a). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 5. Reporting of Significant Events.

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

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

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

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

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

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

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

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

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

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

Section 8. Amendment; Waiver.

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

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

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

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or

including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the District is acting as the Dissemination Agent, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any Dissemination Agent shall be paid (i) compensation by the District for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District pursuant to this Disclosure Certificate. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

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

To the District:	Community Facilities District No. 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

BOND INDENTURE

Between

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

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee**

Relating to

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

Dated as of July 1, 2022

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BOND INDENTURE

THIS BOND INDENTURE dated as of July 1, 2022, by and between COMMUNITY FACILITIES DISTRICT NO. 2020-2 OF THE CITY OF ESCONDIDO (THE VILLAGES) (the "District") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as trustee (the "Trustee"), governs the terms of the Community Facilities District No. 2020-2 of the City of Escondido (The Villages) Special Tax Bonds, Series 2022 and any Parity Bonds issued in accordance herewith from time to time.

RECITALS :

A. The City Council of the City of Escondido, located in the County of San Diego, California (the "City Council"), has undertaken proceedings and declared the necessity to issue bonds on behalf of the District pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5, of the Government Code of the State of California (the "Act").

B. Based upon Resolution Nos. 2020-45 and 2020-46 adopted by the City Council on May 13, 2020 and an election held on May 13, 2020 authorizing the levy of a special tax and the issuance of bonds, the District is authorized to issue bonds in one or more series pursuant to the Act, in an aggregate principal amount not to exceed \$16,000,000.

C. The District intends to finance various Project Costs (as defined herein) through the issuance of bonds in an aggregate principal amount of \$_____ designated as the "Community Facilities District No. 2020-2 of the City of Escondido (The Villages) Special Tax Bonds, Series 2022" (the "Bonds"); and

D. The District has determined that all requirements of the Act for the issuance of the Bonds have been satisfied.

NOW, THEREFORE, in order to establish the terms and conditions upon and subject to which the Bonds are to be issued, and in consideration of the premises and of the mutual covenants contained herein and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the District does hereby covenant and agree, for the benefit of the Owners of the Bonds and any Parity Bonds (as defined herein) which may be issued hereunder from time to time, as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, the following terms shall have the following meanings:

Account. The term "Account" means any account created pursuant to this Indenture.

Act. The term "Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Section 53311 *et seq.* of the California Government Code.

Acquisition and Construction Fund. The term “Acquisition and Construction Fund” means the fund by that name established pursuant to Section 3.1 hereof.

Acquisition and Funding Agreement. The term “Acquisition and Funding Agreement” means the Acquisition and Funding Agreement, dated as of May 1, 2020, by and between the City and Lennar Homes of California, Inc., as it may be amended.

Administrative Expense Account. The term “Administrative Expense Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

Administrative Expenses. The term “Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes, including all attorneys’ fees and other costs related thereto, the fees and expenses of the Trustee, any fees and related costs for credit enhancement for the Bonds or any Parity Bonds which are not otherwise paid as Costs of Issuance, any costs related to the District’s compliance with state and federal laws requiring continuing disclosure of information concerning the Bonds and the District, and any other costs otherwise incurred by City staff on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and any obligation of the District hereunder.

Administrative Expenses Cap. The term “Administrative Expenses Cap” means \$56,100, which amount shall escalate at 2.00% per Fiscal Year, commencing July 1, 2023.

Alternate Penalty Account. The term “Alternate Penalty Account” means the account by that name created and established in the Rebate Fund pursuant to Section 3.1 hereof.

Annual Debt Service. The term “Annual Debt Service” means the principal amount of any Outstanding Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds or Parity Bonds in such Bond Year, if the Bonds and any Parity Bonds are retired as scheduled.

Authorized Investments. The term “Authorized Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

- (1) For all purposes, including defeasance investments in refunding escrow accounts:
 - (a) cash; or
 - (b) obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S., including U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, General Services Administration, guaranteed Title XI financing, Government National Mortgage Association (GNMA) and State and Local Government Series; or
 - (c) obligations of government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Mortgage Corporation (FHLMC) debt obligations, Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives), Federal Home Loan Banks (FHL Banks), Federal National Mortgage Association (FNMA) debt obligations, Financing Corp. (FICO) debt obligations, Resolution Funding

Corp. (REFCORP) debt obligations and U.S. Agency for International Development (U.S.A.I.D.) guaranteed notes.

(2) For all purposes other than defeasance investments in refunding escrow accounts:

(a) obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America: Export-Import Bank, Rural Economic Community Development Administration, U.S. Maritime Administration, Small Business Administration, U.S. Department of Housing & Urban Development (PHAs), Federal Housing Administration and Federal Financing Bank;

(b) direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), obligations of the Resolution Funding Corporation (REFCORP) and senior debt obligations of the Federal Home Loan Bank System;

(c) U.S. dollar denominated deposit accounts, including demand deposits, time deposits, certificates of deposit (including those placed by a third party pursuant to a separate agreement between the District and the Trustee), other deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, federal funds and bankers' acceptances with domestic commercial banks (including those of the Trustee and its affiliates) (i) which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank) or (ii) which are insured by the Federal Deposit Insurance Corporation;

(d) commercial paper which is rated at the time of purchase in the single highest classification "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(e) investments in a money market mutual fund rated "AAm," "AAm G" or better by S&P, including funds for which the Trustee or its affiliates receive and retain a fee for services provided to the fund, including investment advisory, custodial, transfer agency or other management services;

(f) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America, or any agency, instrumentality or local governmental unit of any such state, which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and

(i) which are rated, based on irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(ii) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (1)(b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof

or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (2) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(g) municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of at least "Aa2/AA" or higher by both Moody's and S&P;

(h) Investment Agreements (supported by appropriate opinions of counsel that such Investment Agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms); and

(i) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

The value of the above investments shall be determined as follows:

(a) for the purpose of determining the amount in any fund, all Authorized Investments credited to such fund shall be valued at market value. The Trustee shall determine the market value based on accepted industry standards, including the Trustee's internal systems, and from accepted industry providers. Accepted industry providers shall include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Bank of America Merrill Lynch or Salomon Smith Barney. Notwithstanding anything to the contrary herein, in making any valuation of investments hereunder, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it; and

(b) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest thereon.

Authorized Representative of the District. The term "Authorized Representative of the District" means the Mayor of the City, or the City Manager, any Deputy City Manager, or the Director of Finance of the City, or any other officer or employee authorized by the City Council of the City or by an Authorized Representative of the District to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Representative of the District.

Bond Counsel. The term "Bond Counsel" means Stradling Yocca Carlson & Rauth, a Professional Corporation, or another attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

Bond Register. The term "Bond Register" means the books which the Trustee shall keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds shall be recorded.

Bonds. The term “Bonds” means the District’s Special Tax Bonds, Series 2022 issued on July __, 2022 in the aggregate principal amount of \$_____.

Bond Year. The term “Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds or an issue of Parity Bonds shall begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date.

Business Day. The term “Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Trustee is located, are not required or authorized by law, regulation or executive order, to close or to remain closed.

Certificate of an Authorized Representative. The term “Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the District.

City. The term “City” means the City of Escondido, California.

City Council. The term “City Council” means the City Council of the City.

City Improvements Account. The term “City Improvements Account” means the account by that name created and established in the Acquisition and Construction Fund pursuant to Section 3.1 hereof.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

Continuing Disclosure Certificate. The term “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated as of July __, 2022, as originally executed by the District and as it may be from time to time amended or supplemented in accordance with its terms.

Costs of Issuance. The term “Costs of Issuance” means the costs and expenses incurred in connection with the formation of the District and the issuance and sale of the Bonds or any Parity Bonds, including the acceptance and initial annual fees and expenses of the Trustee and its counsel, legal fees and expenses, costs of printing the Bonds and Parity Bonds and the preliminary and final official statements for the Bonds and Parity Bonds, fees of financial consultants, costs of the appraisal and all other related fees and expenses, including reimbursement to property owners within the District for design, engineering and legal costs, as set forth in a Certificate of an Authorized Representative of the District.

Costs of Issuance Account. The term “Costs of Issuance Account” means the account by that name created and established in the Acquisition and Construction Fund pursuant to Section 3.1 hereof.

Delivery Date. The term “Delivery Date” means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

Depository. The term “Depository” means The Depository Trust Company, New York, New York, and its successors and assigns as securities depository for the Bonds, or any other securities depository acting as Depository under Article II hereof.

District. The term “District” means Community Facilities District No. 2020-2 of the City of Escondido (The Villages) established pursuant to the Act and Resolution No. 2020-45 adopted by the City Council of the City on May 13, 2020.

Event of Default. The term “Event of Default” means an event described in Section 8.1 hereof.

Fiscal Year. The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the next following June 30.

Gross Taxes. The term “Gross Taxes” means the amount of all Special Taxes received by the District together with the proceeds collected from the sale of property pursuant to foreclosure for the delinquency of such Special Taxes remaining after the payment of all costs related to such foreclosure actions.

Indenture. The term “Indenture” means this Bond Indenture, together with any Supplemental Indenture approved pursuant to Article VI hereof.

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom: (1) is in fact independent and not under the domination of the District or the City; (2) does not have any substantial interest, direct or indirect, in the District or the City; and (3) is not connected with the District or the City as a member, officer or employee of the District or the City, but who may be regularly retained to make annual or other reports to the District or the City.

Interest Account. The term “Interest Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

Interest Payment Date. The term “Interest Payment Date” means September 1, 2022 and each March 1 and September 1 thereafter; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

Investment Agreement. The term “Investment Agreement” means one or more agreements for the investment of funds of the District complying with the criteria therefor as set forth in subsection (2)(h) of the definition of Authorized Investments herein.

Joint Community Facilities Agreement. The term “Joint Community Facilities Agreement” means the Joint Community Facilities Agreement, dated as of May 1, 2020, by and among the City, Rincon del Diablo Municipal Water District and Lennar Homes of California, Inc., as it may be amended.

Maximum Annual Debt Service. The term “Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds by adding the following for each Bond Year: (1) the principal amount of all Outstanding

Bonds and Parity Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and (2) the interest payable on the aggregate principal amount of all Bonds and Parity Bonds Outstanding in such Bond Year if the Bonds and Parity Bonds are retired as scheduled.

Moody's. The term "Moody's" means Moody's Investors Service, Inc., its successors and assigns.

Net Taxes. The term "Net Taxes" means Gross Taxes minus amounts set aside to pay Administrative Expenses.

Nominee. The term "Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.16 hereof.

Ordinance. The term "Ordinance" means Ordinance No. 2020-11 adopted by the City Council on June 3, 2020, providing for the levying of the Special Tax.

Outstanding. The terms "Outstanding" or "Outstanding Bonds and Parity Bonds" means all Bonds and Parity Bonds theretofore issued by the District, except: (i) Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with Section 10.1 hereof; (ii) Bonds and Parity Bonds for payment or redemption of which monies shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in this Indenture or any applicable Supplemental Indenture for Parity Bonds; and (iii) Bonds and Parity Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to Section 2.9 hereof or for which a replacement has been issued pursuant to Section 2.10 hereof.

Owner. The term "Owner" means the person or persons in whose name or names any Bond or Parity Bond is registered.

Parity Bonds. The term "Parity Bonds" means all bonds, notes or other similar evidences of indebtedness hereafter issued, payable out of the Net Taxes and which, as provided in this Indenture or any Supplemental Indenture, rank on a parity with the Bonds.

Participants. The term "Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds or Parity Bonds as securities depository.

Person. The term "Person" means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

Prepayments. The term "Prepayments" means any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the RMA.

Principal Account. The term "Principal Account" means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

Principal Office of the Trustee. The term "Principal Office of the Trustee" means the office of the Trustee located in Los Angeles, California, or such other office or offices as the Trustee may

designate from time to time provided, however, that solely for purposes of the surrender or presentation of Bonds for payment, transfer or exchange, the Principal Office of the Trustee shall be the designated corporate trust agency or operations office of the Trustee.

Project. The term "Project" means those public facilities described in the Resolution of Formation which are to be acquired or constructed within and outside of the District, including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within the District from time to time.

Project Costs. The term "Project Costs" means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Bonds or any Parity Bonds, including, but not limited to, remarketing, credit enhancement, Trustee and other fees and expenses relating to the issuance of the Bonds or any Parity Bonds and the formation of the District, and to pay any other "incidental expenses" of the District, as such term is defined in the Act.

Rating Agency. The term "Rating Agency" means Moody's or S&P, or both, as the context requires.

Rebate Account. The term "Rebate Account" means the account by that name created and established in the Rebate Fund pursuant to Section 3.1 hereof.

Rebate Fund. The term "Rebate Fund" means the fund by that name established pursuant to Section 3.1 hereof in which there are established the Accounts described in Section 3.1 hereof.

Rebate Regulations. The term "Rebate Regulations" means any final, temporary or proposed Regulations promulgated under Section 148(f) of the Code.

Record Date. The term "Record Date" means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

Redemption Account. The term "Redemption Account" means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

Regulations. The term "Regulations" means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

Representation Letter. The term "Representation Letter" means the Blanket Letter of Representations from the District to the Depository as described in Section 2.13 hereof.

Reserve Account. The term "Reserve Account" means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

"Reserve Policy" means a letter of credit, insurance policy, surety bond or other such funding instrument issued by a municipal bond insurance company rated least "Aa2" or higher by Moody's or "AA" or higher by S&P at the time of the delivery of such Reserve Policy, delivered to the Trustee for the purpose of providing all or a portion of the Reserve Requirement for Bonds and Parity Bonds.

Reserve Requirement. The term "Reserve Requirement" means that amount as of any date of calculation equal to the lesser of: (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any; (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds and (iv) \$_____ the initial Reserve Requirement.

Resolution of Formation. The term "Resolution of Formation" means Resolution No. 2020-45 adopted by the City Council on May 13, 2020, pursuant to which the City Council established the District.

RMA. The term "RMA" means the Rate and Method of Apportionment of Special Tax for the District approved by the qualified electors of the District at the May 13, 2020 election.

Sinking Fund Payment. The term "Sinking Fund Payment" means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedules set forth in Section 4.1(b) hereof and any annual sinking fund payment schedule to retire any Parity Bonds which are designated as Term Bonds.

Six-Month Period. The term "Six-Month Period" means the period of time beginning on the Delivery Date of each issue of Bonds or Parity Bonds, as applicable, and ending six consecutive months thereafter, and each six-month period thereafter until the latest maturity date of the Bonds and the Parity Bonds (and any obligations that refund an issue of the Bonds or Parity Bonds).

Special Tax Administrator. The term "Special Tax Administrator" means the individual or entity appointed by the City to administer the calculation and collection of the Special Taxes.

Special Tax Requirement. The term "Special Tax Requirement" means that amount required in any Fiscal Year for the District to: (i) pay debt service on all Outstanding Bonds and Parity Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay Administrative Expenses; (iii) pay any amounts required to establish or replenish any reserve funds on all Outstanding Bonds and Parity Bonds; (iv) pay for reasonable anticipated Special Tax delinquencies; (v) pay directly for acquisition or construction of facilities authorized under the Act and the RMA to the extent that the inclusion of such amount does not increase the Special Tax levy on Approved or Undeveloped Property (as such terms are defined in the RMA); (vi) pay any amounts required to establish or replenish any delinquency management funds established in association with the Special Taxes; less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the District pursuant to this Indenture.

Special Tax Fund. The term "Special Tax Fund" means the fund by that name created and established pursuant to Section 3.1 hereof.

Special Taxes. The term "Special Taxes" means the taxes authorized to be levied by the District on property within the District in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the May 13, 2020 election in the District, including any scheduled payments and any Prepayments thereof, the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and penalties and interest thereon; provided that any delinquent Special Tax sold to an independent third-party or to the City for 100% of the delinquent amount shall no longer be pledged hereunder to the payment of the Bonds or Parity Bonds.

S&P. The term “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and assigns.

Subaccount. The term “Subaccount” means any subaccount created pursuant to this Indenture.

Supplemental Indenture. The term “Supplemental Indenture” means any supplemental indenture amending or supplementing this Indenture.

Surplus Fund. The term “Surplus Fund” means the fund by that name created and established pursuant to Section 3.1 hereof.

Tax Certificate. The term “Tax Certificate” means the certificate by that name to be executed by the District on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

Tax-Exempt. The term “Tax-Exempt” means, with reference to an Authorized Investment, an Authorized Investment the interest earnings on which are excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, other than one described in Section 57(a)(5)(C) of the Code.

Term Bonds. The term “Term Bonds” means the Bonds maturing on September 1, 20__ and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

Trustee. The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States, at its principal corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in Sections 7.2 or 7.3, and any successor thereto.

Underwriter. The term “Underwriter” means, with respect to the Bonds, Stifel, Nicolaus & Company, Incorporated, and with respect to each issue of Parity Bonds, the institution or institutions, if any, with whom the District enters into a purchase contract for the sale of such issue.

Water District Facilities Account. The term “Water District Facilities Account” means the account by that name created and established in the Acquisition and Construction Fund pursuant to Section 3.1 hereof.

ARTICLE II

GENERAL AUTHORIZATION AND BOND TERMS

Section 2.1. Amount, Issuance, Purpose and Nature of Bonds and Parity Bonds. Under and pursuant to the Act, the Bonds in the aggregate principal amount of \$_____, together with any Parity Bonds authorized by the City Council in accordance with Section 9.2 hereof, shall be issued for the purposes of financing the Project, paying Costs of Issuance, funding the Reserve Account and paying capitalized interest on the Bonds; provided that the aggregate principal amount of the Bonds and any Parity Bonds shall not exceed the total indebtedness presently authorized or subsequently authorized by the qualified electors within the District in accordance with the Act. The Bonds and any Parity Bonds shall be and are limited obligations of the District and

shall be payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the Net Taxes and the other amounts in the Special Tax Fund (other than amounts in the Administrative Expense Account of the Special Tax Fund).

Section 2.2. Type and Nature of Bonds and Parity Bonds. Neither the faith and credit nor the taxing power of the City, the State of California, or any political subdivision thereof other than the District is pledged to the payment of the Bonds or any Parity Bonds. Except for the Net Taxes, no other taxes are pledged to the payment of the Bonds or any Parity Bonds. The Bonds and any Parity Bonds are not general or special obligations of the City nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the Special Tax Fund (exclusive of the Administrative Expense Account), as more fully described herein. The District's limited obligation to pay the principal of, premium, if any, and interest on the Bonds and any Parity Bonds from amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds or any Parity Bonds may compel the exercise of the taxing power by the District (except as pertains to the Special Taxes) or the City or the forfeiture of any of their property. The principal of and interest on the Bonds and any Parity Bonds and premiums upon the redemption thereof, if any, are not a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds and any Parity Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the District's property, or upon any of its income, receipts or revenues, except the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) which are, under the terms of this Indenture and the Act, set aside for the payment of the Bonds, any Parity Bonds and interest thereon, and neither the members of the legislative body of the District or the members of the City Council nor any persons executing the Bonds or any Parity Bonds are liable personally on the Bonds or any Parity Bonds, by reason of their issuance.

Notwithstanding anything to the contrary contained in this Indenture, the District shall not be required to advance any money derived from any source of income other than the Net Taxes for the payment of the interest on or the principal of the Bonds or any Parity Bonds, or for the performance of any covenants contained herein. The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

Section 2.3. Equality of Bonds and Parity Bonds and Pledge of Net Taxes. Pursuant to the Act and this Indenture, the Bonds and any Parity Bonds shall be equally payable from and secured by a first pledge of and lien on the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account), without priority for number, date of the Bonds or Parity Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and any Parity Bonds and any premiums upon the redemption thereof, shall be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) which are hereby set aside for the payment of the Bonds and any Parity Bonds; provided that any delinquent Special Tax sold to an independent third-party or to the City for 100% of the delinquent amount shall no longer be pledged hereunder to the payment of the Bonds or Parity Bonds. Amounts in the Special Tax Fund (other than the Administrative Expense Account therein) shall constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and any Parity Bonds and, so long as any of the Bonds and any Parity Bonds or interest thereon remain Outstanding, shall not be used for any other purpose, except as permitted by this Indenture or any Supplemental Indenture.

Notwithstanding any provision contained in this Indenture to the contrary, Net Taxes deposited in the Rebate Fund and the Surplus Fund shall no longer be considered to be pledged to the Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, the Acquisition and Construction Fund or the Administrative Expense Account of the Special Tax Fund shall be construed as a trust fund held for the benefit of the Owners.

Nothing in this Indenture or any Supplemental Indenture shall preclude: (i) subject to the limitations contained hereunder, the redemption prior to maturity of any Bonds or Parity Bonds subject to call and redemption and payment of said Bonds or Parity Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California; or (ii) the issuance, subject to the limitations contained herein, of Parity Bonds which shall be payable from Net Taxes.

Section 2.4. Description of Bonds; Interest Rates. The Bonds and any Parity Bonds shall be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds and any Parity Bonds of each issue shall be numbered as desired by the underwriter of the Bonds or such Parity Bonds.

The Bonds shall be designated "Community Facilities District No. 2020-2 of the City of Escondido (The Villages) Special Tax Bonds, Series 2022." The Bonds shall be dated as of their Delivery Date and shall mature and be payable on September 1 in the years and in the aggregate principal amounts and shall be subject to and shall bear interest at the rates set forth in the table below payable on [September 1, 2022] and each Interest Payment Date thereafter:

<i>Maturity Date</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
<i>September 1</i>		

* Term Bond.

Interest shall be payable on each Bond and Parity Bond from the date established in accordance with Section 2.5 below on each Interest Payment Date thereafter until the principal sum

of such Bond or Parity Bond has been paid; provided, however, that if at the maturity date of any Bond or Parity Bond (or if the same is redeemable and shall be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof in full, in accordance with the terms of this Indenture, such Bonds and Parity Bonds shall then cease to bear interest. Interest due on the Bonds and Parity Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Section 2.5. Place and Form of Payment. The Bonds and Parity Bonds shall be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the Bonds and Parity Bonds and any premiums due upon the redemption thereof shall be payable upon presentation and surrender thereof at the Principal Office of the Trustee, or at the designated office of any successor Trustee. If the Nominee of the Bonds is registered to Cede & Co., payment of principal and any premiums shall be made without presentment. Interest on any Bond or Parity Bond shall be payable from the Interest Payment Date next preceding the date of authentication of such Bond or Parity Bond, unless: (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication; (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall 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 or Parity Bond, in which event interest shall be payable from the dated date of such Bond or Parity Bond, as applicable; provided, however, that if at the time of authentication of such Bond or Parity Bond, interest is in default, interest on such Bond or Parity Bond shall 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 or Parity Bond, interest on such Bond or Parity Bond shall be payable from its dated date. Interest on any Bond or Parity Bond shall be paid to the person whose name shall appear in the Bond Register as the Owner of such Bond or Parity Bond as of the close of business on the Record Date. Such interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, to such Owner at his or her address as it appears on the Bond Register. In addition, upon a request in writing received by the Trustee on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds or of any issue of Parity Bonds, payment shall be made on the Interest Payment Date by wire transfer in immediately available funds to an account within the United States of America designated by such Owner.

Section 2.6. Form of Bonds and Parity Bonds. The definitive Bonds may be printed from steel engraved or lithographic plates or may be typewritten. The Bonds and the certificate of authentication shall be substantially in the form attached hereto as Exhibit A, which form is hereby approved and adopted as the form of such Bonds and of the certificate of authentication. Each issue of Parity Bonds and the certificate of authentication therefor shall be in the form provided in the Supplemental Indenture for such issue of Parity Bonds.

Until definitive Bonds or Parity Bonds, as applicable, shall be prepared, the District may cause to be executed and delivered in lieu of such definitive Bonds or Parity Bonds temporary bonds in typed, printed, lithographed or engraved form and in fully registered form, subject to the same provisions, limitations and conditions as are applicable in the case of definitive Bonds or Parity Bonds, except that they may be in any denominations authorized by the District. Until exchanged for definitive Bonds or Parity Bonds, as applicable, any temporary bond shall be entitled and subject to the same benefits and provisions of this Indenture as definitive Bonds and Parity Bonds. If the

District issues temporary bonds or Parity Bonds, it shall execute and furnish definitive Bonds or Parity Bonds, as applicable, without unnecessary delay and thereupon any temporary bond or Parity Bond may be surrendered to the Trustee at its office, without expense to the Owner, in exchange for a definitive Bond or Parity Bond of the same issue, maturity, interest rate and principal amount in any authorized denomination. All temporary bonds or Parity Bonds so surrendered shall be cancelled by the Trustee and shall not be reissued.

Section 2.7. Execution and Authentication. The Bonds and Parity Bonds shall be signed on behalf of the District by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the City Clerk, or any duly appointed Deputy City Clerk or Assistant City Clerk, in their capacity as officers of the District, and the seal of the City or the District (or a facsimile thereof) may be impressed, imprinted, engraved or otherwise reproduced thereon, and attested by the signature of the City Clerk. In case any one or more of the officers who shall have signed or sealed any of the Bonds or Parity Bonds shall cease to be such officer before the Bonds or Parity Bonds so signed and sealed have been authenticated and delivered by the Trustee (including new Bonds or Parity Bonds delivered pursuant to the provisions hereof with reference to the transfer and exchange of Bonds or Parity Bonds or lost, stolen, destroyed or mutilated Bonds or Parity Bonds), such Bonds and Parity Bonds shall nevertheless be valid and may be authenticated and delivered as herein provided, and may be issued as if the person who signed or sealed such Bonds or Parity Bonds had not ceased to hold such office.

Only the Bonds as shall bear thereon such certificate of authentication in the form set forth in Exhibit A attached hereto shall be entitled to any right or benefit under this Indenture, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Trustee.

Section 2.8. Bond Register. The Trustee will keep or cause to be kept, at its office, sufficient books for the registration and transfer of the Bonds and any Parity Bonds which shall upon reasonable prior notice be open to inspection by the District during all regular business hours, and, subject to the limitations set forth in Section 2.9 below, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Bonds and any Parity Bonds as herein provided.

The District and the Trustee may treat the Owner of any Bond or Parity Bond whose name appears on the Bond Register as the absolute Owner of that Bond or Parity Bond for any and all purposes and the District and the Trustee shall not be affected by any notice to the contrary. The District and the Trustee may rely on the address of the Owner as it appears in the Bond Register for any and all purposes. It shall be the duty of the Owner to give written notice to the Trustee of any change in the Owner's address so that the Bond Register may be revised accordingly.

Section 2.9. Registration of Exchange or Transfer. Subject to the limitations set forth in the following paragraph, the registration of any Bond or Parity Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond or Parity Bond for cancellation at the office of the Trustee, accompanied by delivery of written instrument of transfer in a form acceptable to the Trustee and duly executed by the Owner or his or her duly authorized attorney.

Bonds or Parity Bonds may be exchanged at the office of the Trustee for a like aggregate principal amount of Bonds or Parity Bonds for other authorized denominations of the same maturity and issue. The Trustee shall not collect from the Owner any charge for any new Bond or Parity Bond issued upon any exchange or transfer, but shall 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 or Parity Bonds shall be surrendered for registration of transfer or exchange, the District shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds or a new Parity Bond or Parity Bonds, as applicable, of the same issue and maturity, for a like aggregate principal amount; provided that the Trustee shall not be required to register transfers or make exchanges of: (i) Bonds or Parity Bonds for a period of 15 days next preceding any selection of the Bonds or Parity Bonds to be redeemed; or (ii) any Bonds or Parity Bonds chosen for redemption. Prior to any transfer of the Bonds or Parity Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

Section 2.10. Mutilated, Lost, Destroyed or Stolen Bonds or Parity Bonds. If any Bond or Parity Bond shall become mutilated, the District shall execute, and the Trustee shall authenticate and deliver, a new Bond or Parity Bond of like tenor, date, issue and maturity in exchange and substitution for the Bond or Parity Bond so mutilated, but only upon surrender to the Trustee of the Bond or Parity Bond so mutilated. Every mutilated Bond or Parity Bond so surrendered to the Trustee shall be cancelled by the Trustee pursuant to Section 10.1 hereof. If any Bond or Parity Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and, if any indemnity satisfactory to the Trustee shall be given, the District shall execute and the Trustee shall authenticate and deliver a new Bond or Parity Bond, as applicable, of like tenor, maturity and issue, numbered and dated as the Trustee shall determine in lieu of and in substitution for the Bond or Parity Bond so lost, destroyed or stolen. Any Bond or Parity Bond issued in lieu of any Bond or Parity Bond alleged to be mutilated, lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Bonds and Parity Bonds issued hereunder. The Trustee shall not treat both the original Bond or Parity Bond and any replacement Bond or Parity Bond as being Outstanding for the purpose of determining the principal amount of Bonds or Parity Bonds which may be executed, authenticated and delivered hereunder or for the purpose of determining any percentage of Bonds or Parity Bonds Outstanding hereunder, but both the original and replacement Bond or Parity Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond or Parity Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Bonds or Parity Bonds.

Section 2.11. Validity of Bonds and Parity Bonds. The validity of the authorization and issuance of the Bonds and any Parity Bonds shall not be affected in any way by any defect in any proceedings taken by the District for the financing of the Project, or by the invalidity, in whole or in part, of any contracts made by the District in connection therewith, and shall not be dependent upon the completion of the financing of the Project or upon the performance by any Person of his obligation with respect to the Project, and the recital contained in the Bonds or any Parity Bonds that the same are issued pursuant to the Act and other applicable laws of the State shall be conclusive evidence of their validity and of the regularity of their issuance.

Section 2.12. Book-Entry System. The Bonds shall be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the ownership of each such Bond shall be registered in the registration books kept by the Trustee in the name of the Nominee as nominee of the Depository. Except as provided in Section 2.14 hereof, all of the Outstanding Bonds shall be registered in the registration books kept by the Trustee in the name of the Nominee. At the election of the District, any Parity Bonds may also be issued as book-entry bonds registered in the name of the Nominee as provided herein, in which case the references in Sections 2.12 through 2.15 to “Bonds” shall be applicable to such Parity Bonds.

With respect to Bonds registered in the registration books kept by the Trustee in the name of the Nominee, the District and the Trustee shall have no responsibility or obligation to any such Participant or to any Person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds; (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event that the Bonds are redeemed in part; or (iv) the payment to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The District and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of the principal of, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest due on the Bonds only to or upon the order of the respective Owner, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the District’s obligations with respect to payment of the principal, premium, if any, and interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the registration books kept by the Trustee, shall receive a Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by the Depository to the Trustee and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such new nominee of the Depository.

Section 2.13. Representation Letter. In order to qualify the Bonds and any Parity Bonds which the District elects to register in the name of the Nominee for the Depository’s book-entry system, an Authorized Representative of the District is hereby authorized to execute from time to time and deliver to such Depository the Representation Letter. The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 2.12 or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the registration books kept by the Trustee. The District agrees to take all action necessary to continuously comply with all representations made by it in the Representation Letter. In addition to the execution and delivery of the Representation

Letter, the Authorized Representatives of the District are hereby authorized to take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

Section 2.14. Transfers Outside Book-Entry System. In the event that: (i) the Depository determines not to continue to act as securities depository for the Bonds; or (ii) the District determines that the Depository shall no longer so act, then the District will discontinue the book-entry system with the Depository. If the District fails to identify another qualified securities depository to replace the Depository then the Bonds so designated shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but shall be registered in whatever name or names Persons transferring or exchanging Bonds shall designate, in accordance with the provisions of Section 2.9 hereof.

Section 2.15. Payments to the Nominee. Notwithstanding any other provisions of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest due with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

Section 2.16. Initial Depository and Nominee. The initial Depository under this Indenture shall be The Depository Trust Company, New York, New York. The initial Nominee shall be Cede & Co., as Nominee of The Depository Trust Company, New York, New York.

ARTICLE III

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Section 3.1. Creation of Funds; Application of Proceeds.

(a) There are hereby created and established and shall be maintained by the Trustee the following funds and accounts:

(1) The Community Facilities District No. 2020-2 of the City of Escondido (The Villages) Special Tax Fund (the "Special Tax Fund") (in which there shall be established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account, and an Administrative Expense Account).

(2) The Community Facilities District No. 2020-2 of the City of Escondido (The Villages) Rebate Fund (the "Rebate Fund") (in which there shall be established a Rebate Account and an Alternate Penalty Account).

(3) The Community Facilities District No. 2020-2 of the City of Escondido (The Villages) Acquisition and Construction Fund (the "Acquisition and Construction Fund") (in which there shall be established a City Improvements Account, a Water District Facilities Account and a Costs of Issuance Account). The moneys in the City Improvements Account of the Acquisition and Construction Fund and Water District Facilities Account of the Acquisition and Construction Fund shall be disbursed in accordance with the Acquisition and Funding Agreement and the Joint Community Facilities Agreement, as applicable.

(4) The Community Facilities District No. 2020-2 of the City of Escondido (The Villages) Surplus Fund (the "Surplus Fund").

The amounts on deposit in the foregoing funds, accounts and subaccounts shall be held by the Trustee. The Trustee shall invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of this Article III and shall disburse investment earnings thereon in accordance with the provisions of Section 3.10 hereof.

In connection with the issuance of any Parity Bonds, which may be issued only for the purpose of refunding the Bonds as described in Section 9.2, the Trustee, at the direction of an Authorized Representative of the District, may create new funds, accounts or subaccounts, or may create additional accounts and subaccounts within any of the foregoing funds and accounts for the purpose of separately accounting for the proceeds of the Bonds and any Parity Bonds.

(b) The proceeds of the sale of the Bonds shall be received by the Trustee on behalf of the District and deposited and transferred as follows:

(1) \$_____ shall be transferred to the Costs of Issuance Account of the Acquisition and Construction Fund to pay the Costs of Issuance of the Bonds;

(2) \$_____ shall be transferred to the Reserve Account of the Special Tax Fund to fund the Reserve Requirement;

(3) \$_____ shall be transferred to the Interest Account of the Special Tax Fund;

(4) \$_____ shall be transferred to the Acquisition and Construction Fund of which \$_____ shall be deposited in the City Improvements Account and \$_____ shall be deposited in the Water District Facilities Account; and

(c) The Trustee shall deposit \$_____ received from the City constituting Prepayments into the City Improvements Account of the Acquisition and Construction Fund.

The Trustee may, in its discretion, establish temporary funds or accounts in its books and records to facilitate such transfers.

Section 3.2. Deposits to and Disbursements from Special Tax Fund.

(a) Except for Prepayments, which shall be deposited to the Redemption Account of the Special Tax Fund, the Trustee shall, 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 shall transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

(1) the Administrative Expense Account of the Special Tax Fund up to the Administrative Expenses Cap;

(2) the Interest Account of the Special Tax Fund;

(3) the Principal Account of the Special Tax Fund;

- (4) the Redemption Account of the Special Tax Fund;
- (5) the Reserve Account of the Special Tax Fund;
- (6) the Administrative Expense Account of the Special Tax Fund to the extent that Administrative Expenses exceed or are expected to exceed the Administrative Expenses Cap;
- (7) the Rebate Fund; and
- (8) the Surplus Fund.

(b) At maturity of all of the Bonds and Parity Bonds and, after all principal and interest then due on the Bonds and Parity Bonds then Outstanding have been paid or provided for and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

Section 3.3. Administrative Expense Account of the Special Tax Fund. The Trustee shall transfer from the Special Tax Fund and deposit in the Administrative Expense Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a Certificate of an Authorized Representative of the District; provided, however, that, except as set forth in the following sentence, the total amount transferred with respect to a Bond Year shall not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to restore the Reserve Account to the Reserve Requirement. Notwithstanding the foregoing, amounts in excess of the Administrative Expenses Cap may be transferred to the Administrative Expense Account to the extent necessary to collect delinquent Special Taxes. Moneys in the Administrative Expense Account of the Special Tax Fund may be invested in any Authorized Investments as directed in writing by an Authorized Representative of the District and shall be disbursed as directed in a Certificate of an Authorized Representative.

Section 3.4. Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption, shall be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively.

For the purpose of assuring that the payment of principal of and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer required by Section 3.3, at least one Business Day prior to each March 1 and September 1, the Trustee shall make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds or any Parity Bonds, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account and the Administrative Expense Account) are inadequate to make the foregoing transfers, then any deficiency shall be made up by transfers from the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date shall be 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 shall be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.

(b) To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year, commencing [September 1, 2022], shall 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.

Section 3.5. Redemption Account of the Special Tax Fund.

(a) With respect to each September 1 on which a Sinking Fund Payment is due, after the deposits have been made to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund as required by Sections 3.3 and 3.4 hereof, the Trustee shall next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account one Business Day prior to each September 1 on which a Sinking Fund Payment is due equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency shall be made up by an immediate transfer from the Reserve Account, if funded, pursuant to Section 3.6 below. Moneys so deposited in the Redemption Account shall be used and applied by the Trustee to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedules set forth in Section 4.1(b) hereof, and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule in the Supplemental Indenture for such Parity Bonds.

(b) After making the deposits to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund pursuant to Sections 3.3 and 3.4 above and to the Redemption Account for Sinking Fund Payments then due pursuant to subparagraph (a) of this Section, and in accordance with the District's election to call Bonds for optional redemption as set forth in Section 4.1(a) hereof, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee shall transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund (other than the Administrative Expense Account therein) may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

(c) Prepayments deposited to the Redemption Account shall be applied on the redemption date established pursuant to Section 4.1(c) hereof to the payment of the principal of, premium, if any, and interest on the Bonds and Parity Bonds to be redeemed with such Prepayments.

(d) Moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming Bonds and Parity Bonds and shall be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender of such Bonds or Parity Bonds, and, in the case of an optional redemption or a special mandatory redemption from Prepayments, to pay the interest thereon; provided, however,

that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account may be used to purchase Outstanding Bonds or Parity Bonds in the manner hereinafter provided. Purchases of Outstanding Bonds or Parity Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption or a special mandatory redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to Section 4.1(a) or 4.1(c) hereof, as applicable, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Section 3.6. Reserve Account of the Special Tax Fund. There shall be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. The Reserve Requirement may be satisfied in whole or in part by cash, a Reserve Policy, or a combination thereof. The amounts in the Reserve Account shall be applied as follows:

(a) Moneys in the Reserve Account shall be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due and for the purpose of making any required transfer to the Rebate Fund pursuant to Section 3.7 hereof upon written direction from the District. If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee shall withdraw from the Reserve Account, first from the cash on deposit therein, and second from a draw on the Reserve Policy, if any, for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers referred to in Sections 3.3, 3.4 and 3.5 above, the Trustee shall transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement by first, repaying any amounts due under the Reserve Policy, and second to fund the Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Administrative Expense Account, the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next September 1. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, including any amounts necessary to pay costs related to the Reserve Policy, if any, then the District shall include the amount necessary to restore the Reserve Account to the Reserve Requirement, in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

(c) In connection with a redemption of Bonds pursuant to Section 4.1(a) or 4.1(c) or Parity Bonds in accordance with any Supplemental Indenture, or a partial defeasance of Bonds or

Parity Bonds in accordance with Section 9.1 hereof, amounts in the Reserve Account may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such redemption or partial defeasance equals the Reserve Requirement. The District shall set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to the Indenture to partially defease Bonds or Parity Bonds, and the Trustee shall make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for the Bonds or an issue of Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds, as applicable, in the final Bond Year for such issue. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the preceding provisions of this Section shall be withdrawn from the Reserve Account on the Business Day before each March 1 and September 1 and shall be transferred to the Acquisition and Construction Fund or an Account therein, as directed by an Authorized Representative of the District, until all amounts have been disbursed from the Acquisition and Construction Fund (or such fund is closed) and thereafter to the Interest Account of the Special Tax Fund.

Section 3.7. Rebate Fund.

(a) The Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund and shall establish a separate Rebate Account and Alternate Penalty Account therein. All money at any time deposited in the Rebate Account or the Alternate Penalty Account of the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. A separate subaccount of the Rebate Account and the Alternate Penalty Account shall be established for the Bonds and each issue of Parity Bonds the interest on which is excluded from gross income for federal income tax purposes. All amounts on deposit in the Rebate Fund with respect to the Bonds or an issue of Parity Bonds shall be governed by this Section 3.7 and the Tax Certificate for such issue, unless the District obtains an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on the Bonds and Parity Bonds will not be adversely affected if such requirements are not satisfied.

(1) Rebate Account. The following requirements shall be satisfied with respect to each subaccount of the Rebate Account:

(i) Annual Computation. Within 55 days of the end of each Bond Year, the District shall calculate or cause to be calculated the amount of rebatable arbitrage for the Bonds and each issue of Parity Bonds to which this Section 3.7 is applicable, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage described in the Tax Certificate for each issue (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the "Rebatable Arbitrage"). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year for which Rebatable Arbitrage must be calculated as required by the Tax Certificate for each issue, upon the written direction of an Authorized Representative of the District, an amount shall be deposited to each subaccount of the Rebate Account by the Trustee from any funds so designated by the District if and to the extent required, so that the balance in the Rebate Account shall equal the amount of Rebatable Arbitrage so calculated by or on behalf of the District in accordance with clause (i) of this subsection (a)(1) with respect to the Bonds and each issue of Parity Bonds to which this Section 3.7 is applicable. In the event that immediately following any transfer required by the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit to the credit of the applicable subaccount of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from an Authorized Representative of the District, the Trustee shall withdraw the excess from the appropriate subaccount of the Rebate Account and then credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in each subaccount of the Rebate Account:

(X) not later than 60 days after the end of: (A) the fifth Bond Year for the Bonds and each issue of Parity Bonds to which this Section 3.7 is applicable; and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year for the Bonds and each issue of Parity Bonds, as applicable; and

(Y) not later than 60 days after the payment or redemption of all of the Bonds or an issue of Parity Bonds, as applicable, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a)(1) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, or shall be made in such other manner as provided under the Code.

(2) Alternate Penalty Account.

(i) Six-Month Computation. If the 1½% Penalty has been elected for the Bonds or an issue of Parity Bonds, within 85 days of each particular Six-Month Period, the District shall determine or cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The District shall obtain expert advice in making such determinations.

(ii) Six-Month Transfer. Within 85 days of the close of each Six-Month Period, the Trustee, at the written direction of an Authorized Representative of the District, shall deposit an amount in the appropriate subaccounts of the Alternate Penalty Account from any source

of funds held by the Trustee pursuant to this Indenture and designated by the District in such written directions or provided to it by the District, if and to the extent required, so that the balance in each subaccount of the Alternate Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in subsection (a)(2)(i) above. In the event that immediately following any transfer provided for in the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit in a subaccount of the Alternate Penalty Account exceeds the amount required to be on deposit therein to make the payments required by subsection (iii) below, the Trustee, at the written direction of an Authorized Representative of the District, may withdraw the excess from the applicable subaccount of the Alternate Penalty Account and credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in a subaccount of the Alternate Penalty Account, not later than 90 days after the close of each Six-Month Period the 1½% Penalty, if applicable and payable, computed with respect to the Bonds and any issue of Parity Bonds in accordance with Section 148(f)(4) of the Code. In the event that, prior to the time of any payment required to be made from a subaccount of the Alternate Penalty Account, the amount in such subaccount is not sufficient to make such payment when such payment is due, the District shall calculate the amount of such deficiency and direct the Trustee, in writing, to deposit an amount equal to such deficiency into such subaccount of the Alternate Penalty Account from any funds held by the Trustee pursuant to this Indenture and designated by the District in such written directions prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a)(2) shall be made to the Internal Revenue Service, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Accounts of the Rebate Fund with respect to the Bonds or an issue of Parity Bonds after redemption and payment of such issue and after making the payments described in subsections (a)(1)(iii) or (a)(2)(iii) (whichever is applicable), may be withdrawn by the Trustee at the written direction of the District and utilized in any manner by the District.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in this Section or this Indenture to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance and final payment of the Bonds and any Parity Bonds with respect to which an Account has been created in the Rebate Fund.

(d) Amendment Without Consent of Owners. This Section 3.7 may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the District an opinion of Bond Counsel to the effect that such deletion or amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any issue of Parity Bonds issued on a tax-exempt basis.

(e) Trustee. The Trustee shall have no responsibility to monitor or calculate any amounts payable to the U.S. Treasury pursuant to this Section and shall be deemed constructively to have complied with its obligations hereunder if it follows the written instructions of the District given pursuant to this Section.

Section 3.8. Surplus Fund. After making the transfers required by Sections 3.3, 3.4, 3.5, 3.6 and 3.7 hereof, as soon as practicable after each September 1, the Trustee shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to Section 5.2(b) hereof. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District: (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor; (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (iii) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses; (iv) to the Acquisition and Construction Fund to pay Project Costs; or (v) after all Project Costs have been paid, to the District, for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District shall notify the Trustee in a Certificate of an Authorized Representative and the Trustee shall segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund shall be invested at the written direction of the District in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes. Such amounts shall be disbursed as directed by an Authorized Representative of the District.

Section 3.9. Acquisition and Construction Fund.

(a) The moneys in the Costs of Issuance Account shall be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative of the District, and any balance remaining therein after 180 days shall be transferred by the Trustee to an Account within the Acquisition and Construction Fund as directed in writing by an Authorized Representative of the District. Following such transfer to the Acquisition and Construction Fund, the Costs of Issuance Account shall be closed.

(b) The moneys in the Acquisition and Construction Fund and the Accounts therein (other than the Costs of Issuance Account) shall be applied exclusively to pay the Project Costs. Amounts for Project Costs shall be disbursed by the Trustee from the Acquisition and Construction Fund or the Accounts therein (other than the Costs of Issuance Account), as specified in a Request for Disbursement of Project Costs, substantially in the form of Exhibit B-1 attached hereto. A properly executed Request for Disbursement of Project Costs must be submitted in connection with

each requested disbursement and the Trustee may rely thereon without investigating the accuracy thereof. Amounts in an Account of the Acquisition and Construction Fund may be transferred to another Account or Accounts therein pursuant to a Certificate of an Authorized Representative of the District.

(c) Upon receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Acquisition and Construction Fund or the Accounts therein (other than the Costs of Issuance Account) is no longer needed to pay Project Costs, the Trustee shall: (i) transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Acquisition and Construction Fund or the Accounts therein (other than the Costs of Issuance Account) to the Interest Account, the Principal Account or Redemption Account of the Special Tax Fund, to the Costs of Issuance Account or to the Surplus Fund, as directed in such certificate, provided that in connection with any direction to transfer amounts to the Surplus Fund there shall have been delivered to the Trustee with such certificate an opinion of Bond Counsel to the effect that such transfer to the Surplus Fund will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes; and (ii) thereafter, close the Acquisition and Construction Fund.

Section 3.10. Investments. Moneys held in any of the Funds, Accounts and Subaccounts under this Indenture shall be invested at the written direction of the District upon at least two (2) Business Days' notice in accordance with the limitations set forth below only in Authorized Investments which shall be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Authorized Investments shall be credited or charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on a Fund, Account or Subaccount shall be applied as follows: (i) investment earnings on all amounts deposited in the Acquisition and Construction Fund (including the Accounts therein), the Special Tax Fund, the Surplus Fund and the Rebate Fund and each Account therein (other than the Reserve Account of the Special Tax Fund) shall be deposited in those respective Funds, Accounts and Subaccounts; and (ii) investment earnings on all amounts deposited in the Reserve Account shall be deposited therein to be applied as set forth in Section 3.6. Ratings of Authorized Investments referred to herein shall be determined at the time of purchase of such Authorized Investments and without regard to rating subcategories. The Trustee shall have no responsibility to monitor the ratings of Authorized Investments after the initial purchase of such Authorized Investments or the responsibility to validate the ratings of Authorized Investments prior to the initial purchase. Moneys in the Funds, Accounts and Subaccounts held under this Indenture may be invested by the Trustee as directed in writing by the District, from time to time, in Authorized Investments subject to the following restrictions (provided that the Trustee is not required to verify compliance with such restrictions and may rely on the District's written instructions as evidence of such compliance):

(a) Moneys in the Acquisition and Construction Fund and the Accounts therein shall be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Acquisition and Construction Fund or the Accounts therein. Notwithstanding anything herein to the contrary, amounts in the Acquisition and Construction Fund or the Accounts therein three years after the Delivery Date for the Bonds and the proceeds of each issue of Parity Bonds issued on a tax-exempt basis which are remaining on deposit in the Acquisition and Construction Fund on the date which is three years following the date of issuance of such issue of Parity Bonds shall be invested by the

District only in Authorized Investments the interest on which is excluded from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds from which such proceeds were derived, unless in the opinion of Bond Counsel such restriction is not necessary to prevent interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes from being included in gross income for federal income tax purposes.

(b) Moneys in the Interest Account, the Principal Account, and the Redemption Account of the Special Tax Fund shall be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds and any Parity Bonds as the same become due.

(c) Moneys in the Reserve Account of the Special Tax Fund may be invested only in Authorized Investments (other than the Authorized Investment described in clause (2)(i) of the definition thereof) which, taken together, have a weighted average maturity not in excess of five years; provided that such amounts may be invested in an Investment Agreement to the later of the final maturity of the Bonds or any Parity Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with Section 3.6 hereof; and provided that no such Authorized Investment of amounts in the Reserve Account allocable to the Bonds or an issue of Parity Bonds shall mature later than the respective final maturity date of the Bonds or the issue of Parity Bonds, as applicable.

(d) Moneys in the Rebate Fund shall be invested only in Authorized Investments of the type described in clause (1) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government pursuant to Section 3.7 hereof or in Authorized Investments of the type described in clause (2)(e) of the definition thereof.

(e) In the absence of written investment directions from the District, the Trustee shall invest solely in Authorized Investments specified in clause (2)(e) of the definition thereof, as directed in a separate standing written investment direction by the District. If no such written investment direction from the District is received, the funds shall be uninvested. The Trustee may rely conclusively on the written investment directions of the District as to the suitability and legality of the directed investment.

The Trustee shall sell, or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such funds and accounts or from such funds and accounts. Notwithstanding anything herein to the contrary, the Trustee shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of this Indenture. Any Authorized Investments that are registrable securities shall be registered in the name of the Trustee.

The Trustee may act as principal or agent in the making or disposing of any investment and shall be entitled to its customary fee for making such investment. The Trustee may sell at the best market price obtainable, or present for redemption, any Authorized Investment so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Authorized Investment is credited, and,

subject to the provisions of Section 7.4, the Trustee shall not be liable or responsible for any loss resulting from such investment. For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or which any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

The District acknowledges that, to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

ARTICLE IV

REDEMPTION OF BONDS AND PARITY BONDS

Section 4.1. Redemption of Bonds.

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

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

In the event that the District elects to redeem Bonds as provided above, the District shall 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 shall 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.

(b) Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 20__ (the "20__ Term Bonds") shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established hereunder, 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 shall be selected by the Trustee by lot and shall 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 shall notify the Trustee at least 45 days prior to the redemption date as to the principal amount purchased, and the amount purchased shall 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 Bonds purchased pursuant to this subsection shall be cancelled pursuant to Section 10.1 hereof.

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 shall 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.

(c) Special Mandatory Redemption. The Bonds are subject to special mandatory redemption as a whole or in part on a pro rata basis among maturities and by lot within a maturity, on any Interest Payment Date on or after September 1, 20__ and shall be redeemed by the Trustee, from Prepayments deposited to the Redemption Account pursuant to Section 3.2, plus amounts transferred from the Reserve Account pursuant to Section 3.6(c), 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, 20__ through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and any Interest Payment Date thereafter	100

(d) The redemption provisions for Parity Bonds shall be set forth in a Supplemental Indenture.

Section 4.2. Selection of Bonds and Parity Bonds for Redemption. If less than all of the Bonds or Parity Bonds Outstanding are to be redeemed, the portion of any Bond or Parity Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof. In selecting portions of such Bonds or Parity Bonds for redemption, the Trustee shall treat such Bonds or Parity Bonds, as applicable, as representing that number of Bonds or Parity Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bonds or Parity 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 shall promptly notify the District in writing of the Bonds or Parity Bonds, or portions thereof, selected for redemption.

Section 4.3. Notice of Redemption. When Bonds or Parity Bonds are due for redemption under Section 4.1 above or under another redemption provision set forth in a Supplemental Indenture relating to any Parity Bonds, the Trustee shall give notice, in the name of the District, of the redemption of such Bonds or Parity Bonds. Such notice of redemption shall: (i) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds or Parity Bonds selected for redemption, except that where all of the Bonds or all of an issue of Parity Bonds are subject to redemption, or all of the Bonds or Parity 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 or Parity Bonds to be redeemed; (iii) state the redemption price; (iv) state the place or places where the Bonds or Parity Bonds are to be redeemed; (v) in the case of Bonds or Parity Bonds to be redeemed only in part, state the portion of such Bond or Parity Bond which is to be redeemed; (vi) state the date of issue of the Bonds or Parity Bonds as originally issued; (vii) state the rate of interest borne by each Bond or Parity Bond being redeemed; and (viii) state any other descriptive information needed to identify accurately the Bonds or Parity Bonds being redeemed as shall be specified by the Trustee. Such notice shall further state that on the date fixed for redemption, there shall become due and payable on each Bond, Parity 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 shall cease to accrue and be payable. At least 30 days but no more than 45 days prior to the redemption date, the Trustee shall 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 or Parity Bonds; provided, however, so long as the Bonds and Parity Bonds are registered in the name of the Nominee, such notice shall be given in such manner as complies with the requirements of the Depository. The actual receipt by the Owner of any Bond or Parity Bond of notice of such redemption shall not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice shall affect the validity of the proceedings for the redemption of such Bonds or Parity Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as herein provided shall be conclusive as against all parties and the Owner shall not be entitled to show that he or she failed to receive notice of such redemption.

In addition to the foregoing notice, further notice shall 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 shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption shall be sent not later than the date that notice of redemption is given to the Owners pursuant to the first paragraph of this Section 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 or Parity Bonds, such notice may state that such redemption shall be 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 or Parity Bonds to be redeemed and that, if the District determines that such moneys will not be so received on or prior to the redemption date, said notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds or Parity Bonds. In the event that such notice of redemption contains such a condition and the District determines that such moneys will not be so received, the redemption shall not be made, and the Trustee shall 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.

Section 4.4. Partial Redemption of Bonds or Parity Bonds. Upon surrender of any Bond or Parity Bond to be redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds or a new Parity Bond or Parity 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 or, in the case of surrender of a Parity Bond, a new Parity Bond or Parity Bonds subject to the foregoing limitations.

Section 4.5. Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in Section 4.3 hereof, 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:

(a) the Bonds and Parity Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in this Indenture or in any Supplemental Indenture with respect to any Parity Bonds, anything in this Indenture or in the Bonds or the Parity Bonds to the contrary notwithstanding;

(b) upon presentation and surrender thereof at the office of the Trustee, the redemption price of such Bonds and Parity Bonds shall be paid to the Owners thereof;

(c) as of the redemption date the Bonds or the Parity Bonds, or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds or Parity Bonds, or portions thereof, shall cease to bear further interest; and

(d) as of the date fixed for redemption no Owner of any of the Bonds, Parity Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of this Indenture or any Supplemental 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.

ARTICLE V

COVENANTS AND WARRANTY

Section 5.1. Warranty. The District shall preserve and protect the security pledged hereunder to the Bonds and any Parity Bonds against all claims and demands of all persons.

Section 5.2. Covenants. So long as any of the Bonds or Parity Bonds issued hereunder are Outstanding and unpaid, the District makes the following covenants with the Owners under the provisions of the Act and this Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and Parity Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

(a) Punctual Payment; Against Encumbrances. The District covenants that it will receive all Special Taxes in trust for the Owners and will deposit all Special Taxes with the Trustee immediately upon their apportionment to the District, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by this Indenture. All such Special Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth herein, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued hereunder, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and the Parity Bonds and in accordance with this Indenture to the extent that Net Taxes and other amounts pledged hereunder are available therefor, and that the payments into the Funds and Accounts created hereunder will be made, all in strict conformity with the terms of the Bonds, any Parity Bonds, and this Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures and of the Bonds and any Parity Bonds issued hereunder.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in this Indenture, and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the Bonds, other than Parity Bonds. Nothing herein shall prevent the District from issuing or incurring indebtedness which is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds and the Parity Bonds, subject to compliance with the District's bonded indebtedness limit.

(b) Levy of Special Tax. Beginning in Fiscal Year 2023 and so long as any Bonds or Parity Bonds issued under this Indenture are Outstanding, the District covenants to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay: (1) the principal of and interest on the Bonds and any Parity Bonds when due; (2) the Administrative Expenses; and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement, including any amounts to pay costs related to the Reserve Policy, if any. The District further covenants that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

(c) Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Bonds and any Parity Bonds that it will: (i) commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied; and (iii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement. The District may, but shall not be obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account. The District may treat any delinquent Special Tax sold to an independent third-party or to the City for at least 100% of the delinquent amount as having been paid. Proceeds of any such sale up to 100% of the delinquent amount will be deposited in the Special Tax Fund.

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

(d) Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund (other than the Administrative Expense Account therein), or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided, however, that nothing herein contained shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

(e) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the Project, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts shall at all times during business hours be subject to the inspection of the Trustee or of the Owners or the Owners of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

(f) Federal Tax Covenants. Notwithstanding any other provision of this Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis for federal income tax purposes will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(1) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or any Parity Bonds or of any other monies or property which would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "private activity bonds" within the meaning of Section 141 of the Code.

(2) Arbitrage. The District will make no use of the proceeds of the Bonds or any Parity Bonds or of any other amounts or property, regardless of the source, or take any action or

refrain from taking any action which will cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(3) Federal Guaranty. The District will make no use of the proceeds of the Bonds or any Parity Bonds or take or omit to take any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(4) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(5) Hedge Bonds. The District will make no use of the proceeds of the Bonds or any Parity Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds and any applicable Parity Bonds.

(6) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed on the Delivery Date by the District in connection with the Bonds and any issue of Parity Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

(7) Other Tax-Exempt Issues. The District will not use proceeds of other tax-exempt securities to redeem any Bonds or Parity Bonds without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis.

(8) Subsequent Opinions. If the District obtains a subsequent opinion of Bond Counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation, where such opinion is required in connection with a change or amendment to this Indenture or the procedures set forth in the Tax Certificate, it will obtain an opinion substantially to the effect originally delivered by Stradling Yocca Carlson & Rauth, a Professional Corporation, that interest on the Bonds is excluded from gross income for federal income tax purposes.

(g) Reduction of Maximum Special Taxes. The District hereby finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District hereby determines that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the District below the levels provided in this Section 5.2(g) would interfere with the timely retirement of the Bonds and Parity Bonds. The District determines it to be necessary in order to preserve the security for the Bonds and Parity Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District hereby does covenant, that it shall not initiate proceedings to reduce the maximum Special Tax rates for the District, unless, in

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

(h) Covenants to Defend. The District covenants that, in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the maximum Special Tax below the levels specified in Section 5.2(g) above or to limit the power of the District to levy the Special Taxes for the purposes set forth in Section 5.2(b) above, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(i) Limitation on Right to Tender Bonds. The District hereby covenants that it will not adopt any policy pursuant to Section 53344.1 of the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Net Taxes to pay the principal of and interest on the Bonds and Parity Bonds when due.

(j) Continuing Disclosure. The District covenants to comply with the terms of the Continuing Disclosure Certificate and with the terms of any agreement executed by the District with respect to any Parity Bonds to assist the Underwriter in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission; provided, however, that a failure to comply shall not be considered an event of default hereunder and the Owners shall be limited to enforcing the terms thereof in accordance with the terms of the Continuing Disclosure Certificate.

(k) Further Assurances. The District shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds and any Parity Bonds of the rights and benefits provided in this Indenture.

ARTICLE VI

AMENDMENTS TO INDENTURE

Section 6.1. Supplemental Indentures or Orders Not Requiring Owner Consent. The District may from time to time, and at any time, without notice to or consent of any of the Owners, adopt Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions herein which may be inconsistent with any other provision herein, or to make any other provision with respect to matters or questions arising under this Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Owners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in this Indenture other covenants, agreements, limitations and restrictions

to be observed by the District which are not contrary to or inconsistent with this Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of this Indenture;

(d) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to comply with the Code or regulations issued thereunder, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding, as evidenced by the opinion of counsel delivered pursuant to Section 6.3 hereof;

(e) to modify, alter or amend the RMA in any manner, so long as the Trustee receives a certificate of an Independent Financial Consultant stating that: (i) such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than the Administrative Expenses Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such amendment and (ii) based on the current development plan for parcels within the District, do not reduce the maximum Special Taxes which could be levied upon taxable property within the District to an amount which is less than the Administrative Expenses Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such amendment;

(f) to modify, alter, amend or supplement this Indenture in any other respect which is not materially adverse to the Owners, as evidenced by the opinion of counsel delivered pursuant to Section 6.3 hereof; or

(g) to modify, alter, amend or supplement this Indenture in any other respect, as may be required to fund all or a portion of the Reserve Requirement with a Reserve Policy.

Section 6.2. Supplemental Indentures or Orders Requiring Owner Consent.

Exclusive of the Supplemental Indentures described in Section 6.1, the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture; provided, however, that nothing herein shall permit, or be construed as permitting: (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond; (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon; (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond; or (d) a reduction in the aggregate principal amount of the Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds and Parity Bonds then Outstanding.

If at any time the District shall desire to adopt a Supplemental Indenture, which pursuant to the terms of this Section shall require the consent of the Owners, the District shall so notify the Trustee and shall deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee

shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Owners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Owners. The failure of any Owners to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding as required by this Section. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee shall receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to and approve the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, shall thereafter become a part of the proceedings for the issuance of the Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, Bonds or Parity Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination; except that in determining whether the Trustee shall be protected in relying upon any such demand, request, direction, consent or waiver of an Owner, only Bonds or Parity Bonds which the Trustee actually knows to be owned or held by or for the account of the District or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District, shall be disregarded unless all Bonds or Parity Bonds are so owned or held, in which case such Bonds or Parity Bonds shall be considered Outstanding for the purpose of such determination.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds in instances where such consent is required pursuant to the provisions of this Section, this Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the District and all Owners of Outstanding Bonds and Parity Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

Section 6.3. Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds. After the effective date of any action taken as hereinabove provided, the District may determine that the Bonds or any Parity Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date and presentation of such Owner's Bond or Parity Bond for the purpose at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation as to such action shall be made on such Bonds or Parity Bonds. If the District shall so determine, new Bonds or Parity Bonds so modified as, in the opinion of the District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date such new Bonds or Parity Bonds shall be exchanged at the office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, without cost to each Owner of Outstanding Bonds or Parity Bonds, upon surrender of such Outstanding Bonds or Parity Bonds.

The Trustee shall have the right to require such opinions of counsel as it deems necessary concerning: (i) the lack of material adverse effect of the amendment on Owners; (ii) that such amendment is authorized or permitted hereunder and complies with the terms hereof; and (iii) the fact that the amendment will not affect the tax status of interest with respect to the Bonds.

ARTICLE VII

TRUSTEE

Section 7.1. Trustee. The Bank of New York Mellon Trust Company, N.A. shall be the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District hereunder. The Trustee represents that it has (or is a member of a bank holding company system whose bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000. The District may, at any time, appoint a successor Trustee satisfying the requirements of Section 7.2 below for the purpose of receiving all money which the District is required to deposit with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture.

The Trustee is hereby authorized to and shall mail by first class mail, postage prepaid, or wire transfer in accordance with Section 2.5 above, interest payments to the Owners, to select Bonds and Parity Bonds for redemption, and to maintain the Bond Register. The Trustee is hereby authorized to pay the principal of and premium, if any, on the Bonds and Parity Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds and Parity Bonds presented to it for such purposes, to provide for the cancellation of Bonds and Parity Bonds all as provided in this Indenture, and to provide for the authentication of Bonds and Parity Bonds, and shall perform all other duties assigned to or imposed on it as provided in this Indenture. The Trustee shall keep accurate records of all funds administered by it and all Bonds and Parity Bonds paid, discharged and cancelled by it.

The Trustee is hereby authorized to redeem the Bonds and Parity Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Trustee shall cancel all Bonds and Parity Bonds upon payment thereof in accordance with the provisions of Section 10.1 hereof.

The District shall from time to time, subject to any agreement between the District and the Trustee then in force, timely pay to the Trustee following demand therefor compensation for its services, reimburse the Trustee for all its advances and expenditures, including, but not limited to, advances to and fees, costs and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties hereunder, and indemnify and save the Trustee, its officers, directors, employees and agents, harmless against costs, claims, expenses and liabilities, including, without limitation, fees, costs and expenses of its attorneys (not arising from its own gross negligence or willful misconduct) which it may incur in the exercise and performance of its powers and duties hereunder or under any document or transaction executed or contemplated in connection herewith. The foregoing obligation of the District to indemnify the Trustee shall survive the removal or resignation of the Trustee or the discharge of the Bonds and Parity Bonds. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law. Upon an Event of Default, and only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of and premium, if any, and

interest on any Bond or Parity Bond, upon the trust estate for the foregoing fees, charges and expenses incurred by it..

Section 7.2. Removal of Trustee. The District may at any time, upon 30 days' notice, remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company having (or whose parent bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. Any removal shall become effective only upon acceptance of appointment by the successor Trustee. If any bank or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee and notice of the successor Trustee's identity and address being sent by the successor Trustee to the Owners.

Section 7.3. Resignation of Trustee. The Trustee may at any time resign and be discharged from its duties and obligations hereunder by giving written notice to the District. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee satisfying the criteria in Section 7.2 above by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed by the District within thirty (30) days of giving such notice of removal or resignation, then the Trustee, or any Owner may petition, at the sole expense of the District, a court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint a successor Trustee under the Indenture.

Section 7.4. Liability of Trustee. The recitals of fact and all promises, covenants and agreements contained herein and in the Bonds and any Parity Bonds shall be taken as statements, promises, covenants and agreements of the District, and the Trustee assumes no responsibility or liability for the correctness of the same and makes no representations whatsoever as to the validity or sufficiency of this Indenture, the Bonds or any Parity Bonds, and shall incur no responsibility or liability in respect thereof, other than in connection with its express duties or obligations specifically set forth herein, in the Bonds and any Parity Bonds, or in the certificate of authentication assigned to or imposed upon the Trustee. The Trustee shall not have nor be under any responsibility or duty with respect to the issuance of the Bonds or any Parity Bonds for value. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own gross negligence or willful misconduct. The Trustee shall not be liable for any action taken or omitted by it or any of its officers, employees or agents in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture. The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was grossly negligent in ascertaining the pertinent facts. The Trustee may consult with counsel and the advice or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel. The Trustee shall not be accountable for the use or application by the District of any of the Bonds or Parity Bonds or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of this

Indenture or for the use and application of money received by any paying agent. The Trustee may become the owner of Bonds or Parity Bonds secured hereby with the same rights it would have if not Trustee.

The Trustee shall be entitled to request and receive written instructions from the District and/or Owners and shall have no responsibility or liability for any losses or damages of any nature that may arise from any action taken or not taken by the Trustee in accordance with the written direction of any such party. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of an Owner and/or the District, pursuant to the provisions of this Indenture, unless such party shall have offered to the Trustee security or indemnity (satisfactory to the Trustee in its sole and absolute discretion) against the costs, expenses and liabilities which may be incurred by it in compliance with such request or direction.

Neither the Trustee nor any of its directors, officers, employees, agents or affiliates shall be responsible for nor have any duty to monitor the performance or any action of the District or any of its directors, members, officers, agents, affiliates or employee, nor shall it have any liability in connection with the malfeasance or nonfeasance by such party. The Trustee may assume performance by all such persons of their respective obligations. The Trustee shall have no enforcement or notification obligations relating to breaches of representations or warranties of any other person. The Trustee shall be conclusively protected in acting upon any notice, resolution, request, consent, order, certificate, report, Bond, Parity Bond or other paper or document signed or presented by the proper party or parties as provided hereunder. The Trustee may, at the expense of the District, request, rely on and act in accordance with officer's certificates and/or opinions of counsel, and shall incur no liability and shall be fully protected in acting or refraining from acting in accordance with such officer's certificates and opinions of counsel.

The Trustee shall not be bound to recognize any person as the Owner of a Bond or Parity Bond unless and until such Bond or Parity Bond is submitted for inspection, if required, and his title thereto is satisfactorily established to the Trustee, if disputed.

Whenever in the administration of its express obligations under this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a written certificate of the District, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture upon the faith thereof, but in its discretion the Trustee may but shall not be obligated to accept other evidence of such matter or may require such additional evidence as to it may seem reasonable. It is understood and agreed that no such act shall broaden or imply the Trustee's acceptance of a broadening of the scope of the Trustee's duties and obligations hereunder unless the Trustee shall provide written acceptance thereof.

The Trustee shall have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it hereunder, or as to the correctness of any amounts

received, but its liability shall be limited to the proper accounting for such funds as it actually receives. No provision in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers.

The Trustee shall not be deemed to have knowledge of any default or event of default under this Indenture until an officer at the Trustee's corporate trust office responsible for the administration of its duties hereunder shall have actual knowledge thereof or the Trustee shall have received written notice thereof at its corporate trust office.

The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

Before taking any action under Article VIII hereof the Trustee may require indemnity and security satisfactory to the Trustee be furnished to it for and from any expenses and liabilities and to protect it against any liability it may incur hereunder.

The immunities extended to the Trustee also extend to its directors, officers, employees and agents (including its counsel).

The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of the Owners of 25% (or other percentage provided for herein) in aggregate principal amount of Bonds and Parity Bonds Outstanding relating to the exercise of any right, power or remedy available to the Trustee. In the event of conflicting instructions hereunder, the Trustee shall follow the direction of the group of holders holding the largest aggregate principal amount of the Bonds and Parity Bonds and will be protected in so doing.

The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty or in any way expand or impliedly expand the scope of the Trustee's duties hereunder, and, with respect to such permissive rights, the Trustee shall not be answerable for other than its gross negligence or willful misconduct.

The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

The Trustee may become the Owner or pledgee of the Bonds and Parity Bonds with the same rights it would have if it were not Trustee.

The Trustee shall perform such duties and only such duties as are specifically set forth in this Indenture and no implied duties or obligations shall be read into this Indenture against the Trustee. These duties shall be deemed purely ministerial in nature, and the Trustee shall not be liable except for the performance of such duties, and no implied covenants or obligations shall be read into this Indenture against the Trustee.

If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person.

The District shall, to the extent permitted by law, indemnify and save the Trustee and its officers, directors, agents, and employees harmless from and against (whether or not litigated) all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of: (i) the use, maintenance, condition or management of, or from any work or thing done on, the Project; (ii) any breach or default on the part of the District in the performance of any of its obligations under this Indenture and any other agreement made and entered into for purposes of the Bonds and Parity Bonds; (iii) any act of the City, the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project; (iv) any act of any assignee of, or purchaser from, the City, the District or of any of its or their agents, contractors, servants, employees or licensees with respect to the Project; (v) the construction or acquisition of the Project or the expenditure of Project Costs; (vi) the exercise and performance by the Trustee of its powers and duties hereunder or any related document; (vii) the sale of the Bonds and Parity Bonds and the carrying out of any of the transactions contemplated by the Bonds and Parity Bonds or this Indenture; or (viii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made in light of the circumstances in which they were made, not misleading in any official statement or other disclosure document utilized in connection with the sale or marketing of the Bonds and Parity Bonds. The indemnification set forth in this Section shall extend to the Trustee's officers, agents, employees, successors and assigns. No indemnification will be made under this Section or elsewhere in this Indenture or other agreements for willful misconduct or negligence by the Trustee, its officers, agents, employees, successors or assigns. The District's obligations hereunder shall remain valid and binding notwithstanding maturity and payment of the Bonds and Parity Bonds, or the resignation or removal of the Trustee. The foregoing indemnity shall survive the termination of this Indenture and the earlier removal or resignation of the Trustee.

In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners, the District and the City, having any claim against the Trustee arising from this Indenture shall look only to the funds and accounts held by the Trustee hereunder for payment, except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE PROJECT, OR ANY PORTION THEREOF. In no event shall the Trustee be liable for incidental, indirect, punitive, special or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), in connection with or arising out of the Project or this Indenture for the existence, furnishing, functioning or use and possession of the Project, irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of *force majeure*. The term "*force majeure*" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. *Force majeure* shall include, but not limited to, acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics, pandemics, quarantine restrictions, acts of civil or military authority or other similar occurrences.

The Trustee shall have the right to accept and act upon directions given pursuant to this Indenture and delivered using Electronic Means ("Electronic Means" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Trustee an incumbency certificate listing each Authorized Representative of the District with the authority to provide such directions and containing specimen signatures of such authorized officers, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee directions using Electronic Means and the Trustee in its discretion elects to act upon such directions, the Trustee's understanding of such directions shall be deemed controlling. The District understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions and that the Trustee shall conclusively presume that directions that purport to have been sent by an authorized officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Representative of the District. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and a compliance with such directions, notwithstanding such directions conflict or are inconsistent with a subsequent written direction. The District agrees (i) to assume all risks arising out of the use of Electronic Means to submit directions to the Trustee, including, without limitation, the risk of the Trustee acting on unauthorized directions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions to the Trustee and that there may be more secure methods of transmitting directions than the method(s) selected by the District; and (iii) that the security procedures (if any) to be followed in connection with its transmission of directions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances.

Section 7.5. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

Section 8.1. Events of Default. Any one or more of the following events shall constitute an "Event of Default":

(a) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond or Parity Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) default in the due and punctual payment of the interest on any Bond or Parity Bond when and as the same shall become due and payable; or

(c) except as described in subsections (a) or (b), default by the District in the observance of any of the agreements, conditions or covenants on its part contained in this Indenture, the Bonds or any Parity Bonds, which default continues for a period of 30 days after the District has been given notice in writing of such default by the Trustee or the Owners of twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds and Parity Bonds.

The Trustee agrees to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under subsections (a) or (b) above and within 30 days of the Trustee's actual knowledge of an Event of Default under subsection (c) above.

Section 8.2. Remedies of Owners. Upon the occurrence of an Event of Default, any Owner may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds and Parity Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture, including:

(a) by mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in this Indenture;

(b) by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) by a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default shall have occurred and be continuing and if requested and directed so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and Parity Bonds and if indemnified to its satisfaction, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article VIII, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners of the Bonds and Parity Bonds.

No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Section 8.3. Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Owners under the provisions of this Indenture relating to the Bonds and Parity Bonds shall be applied by the Trustee in the following order upon presentation of the several Bonds and Parity Bonds:

First, to the payment of the costs, fees and expenses of the Trustee in declaring such Event of Default and in performing its duties and obligations hereunder, including reasonable compensation to its agents, attorneys and counsel;

Second, upon presentation of the several Bonds and Parity Bonds, to the payment of the fees, costs and expenses of the Owners in declaring such Event of Default and in carrying out the provisions of this Article VIII, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Trustee; and

Third, to the payment of the whole amount of interest on and principal of the Bonds and Parity Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds and Parity Bonds; provided, however, that in the event that such amounts shall be insufficient to pay the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) first to the payment of all installments of interest on the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing;

(b) second, to the payment of all installments of principal, including Sinking Fund Payments, of the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing; and

(c) third, to the payment of interest on overdue installments of principal and interest on the Bonds and Parity Bonds on a pro rata basis based on the total amount then due and owing.

Section 8.4. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its obligations hereunder, whether upon its own discretion or upon the request of the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds and Parity Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other such litigation. Any suit, action or proceeding which any Owner of Bonds or Parity Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds and Parity Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds and Parity Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds and Parity Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds and Parity Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact. Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or Parity Bonds or

the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Section 8.5. Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights and of the Owners of the Bonds and Parity Bonds under this Indenture, the Trustee shall be entitled, as a matter of right to which the District expressly agrees, to the appointment of a receiver or receivers of the Net Taxes and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 8.6. Non-Waiver. Nothing in this Article VIII or in any other provision of this Indenture, or in the Bonds or the Parity Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds and Parity Bonds to the respective Owners of the Bonds and Parity Bonds at the respective dates of maturity, as herein provided, or to pay the Trustee its fees and expenses as provided in Section 8.3 hereof, out of the Net Taxes and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds or Parity Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or the Owners by the Act or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners, as the case may be.

Section 8.7. Limitations on Rights and Remedies of Owners. No Owner of any Bond or Parity Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless: (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds and Parity Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity and security reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity and security shall have been made to, the Trustee.

Such notification, request, tender of indemnity and security and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds and Parity Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Bonds and Parity Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds and Parity Bonds.

The right of any Owner of any Bond and Parity Bond to receive payment of the principal of and interest and premium (if any) on such Bond and Parity Bond as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Section 8.8. Termination of Proceedings. In case any Owner shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the District, the Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Owners shall continue as if no such proceedings had been taken.

ARTICLE IX

DEFEASANCE AND PARITY BONDS

Section 9.1. Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in this Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond shall cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond or Parity Bond under this Indenture and any Supplemental Indenture relating to such Parity Bond shall thereupon cease, terminate and become void and be discharged and satisfied, except for the District's indemnification obligations under Sections 7.1 and 7.4 hereunder, which shall survive. In the event of a defeasance of all Outstanding Bonds and Parity Bonds pursuant to this Section, the Trustee shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the District's general fund all money or securities held by it pursuant to this Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds and Parity Bonds.

Any Outstanding Bond or Parity Bond shall be deemed to have been paid within the meaning expressed in the first paragraph of this Section if such Bond or Parity Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable; or

(c) by depositing with the Trustee or another escrow bank appointed by the District, in trust, federal securities described in subparagraph (1) of the definition of Authorized Investments, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the

Administrative Expense Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable.

If paid as provided above, then, at the election of the District, and notwithstanding that any Outstanding Bonds and Parity Bonds shall not have been surrendered for payment, all obligations of the District under this Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond shall cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid all sums due thereon, and except for the covenants of the District contained in Section 5.2(f) or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of such election shall be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In connection with a defeasance under (c) above, there shall be provided to the District and the Trustee a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds and Parity Bonds to be defeased in accordance with this Section, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds or Parity Bonds being defeased have been legally defeased in accordance with this Indenture and any applicable Supplemental Indenture.

Upon a defeasance, the Trustee, upon request of the District, shall release the rights of the Owners of such Bonds and Parity Bonds which have been defeased under this Indenture and any Supplemental Indenture and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance hereunder of all Outstanding Bonds and Parity Bonds, the Trustee shall pay over or deliver to the District any funds held by the Trustee at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds and Parity Bonds when due. The Trustee shall, at the written direction of the District, mail, first class, postage prepaid, a notice to the Owners whose Bonds or Parity Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

Section 9.2. Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness. The District may at any time after the issuance and delivery of the Bonds hereunder issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expense Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued hereunder or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued only for the purposes of refunding all or a portion of the Bonds or Parity Bonds then Outstanding subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Parity Bonds:

(a) The District shall be in compliance with all covenants set forth in this Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect shall have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly adopted by the District which shall specify the following:

(1) the purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited;

(2) the authorized principal amount of such Parity Bonds;

(3) the date and the maturity date or dates of such Parity Bonds; provided that: (i) each maturity date shall fall on a September 1; (ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number; (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates; and (iv) the maturity of such Parity Bonds shall not exceed the maturity of the Bonds being refunded;

(4) the description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) the denominations and method of numbering of such Parity Bonds;

(6) the amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(7) the amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account of the Special Tax Fund to increase the amount therein to the Reserve Requirement;

(8) the form of such Parity Bonds; and

(9) such other provisions as are necessary or appropriate and not inconsistent with this Indenture.

(c) The District shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee shall be directed by the District to accept any of such documents bearing a prior date):

(1) a certified resolution of the City Council, acting as the legislative body of the District, authorizing the issuance of such Parity Bonds;

(2) a written request of the District as to the delivery of such Parity Bonds;

(3) an opinion of Bond Counsel and/or general counsel to the District to the effect that: (i) the District has the right and power under the Act to execute and deliver the Supplemental Indenture relating to such Parity Bonds, and such Supplemental Indenture has been duly and lawfully executed by the District, and the Indenture and such Supplemental Indenture are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (ii) this Indenture creates the valid

pledge which it purports to create of the Net Taxes and other amounts as provided in this Indenture, subject to the application thereof to the purposes and on the conditions permitted by this Indenture; and (iii) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of this Indenture and the Supplemental Indenture executed and delivered in connection with such Parity Bonds and are entitled to the benefits of this Indenture and such Supplemental Indenture, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and this Indenture and such Supplemental Indenture; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued;

(4) a certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of this Indenture;

(5) a certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds; and

(6) such further documents, money and securities as are required by the provisions of this Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

ARTICLE X

MISCELLANEOUS

Section 10.1. Cancellation of Bonds and Parity Bonds. All Bonds and Parity Bonds surrendered to the Trustee for payment upon maturity or for redemption shall be upon payment therefor, and any Bond or Parity Bond purchased by the District as authorized herein and delivered to the Trustee for such purpose shall be, cancelled forthwith and shall not be reissued. The Trustee shall destroy such Bonds and Parity Bonds, as provided by law, and, upon request of the District, furnish to the District a certificate of such destruction.

Section 10.2. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Indenture to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds or Parity Bonds shall be sufficient for the purposes of this Indenture (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument, and of any instrument appointing any such attorney, may be proved by a signature

guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee shall also constitute sufficient proof of his authority.

(b) As to any Bond or Parity Bond, the person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond or Parity Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond or Parity Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the District nor the Trustee shall be affected by any notice to the contrary.

Nothing contained in this Indenture shall be construed as limiting the Trustee or the District to such proof, it being intended that the Trustee or the District may accept any other evidence of the matters herein stated which the Trustee or the District may deem sufficient. Any request or consent of the Owner of any Bond or Parity Bond shall bind every future Owner of the same Bond or Parity Bond in respect of anything done or suffered to be done by the Trustee or the District in pursuance of such request or consent.

Section 10.3. Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds and Parity Bonds which remain unclaimed for two years after the date when such Outstanding Bonds or Parity Bonds have become due and payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds or Parity Bonds become due and payable, shall be repaid by the Trustee (without liability for interest) to the District, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such Outstanding Bonds or Parity Bonds; provided, however, that, before being required to make any such payment to the District, the Trustee, at the expense of the District, shall cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds or Parity Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

Section 10.4. Provisions Constitute Contract. The provisions of this Indenture shall constitute a contract between the District and the Owners and the provisions hereof shall be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Owners or the Trustee, then the District, the Trustee and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds, this Indenture shall be irrevocable, but shall be subject to modifications to the extent and in the manner provided in this Indenture, but to no greater extent and in no other manner.

Section 10.5. Future Contracts. Nothing herein contained shall be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Taxes which is subordinate to the pledge hereunder, or which is payable from the general fund of the District or from taxes or any source other than the Net Taxes and other amounts pledged hereunder.

Section 10.6. Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds or any Parity Bonds the rights and benefits provided in this Indenture.

Section 10.7. Entire Agreement; Severability. This Indenture and the exhibits hereto set forth the entire agreement and understanding of the parties related to this transaction and supersedes all prior agreements and understandings, oral or written. If any covenant, agreement or provision, or any portion thereof, contained in this Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Indenture, the Bonds and any Parity Bonds issued pursuant hereto shall remain valid and the Owners shall retain all valid rights and benefits accorded to them under the laws of the State of California.

Section 10.8. Notices. Any notices required to be given to the District with respect to the Bonds or this Indenture shall be mailed, first class, postage prepaid, or personally delivered to the City Manager of the City of Escondido, 201 North Broadway, Escondido, CA 92025, all notices to the Trustee in its capacity as Trustee shall be mailed, first class, postage prepaid, or personally delivered to the Trustee, The Bank of New York Mellon Trust Company, N.A., 333 South Hope Street, Suite 2525, Los Angeles, California 90071.

IN WITNESS WHEREOF, COMMUNITY FACILITIES DISTRICT NO. 2020-2 OF THE CITY OF ESCONDIDO (THE VILLAGES) has caused this Indenture to be signed by an Authorized Representative of the District and The Bank of New York Mellon Trust Company, N.A. in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officers identified below, all as of the day and year first above written.

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

By: _____
Mayor of the City of Escondido, acting as the legislative body of Community Facilities District No. 2020-2 of the City of Escondido (The Villages)

ATTEST:

City Clerk of the City of Escondido, acting as the legislative body of Community Facilities District No. 2020-2 of the City of Escondido (The Villages)

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: _____
Authorized Signatory

EXHIBIT A

FORM OF SPECIAL TAX BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE DISTRICT OR TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

R-_____ \$_____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO**

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

INTEREST RATE: MATURITY DATE: DATED DATE: CUSIP:
_____ % September 1, 20____, 20____ _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

COMMUNITY FACILITIES DISTRICT NO. 2020-2 OF THE CITY OF ESCONDIDO (The Villages) (the "District") which was formed by the City of Escondido (the "City") and is situated in the County of San Diego, State of California, FOR VALUE RECEIVED, hereby promises to pay, solely from certain amounts held under the Indenture (as hereinafter defined), to the Owner named above, or registered assigns, on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the Principal Amount set forth above, and to pay interest on such Principal Amount from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication hereof, unless: (i) the date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication; (ii) the date of authentication is after a Record Date (as hereinafter defined) but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest shall be payable from the Dated Date set forth above. Notwithstanding the foregoing, if at the time of authentication of this Bond interest is in

default, interest on this Bond shall 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, interest on this Bond shall be payable from the Dated Date set forth above. Interest will be paid semiannually on September 1, 2022 and each March 1 and September 1 thereafter (each an "Interest Payment Date"), at the Interest Rate set forth above, until the Principal Amount hereof is paid or made available for payment.

The principal of and premium, if any, on this Bond are payable to the Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the Principal Office of the Trustee (as such term is defined in the Indenture), initially The Bank of New York Mellon Trust Company, N.A. (the "Trustee"). Interest on this Bond shall be paid by check of the Trustee mailed, by first class mail, postage prepaid, or in certain circumstances described in the Indenture by wire transfer to an account within the United States of America, to the Owner hereof as of the close of business on the fifteenth day of the month preceding the month in which the Interest Payment Date occurs (the "Record Date") at such Owner's address as it appears on the registration books maintained by the Trustee.

This Bond is one of a duly authorized issue of "Community Facilities District No. 2020-2 of the City of Escondido (The Villages) Special Tax Bonds, Series 2022" (the "Bonds") issued in the aggregate principal amount of \$_____ pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Section 53311 *et seq.* of the California Government Code (the "Act") for the purpose of financing public improvements, funding a reserve account, funding a portion of the interest due on the Bonds through September 1, 2022, and paying certain costs related to the issuance of the Bonds. The issuance of the Bonds and the terms and conditions thereof are provided for by a resolution adopted by the City Council of the City, acting in its capacity as the legislative body of the District (the "Legislative Body"), on June 15, 2022, and a Bond Indenture executed in connection therewith dated as of July 1, 2022 (the "Indenture"), by and between the District and the Trustee, and this reference incorporates the Indenture herein, and by acceptance hereof the Owner of this Bond assents to said terms and conditions. The Indenture is adopted under and this Bond is issued under, and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act and the Indenture, the principal of, premium, if any, and interest on this Bond are payable solely from the portion of the annual special taxes authorized under the Act to be levied and collected within the District (the "Special Taxes") and certain other amounts pledged to the repayment of the Bonds as set forth in the Indenture. Any amounts for the payment hereof shall be limited to the Net Taxes pledged and collected or foreclosure proceeds received following a default in payment of the Special Taxes and other amounts deposited to the Special Tax Fund (other than the Administrative Expense Account therein) established under the Indenture, except to the extent that other provision for payment has been made by the Legislative Body, as may be permitted by law. The District has covenanted for the benefit of the owners of the Bonds that under certain circumstances described in the Indenture it will commence and diligently pursue to completion appropriate foreclosure proceedings in the event of delinquencies of Special Tax installments levied for payment of principal and interest on the Bonds.

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

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

The Bonds maturing on September 1, 20__ (the "20__ Term Bonds") shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 20__, and 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 shall be selected by the Trustee by lot and shall 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 are subject to special mandatory redemption as a whole, or in part on a pro rata basis among maturities and by lot within a maturity, on any Interest Payment Date on or after September 1, 20__, and shall be redeemed by the Trustee, from Prepayments deposited to the Redemption Account plus amounts transferred from the Reserve Account in connection with such transfers, 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, 20__ through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and any Interest Payment Date thereafter	100

Notice of redemption with respect to the Bonds to be redeemed shall be mailed to the registered owners thereof not less than 30 nor more than 45 days prior to the redemption date by first class mail, postage prepaid, to the addresses set forth in the registration books; provided, however, so long as the Bonds are registered in the name of the Nominee, such notice shall be given in such manner as complies with the requirements of the Depository. Neither a failure of the Owner hereof to receive such notice nor any defect therein will affect the validity of the proceedings for redemption. All Bonds or portions thereof so called for redemption will cease to accrue interest on the specified redemption date, provided that funds for the redemption are on deposit with the Trustee

on the redemption date. Thereafter, the registered owners of such Bonds shall have no rights except to receive payment of the redemption price upon the surrender of the Bonds.

This Bond shall be registered in the name of the Owner hereof, as to both principal and interest, and the District and the Trustee may treat the Owner hereof as the absolute owner for all purposes and shall not be affected by any notice to the contrary.

The Bonds are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof and may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same issue and maturity, all as more fully set forth in the Indenture. This Bond is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at the Principal Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, upon surrender and cancellation of this Bond. Upon such transfer, a new registered Bond of authorized denomination or denominations for the same aggregate principal amount of the same issue and maturity will be issued to the transferee in exchange therefor.

The Trustee shall not be required to register transfers or make exchanges of: (i) any Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed; or (ii) any Bonds chosen for redemption.

The rights and obligations of the District and of the registered owners of the Bonds may be amended at any time, and in certain cases without notice to or the consent of the registered owners, to the extent and upon the terms provided in the Indenture.

THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE CITY OR OF THE DISTRICT. NEITHER THE CITY NOR THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, GENERAL OR SPECIAL TAXES, OTHER THAN THE SPECIAL TAXES REFERENCED HEREIN. THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE FROM THE PORTION OF THE SPECIAL TAXES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE BUT ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, Community Facilities District No. 2020-2 of the City of Escondido (The Villages) has caused this Bond to be dated the Dated Date, to be signed on behalf of the District by the Mayor of the City by his facsimile signature and attested by the facsimile signature of the City Clerk of the City.

Mayor of the City of Escondido, acting as the legislative body of Community Facilities District No. 2020-2 of the City of Escondido (The Villages)

ATTEST:

City Clerk of the City of Escondido, acting as the legislative body of Community Facilities District No. 2020-2 of the City of Escondido (The Villages)

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the within-defined Indenture.

Dated: _____, 2022

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. as Trustee

By: _____
Authorized Signatory

[FORM OF LEGAL OPINION]

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

City Clerk of the City

[FORM OF ASSIGNMENT]

For value received the undersigned do(es) hereby sell, assign and transfer unto

whose tax identification number is _____,
the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s)

attorney to transfer the same on the books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature guaranteed:

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution.

NOTE: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B-1

FORM OF REQUISITION FOR DISBURSEMENT OF PROJECT COSTS

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

The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), is hereby requested to pay from the [City Improvements][Water District Facilities]Account of the Community Facilities District No. 2020-2 of the City of Escondido (The Villages) Acquisition and Construction Fund, established by the Bond Indenture, dated as of July 1, 2022, by and between the Trustee and Community Facilities District No. 2020-2 of the City of Escondido (The Villages) (the "District"), the amount specified to the payee named below for payment of the Project Costs set forth in Attachment No. 1 hereto.

Payee:
Address:
Purpose:
Amount: \$

The amount is due and payable under purchase order, contract or other authorization and has not formed the basis of any prior request for payment. The conditions for the release of this amount from the [City Improvements][Water District Facilities] Account, including those conditions in Section 3.9(b) of the Indenture have been satisfied.

There has not been filed with nor served upon the District notice of any lien, right to lien or attachment upon, or stop notice or claim affecting the right to receive payment of the amount specified above which has not been released or will not be released simultaneously with the payment of such amount, other than materialmen's or mechanic's liens accruing by mere operation of law.

Dated: _____

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

By: _____
Name: _____
Title: _____

[\$[PAR]]
COMMUNITY FACILITIES DISTRICT NO. 2020-2 OF THE
CITY OF ESCONDIDO (THE VILLAGES)
SPECIAL TAX BONDS, SERIES 2022

BOND PURCHASE AGREEMENT

[Closing Date]

Community Facilities District No. 2020-2
of the City of Escondido (The Villages)
201 North Broadway
Escondido, California 92025

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Underwriter"), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement (this "Purchase Agreement") with Community Facilities District No. 2020-2 of the City of Escondido (The Villages) (the "Community Facilities District"), which upon acceptance will be binding upon the Underwriter and the Community Facilities District. The agreement of the Underwriter to purchase the Bonds (as hereinafter defined) is contingent upon the Community Facilities District satisfying all of the obligations imposed upon them under this Purchase Agreement. This offer is made subject to the Community Facilities District's acceptance by the execution of this Purchase Agreement and its delivery to the Underwriter at or before 8:00 p.m., local time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Community Facilities District at any time prior to the acceptance hereof by the Community Facilities District. All capitalized terms used herein, which are not otherwise defined, shall have the meaning provided for such terms in the Bond Indenture, dated as of July 1, 2022 (the "Indenture"), by and between the Community Facilities District and The Bank of New York Mellon Company, N.A., as trustee (the "Trustee").

1. Purchase, Sale and Delivery of the Bonds.

Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Community Facilities District and the Community Facilities District hereby agrees to sell to the Underwriter all (but not less than all) of the \$[PAR] aggregate principal amount of Community Facilities District No. 2020-2 of the City of Escondido (The Villages) Special Tax Bonds, Series 2022 (the "Bonds"), dated the Closing Date (as hereinafter defined), bearing interest at the rates and maturing on the dates and in the principal amounts set forth in Exhibit A hereto. The purchase price for the Bonds shall be \$_____ (being 100% of the aggregate principal amount thereof, plus original issue premium of \$_____ and less an Underwriter's discount of \$_____).

The Underwriter agrees to make a bona fide public offering of all of the Bonds initially at the public offering prices (or yields) set forth in Exhibit A attached hereto and incorporated herein by

reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds subject to Section 4 hereof, provided that the Underwriter shall not change the interest rates set forth in Exhibit A. The Bonds will be offered and sold to certain dealers at prices lower than such initial offering prices.

The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable from the Net Taxes as provided in the Indenture, the Preliminary Official Statement (as hereinafter defined), and the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the "Community Facilities District Act"). The issuance of the Bonds has been duly authorized by the City Council of the City of Escondido (the "City"), as the legislative body for the Community Facilities District, pursuant to a resolution (the "Community Facilities District Resolution of Issuance") adopted on June 15, 2022.

The net proceeds of the Bonds will be used to (i) finance certain public improvements needed with respect to the development of property located within the Community Facilities 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 with respect to the Bonds, and (iii) pay the costs of issuance with respect to the Bonds.

A. The Community Facilities District hereby acknowledges that the Underwriter is entering into this Purchase Agreement in reliance on the representations, warranties and agreements made by the Community Facilities District herein, and the Community Facilities District shall take all action necessary to enforce its rights hereunder for the benefit of the Underwriter and shall immediately notify the Underwriter if it becomes aware that any representation, warranty or agreement made by the Community Facilities District herein is incorrect in any material respect.

The Community Facilities District acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the Community Facilities District and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as the agent or fiduciary of, or a municipal or financial advisor of, the Community Facilities District and has not assumed any advisory or fiduciary responsibility to the Community Facilities District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided or is currently providing other services to the Community Facilities District on other matters), (iv) the Underwriter has financial interests that differ from those of the Community Facilities District, (v) the only obligations the Underwriter has to the Community Facilities District with respect to the transaction contemplated hereby are expressly set forth in this Purchase Agreement, except as otherwise provided by applicable rules and regulations of the Securities and Exchange Commission or the rules of the MSRB (as defined below) or other law, and (vi) the Community Facilities District has consulted its own legal, financial, accounting, tax, and other advisors to the extent they have deemed appropriate in connection with this transaction. The Community Facilities District acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board ("MSRB"). The Community Facilities District acknowledges and represents that it has engaged CSG Advisors Incorporated as its municipal advisor

(as defined in Securities and Exchange Commission Rule 15Ba1) and will rely solely on the financial advice of CSG Advisors Incorporated with respect to the Bonds.

B. Pursuant to the authorization of the Community Facilities District, the Underwriter has distributed copies of the Preliminary Official Statement dated [POS Date], relating to the Bonds, which, together with the cover page, inside cover page and appendices thereto is herein called the "Preliminary Official Statement." By its acceptance of this Purchase Agreement, the Community Facilities District hereby ratifies the use by the Underwriter of the Preliminary Official Statement, and the Community Facilities District agrees to execute a final official statement relating to the Bonds (the "Official Statement") which will consist of the Preliminary Official Statement with such changes as may be made thereto, with the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, as Bond Counsel ("Bond Counsel"), Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel ("Disclosure Counsel"), and the Underwriter, and to provide copies thereof to the Underwriter as set forth herein. The Community Facilities District hereby authorizes and requires the Underwriter to use and promptly distribute, in connection with the offer and sale of the Bonds, the Preliminary Official Statement, the Official Statement and any supplement or amendment thereto. The Community Facilities District further authorizes the Underwriter to use and distribute, in connection with the offer and sale of the Bonds, the Indenture, the Continuing Disclosure Certificate executed by the Community Facilities District in connection with the Bonds (the "Continuing Disclosure Certificate"), this Purchase Agreement and all information contained herein, and all other documents, certificates and statements furnished by or on behalf of the Community Facilities District to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

C. To assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"), the Community Facilities District will undertake pursuant to the Continuing Disclosure Certificate, in the form attached as an appendix to the Official Statement, to provide annual reports and notices of certain enumerated events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

D. Except as the Underwriter and the Community Facilities District may otherwise agree, the Community Facilities District will deliver to the Underwriter, at the offices of Bond Counsel in Newport Beach, California, or at such other location as may be mutually agreed upon by the Underwriter and the Community Facilities District, the documents hereinafter mentioned; and the Community Facilities District will deliver to the Underwriter through the facilities of The Depository Trust Company ("DTC"), the Bonds, in definitive form (all Bonds bearing CUSIP numbers), duly executed by the Community Facilities District and authenticated by the Trustee in the manner provided for in the Indenture and the Community Facilities District Act at 8:00 a.m. California time, on [Closing Date] (the "Closing Date"), and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in paragraph (A) of this Section by wire transfer, payable in federal or other immediately available funds (such delivery and payment being herein referred to as the "Closing"). The Bonds shall be in fully registered book-entry form (which may be typewritten) and shall be registered in the name of Cede & Co., as nominee of DTC.

2. Representations, Warranties and Covenants of the Community Facilities District. The Community Facilities District represents, warrants and covenants to the Underwriter on behalf of itself and the City that:

A. The City is duly organized and validly existing as a general law city under the Constitution and laws of the State of California and has duly authorized the formation of the Community Facilities District and the incurring of bonded indebtedness thereby pursuant to resolutions duly adopted by the City Council (collectively, the "Community Facilities District Formation Resolutions" and, together with the Community Facilities District Resolution of Issuance, the "Community Facilities District Resolutions") and the Community Facilities District Act. The City Council, as the legislative body of the City and the Community Facilities District, has duly adopted the Community Facilities District Formation Resolutions and an ordinance of the City Council levying Special Taxes within the Community Facilities District (the "Ordinance"), and has caused to be recorded in the real property records of the County of San Diego, a notice of special tax lien, and any required amendments thereof (collectively, the "Notice of Special Tax Lien" and, together with the Community Facilities District Formation Resolutions and the Ordinance, the "Formation Documents"), and has duly adopted the Community Facilities District Resolution of Issuance. Each of its Formation Documents remains in full force and effect as of the date hereof and has not been amended or rescinded. The Community Facilities District is duly organized and validly existing as a Community Facilities District under the laws of the State of California. The Community Facilities District has, and at the Closing Date will have, as the case may be, full legal right, power and authority: (i) to execute, deliver and perform its obligations under this Purchase Agreement, the Continuing Disclosure Certificate and the Indenture, and to carry out all transactions contemplated by each of such agreements; (ii) to issue, sell and deliver the Bonds as provided herein; and (iii) to carry out, give effect to and consummate the transactions contemplated by the Formation Documents, the Indenture, the Bonds, the Continuing Disclosure Certificate, this Purchase Agreement, the Acquisition and Funding Agreement dated as of May 1, 2020 (the "Acquisition Agreement"), by and between the City and Lennar Homes of California, LLC, a California limited liability company ("Lennar") (successor-by-conversion to, and formerly known as, Lennar Homes of California, Inc.), and the Official Statement.

This Purchase Agreement, the Indenture, the Bonds, the Continuing Disclosure Certificate, and the Acquisition Agreement are collectively referred to herein as the "Community Facilities District Documents."

B. The Community Facilities District and the City, as applicable, have each complied, and will at the Closing Date be in compliance in all material respects, with the Formation Documents and the Community Facilities District Documents, and any immaterial noncompliance by the Community Facilities District and the City, if any, will not impair the ability of the Community Facilities District and the City, as applicable, to carry out, give effect to or consummate the transactions contemplated by the foregoing. From and after the date of issuance of the Bonds, the Community Facilities District will continue to comply with the covenants of the Community Facilities District contained in the Community Facilities District Documents.

C. The information in the Preliminary Official Statement and in the Official Statement relating to the Community Facilities District and the Bonds (other than statements pertaining to the book-entry system, as to which no view is expressed), is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they

were made, not misleading; and, upon delivery and up to and including 25 days after the End of the Underwriting Period (as defined in paragraph (D) below), the Official Statement will be amended and supplemented so as to contain no misstatement of any material fact or omission of any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

D. Up to and including 25 days after the End of the Underwriting Period (as defined below), the Community Facilities District will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not affect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The Community Facilities District will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise materially affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds. As used herein, the term "End of the Underwriting Period" means the later of such time as: (i) the Bonds are delivered to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the Community Facilities District at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the "End of the Underwriting Period."

E. Except as described in the Preliminary Official Statement, the Community Facilities District is not, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Community Facilities District is a party or is otherwise subject or bound, and the performance of its obligations under the Community Facilities District Documents and compliance with the provisions of each thereof, or the performance of the conditions precedent to be performed by the Community Facilities District pursuant to this Purchase Agreement, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Community Facilities District is a party or is otherwise subject or bound, in any manner which would materially and adversely affect the performance by the Community Facilities District of its obligations under the Community Facilities District Documents or the performance of the conditions precedent to be performed by the Community Facilities District pursuant to this Purchase Agreement.

F. Except as may be required under the "blue sky" or other securities laws of any jurisdiction, all approvals, consents, authorizations, elections and orders of, or filings or registrations with, any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Community Facilities District of its obligations under the Community Facilities District Documents, and the performance of the conditions precedent to be performed by the Community Facilities District pursuant to this Purchase Agreement, have been or will be obtained at the Closing Date and are or will be in full force and effect at the Closing Date.

G. The Community Facilities District Documents conform as to form and tenor to the descriptions thereof contained in the Official Statement.

H. The Bonds are payable from the Net Taxes of the Community Facilities District, as set forth in the Indenture, the levy of which has been duly and validly authorized pursuant to the Community Facilities District Act and the Special Taxes within the Community Facilities District will be fixed and levied in an amount which, together with other available funds, is required for the payment of the principal of, and interest on, the Bonds when due and payable, all as provided in the Indenture. The Community Facilities District has covenanted to cause the Special Taxes to be levied and collected at the same time and in the same manner as ordinary *ad valorem* property taxes or in such other manner as the City Council shall determine.

I. The Indenture creates a valid pledge of, first lien upon and security interest in, the Net Taxes of the Community Facilities District, and in the moneys in the Special Tax Fund, including the Reserve Account therein (the "Reserve Account") established pursuant to the Indenture, on the terms and conditions set forth in the Indenture.

J. Except as disclosed in the Preliminary Official Statement, there are, to the best of the Community Facilities District's knowledge, no entities with outstanding assessment liens against any of the properties within the Community Facilities District or which are senior to or on a parity with the Special Taxes of the Community Facilities District referred to in paragraph (H) hereof.

K. The information contained in the Preliminary Official Statement and in the Official Statement (other than statements therein pertaining to the DTC and its book-entry system, as to which no view is expressed) is true and correct in all material respects and such information does not and shall not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

L. The Preliminary Official Statement was deemed final by a duly authorized officer of the Community Facilities District prior to its delivery to the Underwriter, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(1) of the Rule. The Community Facilities District hereby covenants and agrees that, within seven (7) business days from the date hereof, or upon reasonable written notice from the Underwriter within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, the Community Facilities District shall cause a final printed form of the Official Statement to be delivered to the Underwriter in sufficient quantity to comply with paragraph (b)(4) of the Rule and Rules G-12, G-15, G-32 and G-36 of the MSRB.

M. At the time of acceptance hereof there is and as of the Closing there will be no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body (collectively and individually, an "Action") pending (notice of which has been served on the City or the Community Facilities District) or to the best knowledge of the Community Facilities District or the City threatened, in which any such Action: (i) in any way questions the existence of the Community Facilities District or the titles of the officers of the Community Facilities District to their respective offices; (ii) affects, contests or seeks to prohibit, restrain or enjoin the issuance or delivery of the Bonds or the payment or collection of Special Taxes or any amounts pledged or to be pledged to pay the principal of and interest on the

Bonds, or in any way contests or affects the validity of the Community Facilities District Documents or the consummation of the transactions on the part of the Community Facilities District contemplated thereby; (iii) contests the exemption of interest on the Bonds from federal or State income taxation or contests the powers of the Community Facilities District which may result in any material adverse change relating to the financial condition of the Community Facilities District; or (iv) contests the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserts that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and as of the time of acceptance hereof there is and, as of the Closing Date, there will be no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

N. Any certificate signed on behalf of the Community Facilities District by any officer or employee of the Community Facilities District authorized to do so shall be deemed a representation and warranty by the Community Facilities District to the Underwriter on behalf of itself and the Community Facilities District as to the statements made therein.

O. At or prior to the Closing, the Community Facilities District will have duly authorized, executed and delivered the Continuing Disclosure Certificate in substantially the form attached as an appendix to the Official Statement. Based upon a review of its previous undertakings, and except as disclosed in the Preliminary Official Statement, the City and its related entities have not failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events in the last five years. The Community Facilities District has not previously entered into any undertaking pursuant to the Rule.

P. The Community Facilities District will apply the proceeds of the Bonds in accordance with the Indenture and as described in the Preliminary Official Statement and Official Statement.

Q. Until such time as moneys have been set aside in an amount sufficient to pay all then outstanding Bonds at maturity or to the date of redemption if redeemed prior to maturity, plus unpaid interest thereon and premium, if any, to maturity or to the date of redemption if redeemed prior to maturity, the Community Facilities District will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture.

R. Between the date of this Purchase Agreement and the date of Closing, the Community Facilities District will not offer or issue any bonds, notes or other obligations for borrowed money not previously disclosed to the Underwriter.

S. The City, on behalf of the Community Facilities District, has adopted local debt policies in accordance with Section 8855(i) of the California Government Code.

The Community Facilities District hereby approves the preparation and distribution of the Official Statement, consisting of the Preliminary Official Statement with such changes as are noted thereon and as may be made thereto, with the approval of Bond Counsel, Disclosure Counsel and the Underwriter, from time to time prior to the Closing Date.

The Community Facilities District hereby ratifies any prior use of and authorizes the future use by the Underwriter, in connection with the offering and sale of the Bonds, of the Preliminary Official Statement, the Official Statement, this Purchase Agreement and all information contained herein, and all other documents, certificates and written statements furnished by the Community Facilities District to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

The execution and delivery of this Purchase Agreement by the Community Facilities District shall constitute a representation by the Community Facilities District to the Underwriter that the representations and warranties contained in this Section 2 with respect to the Community Facilities District are true as of the date hereof.

3. Conditions to the Obligations of the Underwriter. The obligation of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties on the part of the Community Facilities District contained herein, to the accuracy in all material respects of the statements of the officers and other officials of the Community Facilities District made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the Community Facilities District of their obligations to be performed hereunder at or prior to the Closing Date, and in reliance upon the representations and covenants of Lennar contained in the certificate(s) delivered as of the Closing Date, and to the following additional conditions:

A. At the Closing Date, the Community Facilities District Resolutions, the Community Facilities District Documents shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and there shall have been taken in connection therewith, with the issuance of the Bonds and with the Bonds, and with the transactions contemplated thereby, and by this Purchase Agreement, all such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate.

B. At the Closing Date, except as described in the Preliminary Official Statement, the City shall not be, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound, and the performance of the conditions precedent to be performed hereunder will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound, in any manner which would materially and adversely affect the performance of the conditions precedent to be performed by the City hereunder.

C. At the Closing Date, except as described in the Preliminary Official Statement, the Community Facilities District shall not be, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative

decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Community Facilities District is a party or is otherwise subject or bound, and the performance by the Community Facilities District of its obligations under the Bonds, the Community Facilities District Resolutions, the Indenture, and any other instruments contemplated by any of such documents, and compliance with the provisions of each thereof, or the performance of the conditions precedent to be performed hereunder, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Community Facilities District is a party or is otherwise subject or bound, in any manner which would materially and adversely affect the performance by the Community Facilities District of its obligations under the Indenture, the Bonds or the performance of the conditions precedent to be performed by the Community Facilities District hereunder.

D. The information contained in the Official Statement is, as of the Closing Date and as of the date of any supplement or amendment thereto pursuant hereto, true and correct in all material respects and does not, as of the Closing Date or as of the date of any supplement or amendment thereto, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

E. Between the date hereof and the Closing Date, the market price or marketability, at the initial offering prices set forth on the cover page of the Official Statement, of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds, shall not have been materially adversely affected, in the reasonable judgment of the Underwriter (evidenced by a written notice to the Community Facilities District terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by reason of any of the following:

1. Legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation had been referred for consideration, or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department of the United States of America or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon such interest as would be received by any owners of the Bonds beyond the extent to which such interest is subject to taxation as of the date hereof;

2. Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission ("SEC"), or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt

from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise is or would be in violation of the federal securities laws as amended and then in effect;

3. A general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction;

4. The introduction, proposal or enactment of any amendment to the federal or California Constitution or any action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the Community Facilities District, its property, income, securities (or interest thereon), the validity or enforceability of Special Taxes, or the ability of the Community Facilities District to construct or acquire the improvements as contemplated by the Formation Documents, the Community Facilities District Documents or the Official Statement or the right of any owner of the property within the Community Facilities District to develop such property in the manner described in the Official Statement, or the ability of the Community Facilities District to issue the Bonds as contemplated by the Indenture and the Official Statement;

5. Any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or in the Official Statement, or has the effect that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

6. Any national securities exchange, the Comptroller of the Currency, or any other governmental authority, shall impose as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

7. There shall have occurred (1) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war, (2) any other calamity or crisis in the financial markets of the United States or elsewhere, or (3) the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment default occurs on United States Treasury obligations;

8. Except as disclosed in or contemplated by the Official Statement, any material adverse change in the affairs of the City or Community Facilities District shall have occurred;

9. Any event or circumstance shall exist that either makes untrue or incorrect in any material respect any statement or information in the Official Statement (other than any statement provided by the Underwriter) or is not reflected in the Official Statement but should be reflected therein in order to make the statements therein, in the light of the circumstances under

which they were made, not misleading and, in either such event, the Community Facilities District refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds;

10. A general banking moratorium shall have been declared by federal or State authorities having jurisdiction and be in force;

11. A material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred;

12. Any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a charge to the net capital requirements of, underwriters shall have been established by the New York Stock Exchange, the SEC, any other federal or State agency or the Congress of the United States, or by Executive Order;

13. A decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Securities, including the underlying obligations as contemplated by this Purchase Agreement or by the Official Statement, or any document relating to the issuance, offering or sale of the Securities, is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act, the Exchange Act and the Trust Indenture Act;

14. Any proceeding shall have been commenced or be threatened in writing by the Securities and Exchange Commission against the City or the Community Facilities District; or

15. The commencement of any Action.

F. At or prior to the Closing Date, the Underwriter shall have received a counterpart original or certified copy of the following documents, in each case satisfactory in form and substance to the Underwriter:

1. The Official Statement, executed on behalf of the Community Facilities District by an authorized officer;

2. The Indenture, duly executed and delivered by the Community Facilities District and the Trustee;

3. The Community Facilities District Resolutions and the other Formation Documents, and the Community Facilities District Documents, together with a certificate dated as of the Closing Date of the City Clerk to the effect that the Community Facilities District Resolutions and the Ordinance are true, correct and complete copies of the ones duly adopted by the City Council;

4. The Continuing Disclosure Certificate executed and delivered by the Community Facilities District and Special District Financing & Administration, LLC, as dissemination agent;

5. An unqualified approving opinion for the Bonds, dated the Closing Date and addressed to the Community Facilities District, of Bond Counsel, to the effect that the Bonds are the valid, legal and binding obligations of the Community Facilities District and that the interest thereon is excluded from gross income for federal income tax purposes and exempt from personal income taxes of the State of California, in substantially the form included as an appendix to the Official Statement, together with a letter of Bond Counsel, dated the Closing Date and addressed to the Underwriter and the Trustee, to the effect that such opinion addressed to the Community Facilities District may be relied upon by the Underwriter and the Trustee to the same extent as if such opinion was addressed to it;

6. A supplemental opinion or opinions of Bond Counsel dated the Closing Date and addressed to the Underwriter to the effect that:

(i) this Purchase Agreement and the Continuing Disclosure Certificate have been duly executed and delivered by the Community Facilities District and, assuming due authorization, execution and delivery by the other parties thereto, constitute the valid and binding obligations of the Community Facilities District, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases and by limitations on legal remedies against public agencies in the State;

(ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(iii) the statements contained in the Official Statement under the captions "INTRODUCTION – Source of Payment for the Bonds," "INTRODUCTION – Description of the Bonds," "INTRODUCTION – Tax Exemption," "INTRODUCTION – Parity Bonds for Refunding Purposes Only," "THE BONDS," "SOURCES OF PAYMENT FOR THE BONDS," (except information under the captions "– Special Taxes" as to which no opinion is expressed), "TAX EXEMPTION," Appendix C – "FORM OF OPINION OF BOND COUNSEL" and Appendix E - "SUMMARY OF THE INDENTURE," excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, insofar as such statements expressly summarize certain provisions of the Indenture and Bond Counsel's final approving opinion, are accurate in all material respects.

7. A letter, dated the Closing Date and addressed to the Underwriter, of Disclosure Counsel, to the effect that such counsel is not passing upon and has not undertaken to determine independently or to verify the accuracy or completeness of the statements contained in the Preliminary Official Statement or in the Official Statement, and is, therefore, unable to make any representation to the Underwriter in that regard, but on the basis of its participation in conferences with representatives of the City, the City Attorney, as issuer's counsel ("Issuer's Counsel"), Bond Counsel, the appraisal of the taxable properties within the Community Facilities District, dated [Appraisal Date] (the "Appraisal Report"), prepared by Kitty Siino & Associates, Inc. (the

“Appraiser”), Empire Economics, Inc, Special District Financing & Administration, LLC (the “Special Tax Consultant”), CSG Advisors Incorporated, representatives of the Underwriter and others, during which conferences the content of the Preliminary Official Statement and the Official Statement and related matters were discussed, and its examination of certain documents, and, in reliance thereon and based on the information made available to it in its role as Disclosure Counsel and its understanding of applicable law, Disclosure Counsel advises the Underwriter as a matter of fact, but not opinion, that no information has come to the attention of the attorneys in the firm working on such matter which has led them to believe that the Preliminary Official Statement as of its date and the date hereof and the Official Statement as of its date and as of the Closing Date (in each case excluding therefrom the financial and statistical data, forecasts, charts, numbers, estimates, projections, assumptions and expressions of opinion included in the Preliminary Official Statement and the Official Statement, information regarding DTC and its book entry system and the information set forth in Appendices A, B, C, D, E, F, and G, as to all of which no opinion is expressed) contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

8. A certificate dated the Closing Date and signed by an authorized representative of the Community Facilities District or an authorized designee, on behalf of the Community Facilities District to the effect that: (i) the representations and warranties made by the Community Facilities District contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) to the best knowledge of such officer, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the Community Facilities District has complied with all the agreements and satisfied all the conditions on its part to be satisfied under this Purchase Agreement, the Community Facilities District Resolutions, the Community Facilities District Documents and the Official Statement at or prior to the Closing Date; and (iv) all information in the Official Statement relating to the Community Facilities District (other than information therein provided by the Special Tax Consultant) is true and correct in all material respects as of the date of the Official Statement and as of the Closing Date;

9. An opinion of the Issuer’s Counsel dated the date of Closing and addressed to the Underwriter, the Trustee and the City, substantially in the form attached hereto as Exhibit D;

10. A certificate dated the Closing Date from the Appraiser addressed to the Community Facilities District and the Underwriter substantially to the effect that (i) the assumptions made in the Appraisal Report are reasonable; the Appraisal Report fairly and accurately described, as of the stated date of value, the market values of the properties in the Community Facilities District that are subject to the Special Taxes, (ii) the Appraiser is not aware of any event or act which occurred since the date of the Appraisal Report which, in its opinion, would materially and adversely affect the conclusions as to the market value of the appraised property in the Community Facilities District, (iii) the Appraiser consents to the reproduction of the Appraisal Report as an appendix to the Preliminary Official Statement and the final Official Statement, each with respect to the Bonds, and to the references to the Appraiser and the Appraisal Report made in the Preliminary Official Statement and the Official Statement, (iv) the Appraisal Report complies with the Appraisal Standards for Land-Secured Financings issued by the California Debt and Investment Advisory

Commission dated July, 2004, (v) a true and correct copy of the Appraisal Report is attached as an appendix to the Preliminary Official Statement and the Official Statement; and (vi) neither the Appraisal Report nor the information in the Preliminary Official Statement or the Official Statement referring to it contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

11. A certificate dated the Closing Date from the Special Tax Consultant addressed to the Community Facilities District and the Underwriter to the effect that: (i) the Special Tax, if levied and collected in the maximum amounts permitted pursuant to the Rate and Method of Apportionment of Special Taxes of the Community Facilities District, as of the Closing Date, would generate at least 110% of the annual debt service payable with respect to the related issue of Bonds plus the Administrative Expenses Cap, based on such assumptions and qualifications as shall be acceptable to the Underwriter; (ii) the statements in the Preliminary Official Statement and the Official Statement provided by the Special Tax Consultant concerning Special Taxes in the Community Facilities District and all information supplied by it for use in the Official Statement were as of the date of the Preliminary Official Statement, the date of the Official Statement and are as of the Closing Date true and correct, and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) all information supplied by the Special Tax Consultant to the Appraiser is true and correct as of the date of the Preliminary Official Statement and the date of the Official Statement and as of the Closing Date, based on such assumptions as may have been supplied by it; (iv) the information contained in the Appraisal Report with respect to taxes and tax rates applicable, and projected to be applicable, to the property in the Community Facilities District is consistent with such information provided by the Special Tax Consultant to the Appraiser, which information so provided was based on information obtained by the Special Tax Consultant from the Community Facilities District, the Developer and the City; and (v) the Special Tax Consultant is duly authorized to execute and deliver the Continuing Disclosure Certificate in its capacity as dissemination agent thereunder, and the Special Tax Consultant has duly executed and delivered the Continuing Disclosure Certificate;

12. Certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution of the Indenture and the authentication of the Bonds;

13. A certificate of the Trustee, addressed to the Underwriter, and the Community Facilities District dated the Closing Date, to the effect that: (i) the Trustee is authorized to carry out corporate trust powers, and has full power and authority to perform its duties under the Indenture; (ii) the Trustee is duly authorized to execute and deliver the Indenture, to accept the obligations created by the Indenture and to authenticate the Bonds pursuant to the terms of the Indenture; (iii) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the authentication of the Bonds or the consummation by the Trustee of the other transactions contemplated to be performed by the Trustee in connection with the authentication of the Bonds and the acceptance and performance of the obligations created by the Indenture; and (iv) to the best of its knowledge, compliance with the terms of the Indenture will not conflict with, or result in a violation or breach of, or constitute a default under, any material agreement or material instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of

any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties;

14. An opinion of counsel to the Trustee dated the Closing Date, addressed to the Underwriter, and the Community Facilities District to the effect that (i) the Trustee is a national banking association duly organized and validly existing under the laws of the jurisdiction of its organization and has the corporate power to execute and deliver the Indenture, and any other documentation relating to the Indenture, (ii) the execution and delivery by the Trustee of the Indenture and any other documentation relating to the Indenture, and its performance of its obligations under the Indenture, have been and are as of the date hereof duly authorized by all necessary corporate action, (iii) the Indenture has been duly executed and delivered and constitutes the valid and legally binding obligation of the Trustee enforceable against it in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought as a proceeding in equity or at law), and (iv) the Bonds have been duly authenticated and delivered by the Trustee;

15. A certificate of the Community Facilities District dated the Closing Date, in a form acceptable to Bond Counsel and the Underwriter, that the Bonds are not arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended;

16. A negative assurance letter of counsel to Lennar, dated the date of the Closing, in form and substance acceptable to the Underwriter and Bond Counsel;

17. A Letter of Representations from Lennar dated the date of printing the Preliminary Official Statement, substantially in the form attached hereto as Exhibit B;

18. A Closing Certificate from Lennar dated the Closing Date, substantially in the form attached hereto as Exhibit C or as such Closing Certificate may be modified with the approval of the Underwriter and Disclosure Counsel;

19. A certificate dated the Closing Date from Empire Economics, Inc. addressed to the Community Facilities District and the Underwriter to the effect that the statements in the Official Statement provided by Empire Economics, Inc. and all information supplied by it for use in the Official Statement were as of the date of the Official Statement and are as of the Closing Date true and correct, and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

20. An opinion of Jones Hall, A Professional Law Corporation, counsel to the Underwriter, dated the date of Closing and addressed to the Underwriter in form and substance acceptable to the Underwriter;

21. A certificate of CSG Advisors Incorporated, the City's municipal advisor (the "Municipal Advisor") to the effect that the Municipal Advisor has participated in the preparation of the Preliminary Official Statement and the Official Statement and nothing has come to the attention of the Municipal Advisor which would lead it to believe that the Preliminary Official Statement or the Official Statement contain any untrue statement of a material fact or omits to state a

fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and

22. Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the material representations and warranties of the Community Facilities District contained herein, and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Community Facilities District at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the Community Facilities District in connection with the transactions contemplated hereby and by the Indenture and the Official Statement.

If the Community Facilities District shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Purchase Agreement, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Community Facilities District nor the Underwriter shall be under any further obligation hereunder, except that the respective obligations of the Underwriter and the Community Facilities District set forth in Section 5 hereof shall continue in full force and effect.

4. Establishment of Issue Price.

A. The Underwriter agrees to assist the Community Facilities District in establishing the issue price of the Bonds and shall execute and deliver to the Community Facilities District at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit E, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Community Facilities District and Bond Counsel (as defined herein), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the Community Facilities District under this section to establish the issue price of the Bonds may be taken on behalf of the Community Facilities District by the Municipal Advisor and any notice or report to be provided to the Community Facilities District may be provided to the Community Facilities District's Municipal Advisor.

B. Except as otherwise set forth in Exhibit A attached hereto, the Community Facilities District will treat the first price at which 10% of each maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the Community Facilities District the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Community Facilities District the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date (as defined herein) has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the public, provided that the Underwriter's reporting obligation after the date of the Closing may be at reasonable periodic intervals or otherwise upon request of the Community Facilities District or Bond Counsel. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds. For clarity, and notwithstanding any other condition to

Closing set forth in this Purchase Agreement, the sale of 10% of each maturity of the Bonds to the public prior to the Closing Date shall not be a condition to Closing.

C. The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the Community Facilities District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Community Facilities District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the Community Facilities District promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

D. The Underwriter confirms that:

(1) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(a)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that the reporting obligation after the date of the Closing may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter,

(b) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(c) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(2) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that the reporting obligation after the date of the Closing may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

E. The Community Facilities District acknowledges that, in making the representations set forth in this subsection, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Community Facilities District further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule if applicable to the Bonds.

F. The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) “public” means any person other than an underwriter or a related party;

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the Community Facilities District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to

the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

(3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(4) “sale date” means the date of execution of this Purchase Agreement by all parties.

5. Expenses. Whether or not the Bonds are delivered to the Underwriter as set forth herein:

A. The Underwriter shall be under no obligation to pay, and the Community Facilities District shall pay or cause to be paid (out of any legally available funds of the Community Facilities District) all expenses incident to the performance of the Community Facilities District’s obligations hereunder, including, but not limited to, the cost of printing, engraving and delivering the Bonds to DTC, the cost of preparation, printing, distributing and delivering of the Indenture, the Preliminary Official Statement, the Official Statement, any amendment or supplement to the Preliminary Official Statement or the Official Statement and this Purchase Agreement, and all other agreements and documents contemplated hereby (and drafts of any thereof) in such reasonable quantities as requested by the Underwriter; and the fees and disbursements of the Trustee, Bond Counsel, Disclosure Counsel and any financial advisors, special tax consultants, appraisers, accountants, engineers or any other experts or consultants the City or the Community Facilities District may have retained in connection with the Bonds; and

B. The Community Facilities District shall be under no obligation to pay, and the Underwriter shall pay, any fees of the California Debt and Investment Advisory Commission, the cost of preparation of any “blue sky” or legal investment memoranda and this Purchase Agreement; expenses to qualify the Bonds for sale under any “blue sky” or other state securities laws; and all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those specifically enumerated in paragraph (a) of this section), including the fees and disbursements of its counsel, meals, transportation and lodging (but not entertainment expenses), and any advertising expenses in connection with the public offering of the Bonds.

6. Notices. Any notice or other communication to be given to the Community Facilities District or the Community Facilities District under this Purchase Agreement may be given by delivering the same in writing to the City of Escondido, 201 North Broadway, Escondido, California 92025, Attention: City Manager; any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Stifel, Nicolaus &

Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, California 94104, Attention: Sara Brown.

7. Parties In Interest. This Purchase Agreement is made solely for the benefit of the Community Facilities District and Underwriter (including any successors or assignees of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

8. Survival of Representations and Warranties. The representations and warranties of the Community Facilities District under this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the Community Facilities District and regardless of delivery of and payment for the Bonds.

9. Execution in Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

10. Effective. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Community Facilities District and shall be valid and enforceable as of the time of such acceptance.

11. No Prior Agreements. This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understanding among the parties hereto in relation to the sale of the Bonds by the Community Facilities District.

12. Governing Law. This Purchase Agreement shall be governed by the laws of the State of California.

13. Effective Date. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Community Facilities District and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____
Its: Managing Director

The foregoing is hereby agreed to and
accepted as of the date first above written:

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

By: _____
Authorized Officer

Time of Execution: _____ California time

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

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>10% Test Satisfied*</u>	<u>10% Test Not Satisfied</u>	<u>Subject to Hold- The-Offering- Price Rule</u>
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T: Term Bond.

C: Priced to optional redemption date of September 1, 20__, at %.

* At the time of execution of this Purchase Agreement and assuming orders are confirmed immediately after the execution of this Purchase Agreement.

REDEMPTION PROVISIONS

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

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

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

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 20__ (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:

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.

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, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and any Interest Payment Date thereafter	100

EXHIBIT B

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

**LETTER OF REPRESENTATIONS OF
LENNAR HOMES OF CALIFORNIA, LLC**

[POS Date]

Community Facilities District No. 2020-2
of the City of Escondido (The Villages)
201 North Broadway
Escondido, California 92025
Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

Ladies and Gentlemen:

Reference is made to the Community Facilities District No. 2020-2 of the City of Escondido (The Villages) Special Tax Bonds, Series 2022 (the "Bonds") and to the Bond Purchase Agreement to be entered into in connection therewith (the "Bond Purchase Agreement"). This Letter of Representations of Lennar Homes of California, Inc. (the "Letter of Representations") is delivered pursuant to and in satisfaction of Section 3(F)(17) of the Bond Purchase Agreement. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Bond Purchase Agreement.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of Lennar Homes of California, LLC, a California limited liability company (the "Developer"), successor-by-conversion to, and formerly known as, Lennar Homes of California, Inc., and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer is duly organized and validly existing under the laws of the State of California and has all requisite right, power and authority (i) to execute and deliver this Letter of Representations, and (ii) to develop its property in the Community Facilities District No. 2020-2 of the City of Escondido (The Villages) (the "Community Facilities District") as described in the Preliminary Official Statement.
2. As set forth in the Preliminary Official Statement, title to a certain portion of the property within the Community Facilities District is held in the name of the Developer (herein, the "Property"). The undersigned, on behalf of the Developer, makes the representations herein

with respect to all the Property. Except as otherwise described in the Preliminary Official Statement, the Developer's current expectation is that the Developer shall remain the party responsible for the construction and sale of homes within the Property. Except as disclosed in the Preliminary Official Statement, the Developer has not entered into an agreement for development or management of the Property by any other entity, except such subcontracts, consultant agreements and similar agreements for land development activities associated with the Developer's development plan as are entered into in the ordinary course of business.

3. Except as set forth in the Preliminary Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against the Developer (with proper service of process to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned¹, is pending against any current Affiliate² (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned is threatened in writing against the Developer or any such Affiliate (a) to restrain or enjoin the collection of special taxes levied on the Property by the Community Facilities District (the "**Special Taxes**") or other sums pledged or to be pledged to pay the principal of and interest on the Bonds (e.g., the reserve fund established under the Indenture (herein, the "**Reserve Account**")), (b) to restrain or enjoin the development of the Property as described in the Preliminary Official Statement, (c) in any way contesting or affecting the validity of the Special Taxes, or (d) which is reasonably likely to materially and adversely affect the Developer's ability to develop and sell the Property as described in the Preliminary Official Statement or to pay the Special Taxes due with respect to the Property (to the extent the responsibility of the Developer) prior to delinquency.

4. As of the date of the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, the information contained therein solely with respect to the Developer, its Affiliates, the proposed development of the Property, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and

1 "**Actual Knowledge of the Undersigned**" means, as of the date of this Letter of Representations, the knowledge that the individual signing on behalf of the Developer currently has or has obtained through (i) interviews with such current officers and responsible employees of the Developer and its Affiliates as the undersigned has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in this Letter of Representations, and/or (ii) review of documents that were reasonably available to the undersigned and which the undersigned has reasonably deemed necessary for the undersigned to obtain knowledge of the matters set forth in this Letter of Representations. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer's current business and operations. Individuals who are no longer employees of the Developer and its Affiliates have not been contacted.

2 "**Affiliate**" means, with respect to the Developer, any other Person (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with the Developer, and (ii) for whom information, including financial information or operating data, concerning such Person is material to potential investors in their evaluation of the Community Facilities District and investment decision regarding the Bonds (i.e., information relevant to (a) the Developer's development plans with respect to the Property and ability to pay its Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency, or (b) such Person's assets or funds that would materially affect the Developer's ability to develop the Property as described in the Preliminary Official Statement or to pay its Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency. "Person" means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof. For purposes hereof, the term "control" (including the terms "controlling," "controlled by" or "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Due to the merger, and for purposes hereof, the term Affiliate shall exclude CalAtlantic and its direct and indirect subsidiaries.

contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) as set forth under the sections of the Preliminary Official Statement captioned "INTRODUCTION – *General*," "THE DISTRICT – General Description of the District" (but only as to the first four paragraphs thereof)," "PROPERTY OWNERSHIP AND THE DEVELOPMENT" (but in all cases under all captions excluding therefrom (i) information regarding the Appraisal Report (as defined herein), market value ratios and annual special tax ratios, and (ii) information which is identified as having been provided by a source other than the Developer), is true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

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

6. To the Actual Knowledge of the Undersigned, other than as disclosed in the Preliminary Official Statement, the Developer is not aware that any of the Property has a current liability with respect to the presence of a substance presently classified as hazardous under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 or applicable California law or is adversely affected by the presence of endangered or threatened species or habitat for endangered or threatened species.

7. The Developer covenants that, while the Bonds or any refunding obligations related thereto are outstanding, the Developer and its Affiliates which it controls will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body, that in any way seeks to challenge or overturn the formation of the Community Facilities District, to challenge the adoption of the ordinance of the Community Facilities District levying Special Taxes within the Community Facilities District, to invalidate the Community Facilities District or any of the Bonds or any refunding bonds related thereto, or to invalidate the special tax liens imposed under Section 3115.5 of the Streets and Highways Code based on recordation of the notices of special tax lien relating thereto. The foregoing covenant shall not prevent the Developer in any way from bringing any other action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body including, without limitation, (a) an action or suit contending that the Special Tax has not been levied in accordance with the methodologies contained in the Rate and Method of Apportionment of Special Taxes pursuant to which Special Taxes are levied, (b) an action or suit with respect to the application or use of the Special Taxes levied and collected, or (c) an action or suit to enforce the obligations of the City and/or the Community Facilities District under the Community Facilities District Resolutions, the Ordinance, the Indenture, or any other agreements among the Developer, an Affiliate, the City and/or the Community Facilities District or to which the Developer or an Affiliate is a party or beneficiary.

8. The Developer consents to the issuance of the Bonds. The Developer acknowledges and agrees that the proceeds of the Bonds will be used as described in the Preliminary Official Statement.

9. The Developer intends to comply with the provision of the Mello-Roos Community Facilities Act of 1982, as amended relating to the Notice of Special Tax described in Government Code Section 53341.5 in connection with the sale of the Property, or portions thereof.

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

11. To the Actual Knowledge of the Undersigned, Affiliates of the Developer are able to pay their bills as they become due and no legal proceedings are pending against any Affiliate of the Developer (with proper service of process having been accomplished) or to the Actual Knowledge of the Undersigned, threatened in writing in which the Affiliates of the Developer may be adjudicated as bankrupt or discharged from any or all of their debts or obligations, or granted an extension of time to pay their debt or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation which is reasonably likely to have a materially adverse impact on the ability of the Developer to develop the Property as described in the Preliminary Official Statement, or to pay the Special Taxes or ad valorem tax obligations with respect to the portion of the Property then owned by the Developer (to the extent the responsibility of the Developer) prior to delinquency.

12. The Developer has been developing or has been involved in the development of numerous projects over an extended period of time. It is likely that the Developer and its Affiliates have been delinquent at one time or another in the payment of ad valorem property taxes, special assessments or special taxes. However, to the Actual Knowledge of the Undersigned, during the last five years, neither the Developer nor any current Affiliate has, during the period of its ownership, been delinquent to any material extent in the payment of any *ad valorem* property tax, special assessment or special tax on property included within the boundaries of a community facilities district or an assessment district in Southern California that (a) caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being commenced against the delinquent Developer or such Affiliate in a court of law.

13. The Developer has not filed for the reassessment of the assessed value of any portions of the Property, other than in connection with the sale of homes to individual homebuyers.

14. To the Actual Knowledge of the Undersigned, there are no claims, disputes, suits, actions or contingent liabilities by and among the Developer, its Affiliates or any contractors working on the development of the Property which is reasonably likely to materially and adversely affect the Developer's development of the Property as described in the Preliminary

Official Statement, or the payment of the Special Taxes due with respect to the Property (to the extent the responsibility of the Developer) prior to delinquency.

15. Based upon the current development plans, including, without limitation, the current budget and subject to economic conditions and risks generally inherent in the development of real property, including, but not limited to, the risks described in the Preliminary Official Statement under the section entitled "SPECIAL RISK FACTORS," the Developer presently anticipates that it will have sufficient funds to develop the Property as described in the Preliminary Official Statement and to pay Special Taxes levied against the Property (to the extent the responsibility of the Developer) prior to delinquency and does not anticipate that the City or the Community Facilities District will be required to resort to a draw on the Reserve Account for payment of principal of or interest on the Bonds due to the Developer's nonpayment of Special Taxes. However, neither the Developer nor any of its Affiliates are obligated to make any additional capital contribution or loan to the Developer at any time, and the Developer reserves the right to change its development plans and financing plans for the Property at any time without notice.

16. An appraisal of the taxable properties within the Community Facilities District, dated [Appraisal Date] (the "Appraisal Report"), was prepared by Kitty Siino & Associates, Inc. (the "Appraiser"). The Appraisal Report estimates the market value of the taxable properties within the Community Facilities District as of April 3, 2022 (the "Date of Value"). To the Actual Knowledge of the Undersigned, all information submitted by, or on behalf of and authorized by, the Developer to the Appraiser and contained in the sections of the Appraisal Report highlighted in yellow or circled in Exhibit A attached hereto, was true and correct in all material respects as of the Date of Value.

17. Solely as to the limited information described in the sections of the Preliminary Official Statement indicated in Paragraph 4 herein (and subject to the limitations and exclusions set forth in Paragraph 4), the Developer agrees to indemnify and hold harmless, to the extent permitted by law, the City, the Community Facilities District, and their officials and employees, and each Person, if any, who controls any of the foregoing within the meaning of Section 15 of the Securities Act of 1933, as amended, or of Section 20 of the Securities Exchange Act of 1934, as amended (each, an "**Indemnified Party**" and, collectively, the "**Indemnified Parties**"), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Party may become subject under any statute or at law or in equity and shall reimburse any such Indemnified Party for any reasonable legal or other expense incurred by it in connection with investigating any such claim against it and defending any such action, insofar as and solely to the extent such losses, claims, damages, liabilities or actions, or legal or other expenses, arise out of or are based upon any untrue statement or alleged untrue statement of a material fact or the omission or alleged omission of a material fact by the Developer in the above-referenced information in the Preliminary Official Statement, as of its date, necessary to make the statements made by the Developer contained therein, in light of the circumstances under which they were made not misleading. This indemnity provision shall not be construed as a limitation on any other liability which the Developer may otherwise have to any Indemnified Party, *provided* that in no event shall the Developer be obligated for double indemnification, or for the negligence or willful misconduct of an Indemnified Party.

If any suit, action, proceeding (including any governmental or regulatory investigation), claim or demand shall be brought or asserted against any Indemnified Party in

respect of which indemnification may be sought pursuant to the above paragraph, such Indemnified Party shall promptly notify the Developer in writing; provided that the failure to notify the Developer shall not relieve it from any liability that it may have hereunder except to the extent that it has been materially prejudiced by such failure; and provided, further, that the failure to notify the Developer shall not relieve it from any liability that it may have to an Indemnified Party otherwise than under the above paragraph unless such liability was also conditioned upon such notice. If any such proceeding shall be brought or asserted against an Indemnified Party and it shall have notified the Developer thereof, the Developer shall retain counsel reasonably satisfactory to the Indemnified Party and approved thereby to represent the Indemnified Party in such proceeding and shall pay the fees and expenses of such counsel related to such proceeding, as incurred. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Developer and the Indemnified Party shall have mutually agreed to the contrary; (ii) the Developer has failed within a reasonable time to retain counsel reasonably satisfactory to the Indemnified Party; (iii) the Indemnified Party shall have reasonably concluded that there may be legal defenses available to it that are different from or in addition to those available to the Developer such that a material conflict of interest exists for such counsel; or (iv) the named parties in any such proceeding (including any impleaded parties) include the Developer and the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interest between them. It is understood and agreed that the Developer shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Indemnified Parties, and that all such fees and expenses, to the extent reasonable, shall be paid or reimbursed as they are incurred. Any such separate firm shall be designated in writing by such Indemnified Parties. The Developer shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Developer agrees to indemnify each Indemnified Party from and against any loss or liability by reason of such settlement or judgment as set forth above. If the Developer shall, after receiving notice of the indemnification obligation of the Developer and within a period of time necessary to preserve any and all defenses to any claim asserted, fails to assume the defense or to retain counsel for that purpose satisfactory to the Indemnified Party, the Indemnified Party shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle the claim or other matter on behalf of, for the account of and at the risk of, the Developer. The Developer shall not, without the written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is a party and indemnification could have been sought hereunder by such Indemnified Party, unless such settlement (x) includes an unconditional release of such Indemnified Party, in form and substance reasonably satisfactory to such Indemnified Party, from all liability on claims that are the subject matter of such proceeding and (y) does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Party.

18. If between the date hereof and the Closing Date any event relating to or affecting the Developer, its Affiliates, the proposed development of the Property, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) shall occur of which the undersigned has actual knowledge which would cause the information under the sections of the Preliminary Official Statement indicated in Paragraph 4 hereof, to

contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Developer shall notify the City, the Community Facilities District and the Underwriter and if in the opinion of counsel to the City or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Preliminary Official Statement, the Developer shall reasonably cooperate with the City and the Community Facilities District in the preparation of an amendment or supplement to the Preliminary Official Statement in form and substance satisfactory to counsel to the City, the Community Facilities District and to the Underwriter.

19. The Developer agrees to deliver a Closing Certificate dated the date of issuance of the Bonds at the time of issuance of the Bonds in substantially the form attached as Exhibit C to the Bond Purchase Agreement. If any event related to or affecting the Developer, its Affiliates, or the ownership, development, or sale of the Property occurs, as a result of which it is necessary to modify the Closing Certificate, the Developer agrees to deliver a new Closing Certificate revised to reflect such event.

20. On behalf of the Developer, I have reviewed the contents of this Letter of Representations and have had the opportunity to meet with or contact counsel to the Developer for the purpose of discussing the meaning of the contents of this Letter of Representations. The Developer acknowledges and understands that a variety of state and federal securities laws, including, but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the Developer and that under some circumstances, certification as to the matters set forth in this Letter of Representations, without additional disclosures or other action, may not fully discharge all duties and obligations of the Developer under such securities laws.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

The undersigned has executed this Letter of Representations solely in his or her capacity as an officer of the Developer and he or she will have no personal liability arising from or relating to this Letter of Representations. Any liability arising from or relating to this Letter of Representations may only be asserted against the Developer.

LENNAR HOMES OF CALIFORNIA, LLC,
a California limited liability company

By: _____

Name: _____

Title: _____

[EXECUTION PAGE OF LETTER OF REPRESENTATIONS]

EXHIBIT A

To

DEVELOPER LETTER OF REPRESENTATIONS

DEVELOPER PROVIDED INFORMATION IN APPRAISAL REPORT

See attached.

EXHIBIT C**FORM OF CLOSING CERTIFICATE**

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

**CLOSING CERTIFICATE OF
 LENNAR HOMES OF CALIFORNIA, LLC**

[Closing Date]

Community Facilities District No. 2020-2
 of the City of Escondido (The Villages)
 201 North Broadway
 Escondido, California 92025 Attn: City Manager

Stifel, Nicolaus & Company, Incorporated
 One Montgomery Street, 35th Floor
 San Francisco, California 94104

Ladies and Gentlemen:

Reference is made to the above-captioned bonds (the “**Bonds**”) and to the Bond Purchase Agreement, dated [Closing Date] (the “**Bond Purchase Agreement**”), entered into in connection therewith. This Closing Certificate of Lennar Homes of California, Inc. (the “**Closing Certificate**”) is delivered pursuant to Section 3(F)(18) of the Bond Purchase Agreement. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Letter of Representations of Lennar Homes of California, Inc. (the “**Letter of Representations**”), dated [POS Date], delivered by Lennar Homes of California, LLC, a California limited liability company (the “**Developer**”), successor-by-conversion to, and formerly known as, Lennar Homes of California, Inc.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of the Developer, and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer has received the final Official Statement dated [Closing Date] relating to the Bonds (the “**Official Statement**”). To the Actual Knowledge of the Undersigned, each statement, representation and warranty made in the Letter of Representations is true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the Official Statement.

2. To the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement affecting the statements and information described in Paragraph 4 of the Letter of Representations (and subject to the limitations and exclusions contained in Paragraph 4 of the Letter of Representations) relating to the Developer, its Affiliates, the proposed development of the Property, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of its Affiliates), which should be disclosed in the Official Statement for the purposes for which it is to be used in order to make such statements and information contained in the Official Statement not misleading in any material respect.

3. For the period through 25 days after the "**End of the Underwriting Period**" as defined in the Bond Purchase Agreement (provided the Developer may assume the End of the Underwriting Period is the Closing Date (as defined in the Bond Purchase Agreement), unless it receives written notice from the Underwriter that the End of the Underwriting Period is later than the Closing Date), if any event relating to or affecting the Developer, its Affiliates, the proposed development of the Property, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of its Affiliates) shall occur as a result of which it is necessary, in the opinion of the Underwriter or counsel to the City or the Community Facilities District, to amend or supplement the Official Statement in order to make the information under the sections of the Official Statement indicated in Paragraph 4 of the Letter of Representations not misleading in the light of the circumstances existing at the time it was delivered to a purchaser, the Developer shall reasonably cooperate with the City, the Community Facilities District and the Underwriter in the preparation and publication of a supplement or amendment to the information under the sections of the Official Statement indicated in Paragraph 4 of the Letter of Representations, in form and substance satisfactory to the Underwriter and counsel to the City and the Community Facilities District which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

The undersigned has executed this Closing Certificate solely in his or her capacity as an officer of the Developer and he or she will have no personal liability arising from or relating to this Closing Certificate. Any liability arising from or relating to this Closing Certificate may only be asserted against the Developer.

LENNAR HOMES OF CALIFORNIA, LLC,
a California limited liability company

By: _____

Name: _____

Title: _____

EXHIBIT D**FORM OF OPINION OF THE ISSUER'S COUNSEL**

[Closing Date]

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

Stifel, Nicolaus & Company, Incorporated
San Francisco, California

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

ISSUER'S COUNSEL OPINION

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

Ladies and Gentlemen:

I am the City Attorney of the City of Escondido (the "City"), and in such capacity I have acted as issuer's counsel ("Issuer's Counsel") Community Facilities District No. 2020-2 of the City of Escondido (The Villages) (the "Community Facilities District") in connection with the issuance of the above-referenced bonds (the "Bonds"). In such capacity, I have been asked to render this opinion in connection with Section 3(F)(9) of that certain Bond Purchase Agreement, dated [Closing Date] (the "Bond Purchase Agreement"), by and between Stifel, Nicolaus & Company, Incorporated, as underwriter, and the Community Facilities District, relating to the Bonds. All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Bond Purchase Agreement.

In rendering this opinion, I have examined and relied upon originals or copies of the following upon which, with your permission, I am relying, without further inquiry or investigation (although I advise you that I have no actual knowledge to the contrary of any matters related thereto): (i) the Community Facilities District Resolution of Issuance, (ii) Resolution No. 2020-25 (the "Resolution of Intention"), (iii) Resolution No. 2020-40 (the "Resolution to Incur Indebtedness"), (iv) Resolution No. 2020-45 (the "Resolution of Formation"), (v) Resolution No. 2020-46 (the "Resolution Deeming it Necessary to Incur Indebtedness and Calling Election"), (vi) Resolution No. 2020-55 (the "Resolution Declaring Results"), (viii) Ordinance No. 2020-11 (the "Ordinance" and, together with the Resolution of Intention, the Resolution to Incur Indebtedness, the Resolution of Formation, the Resolution Deeming it Necessary to Incur Indebtedness and Calling Election, and the Resolution Declaring Results, the "Formation Resolutions and Ordinance"), (ix) the Community Facilities District Documents, and (x) the Official Statement, relating to the Bonds, and I have made such other investigations of law and facts as I have deemed necessary to render the following opinions.

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

In our examination, I have assumed, without independent investigation, the authenticity of all documents submitted to us as originals, of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents and the accuracy of the statements and representations contained in such documents. In addition, I have assumed the authority of and due execution by each of the parties to the documents other than the City and the Community Facilities District.

Based on the foregoing, I hereby advise you that, as of the date hereof, I am of the opinion that:

(i) the City is a municipal corporation and general law city, duly organized and existing under the Constitution and the laws of the State of California;

(ii) the Community Facilities District is duly organized and validly existing as a community facilities district under and by virtue of the Constitution and laws of the State of California (including the Community Facilities District Act);

(iii) the Community Facilities District Resolution of Issuance and the Formation Resolutions and Ordinance have been duly adopted at meetings of the City Council of the City, which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Community Facilities District Resolution of Issuance and the Formation Resolutions and Ordinance are in full force and effect and have not been modified, amended, rescinded or repealed since the respective dates of their adoption;

(iv) the Community Facilities District Documents and the Official Statement have been duly authorized, executed and delivered by the Community Facilities District and constitute the legal, valid and binding obligations of the Community Facilities District enforceable against the Community Facilities District in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles where equitable remedies are sought and to the exercise of judicial discretion in appropriate cases or seeks to restrain or to enjoin the development of property within the Community Facilities District;

(v) except as may be stated in the Official Statement, to the best of my knowledge, there is no action, suit, proceeding or investigation before or by any court, public board or body pending (notice of which has been served on the City or the Community Facilities District) or threatened wherein an unfavorable decision, ruling or finding would: (a) affect the creation, organization, existence or powers of the City or the Community Facilities District, or the titles of their members and officers to their respective offices; or (b) affect the validity of the Community Facilities District Documents or restrain or enjoin the repayment of the Bonds or in any way contest or affect the validity of the Community Facilities District Documents or contest the authority of the Community Facilities District to enter into or perform its obligations under any of the Community Facilities District Documents or under which a determination adverse to the City or Community Facilities

District would have a material adverse effect upon the financial condition or the revenues of the City or Community Facilities District, questions the right of the Community Facilities District to use Special Taxes levied within the Community Facilities District for the repayment of the Bonds or affects in any manner the right or ability of the Community Facilities District to collect or pledge the Special Taxes levied within the Community Facilities District for the repayment of the Bonds;

(vi) the execution and delivery of the Bonds and the Community Facilities District Documents, and compliance with the provisions of each, will not conflict with or constitute a breach of or default under any loan agreement, note, ordinance, resolution, indenture, contract, agreement or other instrument of which the Community Facilities District is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the ability of the Community Facilities District to perform its obligations under the Bonds or the Community Facilities District Documents; and

(vii) all approvals, consents, authorization, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the ability of the Community Facilities District, to perform its obligations under the Bonds or the Community Facilities District Documents, have been obtained or made, as the case may be, and are in full force and effect.

This letter is furnished by us as Issuer's Counsel. Other than the City and the Community Facilities District, no attorney-client relationship has existed or exists between the City Attorney and you in connection with the Bonds or by virtue of this letter. I disclaim any obligation to update this letter. This letter is delivered to you, is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person; provided, however, a copy may be included in the transcript of the proceedings for the Bonds. This letter is not intended to, and may not, be relied upon by owners of the Bonds.

I bring to your attention the fact that my conclusions are an expression of professional judgment and are not a guarantee of a result.

City Attorney

EXHIBIT E

[\$[PAR]]
COMMUNITY FACILITIES DISTRICT NO. 2020-2 OF THE
CITY OF ESCONDIDO (THE VILLAGES)
SPECIAL TAX BONDS, SERIES 2022

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, Stifel, Nicolaus & Company, Incorporated (“Stifel”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. **Bond Purchase Agreement.** On [Pricing Date] (the “Sale Date”), Stifel and the Issuer executed a Bond Purchase Contract (the “Purchase Contract”) in connection with the sale of the Bonds. Stifel has not modified the Purchase Agreement since its execution on the Sale Date.
2. **Price.**
 - (a) As of the date of this Certificate, for each [Maturity] [[of the General Rule Maturities] of the Bonds, the first price at which at least 10% of each such Maturity of the Bonds was sold to the Public (the “10% Test”) was the respective price for such Maturity listed in **Schedule A** attached hereto.
 - (b) [Stifel offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in **Schedule A** (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as **Schedule B**.
 - (c) As set forth in the Bond Purchase Agreement, Stifel has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]
 - (d) [** With respect to each of the General Rule Maturities of the Bonds:
 - (1) As of the date of this Certificate, Stifel has not sold at least 10% of the Bonds of these Maturities at any single price.
 - (2) As of the date of this Certificate, Stifel reasonably expects that the first sale to the Public of Bonds of these Maturities will be at or below the respective price or prices

listed on the attached **Schedule A** as the “Reasonably Expected Sale Prices for Undersold Maturities.”

- (3) Stifel will provide actual sales information (substantially similar to the information contained on **Schedule B**) as to the price at which the first 10% of each such Maturity (i.e., the Undersold Maturity or Maturities) is sold to the Public.
- (4) On the date the 10% Test is satisfied with respect to all Maturities of the Bonds, Stifel will execute a supplemental certificate substantially in the form attached hereto as **Schedule C** with respect to any remaining Maturities for which the 10% Test has not been satisfied as of the Closing Date.**]

3. **Defined Terms.**

- (a) “*General Rule Maturities*” means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”
- (b) “*Hold-the-Offering-Price Maturities*” means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”
- (c) “*Holding Period*” means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which Stifel has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.
- (d) “*Issuer*” means Community Facilities District No. 2020-2 of the City of Escondido (The Villages).
- (e) “*Maturity*” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (f) “*Public*” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (g) “*Underwriter*” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

3. **Reserve Account.** The funding of the Reserve Account under the Indenture, and as provided in the Tax Certificate, is reasonably required, was a vital factor in marketing the Bonds, facilitated

the marketing of the Bonds at an interest rate comparable to that of bonds and other tax-exempt obligations of a similar type, and is not in excess of the amount necessary for such purpose.

4. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Stifel's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate of the Issuer dated [Closing Date] and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED**

By: _____
Managing Director

By: _____
Director

Dated: [Closing Date]

SCHEDULE A
TO
ISSUE PRICE CERTIFICATE

[Schedules to be updated at pricing in the event there are Hold-the-Offering-Price-Maturities]

Actual Sales Information as of Closing Date

<u>Maturity/CUSIP</u>	<u>Coupon</u>	<u>Date Sold</u>	<u>Time Sold</u>	<u>Par Amount</u>	<u>Sale Price</u>
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**Reasonably Expected Sales Prices for Undersold Maturities as of Closing Date

<u>Maturity/CUSIP</u>	<u>Coupon</u>	<u>Par Amount</u>	<u>Offering Prices</u>
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[**SCHEDULE B
TO
ISSUE PRICE CERTIFICATE

Actual Sales for Undersold Maturities as of the Closing Date

<u>Maturity/CUSIP</u>	<u>Date Sold</u>	<u>Time Sold</u>	<u>Par Amount</u>	<u>Sale Price</u>
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[**SCHEDULE C
TO
ISSUE PRICE CERTIFICATE

SUPPLEMENTAL ISSUE PRICE CERTIFICATE OF UNDERWRITER

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

The undersigned, Stifel, Nicolaus & Company, Incorporated (“Stifel”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Issue Price.***

- (a) Stifel sold at least 10% of the _____ Maturities of the Bonds to the Public at the price or prices shown on the Issue Price Certificate dated as of the Closing Date (the “10% Test”). With respect to each of the _____ Maturities of the Bonds, Stifel had not satisfied the 10% Test as of the Closing Date (the “Undersold Maturities”).
- (b) As of the date of this Supplemental Certificate, Stifel has satisfied the 10% Test with respect to the Undersold Maturities. The first price or prices at which at least 10% of each such Undersold Maturity was sold to the Public are the respective prices listed on **Exhibit A** attached hereto.

2. ***Defined Terms.***

- (a) “*Issuer*” means Community Facilities District No. 2020-2 of the City of Escondido (The Villages).
- (b) “*Maturity*” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (c) “*Public*” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (d) “*Underwriter*” means (1) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (2) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

3. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Stifel’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate of the Issuer dated [Closing Date] and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED**

By: _____
[Title]

By: _____
[Title]

Dated: [Closing Date]

SCHEDULE A
TO
ISSUE PRICE CERTIFICATE

SCHEDULE B
TO
ISSUE PRICE CERTIFICATE

Pricing Wires



STAFF REPORT

June 15, 2022
File Number 0430-80

SUBJECT

BUDGET ADJUSTMENT OF \$157,760 FOR BEFORE & AFTER SCHOOL PROGRAM

DEPARTMENT

Community Services Department

RECOMMENDATION

Request the City Council authorize a budget adjustment in the amount of \$157,760 for the Before & After School Program.

Staff Recommendation: Approval (Community Services: Joanna Axelrod)

Presenter: Robert Rhoades, Deputy Director of Community Services

FISCAL ANALYSIS

The Before & After School Program is over 100% full cost recovery and will be fully funded by the revenue generated through the collection of program fees.

PREVIOUS ACTION

None.

BACKGROUND

The City of Escondido Community Services Department has been operating before and after school programs continuously, except during the pandemic, since the 1980s and has served 11 of the 17 elementary schools within the Escondido Union School District (EUSD) over the years. During the 2021/2022 school year, the program operated at two school sites.

In February 2022, EUSD approached the City to expand after school care from the two existing schools to the five schools (Bernardo, LR Green, Miller, North Broadway, Reidy Creek) that do not operate a free before and after school program. The expenses associated with the expansion of after school program services were included in the City's Fiscal Year 2023 General Fund Operating Budget.

After surveying parents at the five schools, there was a demonstrated need for before school care, and the interest list for after school care exceeded the City's initial commitment of spaces available. To accommodate these additional community needs, City staff is seeking approval to add 14 new Temporary



CITY of ESCONDIDO

STAFF REPORT

Part Time staff positions to the budget. This includes 11 Recreation Leaders to run a Before School Program and three additional Recreation Leaders to accommodate the added interest/waitlists for the afternoon program.

With City Council’s approval, the 2022/2023 Before and After School Program will operate on all school days from 6:30 a.m. – start of school and end of school - 6 p.m., including early release days, and will accept kindergarten through fifth graders (transitional kindergarteners on approval within certain criteria). Parents/guardians will have the flexibility of “drop-in” service thereby using the program when needed. There is no minimum attendance requirement. This allows participants to attend all year or just a few days. Additionally, participants may be picked up any time before the end of the program, using it for one hour or the entire day. Cost of the program is \$7 per participant, per day for the morning and \$18 per participant, per day for the afternoon. Programming is based on four basic tenets: 1) be safe 2) encourage learning 3) build positive relationships 4) make it fun. This approach permeates the curriculum and overall programming while still accounting for participant preferences. The recreation-based activities also incorporate homework time, STEAM (science, technology, engineering, art, and math), and special guest speakers that highlight important topics.

Before and after school programs play an important role in communities. Parents are increasingly turning to after school program partners to meet the needs of their family situation; wherein multi-generational, multi-income households are finding it difficult to provide affordable care in high cost of living areas such as Southern California. The benefits of after school programming go beyond the family dynamic of needing care. Businesses report that workers with families lacking adequate after school care miss on average eight days of work per year. This decreased worker productivity is estimated to cost businesses up to \$300 billion annually. The City’s Before and After School Program is the most competitively-priced option available in Escondido and incorporates a wide variety of recreational activities and academic learning opportunities sought after by parents. The ultimate goal of the Before and After School Program is to offer low-cost before and after school care that provides quality programming and peace of mind to parents/guardians for a safe and supervised environment.

ATTACHMENTS

- a. Budget Adjustment



STAFF REPORT

June 15, 2022
File Number 0650-10

SUBJECT

GENERAL MUNICIPAL ELECTION – NOVEMBER 8, 2022 – REQUEST THE CITY COUNCIL ADOPT RESOLUTIONS CALLING FOR AN HOLDING A GENERAL MUNICIPAL ELECTION FOR THE OFFICE OF MAYOR, CITY COUNCIL DISTRICT 1 AND CITY COUNCIL DISTRICT 2 AND REQUESTING CONSOLIDATION WITH THE NOVEMBER 8, 2022, STATEWIDE GENERAL ELECTION

DEPARTMENT

City Clerk's Office

RECOMMENDATION

Request the City Council Adopt Resolutions calling for and holding a General Municipal Election and requesting consolidation with the November 8, 2022, Statewide General Election.

- 1) Adopt Resolution No. 2022-55, calling for and giving notice of a General Municipal Election on November 8, 2022 for the following elective offices:
 - a. One (1) City Council Member with a four-year term to represent District One
 - b. One (1) City Council Member with a four-year term to represent District Two
 - c. One (1) Mayor with a four-year term to be elected at-large

- 2) Adopt Resolution No. 2022-56 requesting the Board of Supervisors, County of San Diego, to consolidate the City's General Municipal Election with the Statewide General Election

Staff Recommendation: Approval (City Clerk's Office: Zack Beck)

Presenter: Zack Beck, City Clerk

FISCAL ANALYSIS

\$400,000 has been allocated in the 2022-23 General Fund Non-Departmental budget for this election.

PREVIOUS ACTION

None.



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BACKGROUND

The Escondido Municipal Code Section 2-29 requires the City's General Municipal Election to be held on the same day as the Statewide General Election, which is November 8, 2022. The resolutions presented give notice of the upcoming Municipal Election. The resolutions must be filed with the Registrar of Voters no later than August 12, 2022.

RESOLUTIONS

- A. Resolution No. 2022-55
- B. Resolution No. 2022-56

RESOLUTION NO. 2022-55

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, CALLING FOR THE HOLDING OF A GENERAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, NOVEMBER 8, 2022 FOR THE ELECTION OF CERTAIN OFFICERS AS REQUIRED BY THE PROVISIONS OF THE LAWS OF THE STATE OF CALIFORNIA RELATING TO GENERAL CITIES

WHEREAS, under the provisions of the laws relating to general law cities in the State of California, and a General Municipal Election shall be held on November 8, 2022, for the election of Municipal Officers; and

WHEREAS, the City Council of the City of Escondido, California, has adopted Ordinance No. 2013-17, amending the Escondido Municipal Code to provide that the four members of the City Council shall be elected by district, with two such districts to be on the 2022 ballot. The Mayor and all city measures shall be voted on by the city at-large; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California, does resolve, declare, determine and order as follows:

1. That pursuant to the requirements of the laws of the State of California relating to General Law Cities, including the requirements of Section 10403 of the Elections Code and Section 34883 of the Government Code, there is called and ordered to be held in the City of Escondido, California, on Tuesday, November 8, 2022, a General Municipal Election for the purpose of electing one (1) Member of the City Council to be nominated and elected by voters in District One for the full term of four (4) years; one (1) Member of the City Council to be nominated and elected by voters in District Two for the full term of four (4) years; and one (1) Mayor for the full term of four (4) years to be elected at-large;

2. That the ballots to be used at the election shall be in form and content as required by law.
3. That the City Clerk is authorized, instructed and directed to coordinate with the County of San Diego Registrar of Voters to procure and furnish any and all official ballots, notices, printed matter and all supplies, equipment and paraphernalia that may be necessary in order to properly and lawfully conduct the election.
4. That the polls for the election shall be open at seven o'clock a.m. of the day of the election and shall remain open continuously from that time until eight o'clock p.m. of the same day when the polls shall be closed, pursuant to Election Code Section 10242, except as provided in Section 14401 of the Elections Code of the State of California.
5. That in all particulars not recited in this resolution, the election shall be held and conducted as provided by law for holding municipal elections.
6. That notice of the time and place of holding the election is given and the City Clerk is authorized, instructed and directed to give further or additional notice of the election, in time, form and manner as required by law.
7. That the City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.
8. That the City Council authorizes the City Clerk to administer said election and all reasonable and actual election expenses shall be paid by the City upon presentation of a properly submitted bill.

RESOLUTION NO. 2022-56

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO TO CONSOLIDATE A GENERAL MUNICIPAL ELECTION TO BE HELD ON NOVEMBER 8, 2022, WITH THE STATEWIDE GENERAL ELECTION TO BE HELD ON THE DATE PURSUANT TO SECTION 10403 OF THE ELECTIONS CODE

WHEREAS, the City Council of the City of Escondido called a General Municipal Election to be held on November 8, 2022, for the purpose of the election of one Member of the City Council to be nominated and elected by voters of District One, one Member of the City Council to be nominated and elected by voters of District Two, and one Mayor to be elected at-large; and

WHEREAS, it is desirable that the General Municipal Election be consolidated with the Statewide General election to be held on the same date and that within the City the precincts, Vote Centers and election officers of the two elections be the same, and that the County Election Department of the County of San Diego canvass the returns of the General Municipal Election and that the election be held in all respects as if there were only one election.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF ESCONDIDO DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

1. That pursuant to the requirements of Section 10403 of the Elections Code and Section 34883 of the Government Code, the Board of Supervisors of the County of San Diego is hereby requested to consent and agree to the consolidation of a General Municipal Election with the Statewide General Election on Tuesday, November 8, 2022, for the purpose of the election of one (1) Member of the City Council to be nominated and elected by registered voters of District One; one (1) Member of the City Council

to be nominated and elected by registered voters of District Two; and one (1) Mayor to be elected at-large by registered voters in the City of Escondido.

2. That pursuant to the San Diego County Municipal Code SEC. 439.1 the Registrar of Voters may, subject to the requirements of this section and subject to such terms and conditions as the Registrar may prescribe, render specified services relating to the conduct of an election to any city or district the governing body of which has by resolution requested the Board of Supervisors for the County of San Diego to permit the Registrar of Voters of the County of San Diego to render such services.

- a) The governing body of the city or district shall file with the Registrar of Voters a certified copy of the resolution of its governing body requesting the Board of Supervisors to permit the Registrar of Voters to render the specified services relating to the conduct of an election and agreeing that it will be bound by the requirements of this section and such terms and conditions as the Registrar of Voters may prescribe, and agreeing that it will reimburse the County in full for its costs and expenses in rendering such services.
- b) The governing body of the city or district shall:
 1. In its resolution specify the services requested.
 2. Deposit at least 60 days in advance of the election the Registrar of Voter's estimate of the city or district's share of the elections cost.
 3. Reimburse the County in full for the services performed upon presentation of a final invoice to the city or district.
 4. Include in its resolution an agreement to indemnify and hold harmless the County, its officers, agents and employees from expense of liability, including reasonable attorneys fees, as the result of an election contest arising after conduct of an election.
- c) If the Registrar of Voters decides that requested election services should not be rendered, the Registrar shall refer the matter to the Board of Supervisors for determination.

3. That the County Elections Department is authorized to canvass the returns of the General Municipal Election. The election shall be held in all respects as if there were only one election, and only one form of ballot shall be used. The election will be held and conducted in accordance with the provisions of law regulating the statewide election in accordance with California Election Code Section 10418.

4. That the Board of Supervisors is requested to issue instructions to the County Elections Department to take any and all steps necessary for the holding of the consolidated election.

5. That the City of Escondido recognizes that additional costs will be incurred by the County by reason of this consolidation and agrees to reimburse the County for any costs.

6. That the City Clerk is hereby directed to file a certified copy of this resolution with the Board of Supervisors and the County Elections Department of the County of San Diego.

7. That the City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.



STAFF REPORT

June 15, 2022
File Number 1320-90

SUBJECT

2021 REPORT ON DRINKING WATER PUBLIC HEALTH GOALS

DEPARTMENT

Utilities Department, Water Division

RECOMMENDATION

Request the City Council receive and file the Drinking Water Public Health Goals Report for years 2019 - 2021, and accept public comment on the report.

Staff Recommendation: Receive and file (Utilities: Christopher W. McKinney, Deputy City Manager / Director of Utilities).

Presenter: Reed Harlan, Deputy Director of Utilities/Water

FISCAL ANALYSIS

There are no costs associated with the City of Escondido's Public Health Goals Report 2021.

PREVIOUS ACTION

A Public Hearing was held at the regular City Council meeting on June 19, 2019 to receive comments on the Water Division's Public Health Goals Report for the years 2016 – 2018.

BACKGROUND

Standards Versus Goals

Public water supplies are strictly regulated for a host of constituents. The most stringent standards are those set by the United States Environmental Protection Agency ("USEPA") and the California Department of Public Health ("CDPH") in their primary drinking water standards. These standards are called Maximum Contaminant Levels ("MCLs") and they are enforced by CDPH's Division of Drinking Water. Tests for these constituents are conducted at a required frequency using standard methods. Public drinking water systems must ensure compliance with these standards *at all times*. The City's water supply has met these stringent standards at all times during the period of this report (2019 through 2021).



CITY of ESCONDIDO

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In addition to standards, there are also two sets of goals that may apply to various constituents that are possibly found in drinking water supplies. The goals can be either state or federal goals. The goals are *not enforceable*, but they provide constituent level targets for which water system operators should strive.

Public Health Goals (“PHGs”) are set by the California Office of Environmental Health Hazard Assessment (“OEHHA”), which is part of Cal-EPA. These goals are set at the concentration of a contaminant in drinking water that poses no significant health risk if consumed for a lifetime. The PHGs are not enforceable and are not required to be met by any public water system. They are set as goals based solely on public health risk considerations and they include a margin of safety

Maximum Contaminant Level Goals (“MCLGs”) are the federal equivalent to PHGs. For a particular type of potential contaminant, potential carcinogens, there is a difference in how MCLGs are set. MCLGs for carcinogens are set at zero because the USEPA assumes there is no absolutely safe level of exposure to them. Conversely, PHG’s are set at a level considered to pose no significant risk of cancer. This is usually denoted as a one-in-a-million cancer risk for a lifetime of exposure. Determinations of health risk at these low levels are frequently theoretical and have not been quantified or proven through scientific experimentation.

The remainder of this report summarizes the “Public Health Goals Escondido Water System – 2021.” This document is attached at the end of this staff report and will be submitted to the California State Water Resources Control Board (“SWRCB”), in compliance with the California Health and Safety Code.

Public Health Goals Reporting

California law requires that the City of Escondido (“City”) make a report available to the public that compares the City’s drinking water quality with State Public Health Goals and Federal Maximum Contaminant Level Goals. Given that PHGs and MCLGs are set by two different government agencies – one State and one Federal – and that PHGs and MCLGs have not been set for all substances that may be found in drinking water, these measures can be difficult to interpret. It is important to note that *PHGs and MCLGs are not enforceable standards*, but they do provide water agencies and water quality laboratories with goals for future improvement as detection and treatment technologies advance. In fact, some PHGs are set below the threshold of existing laboratory detection limits, meaning that the most a water agency can say is that the actual amounts are below the detection limit but not necessarily below the PHG.

The City’s drinking water quality has consistently met the enforceable Maximum Contaminant Level standards required by the USEPA and the CDPH. Drinking water with contaminant concentrations in excess of the MCLs is considered unsafe to drink. If the concentration of a contaminant is above the PHG and/or MCLG for that contaminant, the water is still considered safe to drink as long as the concentration remains below the MCL. *The City’s drinking water has met the enforceable MCL standards at all times during the period covered by this report (2019 - 2021).*



CITY of ESCONDIDO

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Provisions of the California Health and Safety Code specify that larger water utilities (>10,000 service connections) prepare a special report if any of their water quality measurements have exceeded any PHG. The law also requires that where a PHG for a constituent has not been established, the water suppliers are to use the MCLGs adopted by the USEPA. Only constituents which have a California primary drinking water standard and for which either a PHG or an MCLG has been set are to be addressed.

There are a few constituents that are routinely detected in water systems at levels well below the MCL (thus, the water is safe to drink), for which no PHG or MCLG has yet been adopted. These constituents are not included in this report.

If a constituent was detected in the City’s water supply in the years 2019 - 2021 at a level exceeding an applicable PHG or MCLG, this report provides the information required for our customers. Included is:

- The numerical public health risk associated with the MCL, the PHG, and the MCLG, whichever are applicable.
- The category or type of risk to health that could be associated with each constituent.
- The best treatment technology available that could be used to reduce the constituent level.
- An estimate of the cost to install that treatment if it is appropriate and feasible.

Water Quality Data Considered

Water quality data collected from the City of Escondido water system in 2019, 2020, and 2021 was considered in this report. This data has been summarized in the annually published City of Escondido Water Quality Reports. In no case was any substance detected above the MCL, which is the measure for safe drinking water.

The constituents discussed below were detected in Escondido’s drinking water at levels above the PHG, or if no PHG, above the MCLG. These levels do not mean that the water is unsafe to drink, but as described earlier, represent goals for future improvement as detection and treatment technologies advance.

Coliform Bacteria

Each month, approximately 140 to 200 samples are collected from the water distribution system for coliform analysis. Occasionally, a sample was found to be positive for coliform bacteria, but repeat samples were negative and follow up actions were taken. A maximum of 3.21% of these samples were positive in any given month (maximum: 1.94% in 2019, 3.21% in 2020, and 1.07% in 2021).

In the years 2019 through 2021, there were 19 samples out of 5,853 (0.32%) indicating positive for total coliform (“TC”) (9 out of 2,002 in 2019, 7 out of 1,936 in 2020, and 3 out of 1,915 in 2021), *with repeat samples being negative in all cases*. The MCL for total coliform is 5% of monthly samples and the MCLG is 0% for monthly samples. The total coliform bacteria percentage levels for water in the distribution system were below the MCL at all times, but at times was over the MCLG.

Monitoring for total coliform bacteria is performed to minimize the possibility of pathogens in the water. Pathogens are organisms that may cause waterborne disease. Because coliforms are only a surrogate



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indicator of the potential presence of pathogens, it is not possible to state a specific numerical health risk. While USEPA normally sets MCLGs “at a level where no known or anticipated adverse effects on persons would occur,” they indicate that they cannot do so with total coliform bacteria.

Total coliform bacteria are used as an indicator organism. They are found everywhere in nature and are not generally considered harmful. They are used because of the ease in monitoring and analysis. If a positive sample is found, it indicates a potential problem that needs to be investigated. It is not at all unusual for a system to have an occasional positive total coliform sample. Follow up sampling indicates the presence or absence of further risk.

The City adds chlorine as a disinfectant during the treatment process, and also chloramines prior to distribution to assure that the water is free of pathogens. The residual levels of the disinfectant are carefully controlled to provide the best health protection without undesirable taste, odor, or byproducts. This careful balance of treatment processes is essential to supplying Escondido’s customers with safe drinking water.

Other equally important measures that have been implemented include:

- An effective cross-connection control program.
- Maintenance of a disinfectant residual throughout the system.
- An effective monitoring and surveillance program.
- Maintenance of positive pressure in the distribution system.

Copper and Lead

There is no MCL for copper and lead. Instead, it is required that 90% of the samples taken from household taps and tested for copper and lead cannot exceed an Action Level of 1.3 mg/L for copper and 0.015 mg/l for lead. The PHG for copper is 0.30 mg/L and for lead it is 0.0002 mg/l.

The Federal and State’s Lead and Copper Rule requires that sampling be conducted once every three years for both lead and copper. The samples are taken by designated customers from kitchen or bathroom faucets. The sample is taken after the water sits in the plumbing overnight, without running the water to rinse or flush out contaminants.

The copper sampling in year 2021 indicates that the 90% level of copper samples taken from Escondido household taps was 0.65 mg/L, which is less than the Action Level of 1.3 mg/L, but exceeds the PHG of 0.30 mg/L. Approximately 54% of the 57 samples collected in year 2021 for copper exceeded the PHG of 0.30 mg/L.

The category of health risk for copper is gastrointestinal irritation. Numerical health risk data on copper has not yet been provided by Cal-EPA’s Office of Environmental Health hazard Assessment (“OEHHA”).

Also, the lead sampling in year 2021 indicates that the 90% level of lead samples taken from household taps were less than the detection limit for reporting (DLR) of 0.005 mg/L and less than the Action Level of



CITY of ESCONDIDO

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0.015 mg/L, but exceeded the PHG level of 0.0002 mg/L. It should be noted that the PHG is below the detection limit for current lead testing methods.

The category of risk for lead is damage to kidneys or the nervous system. Numerical health risk data on lead has not yet been provided by the OEHHA.

The Escondido water system is in full compliance with the Federal and State Copper and Lead Rule. Based on extensive sampling, it was determined according to State regulatory requirements that the City’s water system has lead and copper levels that fall below the Action Levels or Notification Levels. Therefore, the Escondido water system is deemed by the California Department of Health Services to have “optimized corrosion control” for the system. It is not prudent to initiate additional corrosion control treatment until such time as changing conditions warrant further action. The cost to reduce the copper level to zero is not known as the majority of copper and lead contamination comes from piping in individual residences.

Chlorite

Chlorite is a disinfection byproduct produced in the treatment of drinking water with chlorine dioxide. Chlorine dioxide has been used for control of taste and odor associated with algae and decaying vegetation in the raw water supply, as well as lower disinfectant-by-products levels such as Total Trihalomethanes (TTHMs) and Haloacetic Acid (five) (HAA5) in drinking water. Chlorine dioxide was applied seasonally at the Escondido-Vista Water Treatment Plant to reduce an odor when the raw water sources had observed a detectable odor. The current chlorite MCL is 1.0 mg/L and the PHG is 0.05 mg/L.

The chlorite levels measured at Escondido distribution system when chlorine dioxide was being used during 2019 to 2021, ranged from 0.02 mg/L to 0.56 mg/L chlorite, thus exceeding the PHG of 0.05 mg/L. (Range: 0.02 – 0.42 mg/L in 2019, 0.05 – 0.40 mg/L in 2020, and 0.09 – 0.56 mg/L in 2021).

Several studies reveal that oral exposure to chlorite can result in significant hematological, endocrine, reproductive, and gastrointestinal effects, as well as changes in neurobehavioral development at levels higher than the MCL.

Based on our sampling, it was determined that the Escondido Water System meets the MCL for Chlorite, but exceeds the PHG.

Arsenic and Uranium

Arsenic is a naturally occurring element in the earth's crust and is very widely distributed in the environment. In certain geographical areas, natural mineral deposits may contain large quantities of arsenic and this may result in higher levels of arsenic in water. The amounts of arsenic required to cause adverse health effects depend on the chemical and physical form of the arsenic that is ingested. Inorganic forms are generally more acutely toxic than organic forms and more water-soluble forms tend to be more toxic than those that dissolve poorly in water. Also, the oxidation state of arsenic affects its toxicity, with As (III) being more toxic than As (V).



CITY of ESCONDIDO

STAFF REPORT

In most municipal water supplies, particularly surface reservoirs, the chief form of arsenic is As (V) due to aeration and chlorination. In chlorinated drinking water supplies, all arsenic forms have been found to be pentavalent (V) as a result of oxidation by free chlorine.

Total arsenic was detected at ranges from ND (not detected) to DNQ (detected, not quantified), with a maximum concentration of 0.0008 mg/L. The DLR (detection limits for purposes of reporting) is 0.002 mg/L, which was not exceeded., However, the PHG level of 0.000004 mg/L was exceeded during the period of 2019 to 2021. (Range: ND – DNQ[0.0006 mg/L] in 2019, ND – DNQ[0.0006 mg/L] in 2020, and ND – DNQ[0.0008 mg/L] in 2021).

Uranium is a naturally occurring radioactive element that is present in the earth’s crust that is found in some rocks and soil and is weakly radioactive.

Uranium is also found in ground and surface waters due to natural occurrence in geological formations. The average uranium concentration in surface, ground, and domestic water are 1, 3 and 2 pCi/L (picocuries per liter), respectively. Uranium can also enter the environment in the production and use of phosphate fertilizers, or from mining and industrial processing activities.

The current uranium MCL is 20 pCi/L and the PHG is 0.43 pCi/L.

Uranium was detected at 2.1 pCi/L in year 2021, well below the MCL, but exceeding the PHG of 0.43 pCi/L.

DBCP (1, 2-Dibromo-3-chloropropane)

DBCP was used as a soil fumigant and nematocide, and its use was restricted and its registration was cancelled in 1985. DBCP was identified as both a carcinogen and a male reproductive toxicant in 1987. The best available technologies (BAT) to treat for DBCP are granular activated carbon (GAC) or by packed tower aeration.

The state of California PHG for DBCP is 0.000003 mg/L.

DBCP was detected, and ranged as DNQ (0.000004 mg/L – 0.000005 mg/L) on 2021, but exceeded the PHG of 0.000003 mg/L.

TTHM (Total Trihalomethanes)

An important and predominant group of chlorinated drinking water byproducts, trihalomethanes can occur as a result of the reaction between natural organic matter in the water and chlorine added as a disinfectant. The term 'Total Trihalomethanes' (TTHM) describes four disinfection by-products: Bromoform, Bromodichloromethane, Chloroform, and Dibromochloromethane.

The PHG for Bromoform is 0.0005 mg/L, for Bromodichloromethane is 0.00006 mg/L, for Chloroform is 0.0004 mg/L, and for Dibromochloromethane is 0.0001 mg/L.

Bromoform was detected, and ranged from 0.0013 mg/L to 0.0056 mg/L during 2019 to 2021, exceeding the PHG of 0.0005 mg/L.



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Bromodichloromethane was detected, and ranged from 0.0055 mg/L to 0.026 mg/L, exceeding the PHG of 0.00006 mg/L.

Chloroform was detected, and ranged from 0.0047 mg/L to 0.025 mg/L, exceeding the PHG of 0.0004 mg/L.

Dibromochloromethane was detected, and ranged from 0.0053 mg/L to 0.020 mg/L, exceeding the PHG of 0.0001mg/L.

HAA5 (Haloacetic Acids): Dichloroacetic Acid

HAAs can be formed by chlorination, ozonation or chloramination of water with formation promoted by slightly acidic water, high organic matter content and elevated temperature. Chlorine from the water disinfection process can react with organic matter and small amounts of bromide present in water to produce various HAAs.

HAA5 describes five disinfection by products: monochloroacetic acid, dichloroacetic acid, trichloroacetic acid, monobromoacetic acid, and dibromoacetic acid.

US EPA has concluded that dichloroacetic acid causes male reproductive and development toxicity and established the MCLG of zero.

Dichloroacetic acid was detected and ranged from 0.0014 mg/L to 0.013 mg/L during 2019 to 2021, exceeding the MCLG of zero.

Gross Alpha Particle Activity

Gross alpha particle activity is a measure of the total amount of radioactivity in a water sample attributable to the radioactive decay of alpha-emitting elements. Alpha particles are highly ionizing, but the particles travel short distances in air (less than 2 inches) before being absorbed. Alpha particles have little ability to penetrate objects; thus, they can be stopped by a sheet of paper or the outer layer of skin. The external hazard from alpha particles is minimal, but the internal hazard when they are inhaled or ingested may be significant.

The U.S. EPA's MCLG for gross alpha particle is zero, and the state of California MCL is 15 pCi/L.

Gross Alpha particle was detected, and ranged from ND to 3.3 pCi/L on year 2021.

The detection limit for reporting (DLR) of gross beta particle is 3 pCi/L.



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These detections do not constitute a violation of drinking water regulations and do not indicate the water was unsafe to drink. The results could be considered typical for a California water agency.

Gross Beta Particle Activity

Gross beta particle activity is a measure of the total amount of radioactivity in a water sample attributable to the radioactive decay of beta-emitting elements. Beta particles usually travel greater distances in air than alpha particles (about 6 feet) before being absorbed.

A low level of gross beta activity is relatively prevalent in the State’s water supply, probably due to the ubiquitous nature of naturally occurring beta particle-emitting radionuclides.

The U.S. EPA's MCLG for gross beta particle is zero, and the state of California MCL is 50 pCi/L and Federal MCL is 4 mrem/yr (milliroentgen equivalent man).

Gross beta particle was detected, and ranged from ND to 4.6 pCi/L on year 2021. The detection limit for reporting (DLR) of gross beta particle is 4 pCi/L.

Summary of Findings

Overall, total coliform, copper, lead, arsenic, DBCP, chlorite, TTHM, HAA5, uranium, gross alpha particle, and gross beta particle constituents were detected in our City’s water system at concentrations above the PHGs or MCLGs. Also, there are several inorganic and organic compounds which are reported as ND (not detected) due to their being below the MDL (method detection limit), and due to the PHG level being much lower than the MDL. At no time did the Escondido water system ever serve water containing contaminants above recognized and enforceable MCLs. The drinking water quality of the Escondido water system meets all drinking water standards to protect public health.

Recommendations for Further Action

The City of Escondido drinking water system meets all State of California and USEPA drinking water standards set to protect public health, but it does exceed some of the public health goals. Costly treatment processes would be required to further reduce the levels of the constituents identified in this report to meet PHG or MCLG that are significantly below the health-based MCL that have been established to provide “safe drinking water.” The effectiveness of additional treatment processes to provide significant reductions in constituent levels at these already low values is uncertain. In addition, the health protection benefits of further reductions are not clear and may not be quantifiable. Therefore, no action is proposed

ATTACHMENTS

1. Public Health Goals Report 2021



Public Health Goals

Escondido Water System

2021

CITY OF ESCONDIDO

REPORT ON CITY'S WATER QUALITY RELATIVE TO PUBLIC HEALTH GOALS

2019 – 2021

California Health and Safety Code Section 116470(b)

Background

Provisions of the California Health and Safety Code specify that larger water utilities (>10,000 service connections) prepare a special report if any of their water quality measurements have exceeded any Public Health Goal (PHG, see definition below). The law also requires that where a PHG for a constituent has not been established, the water suppliers are to use the Maximum Contaminant Level Goals (MCLG) adopted by the United States Environmental Protection Agency (USEPA). Only constituents which have a California primary drinking water standard and for which either a PHG or an MCLG has been set are to be addressed.

There are a few constituents that are routinely detected in water systems at levels usually well below the drinking water standards for which no PHG or MCLG has yet been adopted. These will be addressed in the future as they are adopted in either the California or the Federal standards.

If a constituent was detected in the Escondido water supply in the years of 2019 through 2021 at a level exceeding an applicable PHG or MCLG, this report provides the information required for our customers. Included is:

- The numerical public health risk associated with the Maximum Contaminant Level (MCL) and the PHG or MCLG. (MCLs are set by the USEPA or the California Department of Public Health in their enforceable drinking water standards).
- The category or type of risk to health that could be associated with each constituent.
- The best treatment technology available that could be used to reduce the constituent level.
- An estimate of the cost to install that treatment if it is appropriate and feasible.

Goals vs Standards

Public water supplies are strictly regulated for a host of contaminants. The most stringent standards are those set by the USEPA and the California Department of Public Health in their primary drinking water standards. These standards are called Maximum Contaminant Levels (MCL) and they are enforced by the California Department of Public Health. Tests for these contaminants are run on a required frequency using standard methodologies. Public drinking water systems must ensure compliance with these standards at all times.

Contrary to standards, there are also two sets of goals that may apply to various contaminants that may be found in drinking water supplies. The goals can be either state or federal goals. The goals are not enforceable, but they provide contaminant levels for which the water system operators should strive to meet.

The California Office of Environmental Health Hazard Assessment (OEHHA), a section of Cal EPA, sets Public Health Goals (PHGs). The PHGs are not enforceable and are not required to be met by any public water system. They are set as goals based solely on public health risk considerations and they include a margin of safety.

Maximum Contaminant Level Goals (MCLGs) are the federal equivalent to PHGs; however, there is a difference in how levels for carcinogens are set at the federal level. The Maximum Contaminant Level Goals for carcinogens are set at zero because the USEPA assumes there is no absolutely safe level of exposure to them. Conversely, PHGs are set at a level considered to pose no significant risk of cancer, and are usually noted as a one in a million cancer risk for a lifetime of exposure. Determinations of health risk at these low levels are frequently theoretical and have not been quantified or proven through scientific experimentation. .

Best Available Treatment Technology

Both the USEPA and the California Department of Public Health adopt what are known as Best Available Technologies (BAT). These technologies take into account practical risk-management factors such as analytical detection capability, available treatment technology, benefits, and costs. These are the best known methods for reducing contaminant levels to the MCL. However, since many PHG's and all MCLG's are set much lower than the MCL, it is not always possible to determine what treatment is needed to further reduce contaminant concentrations to the low levels set in the PHG or MCLG. Unfortunately, the analytical tests to determine these very low levels are not always available or they do not provide reliable test results. In some cases, treatment processes that reduce one contaminant to a very low level may have adverse effects on other aspects of water quality.

Water Quality Data Considered

Water quality data collected from the City of Escondido water system during the years 2019, 2020 and 2021, for purposes of determining compliance with drinking water standards, was considered in this report. This data is summarized in the annual Water Quality Reports for the same years; reports are made available for customer review on the City of Escondido's website and hard copies are mailed to customers upon request. The constituents discussed below were detected in Escondido's drinking water at levels above the PHG, or if no PHG, above the MCLG.

Coliform Bacteria

Each month, approximately 140 – 200 samples are collected from the water distribution system for coliform analysis. Occasionally, a sample was found to be positive for coliform bacteria, but repeat samples were negative and follow up actions were taken. A maximum of 3.21% of these samples were positive in any month (maximum: 1.94% in 2019, 3.21% in 2020, and 1.07% in 2021).

In the years 2019 through 2021, there were 19 samples out of 5,853 (0.32%) indicating positive for total coliform (TC), with repeat samples being negative in all cases (positive TC numbers: 9 out of 2,002 in 2019, 7 out of 1,936 in 2020, and 3 out of 1,915 in 2021). The MCL for total coliform is 5% of monthly samples and the MCLG is 0% for monthly samples. The total coliform bacteria percentage levels for water in the distribution system were below the MCL at all times, but at times was over the MCLG.

Monitoring for total coliform bacteria is performed to minimize the possibility of pathogens in the water. Pathogens are organisms that may cause waterborne disease. Because coliforms are only a surrogate indicator of the potential presence of pathogens, it is not possible to state a specific numerical health risk. While USEPA normally sets MCLGs "at a level where no known or anticipated adverse effects on persons would occur," they indicate that they cannot do so with total coliform bacteria.

Total coliform bacteria are used as an indicator organism. They are found everywhere in nature and are not generally considered harmful. They are used because of the ease in monitoring and analysis. If a positive sample is found, it indicates a potential problem that needs to be investigated. It is not at all unusual for a system to have an occasional positive total coliform sample. Follow up sampling indicates the presence or absence of further risk.

The City adds chlorine as a disinfectant during the treatment process, and also chloramines prior to distribution to assure that the water is free of pathogens. The residual levels of the disinfectant are carefully controlled to provide the best health protection without undesirable taste, odor, or byproducts. This careful balance of

treatment processes is essential to supplying Escondido's customers with safe drinking water.

Other equally important measures that have been implemented include:

- An effective cross-connection control program.
- Maintenance of a disinfectant residual throughout the system.
- An effective monitoring and surveillance program.
- Maintenance of positive pressure in the distribution system.

Copper and Lead

There is no MCL for copper and lead. Instead, it is required that 90% of the samples taken from household taps and tested for copper and lead cannot exceed an Action Level of 1.3 mg/L for copper and 0.015 mg/l for lead. The PHG for copper is 0.30 mg/L and for lead it is 0.0002 mg/l.

The Federal and State's Lead and Copper Rule requires that sampling be conducted once every three years for both lead and copper. The samples are taken by designated customers from kitchen or lavatory faucets. The sample is taken after the water sits in the plumbing over night, without running the water to rinse or flush out contaminants.

The copper sampling in year 2021 indicates that the 90% level of copper samples taken from Escondido household taps was 0.65 mg/L, which is less than the Action Level of 1.3 mg/L, but exceeds the PHG of 0.30 mg/L. The approximate 54% of the 57 samples collected in year 2021 for copper exceeded the PHG of 0.30 mg/L.

The category of health risk for copper is gastrointestinal irritation. Numerical health risk data on copper has not yet been provided by California EPA's Office of Environmental Health hazard Assessment.

Also, the lead sampling in year 2021 indicates that the 90% level of lead samples taken from household taps were less than the detection limit for reporting (DLR) of 0.005 mg/L and less than the Action Level of 0.015 mg/L, but exceeded the PHG level of 0.0002 mg/L.

The category of risk for lead is damage to kidneys or the nervous system. Numerical health risk data on lead has not yet been provided by California EPA's Office of Environmental Health hazard Assessment.

The Escondido water system is in full compliance with the Federal and State Copper and Lead Rule. Based on extensive sampling, it was determined according to State regulatory requirements that the City does meet the Action Levels or Notification Levels for copper and lead. Therefore, the Escondido water

system is deemed by the California Department of Health Services to have “optimized corrosion control” for the system. It is not prudent to initiate additional corrosion control treatment until such time as changing conditions warrant further action. The cost to reduce the copper level to zero is not known as the majority of copper and lead contamination comes from piping in individual residences.

Arsenic

Arsenic is a naturally occurring element in the earth's crust and is very widely distributed in the environment. In certain geographical areas, natural mineral deposits may contain large quantities of arsenic and this may result in higher levels of arsenic in water. The amounts of arsenic required to cause adverse health effects depend on the chemical and physical form of the arsenic that is ingested. Inorganic forms are generally more acutely toxic than organic forms and more water-soluble forms tend to be more toxic than those that dissolve poorly in water. Also, the oxidation state of arsenic affects its toxicity, with As (III) being more toxic than As (V).

In most municipal water supplies, particularly surface reservoirs, the chief form of arsenic is As (V) due to aeration and chlorination. In chlorinated drinking water supplies, all arsenic forms have been found to be pentavalent as a result of oxidation by free chlorine.

Total arsenic was detected and ranged from ND to DNQ (detected, not quantified) of 0.0008 mg/L, and DLR (detection limits for purposes of reporting) of 0.002 mg/L, but exceeded the PHG level of 0.000004 mg/L during 2019 to 2021. (Range: ND – DNQ [0.0006 mg/L] in 2019, ND – DNQ [0.0006 mg/L] in 2020, and ND – DNQ [0.0008 mg/L] in 2021).

DBCP (1, 2-Dibromo-3-chloropropane)

DBCP was used as a soil fumigant and nematocide, and its use was restricted and its registration was cancelled in 1985. DBCP was identified as both a carcinogen and a male reproductive toxicant in 1987. The best available technologies (BAT) to treat for DBCP are granular activated carbon (GAC) or by packed tower aeration.

The state of California PHG for DBCP is 0.000003 mg/L.

DBCP was detected, and ranged as DNQ (0.000004 mg/L – 0.000005 mg/L) on 2021, but exceeded the PHG of 0.000003 mg/L.

Chlorite

Chlorite is a disinfection byproduct produced in the treatment of drinking water with chlorine dioxide. Chlorine dioxide has been used for control of taste and odor associated with algae and decaying vegetation in the raw water supply, as well as

lower disinfectant-by-products levels such as Total Trihalomethanes (TTHMs) and Haloacetic Acid (five) (HAA5) in drinking water. Chlorine dioxide was applied seasonally at the Escondido Water Treatment Plant to reduce an odor when the raw water sources had observed a detectable odor. The current chlorite MCL is 1.0 mg/L and the PHG is 0.05 mg/L.

The chlorite levels measured at Escondido distribution system when chlorine dioxide was being used during 2019 to 2021, ranged from 0.02 mg/L to 0.56 mg/L chlorite, but exceeded the PHG of 0.05 mg/L. (Range: 0.02 – 0.42 mg/L in 2019, 0.05 – 0.40 mg/L in 2020, and 0.09 – 0.56 mg/L in 2021)

Several studies reveal that oral exposure to chlorite can result in significant hematological, endocrine, reproductive, and gastrointestinal effects, as well as changes in neurobehavioral development at levels higher than the MCL.

Based on our sampling, it was determined that the Escondido Water System meets the MCL for Chlorite, but exceeds the PHG.

TTHM (Total Trihalomethanes)

An important and predominant group of chlorinated drinking water byproducts, trihalomethanes can occur as a result of the reaction between natural organic matter in the water and chlorine added as a disinfectant. The term 'Total Trihalomethanes' (TTHM) describes four disinfection by-products: Bromoform, Bromodichloromethane, Chloroform, and Dibromochloromethane.

The PHG for Bromoform is 0.0005 mg/L, for Bromodichloromethane is 0.00006 mg/L, for Chloroform is 0.0004 mg/L, and for Dibromochloromethane is 0.0001 mg/L.

Bromoform was detected, and ranged from 0.0013 mg/L to 0.0056 mg/L during 2019 to 2021, exceeded the PHG of 0.0005 mg/L.

Bromodichloromethane was detected, and ranged from 0.0055 mg/L to 0.026 mg/L, exceeded the PHG of 0.00006 mg/L.

Chloroform was detected, and ranged from 0.0047 mg/L to 0.025 mg/L, exceeded the PHG of 0.0004 mg/L.

Dibromochloromethane was detected, and ranged from 0.0053 mg/L to 0.020 mg/L, exceeded the PHG of 0.0001mg/L.

HAA5 (Haloacetic Acids): Dichloroacetic Acid

HAAs can be formed by chlorination, ozonation or chloramination of water with formation promoted by slightly acidic water, high organic matter content and elevated temperature. Chlorine from the water disinfection process can react with

organic matter and small amounts of bromide present in water to produce various HAAs.

HAA5 describes five disinfection by products: monochloroacetic acid, dichloroacetic acid, trichloroacetic acid, monobromoacetic acid, and dibromoacetic acid.

US EPA has concluded that dichloroacetic acid causes male reproductive and development toxicity and established the MCLG of zero.

Dichloroacetic acid was detected and ranged from 0.0014 mg/L to 0.013 mg/L during 2019 to 2021, exceeding the MCLG of zero.

Uranium

Uranium is a naturally occurring radioactive element present in the earth's crust that is found in some rocks and soil and is weakly radioactive. Uranium is also found in ground and surface waters due to natural occurrence in geological formations. The average uranium concentration in surface, ground, and domestic water are 1, 3, and 2 pCi/L (picocuries per liter), respectively. Uranium can also enter the environment in the production and use of phosphate fertilizers, or from mining and industrial processing activities.

The current uranium MCL is 20 pCi/L and the PHG is 0.43 pCi/L.

Uranium was detected at 2.1 pCi/L (picocuries per liter) in year 2021, well below the MCL but exceeded the PHG of 0.43 pCi/L.

Gross Alpha Particle Activity

Gross alpha particle activity is a measure of the total amount of radioactivity in a water sample attributable to the radioactive decay of alpha-emitting elements. Alpha particles are highly ionizing, but the particles travel short distances in air (less than 2 inches) before being absorbed. Alpha particles have little ability to penetrate objects; thus, they can be stopped by a sheet of paper or the outer layer of skin. The external hazard from alpha particles is minimal, but the internal hazard when they are inhaled or ingested may be significant.

The U.S. EPA's MCLG for gross alpha particle is zero, and the state of California MCL is 15 pCi/L.

Gross Alpha particle was detected, and ranged from ND to 3.3 pCi/L in year 2021. The detection limit for reporting (DLR) of gross beta particle is 3 pCi/L.

These detections do not constitute a violation of drinking water regulations or indicate the water was unsafe to drink. The results could be considered typical for a California water agency.

Gross Beta Particle Activity

Gross beta particle activity is a measure of the total amount of radioactivity in a water sample attributable to the radioactive decay of beta-emitting elements. Beta particles usually travel greater distances in air than alpha particles (about 6 feet) before being absorbed.

A low level of gross beta activity is relatively prevalent in the State's water supply, probably due to the ubiquitous nature of naturally occurring beta particle-emitting radionuclides.

The U.S. EPA's MCLG for gross beta particle is zero, and the state of California MCL is 50 pCi/L and Federal MCL is 4 mrem/yr (milliroentgen equivalent man).

Gross beta particle was detected, and ranged from ND to 4.6 pCi/L on year 2021. The detection limit for reporting (DLR) of gross beta particle is 4 pCi/L.

These detections do not constitute a violation of drinking water regulations or indicate the water was unsafe to drink.

RECOMMENDATIONS FOR FURTHER ACTION:

The City of Escondido drinking water system meets all State of California and USEPA drinking water standards set to protect public health, but it does exceed some of the public health goals. Costly treatment processes would be required to further reduce the levels of the constituents identified in this report to meet PHG or MCLG that are significantly below the health-based MCL that have been established to provide "safe drinking water." The effectiveness of additional treatment processes to provide significant reductions in constituent levels at these already low values is uncertain. In addition, the health protection benefits of further reductions are not clear and may not be quantifiable. Therefore, no action is proposed.

Summary of Findings:

Overall, total coliform, copper, lead, arsenic, DBCP, chlorite, TTHM, HAA5, uranium, gross alpha particle, and gross beta particle constituents were detected in our City's water system at concentrations above the PHGs or MCLGs. Also, there are several inorganic and organic compounds which are reported as ND (not detected) due to their being below the MDL (method detection limit), and due to the PHG level being much lower than the MDL. At no time did the Escondido water system ever serve water containing contaminants above recognized and enforceable MCLs. The drinking water quality of the Escondido water system meets all drinking water standards to protect public health.



STAFF REPORT

June 15, 2022
File Number 0870-11

SUBJECT

ANNUAL ACTION PLAN FOR FISCAL YEAR 2022-23 DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (“HUD”) FUNDING OF COMMUNITY DEVELOPMENT BLOCK GRANT (“CDBG”), HOME INVESTMENT PARTNERSHIP PROGRAM (“HOME”) FOR AFFORDABLE HOUSING ACTIVITIES AND EMERGENCY SOLUTIONS GRANTS (“ESG”)

DEPARTMENT

City Manager Office; Housing and Neighborhood Services Division

RECOMMENDATION

Request the City Council adopt Resolution No. 2022-75 approving the CDBG and HOME budgets and allocations, and adopt Ordinance No. 2022-11 authorizing the Deputy City Manager to execute contracts with service providers. It is also requested that the City Council adopt Resolution No. 2022-84 approving the FY 2022-2023 One-Year Action Plan to HUD.

Staff Recommendation: Approval (City Manager Office: Rob Van De Hey, Deputy City Manager/ Director of Information Systems)

Presenters: Holly Nelson, Housing and Neighborhood Services Manager; and Johnathan Lung, Management Analyst

FISCAL ANALYSIS

The City of Escondido (“City”) receives an annual federal allocation from HUD for community development, housing and homelessness activities. HUD published allocations for local jurisdictions for FY 2022-23 on May 13, 2022. The City will receive \$1,548,067 in CDBG funds (10% decrease from 2021) and \$706,529 in HOME funds (13% increase from 2021). The City will not receive an allocation of ESG funds for FY 2022-23 which addresses homelessness. The ESG funding is based on a formula evaluating geographic size, population, and poverty rates. City staff is having active discussions with HUD to determine the reason why funding was not allocated.

It is important to note that HUD funds must assist the low-income residents of Escondido and may not be used to supplant previously allocated City funds. Funds may also be used to pay for administrative and planning services, subject to regulatory limitations.



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PREVIOUS ACTION

On May 20, 2020, the City Council approved the 2020-2024 Five Year Consolidated Plan (“2020 Con Plan”), which established priorities for the use of CDBG, HOME and ESG federal funds over the five-year period, ending in June 30, 2025, to benefit low-income residents and neighborhoods in the City (Attachment 1).

The goals outlined in the 2020 Con Plan are reflected in the City’s current funding priorities for FY 2022-23 and reflects the community’s highest priorities: homelessness, public infrastructure, community facilities, housing supply and services, community services, and neighborhood services.

On January 26, 2022, the City Council held the first of two public hearings associated with the FY 2022-23 Annual Action Plan to reaffirm the homelessness, housing and community priorities identified in the 2020 Con Plan. The second public hearing will be held on June 15, 2022.

BACKGROUND

The City receives annual federal entitlement grants from HUD for community development (CDBG) and housing (HOME) activities. The City was a recipient of ESG funds from 2016 to 2022. In 2020, the City received additional funding allocations for CDBG-CV and ESG-CV funds to prevent, prepare for, and respond to, impacts of the COVID-19 pandemic.

In order to receive funds, the City must develop a five-year Consolidated Plan (“Con Plan”) and create an Annual Action Plan. The 2020 Con Plan helps bring community needs and resources together to achieve goals that address decent housing, homelessness, and expand economic opportunities for City residents, particularly for low-income persons.

The City Council confirmed the 2020 Con Plan priorities and priority emphasis on January 26, 2022, and a Request For Proposal (“RFP”) was released by the City on January 31, 2022 for CDBG and ESG funds. The proposal was published on the Housing and Neighborhood Services’ website and City staff emailed the proposal to 55 different service providers, nonprofits, developers and grassroot organizations in San Diego County. The agencies notified had previously expressed an interest in receiving funding updates.

To expand its outreach efforts and attract new applicants, the City worked with the Regional Task Force on Homelessness who emailed the CDBG and ESG application to over 1,200 recipients on February 1, 2022.

City Staff created a new, internal CDBG application to expand access to different city departments. Staff presented the information at a citywide department leadership meeting in February 2022 and released a staff memo.



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Twelve proposals were submitted by nonprofit organizations and nine proposals were submitted by City department heads for CDBG-funded activities, and two proposals were submitted by nonprofit organizations for ESG-funded activities.

Today's City Council actions will identify specific programs and activities for FY 2022-23 funds and conditionally commit funding. Final commitment is dependent on HUD's acceptance of the Action Plan, completion of a National Environmental Policy Act (NEPA), receipt of environmental clearance from HUD, provision of appropriate insurance verification, and acceptance of City contracts. Projects are anticipated to start on July 1, 2022.

CDBG Funds

The CDBG program is a flexible block grant program that provides communities with resources to address a wide range of community needs. The CDBG program works to ensure decent affordable housing and neighborhoods, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. Each CDBG activity must meet one of the following national objectives for the program: benefit low- and moderate-income persons, prevent or eliminate slums or blight, or address community development needs having a particular urgency. The City will receive \$1,548,067 in CDBG entitlement funds for FY 2022-23 which is 10% decrease from FY 2021-2022. CDBG funding is down not only in local jurisdictions but also nationwide. It is important to note out of the \$1,548,067 no more than 20% of entitlement funds (\$309,613) may be expended for administrative activities and no more than 15% (\$232,210) may be used for public service activities.

As a recipient of CDBG funds, the City is also required to take steps to affirmatively further fair housing within its jurisdiction as part of the obligation it assumes when it accepts these funds. Fair Housing services are allowable under Public Service or Administration and by utilizing Administration funds, the City is able to fund more programs under Public Services. Staff recommends renewing Legal Aid Society of San Diego's services at \$35,000 for fair housing services using administrative funds.

FY 2020-2024 Community Development Priorities

1. Homeless Services: Support homeless shelter and other services.
2. Basic Needs: Provide access to food, water, shelter, and sanitation.
3. Health and Human Development: Provide access to recreation, education, and healthcare (including mental health).
4. Neighborhood Revitalization: Improve the livability of neighborhoods.
5. Economic Development: to provide economic development opportunities to low-moderate income residents and businesses.

Each year, the City must develop an action plan that describes all the activities the City plans to carry out that year. Both City-sponsored and non-profit-sponsored projects may be considered. This year, the City



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received at total of 25 proposals (12 proposals from outside agencies and 13 proposals from internal City Departments) for FY 2022-23 CDBG funding. The 15 public service fund requests were: (1) Meals on Wheels is requesting \$25,000 for its in-home meal delivery to moderate and low-income seniors; (2) San Diego Children's Discovery Museum is requesting \$10,000 to provide free or reduced cost memberships to the museum; (3) Alliance for Regional Solutions is requesting \$60,000 for its Bridge Housing Network providing year round shelter and services for homeless individuals; (4) Voices for Children is requesting \$10,000 for direct advocacy, assessment and ongoing case monitoring for Escondido foster youth; (5) Palomar Family Counseling Service is requesting \$22,333 to promote mental and behavioral health of high school youths affected by the effects of the COVID-19 pandemic; (6) Mama's Kitchen, is requesting \$7,500 for its in-home meal delivery to critically-ill Escondido residents; (7) Center for Community Solutions, a new applicant, is requesting \$25,000 to operate a 24/7 emergency domestic violence shelter and provide accompanying services; (8) Interfaith Community Services is requesting \$198,099 to provide an emergency family shelter and accompanying services; (9) Legal Aid Society of San Diego is requesting \$35,000 to provide fair housing services; (10) Solutions for Change is requesting \$15,000 to support their Workforce Development program which provides homeless families with education to assist with long-term housing stability; (11) Community Services is requesting \$56,100 for senior nutrition, (12) Community Services is requesting \$34,610 for low-cost transportation program, (13) Community Services is \$16,000 for Senior care; (14) Community Services is requesting \$15,000 for aquatic safety; and (15) Planning Division is requesting \$20,000 for translation services for the 2022 General Plan Amendment.

The 10 capital improvements and neighborhood revitalization proposals submitted were: (1) Engineering Division is requesting \$8,500,000 for flood mitigation for 450 homes; (2) Community Services is requesting \$175,000 for Hoffman House restoration repairs recommended in the Historic Structure Assessment Report; (3) Escondido Education COMPACT is requesting \$284,600 to rehabilitate a building to create a center for youth and families; (4) Housing & Neighborhood Services is requesting \$231,956 to add funds to the Homeless Resource Center; (5) Public Works is requesting \$200,345 for 7-day a week graffiti removal; (6) Code Enforcement is requesting \$115,000 for four part-time code enforcement officers; (7) Boys & Girls Club is requesting \$75,000 for playground equipment; (8) Housing & Neighborhood Services is requesting \$75,000 for the Grants to Block program; (9) Housing & Neighborhood Services is requesting \$25,000 for Project NEAT; and (10) Public Works is requesting \$18,000 for water bottle refill stations in local parks.

Staff reviewed the applications for completeness and eligibility. Criteria for the review includes, but is not limited to, a pre-award risk assessment based on subrecipient history, complexity of the project, funding and budget appropriateness, experience, and compliance with federal criteria. Specific allocation recommendations for CDBG-funded activities are described below (Attachment 2).

Proposed Public Service Activities (\$231,553)

Senior Nutrition, Senior Transportation and Senior Care (\$106,720)



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The City's Community Services Department addresses basic needs for seniors. These programs include a reduce or free lunch program (\$56,100), low-cost transportation program (\$34,610), and care coordination and helping vulnerable seniors get bridged to resources to improve quality of life at the Park Avenue Community Center (\$16,000). These programs address the Con Plan's Basic Need CDBG priority. City staff did receive a public comment requesting CDBG funding for the "senior meals program, the legal and tax assistance program and many art and recreation activities."

Alliance for Regional Solutions (\$45,000)

The Alliance for Regional Solutions is a collaboration of North County organizations addressing homelessness. The Bridge to Housing Committee of the Alliance is a collaboration of providers who offer short-term housing solutions, case management and services directed at navigating North County's homeless men, women, and families towards permanent housing and self-sufficiency. This program addresses the Con Plan's Homelessness Services priority.

Center for Community Solutions Emergency Shelter for Domestic Violence Survivors (\$25,000)

Center for Community Solutions' emergency shelter provides 24/7 emergency domestic violence shelter at Hidden Valley House to prevent homelessness, meet basic needs, and connect domestic violence survivors to mental health services. This program addresses the Con Plan's Homelessness Services priority. Center for Community Solutions would be a new City CDBG funding recipient.

Meals-on-Wheels of San Diego County Meal Delivery Program (\$25,000)

Meals-on-Wheels Program provides daily delivery of up to two nutritious meals a day to the home, accompanied by a daily safety check, in-home social visit, and care navigation. This program addresses the Con Plan's Basic Needs CDBG priority by addressing food insecurity for homebound seniors and people with disabilities. Meals on Wheels has received CDBG funds since 2005.

Palomar Family Counseling Services Healthy Minds, Thriving Youth (\$22,333)

Palomar Family Counseling Services' program, Health Minds, Thriving Youth, provides mental health therapy to high school-aged youth living in Escondido in order to reduce the psychosocial stressors related to the pandemic, such as depression, anxiety, isolation, loss and financial hardship. Mental health treatment is limited and very impacted. Adding this resource will help improve access and behavioral health care to low-income youth. This program addresses the Con Plan's Health and Human Development priority which includes mental health.



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Mama's Kitchen Home Delivered Meal Service: Escondido (\$7,500)

Mama's Kitchen's Home-Delivered Meal Service provides medically tailored meals to low-to-moderate income Escondido residents facing critical illnesses such as cancer, type 2 diabetes, congestive heart failure and chronic kidney disease. Funding would allow Mama's Kitchen to expand services in Escondido. This program addresses the Con Plan's Basic Needs priority.

Proposed Capital Improvement and Neighborhood Revitalization Activities (\$1,006,901)

Escondido Education COMPACT Success Center (\$284,600)

Escondido Education COMPACT is requesting funds to rehabilitate a City-owned building to create a center for youth and families in Escondido. The project will be completed in two phases and staff anticipates the center will offer group meetings, counseling and additional programming and resources in employment, mental health and substance use, parenting, and homelessness prevention. This program addresses the Con Plan's Health and Human Development priority.

Homeless Resource Center (\$231,956)

The City Council approved \$552,289 in FY2020-21 to create a homeless navigation/day center. Over the past two years, CDBG funds have been reallocated to other projects and the day center currently has a budget of \$160,000. City staff has been in discussion with service providers and citizens regarding the creation of a one-stop center where individuals and families who at-risk or experiencing homelessness can go to access housing, service providers and access basic needs. It would be a "hub" for different providers to offer services, such as employment, legal, health education, benefits, social security and to help the most vulnerable streamline services and access care. This program addresses the Con Plan's Homelessness priority.

Graffiti Removal (\$200,345)

The Graffiti Removal Project provides funding for graffiti removal 7-days a week in qualifying low-mod income census tracts and applies only to private properties. CDBG funds can be used to remove graffiti from private homes, garages, fences and exterior surfaces of businesses. This project addresses the Con Plan's Neighborhood Revitalization CDBG priority.

CDBG-Funded Code Enforcement (\$115,000)

CDBG-funded neighborhood revitalization efforts would include funding for four part-time Code Enforcement Officers to work in commercial and residential areas of CDBG-eligible census tracts. The officers will address code issues relating to business licensing, illegal signage and other appearance and



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compliance issues generally associated with commercial and residential areas. This project addresses the Con Plan’s Neighborhood Revitalization CDBG priority.

Boys and Girls Club Playground Equipment (\$75,000)

The Boys and Girls Club is requesting funds to replace its outdoor playground at the Conrad Prebys Escondido Branch. The playground equipment is 20-years old and is deteriorating due to weather and frequent use. This branch has 398 members and local schools that use this equipment for recreation. This project addresses the Con Plan’s Neighborhood Revitalization priority.

Grants to Blocks (\$75,000)

This program addresses the need to fund multiple, small neighborhood revitalization projects and right-of-way enhancement mini grants associated with street improvement projects in associated with CDBG-funded code enforcement. Efforts are focused in City’s 18 organized Neighborhood Group areas. This project addresses the Con Plan’s Neighborhood Revitalization priority.

Project NEAT (\$25,000)

The goal of Project NEAT (Neighborhood Enhancement, Awareness and Training) is to improve the appearance and safety of neighborhoods through mediation, education and fostering relationships with neighbors. Project NEAT proactively works with organized neighborhood groups to resolve potential code compliance issues, mostly with regard to yard maintenance and other appearance-related issues, before they reach the level of code enforcement cases. This project addresses the Con Plan’s Neighborhood Revitalization CDBG priority.

Water Bottle Refill Stations (\$18,000)

This activity will install four water bottle refill stations at local community parks. City staff reports the water fountains are frequently broken and need repair. Adding new refill stations will promote access to clean drinking water and reduce the negative impact of single-use plastics on the environment. This project addresses the Con Plan’s Basic Needs priority.

HOME Funds (\$706,529)

The City will receive \$706,529 in HOME funds for Fiscal Year 2022-23 (Attachment 3). The HOME program increases the availability, quality, and access to affordable and decent housing for low-income residents. HUD provides formula grants to fund a wide range of activities including building, buying, or rehabilitating affordable housing for rent, homeownership or providing direct rental assistance to low-income people. The City may allocate 10% of new HOME allocation, interest, and program income derived from loan repayments for administration costs. A minimum of 15% of the annual allocation of HOME Program funds



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must be reserved for the housing development activities of Community Housing Development Organizations (“CHDOs”). A total of 5% of the HOME grant may, but is not required to, be used to provide operating funds to certified CHDOs. Federal regulations state that HOME Program funds must be committed within two years and expended within five years of allocation; recent guidance from HUD has relaxed the commitment deadline, but not the expenditure deadline.

FY 2020-2024 Housing Priorities

1. Creation and preservation of affordable rental housing; and
2. Conservation and expansion of affordable homeownership opportunities.

Creation and Preservation of Affordable Rental Housing (\$585,876)

This priority relates to the improvement of the supply of rental housing in the City to meet the needs of Escondido residents. Overpayment for housing is a widespread housing problem in Escondido, especially among lower-income renters. Additionally, the rate of overcrowding is especially acute for large renter households. The City of Escondido has 3,171 people on the County’s waiting list for the Housing Choice Voucher Program commonly referred to as Section 8. The majority of applicants are large families with five or more people, individuals with a disabling condition, and small families.

The City plans to release a Request for Proposal “RFP” to create affordable housing development through new construction or acquisition/rehabilitation for households at 30% of the Area Median Income (“AMI”). In order to meet this goal, HOME funding and recycled Housing Set-Aside/Successor Housing Agency (“SHA”) funds will be used as leverage to other funding sources, such as Low-Income Tax Credits.

Conservation and Expansion of Affordable Homeownership Opportunities (\$50,000)

This priority relates to the need for homeownership in Escondido. The rate of homeownership in Escondido is 51%, which is lower than the 55% state and 66% national averages as reported by the United States Census Bureau.

The City developed the Homebuyer Entry Loan Program (“HELP”) to assist first-time homebuyers in the purchase of their homes in 1996. The City’s First Time Homebuyer Program provides down payment and/or closing cost assistance to households earning up to 80% AMI. The program provides a deferred payment loan for the lessor of 5% of the purchase price, up to \$25,000.

The First Time Homebuyer Program remains very popular in the community. Housing and Neighborhood staff receives multiple phone calls a week regarding the program. Although the public interest is there, the City has faced challenges, which have led to a decline in loan applications and the overall number of issuance of loans than previously anticipated. Some of the program’s major challenges continue to be an overall lack of housing inventory and strict federal regulations on income levels and maximum purchase



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price limits. Prices for a single-family home have increased significantly over the past years, exceeding HUD's annual maximum value limit of \$518,000. No households were served in FY2021-22 in the program.

The City recognizes this program is important for low-to-moderate income households who are trying to pursue homeownership; however, a comprehensive evaluation of the program needs to be conducted to understand how the City can improve the existing homebuyer program following responsible underwriting and lending standards, ensuring low-income homebuyers are able to afford and sustain homeownership long term. The City's goal is to assist two households with down payment and/or closing cost assistance in FY2022-23.

ESG Funds (\$0 – No funds are expected in FY2022-23)

The purpose of the ESG program is to help individuals and families who are at-risk or experiencing homelessness through prevention, street outreach, emergency and rapid rehousing resources. ESG is a formula grant program and eligible recipients generally consist of metropolitan cities, urban counties, territories, and states. The ESG funding formula is based on geographic size, population, and poverty rates. All recipients must consult with their local Continuum of Care to determine how to subgrant ESG funds.

According to HUD's Community Planning and Development Formula Program Allocation published on its website on May 13, 2022, the City will not receive any ESG funds for FY 2022-23. The City has not received any written formal notification from HUD stating that the funds have been eliminated. City staff is in close contact with its HUD Representative who are requesting a full explanation from HUD's Office of Special Needs Assistance Programs to determine why ESG funds have ended.

The City of Escondido is one of three cities in San Diego County to receive ESG funding. The other two cities, Chula Vista and San Diego, are projected to receive ESG funds in FY 2022-23. The City has been a recipient of ESG funds since 2016 and received an annual allocation of \$155,124 in FY 2021-22.

The City released an RFP in February 2022 for ESG program funding for FY 2022-23. City staff received two applications from Interfaith Community Services and Escondido Education COMPACT. After reviewing both applications carefully, staff recommended funding COMPACT's homeless prevention program to help families at-risk of experiencing homelessness with children age 10-18 in Escondido. According to the Escondido Unified School District, the district K-8th grade has 1,080 students reported housing insecurity and qualify for McKinney-Vento Services.

City staff has notified Escondido Education COMPACT of the projected ESG funds and stated they are unable to fund the program unless alternative funding is identified. City staff will continue to explore alternative funding opportunities through the County, State and Federal government to address this need.



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ORDINANCES

- a. Ordinance No. 2022-11

RESOLUTIONS

- a. Resolution No. 2022-75
- b. Resolution No. 2022-84

ATTACHMENTS

- Attachment 1: Map of CDBG-Eligible Census Blocks
- Attachment 2: Proposed CDBG Allocations for FY2022-23
- Attachment 3: Proposed HOME Allocations for FY2022-23

ORDINANCE NO. 2022-11

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AUTHORIZING THE DEPUTY CITY MANAGER TO EXECUTE CDBG, HOME, AND ESG CONTRACTS, INCLUDING THOSE INVOLVING NON-SUBSTANTIAL CHANGES.

The City Council of the City of Escondido, California does ordain as follows:

SECTION 1. The City Council makes the following findings:

- a) The City of Escondido (“City”) receives an annual allocation from the U.S. Department of Housing and Urban Development (“HUD”) for Community Development Block Grant (“CDBG”), HOME investment Partnership Program (“HOME”) and Emergency Solutions Grants (“ESG”).
- b) The City has received one-time, limited funding from the CARES Act for CDBG-CV, ESG-CV, and HOME-CV.
- c) To improve efficiency of contract execution and amendments, the Deputy City Manager is hereby authorized to execute agreements, on behalf of the City, with specific providers involving payment of CDBG, HOME, and ESG funds, provided such agreements have been approved by the City Attorney, HUD, and meet all applicable requirements, including environmental review standards.
- d) In addition, the Deputy City Manager is hereby authorized, on behalf of the City, to authorize and execute amendments to such agreements involving non-substantial changes to the CDBG, HOME, and ESG budgets within 25%, whether above or below the projected allocation, which may be proportionally dispersed to current distributions and activities.

SECTION 2: Proper notices of a public hearing have been given and public hearings have been held before the City Council on this issue.

SECTION 3. The City Council has reviewed the proposed ordinance authorizing the Deputy City Manager to execute agreements, on behalf of the City, involving payment of CDBG, HOME, and ESG funds, including CDBG-CV, HOME-CV and ESG-CV.

SECTION 4. HUD's Consolidated Plans, Annual Action Plans, and agreements over two hundred thousand dollars (\$200,000) will be presented to City Council for approval.

SECTION 5: Upon consideration of the request, the City Council hereby approves this ordinance.

SECTION 6. ENVIRONMENTAL REVIEW. CDBG, ESG, and HOME funds cannot be committed to projects until certain conditions are met including HUD's acceptance of the Action Plan, completion of a National Environmental Policy Act ("NEPA") environmental review for each project, receipt of environmental clearance from HUD, provision of appropriate insurance verification by subrecipients, and acceptance of City contract terms

SECTION 7. SEVERABILITY. If any section, subsection sentence, clause, phrase, or portion of this ordinance is held invalid or unconstitutional for any reason by any court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision and such holding shall not affect the validity of the remaining portions.

SECTION 8. As of the effective date of this ordinance, all ordinances or parts of ordinances in conflict herewith are hereby repealed.

SECTION 9. The City Clerk is hereby directed to certify to the passage of this ordinance and to cause the same or a summary to be published one time within 15 days of its passage in a newspaper of general circulation for the City of Escondido.

RESOLUTION NO. 2022-75

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, ADOPTING THE CBDG AND HOME BUDGETS FOR FISCAL YEAR 2022-23

WHEREAS, the City of Escondido (“City”) is a recipient of Community Development Block Grant (“CDBG”) and HOME Investment Partnerships Program (“HOME”) funds from the United States Department of Housing and Urban Development (“HUD”); and

WHEREAS, the CDBG and HOME budgets reflect the work program for the coming year based on the City’s Action Plan for FY 2022-23, which identifies the goals and priorities, established in the 2020-2024 Consolidated Plan; and

WHEREAS, a maximum of 20% of CDBG funds received may be used for administration, a maximum of 15% of CDBG funds may be used for public service activities and with the remaining funds used for capital improvements and neighborhood revitalization; and

WHEREAS, a total of 15% of HOME funds received by the City must be used for the provision of affordable housing by eligible Community Housing Development Organizations (“CHDOs”), 10% of the HOME funds received by the City may be used for administration, and the remaining HOME funds received by the City may be used for housing development; and

WHEREAS, the City Council desires at this time, and deems it to be in the best public interest, to adopt both CDBG and HOME budgets for FY 2022-23; and

WHEREAS, CDBG and HOME cannot committed funds to projects until certain conditions are met including HUD’s acceptance of the Action Plan, completion of a National Environmental Policy Act (“NEPA”) environmental review for each project, receipt of environmental clearance from HUD, provision of appropriate insurance verification by subrecipients, and acceptance of City contract terms.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California:

1. That the above recitations are true.
2. That the City Council authorizes and adopts the CDBG and HOME budgets and administration of programs for the period of July 1, 2022, through June 30, 2023

RESOLUTION NO. 2022-84

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, ADOPTING THE FY 2022-23 CDBG AND HOME FUNDS, AND APPROVING SUBMITTAL TO DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WHEREAS, the City of Escondido (“City”) is a recipient of Community Development Block Grant (“CDBG”) and HOME Investment Partnerships Program (“HOME”) funds from the United States Department of Housing and Urban Development (“HUD”); and

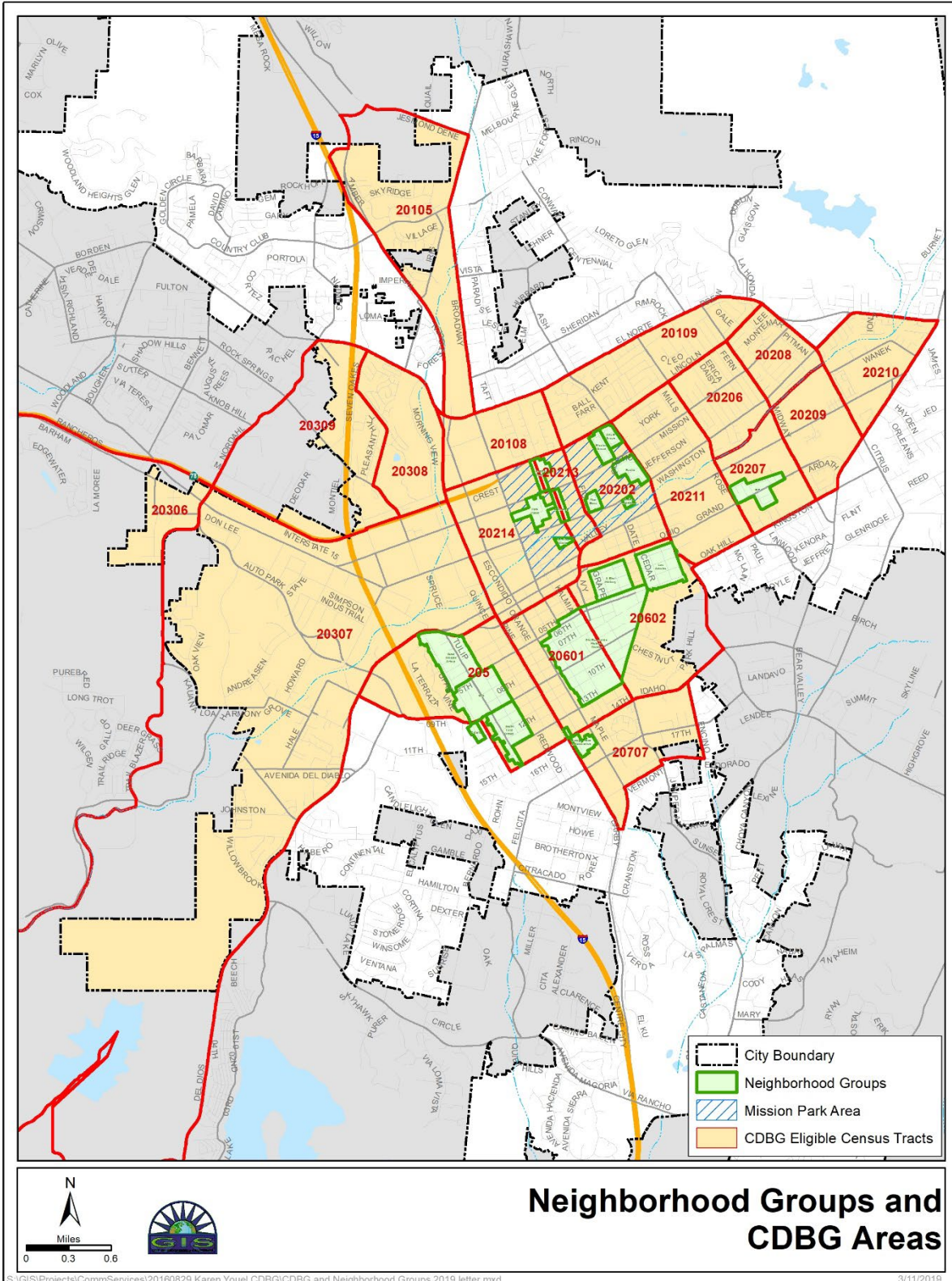
WHEREAS, the City Council desires at this time, and deems it to be in the best public interest, to adopt the one-year Action Plan for CDBG and HOME budgets for FY2022-23.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California:

1. That the above recitations are true.
2. That the City Council approves the adoption of the 2022-23 One-Year Action Plan for CDBG and HOME funds.
3. The City Council approves the submittal of the 2022-23 One-Year Action Plan to HUD.

Attachment 1

Map of CDBG Eligible Census Blocks



City of Escondido, Fiscal Year 2022-2023
Anticipated CDBG Allocations: \$1,548,067

Item8.

Administration - 20% cap of allocation (\$309,613 max)		
116-109	CDBG Administration	\$ 274,613
348259	Fair Housing	\$ 35,000
	Total	\$ 309,613
Public Service - 15% cap of allocation (\$232,210 max)		
<i>Basic Need</i>		
348489	Senior Nutrition	\$ 56,110
348419	Senior Care	\$ 16,000
348379	Meals on Wheels In Home Meal Delivery	\$ 25,000
348676	Mama's Kitchen Home Delivered Meal Service	\$ 7,500
<i>Health and Human Development</i>		
348429	Senior Transportation	\$ 34,610
348662	Palomar Family Counseling Services Healthy Minds, Thriving Youth	\$ 22,333
<i>Homelessness Services/Emergency Shelters</i>		
	Center for Community Solutions DV Shelter	\$ 25,000
	Alliance for Regional Solutions Bridge to Housing Shelter Network	\$ 45,000
	Total	\$ 231,553
Uncapped Capital Improvement & Other Neighborhood Revitalization Activities - (No max)		
<i>Neighborhood Revitalization</i>		
348580	Code Compliance	\$ 115,000
348610	Graffiti Removal	\$ 200,345
348359	Grants to Blocks	\$ 75,000
348500	Project NEAT	\$ 25,000
<i>Health & Human Development</i>		
	Boys & Girls Club Playground Replacement	\$ 75,000
	Escondido Education COMPACT Success Center	\$ 284,600
	Water Bottle Filling Stations at City Parks	\$ 18,000
<i>Homelessness Services/Emergency Shelters</i>		
	Homeless Day Center Purchase/Conversion	\$ 213,956.00
	Total	\$ 1,006,901
	Total Allocated	\$ 1,548,067

Total Unallocated \$ -

**HOME Investment Partnership Program
FY 2022-2023
SUMMARY OF HOME FUNDING CATEGORIES**

FUNDING CATEGORY	AMOUNT AVAILABLE
2022 Allocation	\$706,529
TOTAL AVAILABLE FUNDS	\$706,529
<i>10% of Allocation</i>	\$ 70,653
City's Administrative Cost	\$70,653
<u>Mandatory</u>	
CHDO Set-Aside (15% of allocation)	\$95,381
Housing Development RFP at 30% AMI	\$490,495
First-Time Homebuyer Program	\$50,000
TOTAL EXPENDITURES	\$706,529



STAFF REPORT

June 15, 2022
File Number 0697-20

SUBJECT

SHORT-FORM RENT INCREASE APPLICATION FOR WESTWINDS MOBILEHOME PARK (FILE NO. 0697-20-10302)

DEPARTMENT

City Manager Office; Housing & Neighborhood Services Division

RECOMMENDATION

Request the City Council Review Westwinds Mobilehome Park short-form application and if desired, adopt the Rent Review Board Resolution No. RRB 2022-74.

Staff Recommendation: Consider the short-form rent increase application submitted by Westwinds Mobilehome Park and if approved, adopt Rent Review Board Resolution No. RRB 2022-74 (City Manager Office: Robert Van De Hey).

Presenter: Holly Nelson, Housing and Neighborhood Services Manager

FISCAL ANALYSIS

Staff time and resources were expended to process the short-form application. Staff reviewed the application, evaluated the mobilehome park for code enforcement violations and conducted public outreach with the affected park residents, park manager and owners. No additional fiscal impact was incurred by the City.

PREVIOUS ACTION

On June 8, 1988, the Escondido residents voted to approve Proposition K to enact Mobilehome Rent Control in the City of Escondido ("City"). Under Proposition K, if a park owner wants to increase the rent on a mobilehome rent control space, they must file an application with the City and obtain approval from the Mobilehome Park Rent Review Board ("Board"). This Board is an independent body comprised of the City of Escondido Councilmembers.

In 1997, the Board adopted changes to the Mobilehome Rent Review Board Guidelines to allow for the acceptance of a "short-form" application. The short-form is an abbreviated and less administrative burdensome application process for park owners and City staff. A park owner can request a rent increase based solely on the change in the San Diego Metropolitan Area's Consumer Price Index ("CPI"), All Items/All Urban Consumers component since the last increase was granted by the Board. The requested



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increase may not exceed ninety percent (90%) of the increase in CPI since the last application was granted by the Board, or 8% of the current rent, whichever is less, subject to a two-year limit. Park owners are allowed to submit an applications one-year from the date the last application was submitted.

BACKGROUND

Westwinds Mobilehome Park (“Park”) is an all-age park located at 1415 South Pine Street, Escondido, California. Out of the 65 spaces located in the park, ten spaces are subject to rent control. The park owners are requesting an increase for the ten rent-controlled spaces. The other spaces are not included in this application, because they are on long-term leases, occupied as rentals or by management, or rented as RV spaces. The amenities available for the residents include a furnished clubhouse, a pool, restrooms and coin laundry facilities.

Westwinds Mobilehome Park submitted a short-form application on March 23, 2022, and the City accepted the application for review on March 29, 2022, which was 12 months from their previous application (Attachment 1). City staff reviewed the application and deemed it to be complete on April 22, 2022. City staff mailed a letter on April 28, 2022, notifying the affected park residents of the application and proposed rent increase, upcoming residential meeting, and public hearing date (Attachment 2).

The Westwinds Mobilehome Park short-form application was available for review at the Westwinds’ park office, Housing & Neighborhood Services Division counter at City Hall and the City’s website. City staff elected to post the application online on the Housing & Neighborhood’s website to promote transparency and remove potential barriers to access.

Housing & Neighborhood Services and Code Enforcement staff facilitated an in-person meeting for the affected Westwind residents on May 16, 2022, at 6:00 p.m. Code enforcement conducted a lighting inspection on May 16 and completed his evaluation on May 17, 2022 (Attachment 3).

City staff mailed a 10-day notice to residents on June 3, 2022, informing them of the June 15, 2022 City Council Meeting (Attachment 4).

THE RENT INCREASE APPLICATION:

The application appears to meet all the eligibility criteria for submittal of a short-form rent increase.

PARK OWNER’S REQUEST:

The Park is requesting an increase of 90% of the change in CPI for the period of December 31, 2020, to December 31, 2021. Ninety percent of the change in the CPI is 5.714% for the period of consideration. The average monthly rent for the residents that are affected by this application is \$478.60. The average monthly increase requested for the ten spaces is \$27.35 per space, per month.



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This is the 24th rent increase request filed by this Park since the Ordinance was implemented. The proposed rent increase is 280% higher than the last increase in May 26, 2021 for \$7.20 per space, per month.

RESIDENT MEETING AND COMMENTS:

Individual letters were sent to each affected resident on April 28, 2022, notifying them of the application and the hearing date. The notice included information about a resident meeting scheduled at the Park’s clubhouse on May 16, 2022 at 6 p.m. No residents were present and a resident representative was not selected. City staff waited for 30 minutes before cancelling the meeting.

City staff received a phone call from an affected resident who shared he was unable to attend the resident meeting due to mobility changes. City staff made special accommodations to meet with the resident at his coach after the meeting had concluded to hear his feedback. The impacted resident expressed concerns with the increase, because of his fixed social security income. He reported he would cut back on certain foods and other expenses to afford his rent.

With consent of the resident, City staff relayed these concerns to the Westwinds’ park management. They informed City staff that the park offers a private rent subsidy program for residents who are having difficulty paying their rent. Management outlined the parameters and said residents need to apply for the Section 8 waitlist, fill out an application for the program at the office and show proof of current income to qualify. City staff notified the affected resident of the park’s subsidy program.

CODE ENFORCEMENT INSPECTION:

An inspection of the lighting and common areas was conducted on May 16 and 17 2022. Two issues were identified: an inoperable light near the trashcans and a broken shower in the women’s public restroom. Code Enforcement mailed a letter to the park managers and owners informing them of the violations and a reinspection was conducted on June 1, 2022 (Attachment 3). All violations were cleared (Attachment 5). According to the Mobilehome Rent Review Board Guidelines, no increase granted for any park shall go into effect until any existing code deficiencies are corrected.

ADDITIONAL FACTORS AFFECTING THE APPLICATION:

In conformance with the Rent Review Board Guidelines, the decision of the Board will be finalized by adoption of the Resolution confirming the findings of the Public Hearing. The Notice of Determination will be mailed to the applicant and residents immediately upon adoption of the Resolution. Park owners and management must give a 90-day notice of any rent increase to affected residents upon the adoption of the Resolution.



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STAFF REPORT

RESOLUTION

- A. Resolution No. 2022-74

ATTACHMENTS

- A. Attachment "1" - Westwinds Mobilehome Park Application
- B. Attachment "2" - Resident Short-Form Letter Notification
- C. Attachment "3" - Code Enforcement Inspection
- D. Attachment "4" - 10-Day Public Hearing Notice
- E. Attachment "5" - Code Enforcement Letter Clearing Violations

RESOLUTION NO. RRB 2022-74

A RESOLUTION OF THE CITY COUNCIL/ MOBILEHOME
RENT REVIEW BOARD OF THE CITY OF ESCONDIDO,
CALIFORNIA AUTHORIZING A RENT INCREASE FOR
WESTWINDS MOBILEHOME PARK
(File Number: 0697-20-10302)

WHEREAS, Article V of Chapter 29 of the Escondido Municipal Code is a codification of the Escondido Mobilehome Rent Protection Ordinance ("Ordinance") and provides for mobilehome space rent regulation; and

WHEREAS, the City of Escondido Mobilehome Park Rental Review Board ("Board") is charged with the responsibility of considering applications for rent increases; and

WHEREAS, a short-form rent increase application pursuant to Section 12 of the Rent Review Board Guidelines was filed on March 23, 2022, ("Application") by Westwinds Mobilehome Park, LLC ("Park"), the owner of the rental spaces in Westwinds Mobilehome Park, located at 1415 S. Pine Street in Escondido; and

WHEREAS, the Application was deemed complete by City staff on April 12, 2022; and

WHEREAS, this is the twenty-fourth (24th) rent increase application filed by the Park since the Ordinance became effective in 1988. The last rent increase was granted by Rent Review Board Resolution No. 2021-02 on May 26, 2021, for an increase of 1.5% percent, or approximately \$7.20 per space, per month; and

WHEREAS, the Application stated the average monthly rent per affected space was \$478.60 for the ten spaces subject to the requested rent increase. The Park requested a rent increase in the amount of 90% percent of the change in the Consumer Price Index ("CPI") for the period December 31, 2020, through December 31, 2021,. The Application estimated this amount to be an average of \$27.35 (5.714% increase of percent) per space, per month; and

WHEREAS, a notice of the Park's application was mailed to all affected homeowners on April 28, 2022. Notice of the time, date, and place of the rent hearing before the Board was mailed to the Park and to all affected tenants on June 3, 2022; and

WHEREAS, on May 16 and May 17, 2022, a Mobilehome Park Rent Review Code Enforcement Inspection Report ("Inspection Report") was completed. The Inspection Report noted one lighting violation and one health and safety violation related to a broken shower in the park; and

WHEREAS, on June 1, 2022, Code Enforcement completed a reinspection and all violations were cleared; and

WHEREAS, on June 15, 2022, the Board held its public hearing. After an initial staff presentation, the Board invited testimony from Park ownership, residents of the Park, and other residents of the community at large; and

WHEREAS, after all present had been given an opportunity to speak, the hearing was closed. Following an opportunity for discussion among the Board members, and clarifying questions to the parties and staff, the Board voted to grant an average rent increase of \$27.35 per space, per month, for the ten spaces, which are subject to the rent increase.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Escondido, California as follows:

1. That the above recitations are true.
2. That the City Council finds that the Westwinds Mobilehome short-form application increase is consistent with the Guidelines, and approves the rent increase Application submitted by Westwinds Mobilehome Park, LLC.

received
3/23/22

CITY OF ESCONDIDO
201 North Broadway
Escondido, CA 92025-2798
(760) 839-6265

Accepted
3/29/22

SHORT-FORM APPLICATION FOR MOBILE HOME SPACE RENT INCREASE

Park Name Westwinds MHP Telephone 760-740-0743

Address 1415 S. Pine St. Escondido, CA 92025

Owner Westwinds MHP, LLC Telephone 949-722-1698

Address 301 E. 17th St, Suite 208 Costa Mesa, CA 92627

Representative Bart Thomsen Telephone 949-722-1698

(If other than owner; all City correspondence will be addressed to this person)

Address 301 E. 17th St, Suite 208 Costa Mesa, CA 92627

Site Manager Katie Morris Telephone 949-722-1698

Today's Date: 3/18/22

Date of last RRB increase 9-1-2021

Period covered by CPI request 12/31/20 - 12/31/21

✓ Number of Spaces in Park 66

✓ Spaces affected by proposed increase 10

Change in CPI during period 6.349 %

90% of change in CPI 5.714 %

Increase requested by Park 5.714 %

of In-Place Transfers as of 6/24/20 one

or since last Rent Increase Application (whichever is more recent)

3/23/21

Briefly describe the park. Include amenities and services provided without additional charge. Attach additional pages if more space is needed.

Clubhouse

Laundry

Pool

Westwinds Mobilehome Park Rent Increase Application 2022
 Last Rent Increase Effective 9/1/21

Site	Resident	Rent In March 2019	Rent In March 2020	Rent In March 2021	Current Rent March 2022	Percentage Increase	Requested Increase	Requested New Rent
Baha2	Jaime Cerda	\$673.17	\$691.90	\$691.90	\$702.47	5.714%	\$40.14	\$742.61
Baha7	Teresa Kidare	\$360.19	\$370.21	\$370.21	\$375.87	5.714%	\$21.48	\$397.35
Baha14	Ma. Hernandez	\$632.79	\$650.40	\$650.40	\$660.34	5.714%	\$37.73	\$698.07
Baha22	Roger Pokorny	\$323.72	\$332.73	\$332.73	\$337.81	5.714%	\$19.30	\$357.11
Baha24	Hugh Mac Donald	\$323.72	\$332.73	\$332.73	\$337.81	5.714%	\$19.30	\$357.11
Bali1	Manuela Barkhorn	\$668.20	\$685.57	\$685.57	\$696.05	5.714%	\$39.77	\$735.82
Bali5	Neftali Calderon	\$323.72	\$332.73	\$332.73	\$337.81	5.714%	\$19.30	\$357.11
Jama5	Daniel Parker	\$323.72	\$332.73	\$332.73	\$337.81	5.714%	\$19.30	\$357.11
Tahi8	Faith Crouse	\$323.72	\$332.73	\$332.73	\$337.81	5.714%	\$19.30	\$357.11
Tahi21	Jose Vargas	\$634.66	\$652.32	\$652.32	\$662.29	5.714%	\$37.84	\$700.13

Affected Spaces for Increase September 1, 2022

Westwinds

Item 9

OWNER'S AFFIDAVIT

I (We,) Katie Morris

being duly sworn, depose and say that I (We) am (are) the owner(s)/authorized representative(s) of the owner(s) of said park involved in this request and that the foregoing statements or answers contained herein and the information submitted herewith are in all respects true and correct to the best of my (our) knowledge and belief. I (We) make the foregoing statement, the statements and answers contained herein and declare under penalty of perjury that the same are true and correct.

Signed: _____

Signature

Owner/Type or print name

Signature

[Handwritten Signature]

Katie Morris

Representative/Type or print name

President

Mailing address: 301 E. 17th St #208
Costa Mesa, CA
92627

5

Housing & Neighborhood Services
201 North Broadway, Escondido, CA 92025
Phone: 760-839-4841

April 28, 2022

Resident
Westwinds Mobilehome Park
1415 S. Pine St.
Escondido, CA 92025

Re: Short-form Rent Increase Application Submitted by Westwinds Mobilehome Park

Dear Resident:

A short-form application was submitted by Westwinds Mobilehome Park to the City of Escondido requesting a rent increase on March 29, 2022. The application was reviewed and determined to be complete.

Under the City's Mobilehome Rent Review Board Guidelines, a park owner may request an increase using the "short form" process. To learn more about this process, please go to the City of Escondido's website [MOBILEHOME RENT REVIEW BOARD \(escondido.org\)](http://escondido.org) or see Section 12 in the attached letter.

In accordance with the Guidelines, your park owner is requesting an increase based in the change in the San Diego Metropolitan Area Consumer Price Index also known as "CPI." The requested increase may not exceed ninety percent (90%) of the CPI from December 31, 2020 through December 31, 2021 (which is 5.714%). There are ten spaces impacted by this request, and the rent increase will increase on average of \$27.35 per space, per month.

There will be a meeting on Monday, May 16 at 6:00 p.m. in the clubhouse at Westwinds to discuss the short-form hearing process. Please feel free to attend this meeting and ask any questions you have regarding the hearing process or discuss any concerns. A resident representative will be chosen at this meeting. This designated representative will be given an opportunity to speak on behalf of the affected tenants at the rent review board public hearing.

The complete Westwinds Mobilehome Park Short-Form application is available for your review at the park office, Housing & Neighborhood Services' Division counter at City Hall during normal business hours (Monday – Friday from 8 a.m. – 5 p.m.), and the City's website. If you feel you are not subject to rent control, please notify the City, in writing, stating the reason. A written letter should be directed to Holly Nelson, Housing & Neighborhood Services Attn: Mobilehome Rent Control Administration, 201 N. Broadway, Escondido, CA 92025.

The Mobilehome Rent Review Board will consider the short-form application at the public hearing held on June 15, 2022, at 5 p.m., at the City Council Chambers, 201 North Broadway, Escondido. If you wish to present information or speak to the Board about the request, you may fill out a speaker's slip available in the lobby of the Council Chambers and give it to the City Clerk. If you are protesting the short-form application, you should register in the lobby prior to the opening of the public hearing.

If you have any questions, please call 760-839-4518 or email me at hnelson@escondido.org

Sincerely,

Holly Nelson, LCSW
Housing & Neighborhood Services

XX
XX
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Code Enforcement Division
201 N. Broadway, Escondido, CA 92025
(760) 839-4650, FAX (760) 839-4313

Date: MAY 17, 2022

TO: HONORABLE CHAIRMAN AND MEMBERS OF THE RENT
CONTROL BOARD
EB

FROM: ED BENNETT, CODE ENFORCEMENT MANAGER

SUBJECT: WESTWINDS MOBILEHOME PARK RENT CONTROL

The Westwinds Mobile Home Park was inspected on May 17, 2022, with the lighting inspection conducted the prior evening. This inspection was a result of an application for a rent increase having been filed. One general park violation and one lighting violation were found and noted in the attached inspection report.

The resident meeting for the park was held on May 16, 2022 with two park managers and two city staff members. No park residents attended the meeting. There were no code enforcement case issues to discuss.

Cc: Adam Finestone –Interim Director of Community Development
Holly Nelson, Housing & Neighborhood Services Manager



May 17, 2022

MOBILEHOME PARK RENT CONTROL
CODE ENFORCEMENT INSPECTION REPORT

Park Name: Westwinds Mobile Home Park
1415 S. Pine St
Escondido, CA. 92025

Park Owner: Westwinds Mobile Home Park LLC
c/o Thomsen Properties
301 E. 17th Street #208
Costa Mesa, CA. 92627

Park Managers: Liliana Silva **Phone:** (760) 740-0743
Jim Younce

Inspection Date: 5/17/2022 **Inspector:** Stephen Jacobson

The following report is based on the inspection of the mobile home park conducted under provisions outlined in the California Code of Regulations, Title 25, Division I, Chapter 2 and the Escondido Zoning Code, Article 45. This inspection report only addresses health and safety issues that are related to areas for which maintenance, repair and operations is the responsibility of the owners and managers of the park.

General Violations:

1. The shower faucet in the third shower bay in the women's restroom is in disrepair. **25 CCR 1102(a)**;

Areas of the park requiring illumination per §25 CCR 1108

(Lighting Inspection conducted on; 5/16//2022)

1. Repair or replace the inoperable light by the commercial trash bin.



CITY OF ESCONDIDO
Mobilehome Rent Control Administration
201 North Broadway
Escondido, CA 92025-2798
(760) 839-4841

RESIDENT NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that the City Council of the City of Escondido, sitting as the Mobilehome Rent Review Board, will hold a public hearing to consider the following item:

The rental increase application submitted by the owner of rental spaces in **Westwinds Mobilehome Park**, 1415 S Pine Street, Escondido, CA

A copy of the application is available for review at Westwinds Mobilehome Park Office, Housing Division at City Hall, 201 N. Broadway, Escondido, CA 92025, and the City's website. A copy of the staff report will be available at the Housing Division counter five days prior to the hearing date.

A hearing to determine whether or not a rent increase will be granted has been scheduled before the Rent Review Board on **June 15, 2022, at 5 p.m.** in the City Council Chambers, 201 N. Broadway. This will be an in-person meeting and additional safety protocols may be in place. If you are protesting the short-form application, you should register in the foyer prior to the opening of the public hearing. The purpose of the hearing is for the Rent Review Board to obtain input from the owner and tenants about why an increase should, or should not be, granted. The Rent Review Board is neither required to grant an increase, nor is it allowed to grant a decrease in the current rent.

If you challenge the decision of the Board in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the Rent Review Board at or prior to the public hearing.

The hearing is the time and place for you to express your opinion about the rent increase request. If you desire, you may also submit information in writing to Mobilehome Rent Control Administration in the Housing Division. Written information will be included in the reading file of the Rent Review Board (City Council) prior to the hearing.

At the hearing, the Rent Review Board may make a determination about the rent increase or they may request additional information from the owner and/or tenants before they make a decision. If additional information is requested, a new hearing will be scheduled. If an increase is granted, the owner must notify you in writing of the amount of the increase at least (90) days before the increase goes into effect.

Sincerely,

Holly Nelson, Housing & Neighborhood Services Manager

Jaime Cerda
2 Bahama
Escondido, CA 92025

Mobilehome Rent Control Administration
201 N Broadway
Escondido, CA 92025





Code Enforcement Division
201 North Broadway, Escondido, CA 92025
Phone: 760-839-4650 Fax: 760-432-6819

June 1, 2022

Westwinds Mobile Home Park LLC
C/O Thomsen Properties
301 E. 17th Street #208
Costa Mesa CA 92627

Westwinds Mobile Home Park
C/O Liliana Silva & Jim Younce – Park Managers
1415 S. Pine Street
Escondido CA 92025

Dear Staff

This notice is to formally advise you that all violations that were noted during the rent control inspection on May 17, 2022 have been corrected.

We appreciate having the parks cooperation during this process. Our mutual efforts are important in maintaining safe and healthy parks in our city. Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Bennett".

Ed Bennett
Code Enforcement Manager

CC: Julie Procopio– Interim Director of Community Development
Holly Nelson – Housing & Neighborhood Service Manager



CITY of ESCONDIDO

FUTURE AGENDA

6/22/2022

CONSENT CALENDAR - (J. AXELROD) - PUBLIC SERVICE AGREEMENT FOR SENIOR NUTRITION PROGRAM - Request the City Council adopt Resolution 2022-80 authorizing the Mayor to execute a Public Service Agreement ("PSA")

CONSENT CALENDAR - (J. AXELROD) - BID AWARD FOR SENIOR TRANSPORTATION PROGRAM - Request the City Council adopt Resolution 2022-79 authorizing the Mayor to execute a Public Services Agreement ("PSA") with the lowest responsive bidder for the Senior Transportation Program

CONSENT CALENDAR - (E. VARSO) - SAN DIEGO COUNTY CAL-ID GRANT - Request the City Council authorize the Police Department to accept a five-year San Diego County Cal-ID Grant from the County of San Diego Remote Access Network (RAN); approve a budget adjustment to spend the funds; and authorize the Chief of Police or his designee to execute grant documents on behalf of the City including future budget adjustments needed.

CONSENT CALENDAR - (A. FINESTONE) - AUTHORIZATION TO PROCESS AN AMENDMENT TO THE GENERAL PLAN LAND USE AND COMMUNITY FORM CHAPTER RELATED TO SINGLE-ROOM OCCUPANCY (SRO) USES

CONSENT CALENDAR - (J. PROCOPIO) - NOTICE OF COMPLETION FOR THE 2021 STREET REHABILITATION AND MAINTENANCE PROJECT – PHASE 2

CONSENT CALENDAR - (J. PROCOPIO) - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ESCONDIDO, CALIFORNIA, AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE, ON BEHALF OF THE CITY, AMENDMENTS TO THE CONSULTING AGREEMENTS WITH AECOM AND TYLIN FOR THE CONSTRUCTION OF THE CITRACADO EXTENSION PROJECT

PUBLIC HEARING - (C. HOLMES) - ADOPTION OF THE FISCAL YEAR 2022/23 OPERATING BUDGET (CONTINUED) - Request the City Council adopt Resolution No. 2022-xx approving the Fiscal Year 2022/23 Annual Operating Budget. It is also requested that City Council adopt Resolution 2022-xx approving the Appropriations Limit (Gann Limit) for Fiscal Year 2022/23.

CURRENT BUSINESS - (C. HOLMES) - APPROVAL TO COMMENCE JUDICIAL VALIDATION PROCEEDINGS FOR PENSION OBLIGATION BONDS - Request the City Council Approve the commencement of judicial validation proceedings in order to obtain authority to issue Pension Obligation Bonds in the future

7/13/2022

CONSENT CALENDAR - (J. GOULART) - ANNUAL FUEL PURCHASE - Request the City Council adopt Resolution 2022-67 authorizing the City Council to approve the purchase of unleaded and diesel fuels from SC Fuels.

CURRENT BUSINESS - (Z. BECK) - BOARDS AND COMMISSIONS SUBCOMMITTEE UPDATE -Request the City Council receive and file an update from the Boards and Commissions Subcommittee.

CURRENT BUSINESS - (Z. BECK) - DESIGNATION OF VOTING DELEGATE – League of California Cities Conference