

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER ____, 2024**NEW ISSUE-FULL – BOOK ENTRY****NOT RATED**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2024 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the 2024 Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$10,125,000*

**IMPROVEMENT AREA NO. 2 OF THE
CITY OF MANTECA
COMMUNITY FACILITIES DISTRICT NO. 2023-1
(VILLA TICINO WEST FACILITIES)
SPECIAL TAX BONDS SERIES 2024**

Dated: Date of Delivery**Due: September 1, as shown on inside cover**

Authority for Issuance. The above-captioned bonds (the "2024 Bonds") are being issued by the City of Manteca (the "City") by and through Improvement Area No. 2 (the "Improvement Area No. 2") of the City of Manteca Community Facilities District No. 2023-1 (Villa Ticino West Facilities) (the "District"). The 2024 Bonds are special tax obligations of the City, authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, et seq. (the "Mello-Roos Act"), and are issued pursuant to a Fiscal Agent Agreement, dated as of October 1, 2024 (the "Fiscal Agent Agreement") by and between the City and U.S. Bank Trust Company, National Association, as fiscal agent (the "Fiscal Agent"). See "THE 2024 BONDS – Authority for Issuance."

Security and Sources of Payment. The 2024 Bonds are secured by and payable from a pledge of Special Tax Revenues (as defined herein) levied on property within Improvement Area No. 2 according to a rate and method of apportionment of special tax, including from the proceeds of any foreclosure actions brought following a delinquency in the payment of the Special Taxes (as defined herein), and from amounts held in certain funds under the Fiscal Agent Agreement, all as more fully described herein. **Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within Improvement Area No. 2. In the event of delinquency, proceedings may be conducted only against the parcel of real property securing the delinquent Special Tax. There is no assurance the owners will be able to pay the Special Tax or that they will pay such Special Tax even though financially able to do so.** To provide funds for payment of the 2024 Bonds and the interest thereon as a result of any delinquent installments, the City will establish a Reserve Fund from 2024 Bond proceeds, as described herein. See "SECURITY FOR THE 2024 BONDS."

Property in Improvement Area No. 2 subject to the Special Tax is comprised of land in the City of Manteca, San Joaquin County, California, developing into 375 single-family homes in two neighborhoods. Merchant builder KB HOME is developing 241 lots into single-family residential homes, while merchant builder D.R. Horton, is developing 134 lots into single-family residential homes. Home construction and sales are underway. As of September 1, 2024, seven homes were owned by individual homeowners. Property in Improvement Area No. 2 constitutes the second phase of a larger development being undertaken by the master developer of the project that is anticipated to consist of a total of 766 single-family homes at build-out, as well as public and quasi-public uses, parks and open space; only the 375 lots developing into single-family homes in Improvement Area No. 2 constitute taxable property that is security for the 2024 Bonds. See "IMPROVEMENT AREA NO. 2" and "OWNERSHIP OF PROPERTY WITHIN IMPROVEMENT AREA NO. 2."

Use of Proceeds. The 2024 Bonds are being issued to (i) construct and acquire certain public facilities authorized for the District and Improvement Area No. 2; (ii) make a deposit into the debt service reserve fund for the 2024 Bonds; and (iii) pay the costs of issuance of the 2024 Bonds. See "FINANCING PLAN."

Bond Terms. Interest on the 2024 Bonds is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2025. The 2024 Bonds will be issued in the denomination of \$5,000 or integral multiples of \$5,000 in excess thereof. The 2024 Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2024 Bonds. See "THE 2024 BONDS – Description of the 2024 Bonds" and "APPENDIX G – DTC and the Book-Entry Only System."

Redemption. The 2024 Bonds are subject to optional redemption, mandatory sinking fund redemption, and special mandatory redemption from prepaid Special Taxes. See "THE 2024 BONDS – Redemption."

THE 2024 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM THE SPECIAL TAX REVENUES AND CERTAIN OTHER FUNDS AND AMOUNTS HELD BY THE FISCAL AGENT UNDER THE FISCAL AGENT AGREEMENT. THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING INFORMATION UNDER THE HEADING "BOND OWNERS' RISKS," SHOULD BE READ IN ITS ENTIRETY.

MATURITY SCHEDULE

(see inside cover)

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

The 2024 Bonds are offered when, as and if issued by the City and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Jones Hall, A Professional Law Corporation, also serves as Disclosure Counsel to the City. Certain matters will be passed upon for the City by the City Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth LLP, Newport Beach, California. It is anticipated that the 2024 Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about October ____, 2024.

Ramirez & Co. Inc.

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

* Preliminary; subject to change.

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

MATURITY SCHEDULE

\$_____ Serial Bonds
(Base CUSIP†: _____)

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP† ()</u>
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\$_____ % Term Bond due September 1, _____, Yield: _____%, Price: _____%;
CUSIP† _____

† Copyright 2024, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc., and are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

**CITY OF MANTECA
(SAN JOAQUIN COUNTY, CALIFORNIA)**

City Council*

Gary Singh, Mayor (At-Large)
David Breitenbucher, Vice Mayor (District 3)
Mike Morowit, Councilmember (District 4)
Charlie Halford, Councilmember (At-Large)
Jose Nuño, Councilmember (At-Large)

City Staff

Toni Lundgren, City Manager
Jose Jasso, Assistant City Manager
Shay Narayan, Finance Director
David Nefouse, City Attorney
Cassandra Candini-Tilton, City Clerk

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel
Jones Hall, A Professional Law Corporation
San Francisco, California

Municipal Advisor
Urban Futures, Inc.
Walnut Creek, California

Special Tax Consultant
NBS
San Francisco, California

Appraiser
Integra Realty Resources
Sacramento, California

Fiscal Agent
U.S. Bank Trust Company, National Association
Seattle, Washington

* The City Council of the City is transitioning from at-large election of councilmembers to by-district elections. The Mayor will continue to be elected at-large.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the 2024 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2024 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or the District or Improvement Area No. 2 or any other parties described in this Official Statement, or in the condition of property within the District or Improvement Area No. 2 since the date of this Official Statement.

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

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

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

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

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

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

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the 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 "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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[Regional Location Map]

[CFD Aerial Overview Map]

OFFICIAL STATEMENT

\$10,125,000*
**IMPROVEMENT AREA NO. 2 OF THE
CITY OF MANTECA
COMMUNITY FACILITIES DISTRICT NO. 2023-1
(VILLA TICINO WEST FACILITIES)
SPECIAL TAX BONDS SERIES 2024**

This Official Statement, including the cover page and all appendices hereto, is provided to furnish certain information in connection with the issuance by the City of Manteca (the “**City**”) of the above-captioned bonds (the “**2024 Bonds**”), for and on behalf of Improvement Area No. 2 (“**Improvement Area No. 2**”) of the City of Manteca Community Facilities District No. 2023-1 (Villa Ticino West Facilities) (the “**District**”).

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Definitions of certain terms used herein and not defined herein shall have the meaning set forth in the Fiscal Agent Agreement. See APPENDIX B.

INTRODUCTION

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, including the cover page and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the 2024 Bonds to potential investors is made only by means of the entire Official Statement.

The District and Improvement Area No. 2. The District was established, Improvement Area No. 1 of the City of Manteca Community Facilities District No. 2023-1 (Villa Ticino West Facilities) (“**Improvement Area No. 1**”) was designated as an improvement area within the District, and a future annexation area was created for the District (the “**Future Annexation Area**”), pursuant to proceedings conducted by the City under the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311, *et seq.*, of the Government Code of the State of California) (the “**Mello-Roos Act**”). In June 2024, in accordance with the formation proceedings for the District, owners of land within the Future Annexation Area submitted unanimous approval forms to (i) annex territory into the District from the Future Annexation Area as Improvement Area No. 2; (ii) approve the form of Rate and Method of Apportionment of Special Taxes for Improvement Area No. 2, and the levy of special taxes on taxable property within Improvement Area No. 2; (iii) authorize the issuance of bonds for Improvement Area No. 2 in a principal amount not to exceed \$11,000,000; and (iv) establish an initial appropriations limit for Improvement Area No. 2 in the amount of \$11,000,000, subject to escalation in accordance with law.

* Preliminary; subject to change.

The 2024 Bonds. The 2024 Bonds are issued pursuant to the provisions of the Mello-Roos Act, a Fiscal Agent Agreement, dated as of October 1, 2024 (the “**Fiscal Agent Agreement**”) between the City and U.S. Bank Trust Company, National Association, as fiscal agent (the “**Fiscal Agent**”), and a resolution adopted on [October 1], 2024 by the City Council of the City, which authorized the issuance of the 2024 Bonds (the “**Resolution**”).

Registration of Ownership of the 2024 Bonds. The 2024 Bonds are issued only as fully registered bonds in book-entry form, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“**DTC**”), without coupons, in the denomination of \$5,000 or any integral multiple thereof and shall be dated as of and bear interest from the date of delivery thereof at the rate or rates set forth on the inside cover page hereof. Interest on the 2024 Bonds is payable on March 1 and September 1 of each year (each an “**Interest Payment Date**”), commencing March 1, 2025. Ultimate purchasers of 2024 Bonds will not receive physical certificates representing their interest in the 2024 Bonds. So long as the 2024 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the 2024 Bonds. Payments of the principal, premium, if any, and interest on the 2024 Bonds will be made directly to DTC, or its nominee, Cede & Co. so long as DTC or Cede & Co. is the registered owner of the 2024 Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See “APPENDIX G – DTC and the Book-Entry Only System.”

Use of Proceeds. Proceeds of the 2024 Bonds will primarily be used to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements necessary for development in the District (the “**Facilities**,” as described herein). The Facilities consist of public capital facilities, such as roadway, storm drain, water, sewer, and park improvements associated with the project. Proceeds of the 2024 Bonds will also be used to make a deposit in the Reserve Fund (defined herein) and pay the cost of issuance of the 2024 Bonds.

Security and Sources of Payment of the 2024 Bonds. The 2024 Bonds are secured by, and payable from, “**Special Tax Revenues**,” which are defined as the proceeds of the Special Taxes annually received by the City, including all scheduled payments and delinquent payments thereof, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes, but not including any interest or penalties, less the Administrative Expense Priority. “**Special Taxes**” means the special tax levied on taxable real property within the boundaries of Improvement Area No. 2 under the Rate and Method of Apportionment of Special Tax for Improvement Area No. 2 (the “**Special Tax Formula**”), and “**Administrative Expense Priority**” means (i) for Fiscal Year 2024-25, \$35,000, and (ii) for each subsequent year, an amount equal to the preceding fiscal year’s Administrative Expense Priority plus an additional 2% of such amount.

The 2024 Bonds are also payable from amounts held in certain funds and accounts pursuant to the City, including the Reserve Fund, all as more fully described herein. The Special Tax applicable to each taxable parcel in Improvement Area No. 2 will be levied and collected according to the tax liability determined by the application of the Special Tax Formula, which is set forth in APPENDIX A hereto. The Special Taxes represent fixed liens on the parcels of land subject to a Special Tax in Improvement Area No. 2 and failure to pay the Special Taxes could result in proceedings to foreclose title to the delinquent property. The Special Taxes do not constitute the personal indebtedness of the owners of taxed parcels and no proceedings to collect

directly from an owner is permitted. See “SECURITY FOR THE 2024 BONDS – Special Tax Formula” and “APPENDIX A – Rate and Method of Apportionment of Special Tax.”

Pursuant to the Mello-Roos Act, the Resolution of Formation (as defined herein), and the Fiscal Agent Agreement, so long as any 2024 Bonds are outstanding, the City will annually levy the Special Tax against all taxable land within Improvement Area No. 2 in accordance with the proceedings for the authorization and issuance of the 2024 Bonds and to make provision for the collection of the Special Tax in amounts which will be sufficient to pay interest on, principal of and redemption premium (if any) on the 2024 Bonds as such becomes due and payable and to replenish the Reserve Fund (as defined herein) as necessary. See “SECURITY FOR THE 2024 BONDS – Special Taxes” herein.

The bonded indebtedness limit for Improvement Area No. 2 has been established in the principal amount of \$11,000,000 (excluding bonds described in Section 53364.2(e) of the Mello-Roos Act) (the “**Authorization**”). The 2024 Bonds are the first series of bonds being issued by the City pursuant to the Authorization for Improvement Area No. 2; additional bonds secured on parity with the 2024 Bonds may only be issued for refunding purposes.

In connection with the issuance of the 2024 Bonds, the City will direct the Fiscal Agent to establish a “**Reserve Fund**” which will be funded in an amount equal to the Reserve Requirement (described herein) with respect to the 2024 Bonds. Amounts in the Reserve Fund are available for payment of the 2024 Bonds in the event of delinquencies in the payment of the Special Taxes to the extent of such delinquencies. See “SECURITY FOR THE 2024 BONDS – Reserve Fund.” If there are additional delinquencies after depletion of funds in the Reserve Fund, the City is not obligated to pay the 2024 Bonds, or supplement the Reserve Fund.

Property Subject to the Special Tax. Property in Improvement Area No. 2 subject to the Special Tax is comprised of land developing into 375 single-family homes in two neighborhoods. Merchant builder KB HOME North Bay LLC., a Delaware limited liability company (“**KB HOME**”) is developing 241 single-family homes (6 of which were completed as of the date of the appraisal), and merchant builder D.R. Horton BAY Inc., a Delaware limited liability company (“**D.R. Horton**”), is developing 134 single-family homes (2 of which were completed as of the date of the appraisal). KB HOME and D.R. Horton are sometimes referred to herein collectively as the “**Merchant Homebuilders**.” The Merchant Homebuilders purchased the lots from JEN California 23 LLC, a California limited liability company (“**Master Developer**”), as part of a larger development being undertaken by the Master Developer that is anticipated to consist of a total of 766 single-family homes at build-out, as well as public and quasi-public uses, parks and open space. See “IMPROVEMENT AREA NO. 2” and “OWNERSHIP OF PROPERTY WITHIN IMPROVEMENT AREA NO. 2” for additional details. *Only the 375 lots developing into single-family homes in Improvement Area No. 2 constitute security for the 2024 Bonds.*

Value of Property. Property in Improvement Area No. 2 is security for the Special Tax. The City ordered preparation of an appraisal report of the estimated value of the taxable land within Improvement Area No. 2 as of a date of value of August 14, 2024 (the “**Appraisal**”) prepared by Integra Realty Resources, Sacramento, California (the “**Appraiser**”). The Appraiser indicated a value estimate of \$74,502,000 as of the date of value, subject to the conditions and qualifications set forth therein. The Appraisal is set forth in its entirety as APPENDIX C hereto. The description herein of the Appraisal is intended for limited purposes only; the Appraisal should be read in its entirety. In considering the estimates of value evidenced by the Appraisal, it should be noted that the Appraisal is based upon a number of standard and special assumptions that affected the estimates as to value, in addition to the assumption of completion of the Facilities

expected to be funded with the proceeds of the 2024 Bonds. See “VALUE OF PROPERTY WITHIN IMPROVEMENT AREA NO. 2.”

The principal amount of the direct and overlapping land-secured debt in Improvement Area No. 2 is \$10,125,000*, which consists of the estimated amount of 2024 Bonds (there is no overlapping land-secured debt). Consequently, the estimated value of property in Improvement Area No. 2 subject to the Special Tax lien (\$74,502,000) is approximately 7.36* times the principal amount of the direct and overlapping land-secured debt in Improvement Area No. 2. This is an average, and individual parcels may have value-to-lien ratios that are substantially different. See “VALUE OF PROPERTY WITHIN IMPROVEMENT AREA NO. 2 – Value to Special Tax Burden Ratios.”

Land in Improvement Area No. 2 constitutes a portion of the larger “Villa Ticino West” project being undertaken by the Master Developer in the City, which is being developed into 766 single-family homes. A summary of the development status of the entire project as of September 1, 2024 is described in the following table. *Only the land within Improvement Area No. 2 constitutes security for the 2024 Bonds.*

**Villa Ticino West
Status of Project Development (766 Lots)
As of September 1, 2024**

Improv. Area	Planning Units/Villages	Merchant Builders	Planned No. Homes	Homes Owned by Homeowners
No. 1	Units 1 and 2	Richmond American; Century Communities	219	—
No. 2	Units 3, 5, 6 and 7	KB HOME; D.R. Horton	375	7
No. 3	Units 4 and 8	Meritage Homes	172	0
Totals			766	

(1) Land constituting Units 4 and 8 are currently owned by Meritage Homes and are anticipated to be annexed from the Future Annexation Area into the District as Improvement Area No. 3 by the end of calendar year 2024.

Source: Master Developer for Improvement Area No. 1; Merchant Homebuilders for Improvement Area No. 2.

Land may annex into a separate improvement area to be established for the District from the future annexation area previously established for the District upon the unanimous approval of the owner(s) thereof, without any further proceedings of the City Council. No annexations into Improvement Area No. 2 are contemplated and, per the Fiscal Agent Agreement, parity special tax bonds can only be issued for refunding purposes. See “SECURITY FOR THE 2024 BONDS – Additional Bonds Only for Refunding.”

Risks of Investment. Investment in the 2024 Bonds involves risks that may not be appropriate for some investors. See “BOND OWNERS’ RISKS” for a discussion of special factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the 2024 Bonds.

Limited Obligation of the City. The general fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on, or principal of or redemption premiums, if any, on the 2024 Bonds. The 2024 Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts, except the Special Tax Revenues and amounts in certain funds established under the Fiscal Agent Agreement as described herein. The 2024 Bonds

* Preliminary; subject to change.

are special limited obligations of the City, and neither the City Council, the City nor any officer or employee thereof shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the 2024 Bonds other than from the Special Tax Revenues and amounts in certain funds established under the Fiscal Agent Agreement as described herein.

Summary of Information. Brief descriptions of certain provisions of the Fiscal Agent Agreement and certain other documents are included herein. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions, copies of which are available for inspection at the office of the City. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors' rights generally. Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings ascribed to such terms in the Fiscal Agent Agreement. See "APPENDIX B – Summary of Certain Provisions of the Fiscal Agent Agreement." The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement, any sale made hereunder, nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City or Improvement Area No. 2 since the date hereof.

FINANCING PLAN

The 2024 Bonds are being issued to (i) construct and acquire certain public facilities authorized for the District and Improvement Area No. 2 (referred to herein as the Facilities); (ii) make a deposit into the Reserve Fund equal to the Reserve Requirement with the 2024 Bonds; and (iii) pay the costs of issuance of the 2024 Bonds.

A summary of the estimated sources and uses of funds associated with the sale of the 2024 Bonds follows:

Estimated Sources of Funds:

Principal Amount of the 2024 Bonds	\$
Plus/less: [Net] Original Issue Premium/Discount	_____
Total	\$

Estimated Uses of Funds:

Deposit to Improvement Fund	\$
Deposit to Reserve Fund ⁽¹⁾	_____
Costs of Issuance ⁽²⁾	_____
Total	\$

(1) Equal to the Reserve Requirement with respect to the 2024 Bonds.

(2) Used to pay costs of issuance of the 2024 Bonds, including initial fees, expenses and charges of the Fiscal Agent, costs of printing the preliminary and final Official Statements, administrative fees of the City, Underwriter's discount, Municipal Advisor, fees of Bond Counsel and Disclosure Counsel, and other costs of issuance.

THE 2024 BONDS

Authority for Issuance

The 2024 Bonds are issued pursuant to the Fiscal Agent Agreement, the Resolution adopted by the City Council on [October 1], 2024, and the Mello-Roos Act.

The Authorization for Improvement Area No. 2 has been established at \$11,000,000. Under the provisions of the Mello-Roos Act, since there were fewer than 12 registered voters residing within Improvement Area No. 2 at the time the land was annexed into the District from the Future Annexation Area established for the District, the qualified electors were the landowners within Improvement Area No. 2. In accordance with the Mello-Roos Act, the landowners within Improvement Area No. 2 submitted unanimous approval forms to the City to, among other things, incur bonded indebtedness up to the amount of the Authorization, and to approve the annual levy of Special Taxes to be collected within Improvement Area No. 2, for the purpose of paying for the Facilities, including repaying any indebtedness of Improvement Area No. 2, replenishing reserve funds and paying administrative expenses.

The 2024 Bonds are the first series of bonds being issued by the City for Improvement Area No. 2; after issuance of the 2024 Bonds, additional bonds secured on parity with the 2024 Bonds may only be issued for refunding purposes.

Description of the 2024 Bonds

The 2024 Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company (“**DTC**”), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of 2024 Bonds will not receive physical certificates representing their interest in the 2024 Bonds. So long as the 2024 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the 2024 Bonds. Payments of the principal, premium, if any, and interest on the 2024 Bonds will be made directly to DTC, or its nominee, Cede & Co., by U.S. Bank Trust Company, National Association, as the fiscal agent, registrar and transfer agent (the “**Fiscal Agent**”) for the 2024 Bonds, so long as DTC or Cede & Co. is the registered owner of the 2024 Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See “APPENDIX G – DTC and the Book-Entry Only System.”

The 2024 Bonds will be dated as of and bear interest from the date of delivery thereof at the rates and mature in the amounts and years, as set forth on the inside cover page hereof. The principal of the 2024 Bonds and premiums due upon the redemption thereof, if any, will be payable in lawful money of the United States of America at the principal corporate trust office of the Fiscal Agent in Seattle, Washington, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the 2024 Bonds.

Interest on the 2024 Bonds, computed on the basis of a 360-day year consisting of twelve 30-day months, will be paid in lawful money of the United States of America semiannually on March 1 and September 1 of each year (each an “**Interest Payment Date**”), commencing March 1, 2025. Interest on the 2024 Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on each Interest Payment Date by

first class mail to the registered Owner thereof at such registered Owner’s address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the 15th day of the calendar month preceding the Interest Payment Date (the “**Record Date**”), or by wire transfer made on such Interest Payment Date upon written instructions received by the Fiscal Agent on or before the Record Date preceding the Interest Payment Date, of any Owner of \$1,000,000 or more in aggregate principal amount of 2024 Bonds; provided that so long as any 2024 Bonds are in book-entry form, payments with respect to such 2024 Bonds shall be made by wire transfer, or such other method acceptable by the Fiscal Agent, to DTC. See “APPENDIX G – DTC and the Book-Entry Only System.”

Each 2024 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the dated date; provided, however, that if at the time of authentication of a 2024 Bond, interest is in default thereon, such 2024 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. So long as the 2024 Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal, premium, if any, and interest on the 2024 Bonds will be made directly to DTC, or its nominee, Cede & Co. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See “APPENDIX G - DTC and the Book-Entry Only System.”

Redemption*

Optional Redemption. The 2024 Bonds are subject to optional redemption from any source of available funds (other than prepayments of the Special Tax by property owners), in whole or in part among maturities as specified by the City and by lot within a maturity, on any date on and after September 1, 2031 at the following respective redemption prices (expressed as percentages of the principal amount of the 2024 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2031 through August 31, 2032	103%
September 1, 2032 through August 31, 2033	102
September 1, 2033 through August 31, 2034	101
September 1, 2034 and any date thereafter	100

Mandatory Redemption from Prepayments. The 2024 Bonds are subject to mandatory redemption from prepayments of the Special Tax by property owners, in whole or in part among maturities as shall be specified by the City and by lot within a maturity, on any Interest Payment Date at the following respective redemption prices (expressed as percentages of the principal amount of the 2024 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

* Preliminary; subject to change.

<u>Redemption Dates</u>	<u>Redemption Price</u>
Interest Payment Dates through and including March 1, 2032	103%
September 1, 2032 and March 1, 2033	102
September 1, 2033 and March 1, 2034	101
September 1, 2034 and any Interest Payment Date thereafter	100

See “BOND OWNERS’ RISKS – Potential Early Redemption of Bonds from Prepayments” for a discussion of the potential for the 2024 Bonds to be priced with original issue premium and then be redeemed from Special Tax prepayments prior to maturity.

Mandatory Sinking Fund Redemption. The 2024 Bonds maturing September 1, 20__ and September 1, 20__ (the “**Term Bonds**”) are subject to mandatory sinking payment redemption in part on September 1, 20__ and September 1, 20__, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following tables:

September 1, 20__ Term Bonds

Mandatory Redemption Date (September 1)	Sinking Fund Payment
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September 1, 20__ Term Bonds

Mandatory Redemption Date (September 1)	Sinking Fund Payment
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The amounts in the foregoing table shall be reduced pro rata, in order to maintain substantially uniform debt service, as a result of any prior partial optional redemption or mandatory redemption of the 2024 Bonds.

In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2024 Bonds, upon the filing with the Fiscal Agent of an Officer’s Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer’s Certificate may provide, but in no event may 2024 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

Redemption Procedure by Fiscal Agent. The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories and to one or more Information Services, and to the respective registered Owners of any 2024 Bonds designated for redemption, at their addresses appearing on the 2024 Bond registration books in the Principal

Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such 2024 Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding 2024 Bonds are to be called for redemption, shall designate the CUSIP numbers and bond numbers of the 2024 Bonds to be redeemed by giving the individual CUSIP number and number of each 2024 Bond to be redeemed or shall state that all 2024 Bonds between two stated numbers, both inclusive, are to be redeemed or that all of the 2024 Bonds of one or more maturities have been called for redemption, shall state as to any 2024 Bond called in part the principal amount thereof to be redeemed, and shall require that such 2024 Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such 2024 Bonds will not accrue from and after the redemption date.

The City has the right to rescind any notice of the optional redemption of 2024 Bonds. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2024 Bonds then called for redemption, and such cancellation shall not constitute an event of default.

Upon the payment of the redemption price of 2024 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 2024 Bonds being redeemed with the proceeds of such check or other transfer.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2024 Bonds of any maturity, the Fiscal Agent shall select the 2024 Bonds to be redeemed, from all 2024 Bonds or such given portion thereof of such maturity by lot in any manner which the Fiscal Agent in its sole discretion shall deem appropriate. Upon surrender of 2024 Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the City, a new 2024 Bond or 2024 Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2024 Bond or 2024 Bonds.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2024 Bonds so called for redemption shall have been deposited in the Bond Fund, such 2024 Bonds so called shall cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

Transfer or Exchange of 2024 Bonds

So long as the 2024 Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of 2024 Bonds shall be made in accordance with DTC procedures. See APPENDIX G. Any 2024 Bond may, in accordance with its terms, be transferred or exchanged by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2024 Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any 2024 Bond or 2024 Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new 2024 Bond or 2024 Bonds, for a like aggregate principal amount of 2024 Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfers or exchanges of 2024 Bonds shall be required to be made (i) within 15 days prior to the date established by the Fiscal Agent for selection of 2024 Bonds for redemption or (ii) with respect to a 2024 Bond after such 2024 Bond has been selected for redemption.

SECURITY FOR THE 2024 BONDS

The 2024 Bonds are secured by and payable from a first pledge of the proceeds of the “**Special Tax Revenues**,” defined in the Fiscal Agent Agreement as the proceeds of the Special Tax received by the City for Improvement Area No. 2, including all scheduled payments and delinquent payments thereof, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes, but not including any interest or penalties, less the Administrative Expense Priority. “**Administrative Expense Priority**” means (i) for Fiscal Year 2024-25, \$35,000, and (ii) for each subsequent year, an amount equal to the preceding fiscal year’s Administrative Expense Priority plus an additional 2% of such amount.

In addition, the 2024 Bonds shall be secured by a pledge of all amounts in the Reserve Fund, and a series of Additional Bonds may be secured by a reserve account within the Reserve Fund or a separate reserve fund, as provided in the applicable Supplemental Agreement for such Series. Such pledge shall constitute a first lien on the Special Tax Revenues and said amounts.

The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated in their entirety to the payment of the principal of, including any mandatory sinking fund payments, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Mello-Roos Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement. The City may issue additional bonds secured on a parity with the 2024 Bonds only for refunding purposes; see “— Additional Bonds Only for Refunding” below.

Amounts in the Improvement Fund and in the Costs of Issuance Fund established under the Fiscal Agent Agreement are not pledged to the repayment of the 2024 Bonds. The Facilities are not in any way pledged to the repayment of the 2024 Bonds. Any proceeds of condemnation, destruction or other disposition of any Facilities are not pledged to the repayment of the 2024 Bonds and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

Special Taxes

A Special Tax applicable to each taxable parcel in Improvement Area No. 2 will be levied and collected according to the tax liability determined by the City through the application of the Special Tax Formula prepared by NBS, San Francisco, California (the “**Special Tax Consultant**”) and set forth in APPENDIX A hereto. Interest and principal on the 2024 Bonds is payable from the annual Special Taxes to be levied and collected on such property within Improvement Area No. 2, from amounts held in certain funds and accounts established under the Fiscal Agent Agreement (as described above) and from certain proceeds, if any, from the sale of such property for delinquency of such Special Taxes.

The Special Taxes are exempt from the property tax limitation of Article XIII A of the California Constitution, pursuant to Section 4 thereof as a “special tax” authorized by a two-thirds vote of the qualified electors. The levy of the Special Taxes was authorized by the City pursuant to the Mello-Roos Act in a maximum amount determined according to the Special Tax Formula approved by the City. See “Special Tax Formula” below and “APPENDIX A – Rate and Method of Apportionment of Special Tax.”

The amount of Special Taxes that the City may levy in any year on taxable property in Improvement Area No. 2, from which principal and interest on the 2024 Bonds is to be paid, is

limited by the maximum rates approved by the qualified electors within Improvement Area No. 2 which are set forth as the “Maximum Special Tax” (as defined in the Special Tax Formula and described below). Under the Special Tax Formula, Special Taxes will be levied annually in an amount not in excess of the Maximum Special Tax for the purpose of making payments on the 2024 Bonds. The Special Taxes shall constitute a trust fund for the principal of and interest on the 2024 Bonds pursuant to the Fiscal Agent Agreement and, so long as the amount levied for principal of and interest on these obligations remains unpaid, the Special Taxes and investment earnings thereon shall not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and shall be held in trust for the benefit of the owners thereof and shall be applied pursuant to the Fiscal Agent Agreement. The Special Tax Formula apportions the “Annual Special Tax Requirement” (as defined in the Special Tax Formula and described below) among the taxable parcels of real property within Improvement Area No. 2 according to the rate and methodology set forth in the Special Tax Formula. See “– Special Tax Formula” below. See also “APPENDIX A – Rate and Method of Apportionment of Special Tax.”

The City may levy the Special Tax at the Maximum Special Tax rate authorized by the qualified electors within Improvement Area No. 2 as set forth in the Special Tax Formula if conditions so require and the City has covenanted to annually levy the Special Taxes in an amount at least sufficient to pay the “Annual Special Tax Requirement” (as defined below). Because each Special Tax levy for payment of the 2024 Bonds is limited to the Maximum Special Tax rates authorized as set forth in the Special Tax Formula, no assurance can be given that, in the event of Special Tax delinquencies, the amount of the Special Tax Requirement will in fact be collected in any given year. See “BOND OWNERS’ RISKS – Levy and Collection of the Special Tax” herein. The Special Taxes are collected for the City by the County in the same manner and at the same time as *ad valorem* property taxes.

In addition to the Maximum Special Tax rate limitation in the Special Tax Formula, Section 53321(d) of the Mello-Roos Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such fiscal year had there never been any such delinquencies or defaults.

Special Tax Formula

The Special Tax authorized under the Mello-Roos Act applicable to land within Improvement Area No. 2 will be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate as described in the Special Tax Formula (defined terms set forth below in this section have the meanings set forth in the Special Tax Formula) set forth in “APPENDIX A – Rate and Method of Apportionment of Special Tax.” The Special Tax will be levied each year from parcels within Improvement Area No. 2 in an amount at least sufficient to pay debt service on outstanding Bonds and administrative expenses. The Special Tax is expected to be collected at the same time and in the same manner as *ad valorem* property taxes. The City reserves the right to collect the taxes in another manner if required to meet annual obligations of Improvement Area No. 2.

Each year, the City will determine the “Annual Special Tax Requirement” for the upcoming fiscal year. The “**Annual Special Tax Requirement**” means that amount required in any Fiscal Year for Improvement Area No. 2 to (1) pay Debt Service on all Outstanding Improvement Area No. 2 Bonds due in the Debt Year that commences in such Fiscal Year; (2) pay debt service on bonds expected to be issued by Improvement Area No. 2 due in the Debt Year that commences

in such Fiscal Year; (3) Administrative Expenses; (4) provide any amount required to establish or replenish a reserve fund in connection with any Improvement Area No. 2 Bonds; (5) provide an amount equal to reasonably anticipated Special Tax delinquencies based on the delinquency rate for Special Taxes levied in the previous Fiscal Year as determined by the CFD Administrator, as limited by the Act, and without duplicating any amounts described in clauses (3) or (4); and (6) account for Pay-As-You-Go Expenditures for the Authorize Facilities. The amounts referred to in clauses (1) through (5) of the preceding sentence may be reduced in any Fiscal Year (in the City's sole discretion) by (i) surplus balances in funds and accounts for Improvement Area No. 2 Bonds to the extent that such balances are available to apply against Debt Service pursuant to the Indenture, (ii) proceeds from the collection of penalties associated with delinquent Special Tax, and (iii) any other revenues available to pay Debt Service on the Outstanding Improvement Area No. 2 Bonds or other indebtedness as determined by the CFD Administrator.

Assignment to Land Use Categories. Each Fiscal Year, the CFD Administrator shall determine the Assessor's Parcel Numbers for all Taxable Property within Improvement Area No. 2 for the then-current Fiscal Year. To the extent a Parcel or Parcels of Taxable Property are subdivided, consolidated, or otherwise reconfigured, the Maximum Special Tax shall be assigned to the new Assessor's Parcels Numbers. The CFD Administrator shall also determine: (i) the appropriate Development Class for each Parcel of Taxable Property; (ii) the number of Units or Acreage each Parcel contains; (iii) the property type, i.e., Residential Property and Non-Residential Property, etc.; and (iv) the Annual Special Tax Requirement for the Fiscal Year. The Land Use Class and associated Assigned Special Tax for Residential Property shall be based on the number of Units on such Assessor's Parcel and the Building Square Feet of the Units located on such Assessor's Parcel. The Assigned Special Tax for Non-Residential Property, Taxable Property Owner Association Property and Taxable Public Property shall be based on the Acreage of the Assessor's Parcel.

Maximum Special Tax Rates – Developed Property. The Maximum Special Tax for each Assessor's Parcel of 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 Assigned Special Tax for each Assessor's Parcel of Developed Property is shown in the following table.

Land Use Class	Property Description	Assigned Special Tax ⁽¹⁾	No. of Planned Units ⁽²⁾	Total Assigned Special Tax	Share of Assigned Special Tax
Tax Zone No. 1					
1	Residential Property - > 2,600 BSF	\$1,654.00	62	\$102,548	16.83%
2	Residential Property - 2,401 – 2,600 BSF	1,612.00	22	35,464	5.83%
3	Residential Property - 2,200 – 2,400 BSF	1,502.00	21	31,542	5.19%
4	Residential Property - < 2,200 BSF	1,530.00	18	27,540	4.53%
Subtotal Tax Zone No. 1			123	\$197,094	32.43%
Tax Zone No. 2					
1	Residential Property - > 2,200 BSF	\$1,343.00	29	\$38,947	6.41%
2	Residential Property - 2,001 – 2,200 BSF	1,388.00	20	27,760	4.57%
3	Residential Property - 1,801 - 2,000 BSF	1,424.00	33	46,992	7.73%
4	Residential Property - 1,600 - 1,800 BSF	1,549.00	19	29,431	4.84%
5	Residential Property - < 1,600 BSF	1,608.00	17	27,336	4.50%
Subtotal Tax Zone No. 2			118	\$170,466	28.05%
Tax Zone No. 3					
1	Residential Property - > 2,400 BSF	\$2,041.00	52	\$106,132	17.42%
2	Residential Property - 2,201 – 2,400 BSF	1,738.00	0	0	0.00%
3	Residential Property - 2,001 - 2,200 BSF	1,686.00	0	0	0.00%
4	Residential Property - 1,801 - 2,000 BSF	1,641.00	53	86,973	14.28%
5	Residential Property - 1,600 - 1,800 BSF	1,674.00	0	0	0.00%
6	Residential Property - < 1,600 BSF	1,625.00	29	47,125	7.74%
Subtotal Tax Zone No. 3			134	\$240,230	39.44%
Grand Totals			375	\$607,790	100.00%

(1) The Assigned Special Tax Rate increases by 2% per fiscal year.

(2) Assumes full build out of Improvement Area No. 2.

Source: NBS.

The Fiscal Year 2024-25 aggregate Backup Special Tax attributable to Developed Property will equal the Maximum Special Tax as determined in accordance with the Special Tax Formula, when such property became Final Map Property. See APPENDIX A.

In some instances, an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Special Tax levied on an Assessor's Parcel shall be the sum of the Special Tax for all Land Use Classes located on that Assessor's Parcel.

On each July 1, commencing on July 1, 2025, the Assigned Special Tax and the Backup Special Tax for Developed Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

Maximum Special Tax Rates – Final Map Property. The Maximum Special Tax for each Assessor's Parcel of Final Map 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 Assigned Special Tax for each Assessor's Parcel of Final Map Property shall

be \$1,594.00 per Residential Lot within Tax Zone No. 1, \$1,456.00 per Residential Lot within Tax Zone No. 2 and \$1,732.00 per Residential Lot within Tax Zone No. 3 in Fiscal Year 2024-25.

The Fiscal Year 2024-25 aggregate Backup Special Tax attributable to property within a Final Subdivision Map within Tax Zone No. 1 will equal \$8,423.00 per Acre, \$10,496.00 per Acre within Tax Zone No. 2 and \$10,432.00 per Acre with Tax Zone No. 3 multiplied by the Acreage of all Taxable Property located within such Final Subdivision Map, excluding Acreage associated with current or expected Taxable Public Property and Taxable Property Owner Association Property.

The Backup Special Tax for each Assessor's Parcel of Residential Property in a Final Subdivision Map shall be computed by dividing the aggregate Backup Special Tax attributable to all Assessor's Parcels of Taxable Property for which building permits for residential construction have or may be issued, as determined in the preceding paragraph, by the number of such Assessor's Parcels (i.e., the number of Residential Lots). Notwithstanding the foregoing, if all or any portion of a Final Subdivision Map is subsequently changed or modified, then the Backup Special Tax for each Assessor's Parcel of Residential Property in such Final Subdivision Map, or the portion thereof that is changed or modified, shall be a rate per Acre calculated as follows:

First, determine the total Backup Special Taxes anticipated to apply to the changed or modified portion of the Final Subdivision Map prior to the change or modification.

Second, divide the amount determined pursuant to paragraph 1 above by the total Acreage of Residential Property excluding Taxable Public Property and Taxable Property Owner Association Property which is ultimately expected to exist in such changed or modified Final Subdivision Map area, as reasonably determined by the CFD Administrator.

The result is the Backup Special Tax per Acre which shall be applicable to all Assessor's Parcels of Residential Property in such changed or modified Final Subdivision Map. On each July 1, commencing on July 1, 2024, the Assigned Special Tax and the Backup Special Tax for Final Map Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

Maximum Special Tax Rates – Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property. The Maximum Special Tax for each Assessor's Parcel of Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be \$9,693.00 per Acre in Fiscal Year 2024-25. On each July 1, commencing on July 1, 2024, the Assigned Special Tax and the Backup Special Tax for Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

Special Tax Reduction Calculation. The Special Tax Formula includes a provision for reducing the Maximum Special Tax rates prior to the issuance by the City of the first series of bonds for Improvement Area No. 2 so that, based on an Appraisal or a Price Point Study, the Total Effective Tax Rate for all Plan Types in a Land Use Class as calculated by the CFD Administrator separately for each Land Use Class of Residential Property, is less than or equal to 1.80%. Prior to the issuance of the 2024 Bonds, the City and the CFD Administrator undertook the required review to conclude that no reduction in the Maximum Special Tax rates was required.

Mello-Roos Act Maximum Rate Limitation. In addition to the Maximum Special Tax rate limitations in the Special Tax Formula (described above), Section 53321(d) of the Mello-Roos Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such fiscal year had there never been any such delinquencies or defaults.

Levy of Special Tax. Commencing with Fiscal Year 2024-25 and for each following Fiscal Year, the CFD Administrator shall determine the Annual Special Tax Requirement and shall levy the Special Tax until the amount of the Special Tax levied equals the Annual Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at 100% of the applicable Assigned Special Tax to satisfy the Annual Special Tax Requirement.

Second: If additional monies are needed to satisfy the Annual Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Final Map Property at 100% of the Maximum Special Tax for Final Map Property to satisfy the Annual Special Tax Requirement.

Third: If additional monies are needed to satisfy the Annual Special Tax Requirement after the second step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at a rate up to 100% of the Maximum Special Tax for Undeveloped Property to satisfy the Annual Special Tax Requirement.

Fourth: If additional monies are needed to satisfy the Annual Special Tax Requirement after the first three steps have been completed, then the levy of 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 shall be increased in equal percentages from the applicable Assigned Special Tax up to 100% of the Maximum Special Tax for each such Assessor's Parcel to satisfy the Annual Special Tax Requirement.

Fifth: If additional monies are needed to satisfy the Annual Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied on each Assessor's Parcel of Taxable Property Owner Association Property at a rate up to 100% of the Maximum Special Tax for Taxable Property Owner Association Property to satisfy the Annual Special Tax Requirement.

Sixth: If additional monies are needed to satisfy the Annual Special Tax Requirement after the first five steps have been completed, then the Special Tax shall be levied Proportionately on all Taxable Public Property at a rate up to 100% of the Maximum Special Tax for Taxable Public Property to satisfy the Annual Special Tax Requirement.

Exemptions. No Special Tax shall be levied on up to 0.00 Acres of Property Owner Association Property and/or Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property, or Public Property. Should additional property annex to Improvement Area No. 2, the number of Acres of Property Owner Association Property and/or Public Property exempt from the Special Tax shall be identified for each such annexation.

Property Owner Association Property, that is not exempt from the Special Tax under this section, or pursuant to the Act, shall be classified as Taxable Property Owner Association Property. Taxable Property Owner Association Property shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fifth step as described above, at up to 100% of the applicable Maximum Special Tax for Taxable Property Owner Association Property.

Public Property, that is not exempt from the Special Tax under this section, or pursuant to the Act, shall be classified as Taxable Public Property. Taxable Public Property shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the sixth step as described above, at up to 100% of the applicable Maximum Special Tax for Taxable Public Property.

No Special Tax shall be levied on any Assessor's Parcel in any Fiscal Year in which such Assessor's Parcel is classified as Welfare Exempt Property.

Prepayment of the Special Tax. The Special Tax obligation assigned to a particular parcel within Improvement Area No. 2 can be prepaid in full or in part. Section I of the Special Tax Formula sets forth a detailed formula by which the prepayment for a parcel can be calculated. See APPENDIX A. Proceeds of such prepayment will be used to redeem a portion of the Bonds. See "THE 2024 BONDS – Redemption."

Term of Special Tax. The Special Tax shall be levied and collected as needed to fund the Annual Special Tax Requirement for up to 40 years from the initial levy of the Special Tax. In any event no Special Tax shall be levied for CFD No. 2023-1 after Fiscal Year 2063-64.

Special Tax Fund

When received, the Special Tax Revenues are required under the Fiscal Agent Agreement to be deposited into a Special Tax Fund to be held by the City in trust for the benefit of the City and the Owners of the Bonds. Within the Special Tax Fund, the City will establish and maintain two accounts, (i) the Debt Service Account, to the credit of which the City will deposit, immediately upon receipt, all Special Tax Revenues, and (ii) the Surplus Account, to the credit of which the City will deposit surplus Special Tax Revenue as described below. Moneys in the Special Tax Fund will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds.

All Special Tax Revenue will be deposited in the Debt Service Account upon receipt. No later than 10 Business Days prior to each Interest Payment Date, the City will withdraw from the Debt Service Account of the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund, an amount which when added to the amount then on deposit therein, is equal to the Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund, such that the amount in the Bond Fund equals the principal, including any mandatory sinking fund payments, premium, if any, and interest due on the Bonds on the next Interest Payment Date. At such time as deposits to the Debt Service Account equal the principal, including any mandatory sinking fund payments, premium if any, and interest becoming due on the Bonds for the current Bond Year and the amount needed to restore the balance of the Reserve Fund to the Reserve Requirement, the amount in the Debt Service Account in excess of such amount may, at the discretion of the City, be transferred to the Surplus Account, which will occur on or after September 15th of each year.

Moneys in the Surplus Account may, at the City's discretion, be transferred to the Improvement Fund to pay for costs of the Facilities, to pay the principal of, premium, if any, and interest on the Bonds or to replenish the Reserve Fund to the amount of the Reserve Requirement, but are not pledged to payment of the Bonds.

Deposit and Use of Proceeds of 2024 Bonds

The 2024 Bonds are additionally secured by certain amounts generated from proceeds of the 2024 Bonds, together with interest earnings thereon pledged under the Fiscal Agent Agreement. The proceeds of the initial purchase of the 2024 Bonds shall be paid to the Fiscal Agent, who shall deposit such proceeds in the Costs of Issuance Fund, the Improvement Fund, and the Reserve Fund established under the Fiscal Agent Agreement. See APPENDIX B for information on use of the moneys, including investment earnings thereon, in the various funds established under the Fiscal Agent Agreement. See also “– Reserve Fund” and “– Improvement Fund” below.

Delinquent Payments of Special Tax; Covenant for Foreclosure

The Special Tax will be collected in the same manner and the same time as *ad valorem* property taxes, except at the City's option, the Special Taxes may be billed directly to property owners. In the event of a delinquency in the payment of any installment of Special Taxes, the City is authorized by the Mello-Roos Act to order institution of an action in superior court to foreclose the lien therefore.

The City has covenanted in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will annually on or before September 1 of each year review the public records of the County of San Joaquin relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and if the City determines on the basis of such review that the amount so collected is deficient it will enforce the lien of the Special Taxes by commencing, or cause to be commenced, foreclosure proceedings to judgment and sale in such manner and upon such timing as advised by legal counsel, taking into account the amounts delinquent, the estimate cost of legal proceedings, the status of Special Tax collections and available debt service reserves, against each separate lot or parcel of land in Improvement Area No. 2 for which installments of the Special Tax are delinquent, under the following circumstances:

- (a) if the amount so collected is deficient by more than 5% of the total amount of the Special Tax levied in such Fiscal Year, it will enforce the lien on all delinquent parcels; or
- (b) if property owned by any single property owner in Improvement Area No. 2 is delinquent on four consecutive semi-annual Special Tax installments (irrespective of the total delinquencies in Improvement Area No. 2) it will enforce the lien against such property.

For clarity, the City need not take any actions toward foreclosure so long as (1) Improvement Area No. 2 is then participating in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq. (i.e., the “Teeter Plan”), or an equivalent procedure, and (2) the amount in the Reserve Fund is at least equal to the Reserve Requirement. See “– Teeter Plan,” below.

Under the Mello-Roos Act, foreclosure proceedings are instituted by the bringing of an action in the superior court of the county in which the parcel lies, naming the owner and other interested persons as defendants. The action is prosecuted in the same manner as other civil actions. In such action, the real property subject to the special taxes may be sold at a judicial foreclosure sale for a minimum price which will be sufficient to pay or reimburse the delinquent Special Taxes.

The owners of the 2024 Bonds benefit from the Reserve Fund established pursuant to the Fiscal Agent Agreement; however, if delinquencies in the payment of the Special Taxes are significant enough to completely deplete the Reserve Fund, there could be a default or a delay in payments of principal and interest to the Owners of the 2024 Bonds pending prosecution of foreclosure proceedings and receipt by the City of the proceeds of foreclosure sales. Additionally, it is possible that no bids are received at a foreclosure sale. Provided that it is not levying the Special Tax at the Maximum Special Tax rates set forth in the Special Tax Formula, the City may adjust the Special Taxes levied on all property within Improvement Area No. 2 subject to the Special Tax to provide an amount required to pay debt service on the 2024 Bonds, and to replenish the Reserve Fund, provided however such adjustment may not exceed the Maximum Special Tax or include an increase as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such fiscal year had there never been any such delinquencies or defaults.

Under current law, a judgment debtor (property owner) has at least 140 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his or her only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived, and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (California Code of Civil Procedure Section 701.680).

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent upon the nature of the defense, if any, put forth by the debtor and the condition of the calendar of the superior court of the county. Such foreclosure actions can be stayed by the superior court on generally accepted equitable grounds or as the result of the debtor's filing for relief under the Federal bankruptcy laws. The Mello-Roos Act provides that, upon foreclosure, the Special Tax lien will have the same lien priority as is provided for *ad valorem* taxes and special assessments. See "VALUE OF PROPERTY WITHIN IMPROVEMENT AREA NO. 2 – Priority of Lien."

Teeter Plan. In 1949, the California Legislature enacted an alternative method for the distribution of property taxes to local agencies. This method, known as the "**Teeter Plan**," is found in Sections 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county collects property taxes and certain other public agencies and taxing areas located in the county receive annually the full amount of their shares of property taxes and other impositions collected on the secured roll, including delinquent property taxes which have yet to be collected. While the county bears the risk of loss on unpaid delinquent taxes, it retains the penalties associated with delinquent taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless, prior to the commencement of a fiscal year, a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, decide to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency.

The Board of Supervisors of San Joaquin County has adopted the Teeter Plan, and the County elects to apply its Teeter Plan to the collection of the Special Taxes annually. As such, the City anticipates that the Teeter Plan will be applicable to the Special Tax levied in Improvement Area No. 2, but no assurance can be given that it will continue in any or all of the years that the 2024 Bonds are outstanding. To the extent that the County's Teeter Plan continues in existence and is carried out as adopted, and to the extent the County does not discontinue the Teeter Plan with respect to the City or Improvement Area No. 2, the County's Teeter Plan may help protect owners of the 2024 Bonds from the risk of delinquencies in the payment of Special Taxes. *However, there can be no assurance that the County will not modify or eliminate its Teeter Plan, or choose to remove Improvement Area No. 2 or particular delinquent parcels from its Teeter Plan in any year while the 2024 Bonds are outstanding.*

Reserve Fund

Under the Fiscal Agent Agreement, the Fiscal Agent established the Reserve Fund which is available for payment of the 2024 Bonds in the event of delinquencies in the payment of the Special Taxes to the extent of such delinquencies.

The City is required to maintain on deposit in the Reserve Fund an amount that is equal to the Reserve Requirement with respect to the 2024 Bonds. The "**Reserve Requirement**" means, with respect to any Series of Bonds (unless otherwise specified in a Supplemental Agreement, including to create a single parity reserve fund for multiple Series of Bonds), the least of (i) 125% of the average Annual Debt Service with respect to the applicable Series of Bonds; (ii) Maximum Annual Debt Service with respect to the applicable Series of Bonds; and (iii) 10% of the original principal amount of the applicable Series of Bonds (or, if the applicable Series of Bonds has more than a de minimis amount of original issue discount or premium, 10% of the issue price of such Series of Bonds); provided, that—

(a) if a parity reserve fund for multiple Series of Bonds is established (as a result of a partial refunding of the 2024 Bonds), references to the applicable Series of Bonds shall mean all Bonds covered by such parity reserve fund;

(b) in no event shall the City be obligated to deposit an amount in any reserve fund in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, if the amount of any such deposit is so limited, the Reserve Requirement shall be only the amount of such deposit as permitted by the Code;

(c) the City may meet all or a portion of the Reserve Requirement with respect to any series of Bonds by depositing a Qualified Reserve Fund Credit Instrument in accordance with the Fiscal Agent Agreement; and

(d) the Reserve Requirement shall be set at the time of issuance of a Series of Bonds and shall not increase thereafter but may decrease as a result of prepayment of the Special Tax.

Amounts deposited in the Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds secured by the Reserve Fund. Whenever a transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent will provide written notice thereof to the City. If there are additional delinquencies after depletion of funds in the Reserve Fund, the City is not obligated to pay the Bonds or supplement the Reserve Fund.

Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent will transfer an amount equal to the excess from the Reserve Fund to the Bond Fund or the Improvement Fund as provided below, except that investment earnings on amounts in the Reserve Fund may be withdrawn from the Reserve Fund for purposes of making payment to the Federal government to comply with rebate requirements.

Moneys in the Reserve Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from the investment of moneys in the Reserve Fund and other moneys in the Reserve Fund will remain therein until the balance exceeds the Reserve Requirement; any amounts in excess of the Reserve Requirement will be transferred to the Improvement Fund, if the Facilities have not been completed, or if the Facilities have been completed, to the Bond Fund to be used for the payment of the principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement.

The City has the right at any time to cause the Fiscal Agent to release funds from the Reserve Fund, in whole or in part, by tendering to the Fiscal Agent an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company (a **“Qualified Reserve Fund Credit Instrument”**), provided certain conditions are met, including that the long-term credit rating of such bank or insurance company is rated in at least the “AA” category (without regard to qualifier) by S&P or Moody’s.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, and making any other transfer required under the Fiscal Agent Agreement, the Fiscal Agent will transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date, to the payment and redemption of all of the Outstanding Bonds. If the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund will be transferred to the City, after payment of any amounts due the Fiscal Agent, to be used for any lawful purpose of the City.

Improvement Fund

Under the Fiscal Agent Agreement, the Fiscal Agent established an “**Improvement Fund**,” which is held and used by the Fiscal Agent to pay the costs of the Facilities. Disbursements from the Improvement Fund will be made by the Fiscal Agent in accordance with written requests of the City.

Before any payment from the Improvement Fund shall be made, the City shall file or cause to be filed with the Fiscal Agent a written request of the City for disbursement of moneys from such fund. Such withdrawals shall be implemented by the City pursuant to the terms and requirements of the Acquisition Agreement (described below). The Fiscal Agent need not make any such payment if it has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, that has not been released or will not be released simultaneously with such payment. The Fiscal Agent shall not incur any liability for any disbursement from the Improvement Fund made in reliance upon any requisition. When the City determines that all of the costs of the Facilities to be financed with proceeds of the Bonds have been paid, the City shall provide written notification of such determination to the Fiscal Agent and direct the Fiscal Agent to transfer any remaining balance in any Improvement Fund into the Bond Fund. See “THE FACILITIES – Acquisition by the City.”

Additional Bonds Only for Refunding

The 2024 Bonds represent the first series of bonds for Improvement Area No. 2 and under the provisions of the Fiscal Agent Agreement the City is precluded from issuing additional bonds secured by the Special Taxes on parity with the 2024 Bonds, except for refunding bonds issued under the Mello-Roos Act.

As an alternative to issuing additional parity bonds, the City may issue bonds for Improvement Area No. 2 secured by Special Taxes on a subordinate basis to the 2024 Bonds.

DEBT SERVICE SCHEDULE

Debt Service Schedule. The annual debt service on the 2024 Bonds based on the interest rates and maturity schedule set forth on the inside cover of this Official Statement is set forth below (assuming no early redemptions).

**City of Manteca
CFD No. 2023-1 (Villa Ticino West Facilities)
Improvement Area No. 2 – Special Tax Bonds Series 2024
Debt Service Schedule**

Period Ending Sept. 1	2024 Bonds Principal	2024 Bonds Interest	2024 Bonds Total Debt Service
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Total

Source: Underwriter.

Projected Debt Service Coverage. The projected debt service coverage on the 2024 Bonds for Fiscal Year 2024-25 is set forth below, and is based on the current status of development. To the extent that development status changes, the debt service coverage may be different than what is shown. The 2024 Bonds have been structured so there is at least 110% debt service coverage in every year the 2024 Bonds are outstanding.

**City of Manteca
CFD No. 2023-1 (Villa Ticino West Facilities)
Improvement Area No. 2 – Special Tax Bonds Series 2024
Projected Fiscal Year 2024-25 Debt Service Coverage**

Fiscal Year	Assigned Special Taxes Developed and Final Map Property⁽¹⁾	Administrative Expense Priority	Estimated Debt Service*	Debt Service Coverage from Developed and Final Map Property*
2024-25	\$603,491	\$35,000	\$511,719	111.09%

* Preliminary; subject to change.

(1) Based on building permits issued as of June 30, 2024.

Sources: NBS; Underwriter for debt service.

IMPROVEMENT AREA NO. 2

Formation and Background

On May 16, 2023, the City Council adopted a Resolution of Intention to form the District, designate Improvement Area No. 1 as the initial improvement area therein, and establish the Future Annexation Area, to levy a special tax and to incur bonded indebtedness for the purpose of financing the Facilities and making contributions to certain public facilities. After conducting a noticed public hearing, on June 20, 2023, the City Council adopted the Resolution of Formation, which established the District, designated Improvement Area No. 1 as the initial improvement area therein, and created the Future Annexation Area, and set forth the necessity to incur bonded indebtedness for the District in a total amount not to exceed \$24,000,000 (excluding bonds or notes described in Section 53364.2(e) of the Mello-Roos Act). Pursuant to unanimous approval forms submitted by the qualified electors to the City in 2024, Improvement Area No. 2 was established as the second improvement area within the District, the Special Tax was authorized to be levied within Improvement Area No. 2 in accordance with the Special Tax Formula, and the Authorization for Improvement Area No. 2 was established at \$11,000,000.

Land in Improvement Area No. 2 constitutes a portion of the larger “Villa Ticino West” project being undertaken by the Master Developer in the City, which is being developed into 766 single-family homes. Land in Improvement Area No. 1 is being developed into 219 single-family homes by merchant homebuilders Richmond American Homes and Century Communities. In addition, the land in the Future Annexation Area is entitled for development into 172 single-family homes, and was recently purchased from the Master Developer by merchant homebuilder Meritage Homes. The Master Developer anticipates that Meritage Homes will annex its lots from the Future Annexation Area into the District as a new Improvement Area No. 3 by the end of 2024. *Only the land in Improvement Area No. 2 constitutes security for the 2024 Bonds.*

Description and Location

General. The development ongoing in the District (and Improvement Area No. 2 therein) is referred to as “Villa Ticino West.” Land in the District is generally located at the intersection of Villa Ticino Drive and Frizzante Lane, within the City of Manteca, San Joaquin County, California. Land within Improvement Area No. 2 consists of 375 residential lots within four units or villages and have typical lot sizes ranging from 5,250 to 6,825 square feet. The land within Improvement Area No. 2 is being developed by two homebuilders, KB HOME and D.R. Horton. As of the effective date of value of the appraisal (August 14, 2024), the land consisted of partially-improved lots, homes under construction, and completed homes. For certain demographic information relating to the City and the County, see “APPENDIX D – City of Manteca and San Joaquin County Demographic Information.”

Map. A map showing property within Improvement Area No. 2, and its location within the larger Village Ticino West development project, is shown in the front of this Official Statement.

Development in Improvement Area No. 2

The Master Developer and the merchant homebuilders have provided certain information set forth in this section with respect to development within the District and Improvement Area No. 2. No assurance can be given that all information is complete. There may be material adverse changes to this information after the date of this Official Statement. Additionally, no assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. Since the ownership of the parcels is subject to change, the development plans outlined below may not be continued by the subsequent owner if the parcels are sold, although development by any subsequent owner will be subject to the Development Agreement and the policies and requirements of the City. No assurance can be given that the plans or projections detailed below will actually occur.

Overview. The development ongoing in the District (including Improvement Area No. 2 therein) is referred to as the “Villa Ticino West” project. The Master Developer (JEN California 23 LLC) is a California limited liability company affiliated with JEN Partners LLC, a Delaware limited liability company (“**JEN**”). Clifton Taylor is Vice President of the Master Developer, and President of Taylor Builders LLC, a California limited liability company (“**Taylor Builders**”), which is responsible for the day-to-day management of the Master Developer, including overseeing entitlement, development and sales activities for the Villa Ticino West project.

JEN was founded by Reuben Leibowitz in 2005. Prior to JEN, Mr. Leibowitz founded Warburg Pincus’ Real Estate group in 1984, which he led through 2004. While at Warburg Pincus, he was directly responsible for the investment of equity across four homebuilders, a residential land developer and other real estate opportunities. Mr. Leibowitz has served as a Director of four NYSE listed real estate companies, including Lennar Homes, and is a current board member of Simon Property Group, the largest global mall REIT.

Taylor Builders was founded in 2017 to invest in, entitle and develop primarily residential real estate in the Sacramento region, San Joaquin Valley, Bay Area, and Northern Nevada markets. Taylor Builders operates under a mutually exclusive regional partnership agreement with JEN. JEN specializes in residential real estate with longstanding relationships in the residential land, homebuilding, and workforce housing arenas. Additionally, JEN is actively engaged in land banking and specialty finance transactions for public and private homebuilding operations throughout the United States.

Development Agreement. The City entered into a Development Agreement, dated July 6, 2005 (as amended to date, the “**Development Agreement**”) with various predecessor landowners to the Master Developer (“**Predecessor Landowners**”). The Predecessor Landowners subsequently assigned their rights and obligations thereunder to the Master Developer. All of the property in Improvement Area No. 2 is subject to the requirements of the Development Agreement. The Development Agreement was entered into in accordance with Sections 65864 through 65869.5 of the California Government Code, as implemented through applicable provisions of the City Code.

The Development Agreement is the primary implementation tool for the development ongoing in the District and Improvement Area No. 2 and is intended to create a binding contract between the City and the Master Developer, KB HOME, and D.R. Horton (as assignees of the Predecessor Landowners), and their assigned successors in interest, which set forth the needed infrastructure improvements, park dedication requirements, timing and method for financing improvements and other specific performance obligations of the City and the various landowners

party thereto (as assignees of the Predecessor Landowners), including obligations related to development of the property in the District, with the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development of the property in the District according to the entitlements. Included are provisions relating to infrastructure improvements, public dedication requirements, landscaping amenities and other obligations of the parties. The Development Agreement runs with the property, and may be modified only by mutual consent of the City and other parties thereto. With the Development Agreement in place, subject to compliance with the terms of the Development Agreement, construction of homes within Improvement Area No. 2 may occur upon City approval of subdivision maps, satisfaction of certain design requirements and conditions of such maps and issuance of building permits.

The Development Agreement commenced in 2005 and terminates on the first to occur of the following: (a) 1 year following the “Project Build-out,” as that phrase is defined in the Development Agreement, and (b) January 6, 2026. A 2018 amendment to the agreement provides that termination does not affect rights or entitlements received prior to termination; vesting of entitlement and development rights for Improvement Area No. 2 has already occurred.

Status of Improvements. The Development Agreement sets forth the responsibility of Master Developer and its successors for a portion of the costs of certain public improvements required for its development. Funding of the Improvements with the proceeds of the 2024 Bonds will satisfy a portion, but not all, of the relevant obligations of Master Developer for infrastructure improvements required by the Development Agreement. The improvements not funded from the 2024 Bonds or Special Taxes are required to be funded by Master Developer and subsequent successors in interest.

The Master Developer has completed about 85% of the public improvements required for the development of the lots within Improvement Area No. 2, with only the final completion activities on Airport Way, the Unit 3 Park, and some frontage landscaping remaining. The Airport Way improvements are expected to complete by October 12, 2024. The Unit 3 community park is approximately 30% complete and the Master Developer expects to have the park complete by December 15, 2024. Units 5, 6, and 7 were delivered and sold as partially-improved (blue-topped) lots to KB HOME and D.R. Horton, and the Merchant Homebuilders have since completed the onsite infrastructure as part of their horizontal construction activities for home building. Both KB HOME’s and D.R. Horton’s lots are now complete and in a 100% finished lot condition, with home construction, sales and closings underway, as described herein.

The Master Developer estimates the total cost of constructing the backbone/off-site improvements and onsite infrastructure for the entire “Villa Ticino West” project (766 single-family homes) is approximately \$57.4 million. Of this amount, the Master Developer has spent approximately \$48.3 million, approximately \$23.5 million of which is attributable to Improvement Area No. 2. See “THE FACILITIES” herein for additional information.

No Affordable Units. There are no affordable unit requirements within Improvement Area No. 2.

Flood Hazard Map Information. According to the Federal Emergency Management Agency’s flood insurance rate maps (Flood Area Panel Number 06077C-0620F, with an effective date of October 16, 2009), the property in Improvement Area No. 2 is located within Flood Zone X (Shaded), described as areas within the 500-year flood plain. Flood insurance is not required.

Seismic Conditions. Property in Improvement Area No. 2 is not located within a seismic special studies zone, designated by the California State Division of Mines and Geology, in accordance with the Alquist-Priolo Special Study Zone Act of 1972. There are no special studies zones in the City.

Wildfire Hazards. Land in Improvement Area No. 2 is not located in a High or Very High Fire Hazard Severity Zone (FHSZ), as defined by CAL FIRE.

Environmental Mitigation. According to Master Developer, all environmental mitigation requirements have been met for all of the lots within Improvement Area No. 2.

Entitlements. The entitlements for the project permit a development proposal related to a particular parcel to proceed through tentative map subdivision and design-review permitting processes to final mapping provided the development application is in accord with the entitlements and the final map conditions. The Master Developer has received all necessary approvals for the development of the lots within Improvement Area No. 2, including, but not limited to, approval of the Development Agreement, and subsequently received a Section 404 (wetlands) permit, California Water Board Section 401 Certification, and U.S. Fish and Wildlife Service Biological Opinion, as applicable. The Master Developer also previously received a grading permit and site improvement plans for all lots in Improvement Area No. 2.

Impact of City Building Permit Policy. The City has a policy of allowing merchant homebuilders to apply for no more than 6 building permits at a time, across all of its respective projects in the City. Neither KB HOME nor D.R. Horton currently has any other project ongoing in the City, which means the foregoing City policy is not expected to have any impact; however, that may change in the future.

Development by KB HOME

KB HOME Development Plan. KB HOME acquired 241 partially improved lots in Improvement Area 2 from the Master Developer in two closings, the first closing in May 2023 (Unit 6 – 118 lots) and the second closing in May 2024 (Unit 3 – 123 lots). It has been developing such lots into 241 detached single-family homes in its “Cielo at Villa Ticino” and “Terra at Villa Ticino”

neighborhoods. The development status of the neighborhoods as of September 1, 2024 is summarized in the following tables:

Table 1A
City of Manteca
CFD No. 2023-1 (Villa Ticino West Facilities)
Improvement Area No. 2 – Special Tax Bonds Series 2024
Status of Development of Unit 3 – “Cielo at Villa Ticino” Neighborhood
(As of September 1, 2024)

Floor Plan	Approx. Square Footage	Total No. Planned Units	Units Completed, Sold, and Closed	Units Completed and Unsold or in Escrow⁽¹⁾	Units Under Construction	Est. Base Price⁽²⁾
Plan 2181	2,181	18	0	0	1	\$632,990
Plan 2346	2,346	21	0	1	0	\$647,990
Plan 2532	2,532	22	0	0	0	\$660,990
Plan 2608	2,608	24	0	1	1	\$667,990
Plan 2621	2,621	18	0	1	1	\$673,990
Plan 2926	2,926	20	0	0	1	\$709,990
Totals		123	0	3	4	

(1) KB HOME has constructed three model homes.

(2) Base sale prices are estimated as of September 1, 2024. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives and any selling concessions or price reductions which may be offered.

Source: KB HOME.

Cielo Neighborhood. As of September 1, 2024, within Cielo, KB HOME owned three completed model homes, four homes under construction and 116 finished or partially finished lots without any vertical home construction thereon (16 with building permits issued). As of September 1, 2024, within Cielo, 16 building permits had been issued (including the permits for the three models) and no homes were in escrow. KB HOME began construction of its Cielo model homes in June 2024 and anticipates reaching build-out and closing on the final Cielo homes to individual homebuyers by March 2027.

Table 1B
City of Manteca
CFD No. 2023-1 (Villa Ticino West Facilities)
Improvement Area No. 2 – Special Tax Bonds Series 2024
Status of Development of Unit 6 – “Terra at Villa Ticino” Neighborhood
(As of September 1, 2024)

Floor Plan	Approx. Square Footage	Total No. Planned Units	Units Completed, Sold, and Closed	Units Completed and Unsold or in Escrow⁽¹⁾	Units Under Construction	Est. Base Price⁽²⁾
Plan 1474	1,474	17	3	1	3	\$564,990
Plan 1711	1,711	19	2	2	4	\$594,990
Plan 1926	1,926	15	0	3	3	\$610,990
Plan 1985	1,985	18	0	2	3	\$616,990
Plan 2152	2,152	20	1	1	2	\$632,990
Plan 2378	2,378	29	1	2	4	\$652,990
Totals		118	7	11	19	

(1) KB HOME has constructed three model homes.

(2) Base sale prices are estimated as of September 1, 2024. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives and any selling concessions or price reductions which may be offered.

Source: KB HOME.

Terra Neighborhood. As of September 1, 2024, within Terra, KB HOME had constructed and conveyed seven homes to individual homeowners and owned 11 completed homes (including three completed model homes), 19 homes under construction and 81 finished or partially finished lots without any vertical home construction thereon (40 with building permits issued). As of September 1, 2024, within Terra, 26 homes were in escrow and 40 building permits had been issued (including the permits for the 3 models). KB HOME began construction of its Terra model homes in November 2023 and anticipates reaching build-out and closing on the final Terra homes to individual homebuyers by May 2026.

No assurance can be given that home construction and sales will be carried out on the anticipated timeline and according to the plans outlined 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. KB HOME reserves the right to change its development at any time without notice. Additionally, homes sold may not result in closed escrows as sales contracts are subject to cancellation.

KB HOME Financing Plan. To date, KB HOME has funded its land acquisition, site development and home construction costs related to its property in Improvement Area No. 2 through internally generated funds. KB HOME expects to use internal funding (which may include home sales revenues from its project in Improvement Area No. 2) to complete its site development, home construction, and marketing and sales of its homes in Improvement Area No. 2. However, home sales revenues from KB HOME's activities in Improvement Area No. 2 are not segregated and set aside for completing its development activities in Improvement Area No. 2. None of the lots within Improvement Area No. 2 owned by KB HOME are encumbered by a mortgage or deed of trust.

Although KB HOME expects to have sufficient funds available to undertake and complete its development activities in Improvement Area No. 2, there can be no assurance, however, that amounts necessary to finance the remaining development and home construction costs will be available to KB HOME when needed. While KB HOME's parent company has made such internal funding available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither KB HOME nor any other entity or person is under any legal obligation of any kind to expend funds for the development of and construction of homes on KB HOME's property in Improvement Area No. 2. KB HOME has no legal obligation to Bond holders to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes. Any contributions KB HOME or any other entity or person 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 KB HOME within Improvement Area No. 2 and other financing is not put into place, there could be a shortfall in the funds required to complete the proposed development by KB HOME or to pay ad valorem property taxes or Special Taxes related to KB HOME's property in Improvement Area No. 2, and the remaining portions of such development may not be completed. Many factors beyond KB HOME's control, or a decision by KB HOME 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.

Development by D.R. Horton

D.R. Horton acquired 134 lots with Improvement Area No. 2 from the Master Developer in a single transaction that closed in October 2023. It has been developing such lots into single-family homes in its “Alpine at Villa Ticino” neighborhood as follows. Lots within Unit 7 are being developed first, with additional lots in Unit 5 anticipated to follow.

Table 2
City of Manteca
CFD No. 2023-1 (Villa Ticino West Facilities)
Improvement Area No. 2 – Special Tax Bonds Series 2024
Status of Development of Unit 7 – “Alpine at Villa Ticino” Neighborhood
(As of September 1, 2024)

Floor Plan	Approx. Square Footage	Total No. Planned Units	Units Completed, Sold, and Closed	Units Completed and Unsold or in Escrow ⁽¹⁾	Units Under Construction	Est. Base Price ⁽²⁾
Plan 1	1,596	29	0	0	7	\$584,000
Plan 2	1,896	53	0	1	11	\$630,000
Plan 3	2,537	52	0	1	10	\$694,000
Totals		134	0	2	28	

(1) D.R. Horton has constructed two model homes.

(2) Base sale prices are estimated as of September 1, 2024. Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives and any selling concessions or price reductions which may be offered.

Source: D.R. Horton.

Alpine Neighborhood. As of September 1, 2024, D.R. Horton owned two completed model homes, 28 homes under construction and 104 finished or partially finished lots without any vertical home construction thereon (eight with building permits issued). As of September 1, 2024, 11 homes were in escrow and 38 building permits had been issued (including the permits for the two models). D.R. Horton began construction of its model homes in April 2024, and anticipates closing escrow on the first homes to individual homebuyers in September 2024 and reaching build-out and closing on the final homes to individual homebuyers by June 2026.

No assurance can be given that home construction and sales will be carried out on the anticipated timeline and according to the plans outlined 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. D.R. Horton reserves the right to change its development at any time without notice. Additionally, homes sold may not result in closed escrows as sales contracts are subject to cancellation.

D.R. Horton Financing Plan. To date, D.R. Horton has funded its land acquisition, site development and home construction costs related to its property in Improvement Area No. 2 through internally generated funds. D.R. Horton expects to use internal funding (which may include home sales revenues from its project in Improvement Area No. 2) to complete its site development, home construction, and marketing and sales of its homes in Improvement Area No. 2. However, home sales revenues from D.R. Horton’s activities in Improvement Area No. 2 are not segregated and set aside for completing its development activities in Improvement Area No. 2. None of the lots within Improvement Area No. 2 owned by D.R. Horton are encumbered by a mortgage or deed of trust.

Although D.R. Horton expects to have sufficient funds available to undertake and complete its development activities in Improvement Area No. 2, there can be no assurance, however, that amounts necessary to finance the remaining development and home construction costs will be available to D.R. Horton when needed. While D.R. Horton's parent company has made such internal funding available in the past, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither D.R. Horton nor any other entity or person is under any legal obligation of any kind to expend funds for the development of and construction of homes on D.R. Horton's property in Improvement Area No. 2. D.R. Horton has no legal obligation to Bond holders to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes. Any contributions D.R. Horton or any other entity or person 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 D.R. Horton within Improvement Area No. 2 and other financing is not put into place, there could be a shortfall in the funds required to complete the proposed development by D.R. Horton or to pay ad valorem property taxes or Special Taxes related to D.R. Horton's property in Improvement Area No. 2, and the remaining portions of such development may not be completed. Many factors beyond D.R. Horton's control, or a decision by D.R. Horton 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.

THE FACILITIES

Eligible Facilities

The Facilities eligible to be financed by the District (including Improvement Area No. 2 therein) are set forth in the Resolution of Formation and consist of roadway and transportation improvements (including Louise Avenue and Airport Way), water system and irrigation improvements, recycled water system improvements, drainage system improvements, wastewater system improvements, environmental mitigation, parks, trails, landscaping and open space improvements, and other facilities serving substantially the same purpose as the above-described facilities. Authorized Facilities also include capital improvements for which developer impact fees are payable to the City and other local agencies for development within the District (including Improvement Area No. 2 therein), as well as incidental expenses as authorized by the Mello-Roos Act.

The proceeds of the 2024 Bonds will be used for a portion of the cost of the public improvements eligible to be financed with the proceeds of the 2024 Bonds. See "FINANCING PLAN." The following table estimates the cost of the Facilities needed for development of property in Improvement Area No. 2, which constitutes a portion of the larger Villa Ticino West development project.

Table 3
City of Manteca
CFD No. 2023-1 (Villa Ticino West Facilities)
Improvement Area No. 2 – Special Tax Bonds Series 2024
Expected Cost of Facilities⁽¹⁾
As of September 1, 2024

<u>Facility Category</u>	<u>Estimated Cost</u>
Backbone/Offsite Infrastructure	\$6,220,341
Onsite Infrastructure	11,658,521
Design/Engineering/Inspection	5,612,873
Total	\$23,491,735

(1) Costs shown are for Improvement Area No. 2. The Master Developer estimates the total cost of constructing the backbone/off-site improvements and onsite infrastructure for the entire “Villa Ticino West” project (766 single-family homes) is approximately \$57.4 million. Of this amount, the Master Developer has spent approximately \$48.3 million, approximately \$23.5 million of which is attributable to Improvement Area No. 2.
Source: Master Developer.

Acquisition Agreement

The City and Master Developer have entered into a Funding, Construction and Acquisition Agreement dated as of October 1, 2023 (the “**Acquisition Agreement**”) which provides that Master Developer (or successors) will construct (or cause to be constructed or funded) the Facilities. As components of the Facilities are completed, proceeds of a portion of the 2024 Bonds will be used to pay all or a part of the purchase price of various Facilities pursuant to the terms of the Acquisition Agreement. The portion of the cost of construction of the Facilities, which will not be provided from 2024 Bond proceeds, will be the responsibility of Master Developer.

The Special Tax Formula provides that the funding of Facilities costs can also be made from collections of the Special Tax available as a “pay-as-you-go” component of Special Taxes. The pay-as-you-go funding component is expected to provide for funding of the cost of a portion of the Facilities in excess of the amount provided from bond proceeds (if such proceeds are not sufficient) through annual Special Tax collections in excess of the amount needed to pay the debt service. Pursuant to the Acquisition Agreement, the City has agreed to levy and collect “pay-as-you-go” Special Taxes for a period of up to 15 years in each improvement area within the District.

OWNERSHIP OF PROPERTY WITHIN IMPROVEMENT AREA NO. 2

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within Improvement Area No. 2. There is no assurance that an owner or any subsequent owners have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay such taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondowner will have the ability at any time to seek payment directly from the owners of property within Improvement Area No. 2 of the Special Tax or the principal or interest on the 2024 Bonds, or the ability to control who becomes a subsequent owner of any property within Improvement Area No. 2.

The Master Developer, KB HOME and D.R. Horton have provided the respective information set forth under the heading "OWNERSHIP OF PROPERTY WITHIN IMPROVEMENT AREA NO. 2" below. No assurance can be given that all information is complete. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. Neither the 2024 Bonds nor the Special Taxes are personal obligations of the Master Developer, KB HOME, D.R. Horton, or any subsequent landowners; and in the event that a landowner defaults in the payment of the Special Taxes, the District may proceed with judicial foreclosure but has no recourse to the assets of any landowner. As a result, other than as provided herein, no financial statements or information is, or will be, provided about the Master Developer, KB HOME, D.R. Horton, or any other landowners. The 2024 Bonds are secured only by the Special Taxes and moneys available under the Fiscal Agent Agreement. See "SECURITY FOR THE 2024 BONDS" and "BOND OWNERS' RISKS" herein.

Current Ownership

Land within Improvement Area No. 2 is developing into 375 single-family homes. As of September 1, 2024, seven homes had been sold and closed to individual homeowners. The remaining lots have been developed, or are developing, into model homes and production homes by the Merchant Homebuilders. The Merchant Homebuilders report that 37 homes are in escrow as of September 1, 2024. For additional information on the development status of the lots owned by the Merchant Homebuilders as of September 1, 2024, see "IMPROVEMENT AREA NO. 2."

KB HOME

As previously defined in this Official Statement, KB HOME is KB HOME North Bay LLC, a Delaware limited liability company. KB HOME is a wholly-owned subsidiary of KB HOME, a Delaware corporation ("**Parent KB Entity**"), whose principal executive offices are located in Los Angeles, California. Parent KB Entity is a publicly traded company listed on the New York Stock Exchange, under the ticker symbol "KBH."

Founded in 1957, Parent KB Entity constructs and sells homes through its operating divisions under the name KB HOME. Parent KB Entity's ongoing principal operations are in nine states, including California, Arizona, Nevada, Colorado, Texas, Florida, North Carolina, Idaho, and Washington within 47 major markets. Parent KB Entity first developed homes in California in 1963. Parent KB Entity's homebuilding operations offer a variety of homes designed primarily for first-time, move-up and active adult homebuyers, including attached and detached single-family homes, townhomes and condominiums. Parent KB Entity is subject to the informational reporting requirements of the Exchange Act, and in accordance therewith is obligated to file annual, quarterly and current reports, proxy statements and other information with the SEC. Such filings set forth, among other things, certain data relative to the consolidated results of operations and

financial position of Parent KB Entity and its subsidiaries. Parent KB Entity's SEC filings are available to the public over the Internet at the SEC's website at www.sec.gov, and at Parent KB Entity's website at www.kbhome.com.

The foregoing internet addresses and references to filings with the SEC are included for reference only, and the information on such internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such sites, and such sites have not been reviewed by the City or the Underwriter. Neither KB HOME nor Parent KB Entity is 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 internet sites in evaluating whether to buy, hold or sell the 2024 Bonds.

D.R. Horton

As previously defined in this Official Statement, "D.R. Horton is D.R. Horton BAY, Inc., a Delaware corporation. D.R. Horton is a wholly-owned subsidiary of D.R. Horton, Inc., a Delaware corporation ("**D.R. Horton, Inc.**"). D.R. Horton, Inc. is a public company whose common stock is traded on the NYSE under the symbol "DHI."

Founded in 1978 and headquartered in Arlington, Texas, D.R. Horton, Inc. constructs and sells homes through its operating divisions in 119 markets in 33 states under the names of D.R. Horton, America's Builder, Emerald Homes, Express Homes and Freedom Homes.

D.R. Horton, Inc. is subject to the informational requirements of the Exchange Act, and in accordance therewith files reports, proxy statements and other information, including financial statements, with the SEC. Such filings set forth, among other things, certain data relative to the consolidated results of operations and financial position of D.R. Horton, Inc. and its subsidiaries. D.R. Horton, Inc.'s SEC filings are available to the public over the Internet at the SEC's website at www.sec.gov, and at D.R. Horton, Inc.'s website at www.drhorton.com.

The foregoing internet addresses and references to filings with the SEC are included for reference only, and the information on such internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such sites, and such sites have not been reviewed by the Authority or the Underwriter. Neither D.R. Horton nor D.R. Horton Inc. is 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 internet sites in evaluating whether to buy, hold or sell the 2024 Bonds.

VALUE OF PROPERTY WITHIN IMPROVEMENT AREA NO. 2

Appraised Values

General. The value of taxable property within Improvement Area No. 2 is a critical factor in determining the investment quality of the 2024 Bonds. In order to obtain a more accurate estimate of the value of land in Improvement Area No. 2, the City ordered Integra Realty Resources, Sacramento, California (the “Appraiser”) to prepare an appraisal report of the estimated value of the taxable land within Improvement Area No. 2 as of the August 14, 2024 date of value (the “Appraisal”). The Appraisal is set forth in APPENDIX C hereto. The description herein of the Appraisal is intended for limited purposes only; the Appraisal should be read in its entirety. The conclusions reached in the Appraisal are subject to certain assumptions, conditions and qualifications which are set forth in the Appraisal.

Value Estimate. The appraised valuation excludes the value of all portions of the property in Improvement Area No. 2 designated for public and quasi-public purposes and assumes completion of infrastructure funded by the 2024 Bonds and accounts for the impact of the lien of the Special Tax. The following estimate represents the market value of the property to be subject to the Special Tax, based on the hypothetical condition that certain proceeds of the 2024 Bonds are available to reimburse certain improvements. The value estimate for the property as of the August 14, 2024, date of value, using the methodologies described in the Appraisal and subject to the limiting and hypothetical conditions and general and special assumptions set forth in the Appraisal is \$74,502,000. For additional details, see APPENDIX C.

Value by Ownership	No. of Parcels	Appraised Value
<u>KB HOME</u>		
Partially-Improved Lots		
Unit 3	111	\$20,439,000
Unit 6	79	12,809,000
Homes Under Construction		
Unit 3	9	2,323,000
Unit 6	36	8,501,000
Completed Homes		
Unit 3 – Cielo at Villa Ticino ⁽¹⁾	3	1,920,000
Unit 6 – Terra at Villa Ticino ⁽¹⁾	<u>3</u>	<u>1,680,000</u>
Total – KB HOME	241	\$47,672,000
<u>D.R. Horton</u>		
Partially-Improved Lots		
Unit 5	58	10,564,000
Unit 7	46	8,102,000
Homes Under Construction		
Unit 7	28	7,004,000
Completed Homes		
Unit 7 – Alpine at Villa Ticino ⁽¹⁾	<u>2</u>	<u>1,160,000</u>
Total – D.R. Horton	134	\$26,830,000
TOTAL	375	\$74,502,000

(1) Represents a "not-less-than" value based on smallest floorplan due to the fact that the homes are not yet on County tax roll as completed homes.
Source: The Appraisal.

Valuation Methodology. The market value of the appraised property was estimated by utilizing the sales comparison approach and land residual analysis to value of the subject's lots. In valuing the subject lots, the Appraiser selected benchmark lot categories. In the sales comparison approach, adjustments were applied to the prices of comparable bulk lot transactions, and a market value for the benchmark lot categories were concluded. Finally, the Appraiser utilized a land residual analysis, which was reconciled with the sales comparison approach conclusion. In the land residual analysis (a variation of the cost approach and income capitalization approaches combined), all direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the residual value of the lots.

According to the Appraiser, during dynamic market conditions, as currently exists, the land residual analysis gains applicability (can consider data points closer to real time than bulk lot sales). Depending on recent activity for lot sales, the sales comparison approach can be a lagging indicator of value in a dynamic market. According to the Appraiser, there has been a general lack of recent lot sales within the region. However, there is a very recent bulk lot sale within the City of Manteca, which provides further support for the sales comparison approach. In the final analysis, each approach is given equal reliance to arrive at an estimate of market value.

The Appraisal anticipated a sell off of the subject lots by each builder would take less than 12 months given the diversity of lot sizes and location, additionally the property is currently owned by two ownership groups with the intent to develop homes; therefore, a discounted cash flow analysis was determined not necessary to discount the ownership components.

The Appraiser's analysis excluded a typical cost approach since the subject property represents land. However, a cost analysis was completed for both the horizontal and vertical improvements and market supported costs were employed as part of the land residual analysis and determination of financial feasibility. Given the limited income producing potential of the land, an income approach was not utilized.

Hypothetical Condition. The market value estimated by the Appraiser is based on a hypothetical condition. A hypothetical condition is defined by USPAP as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of the analysis." It is a hypothetical condition of the Appraisal that the proceeds from the 2024 Bonds will be used to fund certain improvements. The estimate of market value accounts for the impact of the lien of the Special Taxes securing the 2024 Bonds.

Assumptions and Limiting Conditions. In considering the estimate of value evidenced by the Appraisal, the Appraisal is based upon a number of limiting conditions and standard and extraordinary assumptions which affect the estimates as to value, including, among others, the following.

- The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, The Appraiser reserves the right to modify the value conclusions.

- The valuation analysis did not include review of a current title report of all properties to determine any possible conditions of title affecting the properties appraised. The Appraiser accepts no responsibility for matters pertaining to title.

- The Appraiser has also assumed that there is no hazardous material on or in the property that would cause a loss in value. Should future conditions and events involving hazardous material reduce the level of permitted development or delay the completion of any projected development, the value of the undeveloped land would likely be reduced from that estimated by the Appraiser. See “BOND OWNERS’ RISKS – Land Values” and “– Hazardous Substances” below. See “APPENDIX C – The Appraisal” hereto for a description of certain assumptions made by the Appraiser.

Accordingly, because the Appraiser arrived at an estimate of current market value based upon certain conditions and assumptions which may or may not be fulfilled, no assurance can be given that should the parcels become delinquent due to unpaid Special Taxes, and be foreclosed upon and offered for sale for the amount of the delinquency, that any bid would be received for such property or, if a bid is received, that such bid would be sufficient to pay such delinquent Special Taxes.

Limitations of Appraisal Valuation. Property values may not be evenly distributed throughout Improvement Area No. 2; thus, certain parcels may have a greater value than others. This disparity is significant because in the event of nonpayment of the Special Tax, the only remedy is to foreclose against the delinquent parcel.

No assurance can be given that the foregoing valuation can or will be maintained during the period of time that the 2024 Bonds are outstanding in that the City has no control over the market value of the property within Improvement Area No. 2 or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, may be on a parity with the Special Taxes. See “– Priority of Lien” below.

For a description of certain risks that might affect the assumptions made in the Appraisal, see “BOND OWNERS’ RISKS” herein.

Value to Special Tax Burden Ratios

The principal amount of the direct and overlapping land-secured debt in Improvement Area No. 2 is \$10,125,000*, which consists of the estimated amount of 2024 Bonds (there is no overlapping land-secured debt). Consequently, the estimated value of property in Improvement Area No. 2 subject to the Special Tax lien (\$74,502,000) is approximately 7.36* times the principal amount of the direct and overlapping land-secured debt in Improvement Area No. 2. This is an average and individual parcels may vary considerably from this average.

In comparing the value of the real property within Improvement Area No. 2 to the principal amount of the 2024 Bonds and other direct and overlapping debt for Improvement Area No. 2, it should be noted that only the real property upon which there is a delinquent Special Tax can be foreclosed upon, and the real property within Improvement Area No. 2 cannot be foreclosed upon as a whole to pay delinquent Special Taxes of the owners of such parcels within Improvement

* Preliminary; subject to change.

Area No. 2 unless all of the property is subject to a delinquent Special Tax. In any event, individual parcels may be foreclosed upon separately to pay delinquent Special Taxes levied against such parcels.

Other public agencies whose boundaries overlap those of Improvement Area No. 2 could, without the consent of the City and in certain cases without the consent of the owners of the land within Improvement Area No. 2, impose additional taxes or assessment liens on the land within Improvement Area No. 2. The purpose would be to finance additional regional or local public improvements or services. The lien created on the land within Improvement Area No. 2 through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Tax. In addition, construction loans may be obtained by the developers of property in Improvement Area No. 2 or home loans may be obtained by ultimate homeowners. The deeds of trust securing such debt on property within Improvement Area No. 2, however, will be in a junior position to the lien of the Special Tax.

Value-to-lien Ratios by Development Status and Ownership. The following table shows value-to-lien ratios by development status and ownership in Improvement Area No. 2 for Fiscal Year 2024-25. The Fiscal Year 2024-25 special tax levy shown is based on the actual amounts levied by the City, in accordance with the provisions of the Special Tax Formula. Value-to-lien ratios on individual parcels may vary considerably from any average.

**Table 4
City of Manteca
CFD No. 2023-1 (Villa Ticino West Facilities)
Improvement Area No. 2 – Special Tax Bonds Series 2024
Value-to-Lien Ratios by Development Status – Fiscal Year 2024-25**

Development Status / Property Owner ⁽¹⁾	No. of Lots	Taxable Acres	Appraised Value	FY 2024-2025 Special Tax Levy ⁽²⁾	Percent of FY 2024-2025 Special Tax Levy	Series 2024 Bonds ^{(3)*}	Total Land-Secured Debt ^{(3)*}	Value to Lien Ratio*
Developed								
D R HORTON BAY INC								
Completed Homes	2	0.334	\$1,160,000	\$3,774	0.6%	\$63,313	\$63,313	18.32
Under Construction	28	4.434	7,004,000	50,366	8.3%	845,008	845,008	8.29
<i>Subtotals for D R HORTON BAY INC</i>	<i>30</i>	<i>4.768</i>	<i>\$8,164,000</i>	<i>\$54,140</i>	<i>9.0%</i>	<i>\$908,321</i>	<i>\$908,321</i>	<i>8.99</i>
KB HOME NORTH BAY LLC								
Completed Homes	6	0.9150	\$3,600,000	\$9,287	1.5%	\$155,815	\$155,815	23.10
Under Construction	45	6.7430	10,824,000	67,849	11.2%	1,138,325	1,138,325	9.51
<i>Subtotals for KB HOME NORTH BAY LLC</i>	<i>51</i>	<i>7.6580</i>	<i>\$14,424,000</i>	<i>\$77,136</i>	<i>12.8%</i>	<i>\$1,294,140</i>	<i>\$1,294,140</i>	<i>11.15</i>
<i>Subtotals Developed Property</i>	<i>81</i>	<i>12.4260</i>	<i>\$22,588,000</i>	<i>\$131,276</i>	<i>21.8%</i>	<i>\$2,202,462</i>	<i>\$2,202,462</i>	<i>10.26</i>
Final Map								
D R HORTON BAY INC	104	17.4890	\$18,666,000	\$180,203	29.9%	\$3,023,338	\$3,023,338	6.17
KB HOME NORTH BAY LLC	190	31.9030	33,248,000	292,012	48.4%	4,899,201	4,899,201	6.79
<i>Subtotals Final Map Property</i>	<i>294</i>	<i>49.3920</i>	<i>\$51,914,000</i>	<i>\$472,216</i>	<i>78.2%</i>	<i>\$7,922,538</i>	<i>\$7,922,538</i>	<i>6.55</i>
Totals	375	61.8180	\$74,502,000	\$603,491	100.00%	\$10,125,000	\$10,125,000	7.36

* Preliminary; subject to change.

(1) Development status and ownership as of August 14, 2024, the Appraisal date of value. As of September 1, 2024, seven homes had been sold and closed to individual homeowners.

(2) Special Tax Levy based on development status as of June 30, 2024.

(3) The 2024 Bonds represent the first series of special tax bonds issued for Improvement Area No. 2. There is no overlapping land secured debt.

Sources: San Joaquin County Assessor's Office; Integra Realty Resources, Inc.; NBS

Value-to-lien Ratios By Category. The following table sets forth value-to-lien ratios by category for parcels in Improvement Area No. 2 for Fiscal Year 2024-25. The Fiscal Year 2024-25 special tax levy shown is based on the actual amounts levied by the City, in accordance with the provisions of the Special Tax Formula. Value-to-lien ratios on individual parcels may vary considerably from any average.

**Table 5
City of Manteca
CFD No. 2023-1 (Villa Ticino West Facilities)
Improvement Area No. 2 – Special Tax Bonds Series 2024
Value-to-Lien Ratio Ranges – Projected for Fiscal Year 2024-25**

Value to Lien Range	No. of Lots	Taxable Acres	Appraised Value ⁽¹⁾	FY 2024-2025 Special Tax Levy ⁽²⁾	Percent of FY 2024-2025 Special Tax Levy	Series 2024 Bonds ^{(3)*}	Total Land-Secured Debt ^{(3)*}	Value to Lien Ratio*
20:1 to 29.99:1	6	0.915	\$3,600,000	\$9,287	1.54%	\$155,815	\$155,815	23.10
10:1 to 19.99:1	2	0.334	1,160,000	3,774	0.63	63,313	63,313	18.32
5:1 to 9.99:1	367	60.569	69,742,000	590,430	97.84	9,905,872	9,905,872	7.04
Totals	375	61.818	\$74,502,000	\$603,491	100.00%	\$10,125,000	\$10,125,000	7.36

* Preliminary; subject to change.

(1) Per the Appraisal, as of August 14, 2024, the Appraisal date of value.

(2) Special Tax Levy based on development status as of June 30, 2024.

(3) The 2024 Bonds represent the first series of special tax bonds issued for Improvement Area No. 2. There is no overlapping land secured debt.

Sources: San Joaquin County Assessor's Office; Integra Realty Resources, Inc.; NBS.

Updated Property Ownership – Projected Fiscal Year 2025-26 Levy. The information in Table 4 concerning the Fiscal Year 2024-25 special tax levy and related value-to-lien ratios is based on the ownership and development status within Improvement No. 2 as of August 14, 2024, the Appraisal date of value. The Merchant Homebuilders report that since such date, additional development has occurred and seven single-family homes have closed escrow to individual homeowners. The following table shows the projected assigned special tax levy for Fiscal Year 2025-26, based on ownership as of September 1, 2024.

**Table 6
City of Manteca
CFD No. 2023-1 (Villa Ticino West Facilities)
Improvement Area No. 2 – Special Tax Bonds Series 2024
Projected Assigned Special Tax Levy – Fiscal Year 2025-26
Based on Ownership as of September 1, 2024**

Property Owner	Taxable Parcels	Fiscal Year 2025-26 Projected Assigned Special Tax Levy	Percentage of Projected Assigned Special Tax Levy
KB HOME	234	\$364,045	58.7%
D.R. Horton	134	245,035	39.5%
Individual Homeowners	7	10,866	1.8%
	375	\$619,946	100.0%

Source: Merchant Homebuilders; NBS.

See “DEVELOPMENT IN IMPROVEMENT AREA NO. 2 – Development by KB HOME” and “DEVELOPMENT IN IMPROVEMENT AREA NO. 2 – Development by D.R. Horton” for

certain development and ownership status as of September 1, 2024. See also “BOND OWNERS’ RISKS – Concentration of Ownership.”

Priority of Lien

The principal of and interest on the 2024 Bonds are payable from the Special Tax authorized to be collected within Improvement Area No. 2, and payment of the Special Tax is secured by a lien on certain real property within Improvement Area No. 2. Such lien is co-equal to and independent of the lien for general taxes and any other liens imposed under the Mello-Roos Act, regardless of when they are imposed on the property in Improvement Area No. 2. The imposition of additional special taxes, assessments and general property taxes will increase the amount of independent and co-equal liens which must be satisfied in foreclosure. The City, the County and certain other public agencies are authorized by the Mello-Roos Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within Improvement Area No. 2. In addition, property owners can voluntarily agree to incur Property Assessed Clean Energy (PACE) liens on their properties.

There can be no assurance that the developers will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities, however no other special districts are currently contemplated by the City or the developers.

Private liens, such as deeds of trust securing loans obtained by developers of land in Improvement Area No. 2, may be placed upon property in Improvement Area No. 2 at any time. Under California law, the Special Taxes have priority over all existing and future private liens imposed on property subject to the lien of the Special Taxes.

Set forth below is a statement of direct and overlapping public bonded debt (the “**Overlapping Debt Report**”) prepared by California Municipal Statistics, Inc. as of the date indicated. The Overlapping Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Overlapping Debt Report is included for general informational purposes only. Neither the City nor the Underwriter makes any representation as to its completeness or accuracy.

The first column in the table names each public agency which has outstanding bonded debt as of the date of the report and whose territory overlaps Improvement Area No. 2 in whole or in part. The second column shows the assessed value of the area common to Improvement Area No. 2 and the other public agency (overlapping territory), as a percentage of the total assessed value of the other public agency. This percentage, multiplied by the total outstanding bonded debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in Improvement Area No. 2. In addition to the bonded debt shown in the Overlapping Debt Report, various local agencies, including the City, levy additional parcels charges, assessments and special taxes on parcels in Improvement Area No. 2. See Table 7 for estimated amounts of these parcel charges, assessments and special taxes for Fiscal Year 2023-24. The Overlapping Debt Report does not include PACE debt secured by assessments or special taxes on any property.

Table 7
City of Manteca
CFD No. 2023-1 (Villa Ticino West Facilities)
Improvement Area No. 2 – Special Tax Bonds Series 2024
Direct and Overlapping Indebtedness
As of September 1, 2024

2023-24 Assessed Valuation: \$20,644,987

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/24</u>
San Joaquin Delta Community College District General Obligation Bonds	0.018%	\$ 26,151
Manteca Unified School District General Obligation Bonds	0.091	225,907
City of Manteca Community Facilities District No. 2023-1, I.A. No. 2	100.000	0 ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>\$252,058</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Joaquin County Certificates of Participation	0.019%	\$ 9,367
Manteca Unified School District General Fund Obligations	0.091	<u>10,844</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$20,211
COMBINED TOTAL DEBT		\$272,269 ⁽²⁾

Ratios to 2023-24 Assessed Valuation:

Direct Debt (\$0)	0.00%
Total Direct and Overlapping Tax and Assessment Debt.....	1.22%
Combined Total Debt	1.32%

(1) Excludes 2024 Bonds to be sold.

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

Source: California Municipal Statistics, Inc.

Estimated Tax Burden on a Single-Family Home

The following table sets forth the estimated total tax burden on a single-family home based on the most common size of home being developed within each of the three tax zones identified in the Special Tax Formula.

Table 8
City of Manteca
CFD No. 2023-1 (Villa Ticino West Facilities)
Improvement Area No. 2 – Special Tax Bonds Series 2024
Sample Tax Bill – Fiscal Year 2023-24

	Tax Zone 1	Tax Zone 2	Tax Zone 3
Land Use Class	1	4	4
Common Size of Home (Square Feet)	2,608	1,711	1,898
Average Sales Price ⁽¹⁾	\$770,000	\$643,500	\$676,500
Less Homeowner's Exemption	<u>(7,000)</u>	<u>(7,000)</u>	<u>(7,000)</u>
Estimated Assessed Value	\$763,000	\$636,500	\$669,500
<u>Ad Valorem Taxes:</u>	<u>Tax Rate</u>		
PROP 13 MANDATE	1.0000%	\$7,630.00	\$6,695.00
MANTECA USD 2004 MEASURE M BOND	0.0228%	173.96	152.65
MANTECA USD 2014 MEASURE G BOND	0.0275%	209.83	184.11
MANTECA USD 2020 MEASURE A BOND	0.0450%	343.35	301.28
SJ DELTA COLL 2004 MEASURE L BOND	0.0135%	<u>103.01</u>	<u>90.38</u>
Subtotal Ad Valorem Taxes	1.108800%	\$8,460.14	\$7,423.42
<u>Special Taxes/Assessments:</u>			
MTCA CFD 2023-1 VILLA TICINO W ⁽²⁾		\$1,654.00	\$1,641.00
MTCA CFD 2022-1 MAINT & SVCS		1,097.98	1,097.98
MUSD CFD 2000-3 ⁽³⁾		1,939.52	1,579.52
WATER ZONE 2 ⁽⁴⁾		2.20	2.20
SJC MOSQUITO ABATE ⁽⁵⁾		1.32	1.32
SJC MOSQ & VCTR CONTR-BEN ASMT		9.46	9.46
CSA NO 53 - HAZ WASTE		<u>4.00</u>	<u>4.00</u>
Subtotal Special Taxes/Assessments		\$4,708.48	\$4,335.48
Projected Total Property Taxes		\$13,168.62	\$11,758.89
Projected Total Effective Tax Rate	1.71%	1.73%	1.74%

(1) Per Integra Realty Resources, Inc.

(2) Assigned Special Tax rate for the 2024/25 tax year.

(3) Rate is \$0.8322 per SFR with cap of \$1,939.52.

(4) Rate is \$10.276 per acre plus \$0.768 parcel fee. Calculation assumes 0.14 acre.

(5) Rate is \$0.0002194 per square foot. Calculation assumes 6,000 square foot.

Source: Alliant Tax Research.

Special Tax Collections and Delinquencies

Fiscal Year 2024-25 is the first fiscal year during which the Special Tax is being levied, and the first payment is due in December 2024. Accordingly, there is no history of collections and delinquencies. The levy of Special Taxes in Improvement Area No. 2 is currently covered by the Teeter Plan in the County. See “SECURITY FOR THE 2024 BONDS – Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure – Teeter Plan.”

BOND OWNERS’ RISKS

The purchase of the 2024 Bonds involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks that should be considered before making an investment decision. This discussion does not purport to be comprehensive or definitive or a complete statement of all factors that may be considered as risks in evaluating the credit quality of the 2024 Bonds.

Limited Obligation of the City to Pay Debt Service

The City has no obligation to pay principal of and interest on the 2024 Bonds if Special Tax collections are delinquent or insufficient, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels for Special Tax delinquencies. The City is not obligated to advance funds to pay debt service on the 2024 Bonds.

Concentration of Ownership

As of September 1, 2024, seven homes had been sold and closed to individual homeowners, with the remaining lots owned by the Merchant Homebuilders. Although there will be additional transfers of ownership of this property as development progresses and home sales are closed, the timely payment of the 2024 Bonds depends upon the willingness and ability of all of the owners of taxable property within Improvement Area No. 2 to pay the Special Taxes when due. The only assets of the owners of property within Improvement Area No. 2 which constitute security for the 2024 Bonds are such owners’ real property holdings located within Improvement Area No. 2, and each parcel may only be foreclosed against for delinquent Special Taxes levied against such parcel. If the current landowners choose to pay some but not all of the Special Taxes, they may, as owners of parcels in Improvement Area No. 2, choose to default on payments of the Special Tax on parcels. Also see “– Bankruptcy Delays” below.

Development of undeveloped property within Improvement Area No. 2 may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the homebuilder or other property owners to pay the Special Taxes when due. Certain infrastructure improvements remain to be completed in order for homes to be completed on the timeline currently expected by Master Developer. No assurance can be given that the proposed residential development will be partially or fully completed, and for purposes of evaluating the investment quality of the 2024 Bonds, prospective purchasers should consider the possibility that such parcels will remain vacant and only partially improved. See the information set forth under the caption “IMPROVEMENT AREA NO. 2.”

Levy and Collection of the Special Tax

General. The principal source of payment of principal of and interest on the 2024 Bonds is the proceeds of the annual levy and collection of the Special Tax against property within Improvement Area No. 2.

Limitation on Maximum Annual Special Tax Rate. The annual levy of the Special Tax is subject to the maximum annual Special Tax rate authorized in the Special Tax Formula. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the 2024 Bonds.

In addition to the maximum annual Special Tax rate limitation in the Special Tax Formula, Section 53321(d) of the Mello-Roos Act provides that the special tax levied against any parcel for which an occupancy permit for private residential use has been issued may not be increased as a consequence of delinquency or default by the owner of any other parcel within a community facilities district by more than 10% above the amount that would have been levied in such fiscal year had there never been any such delinquencies or defaults. In cases of significant delinquency, these factors may result in defaults in the payment of principal of and interest on the 2024 Bonds.

No Relationship Between Property Value and Special Tax Levy. Because the Special Tax Formula is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels in Improvement Area No. 2 subject to a Special Tax and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels in Improvement Area No. 2 subject to a Special Tax and their proportionate share of debt service on the 2024 Bonds, and certainly not a direct relationship.

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

Transfers to Governmental Entities. The number of parcels in Improvement Area No. 2 subject to a Special Tax could be reduced through the acquisition of Taxable Property by a governmental entity and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.

Property Tax Delinquencies. Failure of the owners of Taxable Property to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Tax revenues. See “– Property Tax Delinquencies” below.

Delays Following Special Tax Delinquencies and Foreclosure Sales. The Fiscal Agent Agreement generally provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in “SECURITY FOR THE 2024 BONDS – Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure” and in the Mello-Roos Act,

is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary *ad valorem* property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

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

The ability of the City to collect interest and penalties specified by State law and to foreclose against properties having delinquent Special Tax installments may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the “FDIC”) has or obtains an interest. The FDIC would obtain such an interest by taking over a financial institution that has made a loan that is secured by property within Improvement Area No. 2. See “ – FDIC/Federal Government Interests in Properties” below.

Other laws generally affecting creditors’ rights or relating to judicial foreclosure may affect the ability to enforce payment of Special Taxes or the timing of enforcement of Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if the court concludes the ability to pay such taxes or assessments is materially affected by reason of such service.

Overlapping Tax Districts. The land in Improvement Area No. 2 is also located within the boundaries of various local agencies that could issue debt in the future payable from special taxes or other amounts levied on the parcels in Improvement Area No. 2; this would decrease the value to lien ratios of parcels in Improvement Area No. 2.

Property Tax Delinquencies

General. Delinquencies in the payment of property taxes and, consequently, the Special Taxes, can occur because the owners of delinquent parcels may not have received property tax bills from the County in a timely manner, including situations in which the County initially sent property tax bills to the property developer or merchant builder at a time when the parcels in question had already been sold to individual homeowners. Delinquencies can also reflect economic difficulties and duress by the property owner.

Numerous future delinquencies by the owners of Taxable Property in Improvement Area No. 2 in the payment of property taxes (and, consequently, the Special Taxes, which are collected on the ordinary property tax bills) when due could result in a deficiency in Special Tax Revenues necessary to pay debt service on the 2024 Bonds, which could in turn result in the depletion of the Reserve Fund, prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax. In that event, there could be a delay or failure in payments of the principal of and interest on the 2024 Bonds. See “SECURITY FOR THE 2024 BONDS – Reserve Fund,” and “SECURITY FOR THE 2024 BONDS – Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure.”

The City intends to take certain actions designed to mitigate the impact of future delinquencies, including: enforcing the lien of the Special Taxes through collection procedures that will include foreclosure actions under certain circumstances (see “SECURITY FOR THE 2024 BONDS – Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure”); and increasing the levy of Special Taxes against non-delinquent property owners in Improvement Area No. 2, to the extent permitted under the Special Tax Formula and the Mello-Roos Act and to the extent the Special Taxes are not already being levied at the Maximum Annual Special Tax rate.

Any future decline in home values in Improvement Area No. 2 could result in property owner unwillingness or inability to pay mortgage payments, as well as *ad valorem* property taxes and Special Taxes, when due. Under such circumstances, bankruptcies are likely to increase. Bankruptcy by homeowners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings to collect delinquent Special Taxes.

It is possible that laws could be enacted in the future to assist homeowners in default in the payment of mortgages and property taxes. It is further possible that federal laws could be enacted that would adversely impact the ability of the City to foreclose on parcels with delinquent Special Taxes. No assurance can be given that any such laws will be enacted, or if enacted will be effective in assisting affected homeowners.

Property Values and Risks Related to Development

The value of Taxable Property within Improvement Area No. 2 is a critical factor in determining the investment quality of the 2024 Bonds. If a property owner defaults in the payment of the Special Tax, the City’s only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land values could be adversely affected by economic and other factors beyond the City’s control, such as a general economic downturn, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, flood, wildfires, or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

The following is a discussion of specific risk factors that could affect the value of property in Improvement Area No. 2.

Current Challenges to the Homebuilding Industry. No assurances can be given that the timing of construction of homes and/or sale of homes to individual homeowners projected by Master Developer in this Official Statement will be accomplished. Due to the current state of world affairs, the pace of homebuilding and sale of homes to individual homeowners in Improvement Area No. 2 may be adversely affected by a variety of factors, including rising interest rates, inflation and changes in economic conditions, increases in certain construction costs, droughts and water shortages or other environmental factors, workforce shortages and supply chain disruptions. For example, mortgage rates over the past few years have been at higher rates than in the preceding years. Additionally, homebuilders are currently experiencing a known supply chain disruption with respect to obtaining electrical transformers needed for new development. Further, the recent increases in interest rates may slow the demand for new residential homes and a combination of historically high new home prices and rising interest rates may price some homebuyers out of entry-level homes. High inflation could force prospective homebuyers to account for other costs over purchasing a new home at a higher interest rate. See “VALUE OF PROPERTY WITHIN IMPROVEMENT AREA NO. 2 – Appraised Values – Currently Changing Market Conditions” above.

Although such factors are not currently having a significant impact on the overall development of homes in Improvement Area No. 2, the impacts caused by such factors are evolving and no prediction can be made with respect to the ultimate effects of these factors on the Merchant Homebuilders' ability to sell and close homes in Improvement Area No. 2. These external factors, if and as they arise, could have a material adverse effect on the ability to develop the homes in Improvement Area No. 2 as planned, and no assurance can be provided that the Merchant Homebuilders will be able to (a) complete in whole or in any part, or within any particular time, its construction of homes within Improvement Area No. 2; (b) avoid additional material increases in development costs or delays resulting from work stoppages, reduced attendance of workers and shortages or delays in the delivery of building materials; or (c) sell homes, and close home sales or not experience purchase contract cancellations, due to an economic downturn driven by rising interest rates, inflation or other changes in economic conditions.

Natural Disasters. The value of the Taxable Property in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the Taxable Property and the continued habitability and enjoyment of such private improvements.

The areas in and surrounding Improvement Area No. 2, like those in much of California, may be subject to unpredictable seismic activity, including earthquakes. See "IMPROVEMENT AREA NO. 2 – Description and Location."

Other natural disasters could include, without limitation, floods, wildfires, droughts or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. Although land in Improvement Area No. 2 is not in a high-risk area (or a special fire hazard severity zone) for wildfires, landslides, floods, or tornadoes, natural disasters such as these are unpredictable and may occur anywhere throughout the State, with devastating consequences. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the Taxable Property may well depreciate or disappear.

In recent years, California has experienced numerous devastating wildfires, including the 2018 Camp Fire, which burned more than 150,000 acres and nearly 19,000 structures, destroying much of the City of Paradise, California. Wildfires have also occurred in San Joaquin County and in the City from time-to-time, and may occur within Improvement Area No. 2 in the future, which could reduce the willingness or ability of owners within Improvement Area No. 2 to pay their Special Taxes.

Droughts. The State is subject from time-to-time to drought conditions, which could have an impact on future development in Improvement Area No. 2. Drought conditions have been present in the State numerous times in the recent past. Although much of the State, including property in the City, is now out of the worst drought category, the City cannot predict when worsening drought conditions and concomitant water-reduction requirements will return, what effect drought conditions could have on property values, or whether or to what extent water reduction requirements may affect the development of Improvement Area No. 2.

Legal Requirements. Other events that may affect the value of Taxable Property include changes in the law or application of the law. Such changes may include, without limitation, local

growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures.

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

The property values set forth in this Official Statement do not take into account the possible reduction in marketability and value of any of the Taxable Property by reason of the possible liability of the owner or operator for the remedy of a hazardous substance condition of the parcel. Although the City is not aware that the owner or operator of any of the Taxable Property has such a current liability with respect to any of the Taxable Property, it is possible that such liabilities do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the Taxable Property resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but that may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of Taxable Property that is realizable upon a delinquency.

Endangered and Threatened Species. It is illegal to harm or disturb any plants or animals in their habitat that have been listed as endangered species by the United States Fish & Wildlife Service under the Federal Endangered Species Act or by the California Fish & Game Commission under the California Endangered Species Act without a permit. Although Master Developer believes that no federally listed endangered or threatened species would be affected by the proposed development within Improvement Area No. 2, other than any that are permitted by the entitlements already received (which allow for the impact of development and specify the mitigation required), the discovery of an endangered plant or animal could delay development of vacant property in Improvement Area No. 2 or reduce the value of undeveloped property.

Future Property Development

Continuing development of the parcels in Improvement Area No. 2 may be adversely affected by changes in general or local economic conditions, fluctuations in or a deterioration of the real estate market, increased construction costs, development, financing and marketing capabilities of the developer, water or electricity shortages, discovery on the undeveloped property of any plants or animals in their habitat that have been listed as endangered species, changes in law, and other similar factors. Development in Improvement Area No. 2 may also be

affected by development in surrounding areas, which may compete with the property in Improvement Area No. 2, including in Improvement Area No. 1 (where merchant builders are currently selling homes) and in the Future Annexation Area (where a merchant builder has purchased lots from the Master Developer and anticipates selling homes in 2025).

Other Possible Claims Upon the Value of Taxable Property

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

The table in the section entitled “VALUE OF PROPERTY WITHIN IMPROVEMENT AREA NO. 2 –Priority of Lien” shows the presently outstanding amount of governmental obligations (with stated exclusions), the tax or assessment for which is or may become an obligation of one or more of the parcels in Improvement Area No. 2 subject to a Special Tax. The table also states the additional amount of general obligation bonds the tax for which, if and when issued, may become an obligation of one or more of the parcels in Improvement Area No. 2 subject to a Special Tax. The table does not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels in Improvement Area No. 2 subject to a Special Tax.

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels in Improvement Area No. 2 subject to a Special Tax and may be secured by a lien on a parity with the lien of the Special Tax securing the 2024 Bonds.

In general, as long as the Special Tax is collected on the County tax roll, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the 2024 Bonds, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See “– Bankruptcy Delays” below.

Exempt Properties

Certain properties are exempt from the Special Tax in accordance with the Special Tax Formula and the Mello-Roos Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within Improvement Area No. 2 acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. See “SECURITY FOR THE 2024 BONDS – Special Tax Formula.”

In addition, although the Mello- Roos 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, the constitutionality and operation of these provisions of the Mello- Roos Act have not been tested,

meaning that such property could become exempt from the Special Tax. The Mello- Roos Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

FDIC/Federal Government Interests in Properties

General. The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the FDIC, the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“**FNMA**”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2024 Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within Improvement Area No. 2 is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC’s policy statement regarding the payment of state and local real property taxes (the “**Policy Statement**”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that

the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001, in which it determined that the FDIC, as a federal agency, is exempt from special taxes levied under the Mello-Roos Act.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within Improvement Area No. 2 in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the 2024 Bonds.

Depletion of Reserve Fund

The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement as defined in the Fiscal Agent Agreement. See "SECURITY FOR THE 2024 BONDS – Reserve Fund." The Reserve Fund will be used to pay principal of and interest on the 2024 Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Tax against property within Improvement Area No. 2. If the Reserve Fund is depleted, it can be replenished from the proceeds of the levy and collection of the Special Taxes that exceed the amounts to be paid to the owners of the 2024 Bonds under the Fiscal Agent Agreement. However, because the Special Tax levy is limited to the annual Maximum Annual Special Tax rates, it is possible that no replenishment would be achieved if the Special Tax proceeds, together with other available funds, remain insufficient to pay all such amounts. Thus, it is possible that the Reserve Fund will be depleted and not be replenished by the levy and collection of the Special Taxes.

Bankruptcy Delays

The payment of the Special Tax and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax, as discussed in "SECURITY FOR THE 2024 BONDS," may be

limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 2024 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

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

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

To the extent that property in Improvement Area No. 2 continues to be owned by a limited number of property owners, the chances are increased that the Reserve Fund could be fully depleted during any such delay in obtaining payment of delinquent Special Taxes. As a result, sufficient moneys would not be available in the Reserve Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the 2024 Bonds on a timely basis.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on that property. The court upheld the priority of unpaid *ad valorem* taxes imposed before the bankruptcy petition (the "pre-petition taxes"), but unpaid taxes imposed after the filing of the bankruptcy petition ("post-petition taxes") were declared to be unsecured "administrative expenses" of the bankruptcy estate, and were therefore held to be payable from the bankruptcy estate only after payment of all secured creditors. As a result, the secured creditor of the property was able to foreclose on the property and retain all of the proceeds of the sale except for the amount of the pre-petition taxes.

According to the court's ruling, as administrative expenses, post-petition taxes would have to be paid, but only if the debtor had sufficient assets not subject to other perfected security interests to do so. In certain circumstances, payment of such administrative expenses may also be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would at that time again become subject to and would secure liens for then current and future *ad valorem* taxes.

Glasply was controlling precedent on bankruptcy courts in the State of California for several years subsequent to the date of the Ninth Circuit's holding. Pursuant to state law, the lien date for general *ad valorem* property taxes levied in the State of California is the January 1 preceding the fiscal year for which the taxes are levied. Under the *Glasply* holding, a bankruptcy

petition filing would have prevented the lien for general *ad valorem* property taxes levied in fiscal years subsequent to the filing of a bankruptcy petition from attaching and becoming a lien so long as the property was a part of the estate in bankruptcy. However, the *Glaspoly* holding was for the most part subsequently rendered inoperative with respect to the imposition of a lien for and the collection of *ad valorem* taxes by amendments to the federal Bankruptcy Code (Title 11 U.S.C.) which were part of the Bankruptcy Reform Act of 1994 (the "Bankruptcy Reform Act") passed by Congress during the later part of 1994. The Bankruptcy Reform Act added a provision to the automatic stay section of the Bankruptcy Code which, pursuant to Section 362(b)(18) thereof, excepts from the Bankruptcy Code's automatic stay provisions, "the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state, if such tax comes due after the filing of the petition" by a debtor in bankruptcy court. The effect of this provision is to continue the secured interest of *ad valorem* taxes on real property (i.e., post-petition taxes) in effect during the period following the filing of a bankruptcy petition, including during the period bankruptcy proceedings are pending.

Without further clarification by the courts or Congress, the original rationale of the *Glaspoly* holding could, however, still result in the treatment of post-petition special taxes as "administrative expenses," rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings. This treatment might result from the fact that, although the lien of special taxes is of record from the date of the filing of a Notice of Special Tax Lien, the actual special tax is levied annually. As noted above, special taxes have a different lien date than the lien date for general *ad valorem* taxes in the State of California noted above. The lien of a Mello-Roos special tax attaches upon recordation of the notice of the special tax lien, as provided for in Section 53328.3 of the Mello-Roos Act, as opposed to the annual January 1 lien date for general *ad valorem* taxes. Thus, in deciding whether the original *Glaspoly* ruling is applicable to a bankruptcy proceeding involving special taxes rather than general *ad valorem* property taxes, a court might consider the differences in the statutory provisions for creation of the applicable tax lien (general *ad valorem* or special tax) in determining whether there is a basis for post petition special taxes to be entitled to a lien on the property during pending bankruptcy proceedings. If a court were to apply *Glaspoly* to eliminate the priority of the special tax lien as a secured claim against property with respect to post-petition levies of the Special Taxes made against property owners within Improvement Area No. 2 who file for bankruptcy, collections of the Special Taxes from such property owners could be reduced as the result of being treated as "administrative expenses" of the bankruptcy estate. Also, and most importantly, is the fact that the original holding in *Glaspoly* and the mitigation of that holding by the Bankruptcy Reform Act of 1994 both appear to be applicable only to general *ad valorem* taxes, and, therefore, the exemption from the automatic stay in Section 362(b)(18) discussed above may not be applicable to special taxes since they were not expressly mentioned or provided for in this section, nor defined to be included within the term "*ad valorem* taxes."

Disclosure to Future Purchasers

The City has recorded a notice of the Special Tax lien in the Office of the County Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such special tax obligation in the purchase of a parcel of land or a home in Improvement Area No. 2 or the lending of money secured by property in Improvement Area No. 2. The Mello-Roos Act and the City's Mello-Roos Act Goals and Policies require the subdivider of a subdivision (or its agent or representative) to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the

case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with these requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

No Acceleration Provisions

The 2024 Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the 2024 Bonds or the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, a Bondowner is given the right for the equal benefit and protection of all Bondowners similarly situated to pursue certain remedies. So long as the 2024 Bonds are in book-entry form, DTC will be the sole Bondowner and will be entitled to exercise all rights and remedies of Bondholders, in accordance with its procedures and rules.

Loss of Tax Exemption

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

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

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service (the “**IRS**”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2024 Bonds will be selected for audit by the IRS. It is also possible that the market value of such 2024 Bonds might be affected as a result of such an audit (or by an audit of similar bonds or securities).

Voter Initiatives

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

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the 2024 Bonds.

Proposition 218 – Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment, added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Special Taxes for general governmental purposes require a majority vote and taxes for specific purposes (“special taxes”) require a two-thirds vote.

As described elsewhere in this Official Statement, the Special Taxes and bonded indebtedness limit for Improvement Area No. 2 were authorized by not less than a two-thirds vote of the landowners within Improvement Area No. 2 who constituted the qualified electors at the time of such voted authorization. The City believes, therefore, that issuance of the 2024 Bonds and levying of the Special Tax does not require the conduct of further proceedings under the Mello-Roos Act, Proposition 218, or Proposition 26.

Like their antecedents, Proposition 218, and Proposition 26 are likely to undergo both judicial and legislative scrutiny before the impact on Improvement Area No. 2 can be determined. Certain provisions of Proposition 218, and Proposition 26 may be examined by the courts for their constitutionality under both State and federal constitutional law, the outcome of which cannot be predicted.

Case Law Related to the Mello-Roos Act Voting

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego. The CCFD is a financing district established under the City’s charter (the “Charter”) and was intended to function much like a community facilities district established under the Mello-Roos Act. The CCFD was comprised of all of the real property in the entire City. However, the CCFD special tax was to be levied only on properties in the CCFD that were improved with a hotel.

At the election to authorize the CCFD special tax, the CCFD proceedings limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel was located. Registered voters in the City of San Diego were not permitted to vote. This definition of the qualified electors of the CCFD was based on Section 53326(c) of the Mello-Roos 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 community facilities district whose property would be subject to the special tax.

The *San Diego* Court held that the CCFD special tax election did not comply with the City's Charter and with applicable provisions of the California Constitution -- specifically Article XIII A, section 4 ("Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district...") and Article XIII C, section 2(d) ("No local government may impose, extend, or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote.") -- because the electors in the CCFD election should have been the registered voters residing within the CCFD (the boundaries of which were coterminous with the boundaries of the City of San Diego).

As to Improvement Area No. 2, there were fewer than 12 registered voters within Improvement Area No. 2 at the time of the election to authorize the Special Taxes. Significantly, the *San Diego* Court expressly stated that it was not addressing the validity of a landowner election to impose special taxes on residential property pursuant to the Mello-Roos Act in situations where there are fewer than 12 registered voters. Therefore, by its terms, the *San Diego* Court's holding does not apply to the special tax election in Improvement Area No. 2.

Moreover, Sections 53341 and 53359 of the Mello-Roos Act establish a limited period of time in which special taxes levied under the Mello-Roos Act may be challenged by a third party:

53341. Any action or proceeding to attack, review, set aside, void, or annul the levy of a special tax or an increase in a special tax pursuant to [the Mello-Roos Act] shall be commenced within 30 days after the special tax is approved by the voters....

53359. An action to determine the validity of bonds issued pursuant to [the Mello-Roos Act] or the validity of any special taxes levied pursuant to [the Mello-Roos Act] ... shall be commenced within 30 days after the voters approve the issuance of the bonds or the special tax ...

Section 53326(b) of the Mello-Roos Act defines the authorized voters for an election in which the special taxes will be levied on residential property: "Except as otherwise provided in subdivision (c), if at least 12 persons, who need not necessarily be the same 12 persons, have been registered to vote within the territory of the proposed community facilities district for each of the 90 days preceding the close of the protest hearing, the vote shall be by the registered voters of the proposed district, with each voter having one vote. Otherwise, the vote shall be by the landowners of the proposed district and each person who is the owner of land at the close of the protest hearing, or the authorized representative thereof, shall have one vote for each acre or portion of an acre of land that he or she owns within the proposed community facilities district not exempt from the special tax...."

Landowner voters approved the Special Taxes and the issuance of bonds for Improvement Area No. 2 in compliance with all applicable requirements of the Mello-Roos Act and, pursuant to Sections 53341 and 53359 of the Mello-Roos Act, the statute of limitations period to challenge the validity of the special tax has expired. Because the *San Diego* Court expressly stated that it did not consider the facts presented by Improvement Area No. 2 and the District, and because the period for challenging the Special Taxes has passed, the City believes the Special Taxes are valid and cannot be challenged.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the 2024 Bonds or, if a secondary market exists, that any 2024 Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

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

Pandemic Diseases

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

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

Cyber Security

The City, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the City is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the City's efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City or Improvement Area No. 2, or the administration of the 2024 Bonds. The City is also reliant on other entities and service providers in connection with the administration of the 2024 Bonds, including without limitation the County tax collector for the levy and collection of Special Taxes, the Fiscal Agent, and the dissemination agent. No assurance can be given that the City, Improvement Area No. 2 and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Potential Early Redemption of Bonds from Prepayments

Property owners within Improvement Area No. 2, including the Merchant Homebuilders and individual homeowners, are permitted to prepay their Special Tax obligation at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an

overlapping special assessment district or community facilities district. Such prepayments will result in a redemption of the 2024 Bonds on the interest payment date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of the prepayment. The resulting redemption of 2024 Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such 2024 Bonds.

LEGAL MATTERS

Legal Opinion

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, approving the validity of the 2024 Bonds will be made available to purchasers at the time of original delivery and is attached in substantially final form as APPENDIX E.

Jones Hall, A Professional Law Corporation, San Francisco, California, has served as Disclosure Counsel to the City. The City Attorney will pass upon certain legal matters for the City. Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, is serving as counsel to the Underwriter.

No Litigation

At the time of delivery of the 2024 Bonds, the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which the City has been served with process or threatened, which (i) in any way questions the powers of the City Council or the City, (ii) in any way questions the validity of any proceeding taken by the City Council in connection with the issuance of the 2024 Bonds, (iii) wherein an unfavorable decision, ruling or finding could have a material adverse effect on the transactions contemplated by the purchase contract with respect to the 2024 Bonds, (iv) which, in any way, could adversely affect the validity or enforceability of the resolutions of the City Council adopted in connection with the formation of the District or Improvement Area No. 2, or the issuance of the 2024 Bonds, the Fiscal Agent Agreement, the Continuing Disclosure Agreement or the purchase contract with respect to the 2024 Bonds, (v) to the knowledge of the City, which in any way questions the exclusion from gross income of the recipients thereof of the interest on the 2024 Bonds for federal income tax purposes, or (vi) in any other way questions the status of the 2024 Bonds under State tax laws or regulations.

TAX MATTERS

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

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) that must be satisfied subsequent to the issuance of the 2024 Bonds in order that the interest

thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2024 Bonds.

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

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

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

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

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2024 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or

marketability of, the 2024 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

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

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

CONTINUING DISCLOSURE

The City

The City has covenanted for the benefit of owners of the 2024 Bonds to provide certain financial information and operating data relating to Improvement Area No. 2 by not later than nine months after the end of the City's fiscal year (presently June 30) in each year (the "**City Annual Report**") commencing with its report for the 2023-24 fiscal year (due by March 31, 2025), and to provide notices of the occurrence of certain enumerated events.

The City Annual Report and notices of listed events will be filed with the Municipal Securities Rulemaking Board. The covenants of the City have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the City is summarized in "APPENDIX F – Forms of Continuing Disclosure Undertakings."

A review of the City's compliance with prior continuing disclosure undertakings in the last five years indicates that the City and its related entities did not comply in all material respects with such undertakings in the last five years. The City failed to file or timely file certain audited financial statements and annual reports or to include certain operating data in the annual reports.

More specifically, the City failed to file its audited financial statements for Fiscal Year 2022-23 and failed to file in a timely manner its audited financial statements and annual reports for Fiscal Years 2018-19 through 2022-23 with respect to certain water bonds and sewer bonds. The audited financial statements for Fiscal Year 2021-22, Fiscal Year 2020-21, Fiscal Year 2019-20 and Fiscal Year 2018-19 were filed approximately 1 to 2.5 years after their respective filing due dates, and the Fiscal Year 2018-19 audited financial statements were not filed for certain tax allocation bonds. The annual reports for Fiscal Year 2022-23 and Fiscal Year 2021-22 were not filed for certain water and sewer bonds and the annual reports for Fiscal Year 2020-21, Fiscal Year 2019-20, Fiscal Year 2018-19 and Fiscal Year 2017-18 were not timely filed for certain water

bonds, sewer bonds and tax allocation bonds. Such annual reports were filed between 31 and 402 days late. The annual reports filed for Fiscal Year 2020-21, Fiscal Year 2019-20, and Fiscal Year 2018-19 did not include all required operating data. Most of such data was subsequently included in other filings. Failure to file notices were not filed in all instances of late filings.

The foregoing late filings were a result, in large part, due to the City failing to complete its audited financial statements for the applicable fiscal years in a timely manner, and as a result of City staff turnover responsible for continuing disclosure compliance. The City has endeavored to update its continuing disclosure filings, and there is new City staff (including a new Finance Director, appointed in September 2023, and a new Accounting Manager, appointed in May 2023) that is responsible for overseeing the City's continuing disclosure compliance going forward.

The City anticipates filing its Fiscal Year 2022-23 audited financial statements and annual reports by November 2024, and its Fiscal Year 2023-24 audited financial statements and annual reports by June 30, 2025. For Fiscal Year 2024-25 and onward, the City anticipates completing its audited financial statements and filing its annual reports in a timely manner.

The City retains Urban Futures, Inc. to serve as dissemination agent with respect to the filings to be made with respect to the 2024 Bonds and its other undertakings under the Rule.

KB HOME

KB HOME has covenanted for the benefit of owners of the 2024 Bonds to provide to owners of the 2024 Bonds through EMMA certain information by April 1 and October 1 of any fiscal year (commencing April 1, 2025) with respect to the property owned by it and its respective Affiliates (as defined in KB HOME's continuing disclosure certificate) within Improvement Area No. 2 (the "KB HOME Semi-Annual Report"), and to provide notices of the occurrence of certain enumerated events. The obligation to provide the KB HOME Semi-Annual Report and notices of the occurrence of certain enumerated events may be terminated once KB HOME owns less than 80 residential lots in Improvement Area No. 2, as described in the form of Continuing Disclosure Certificate (Developer) attached as APPENDIX F.

KB HOME's North Bay Division will be responsible for compliance with its obligations under its Continuing Disclosure Certificate. KB HOME has the City advised that, except as described below, based on a review of prior continuing disclosure obligations in Northern California, KB HOME has not failed to comply in any material respect with any previous undertaking by it to provide periodic continuing disclosure reports or notice of listed events with respect to community facilities district or assessment district bond issues in Northern California within the past five years.

However, in connection with the phased acquisition of lots from the master developer of property within the California Statewide Communities Development Authority Community Facilities District No. 2015-0, Improvement Area No. 2 (University District) ("CSCDA CFD No. 2015-01 IA No. 2"), KB HOME South Bay Inc., a California corporation ("KB South Bay"), an affiliate of KB HOME, executed a Continuing Disclosure Certificate – Developer, dated December 18, 2017, with respect to the initial acquisition of 30 lots within CSCDA CFD No. 2015-01, IA No. 2, a Continuing Disclosure Certificate – Developer, Dated June 14, 2018, with respect to a second acquisition of 30 additional lots within CSCDA CFD No. 2015-01, IA No. 2, a Continuing Disclosure Certificate – Developer, dated October 16, 2018, with respect to a third acquisition of 47 additional lots within CSCDA CFD No. 2015-01, IA No.2 and a Continuing Disclosure Certificate – Developer, dated December 21, 2018, with respect to a fourth acquisition of 57

additional lots within CSCDA CFD No, 2015-01, IA No. 2 (each, a “CDC” and, collectively, the “CDCs”). Each CDC required the filing of an Annual Report by December 15 of each year with respect to the property referenced in the applicable CDC unless the obligation had previously terminated. KB South Bay believed its reporting obligation pursuant to each of the first three CDCs terminated prior to the December 15, 2018 Annual Report date because the property referenced in each such CDC was not responsible for 20% or more of the special taxes within CSCDA CFD No. 2015-01, IA No. 2. Consequently, KB South Bay did not file such Annual Report. KB South Bay filed a Notice of Termination of its obligations under all of the CDCs on EMMA on November 13, 2019.

D.R. Horton

D.R. Horton has covenanted for the benefit of owners of the 2024 Bonds to provide to owners of the 2024 Bonds through EMMA certain information by April 1 and October 1 of any fiscal year (commencing April 1, 2025) with respect to the property owned by it and its respective Affiliates (as defined in D.R. Horton’s continuing disclosure certificate) within Improvement Area No. 2 (the “D.R. Horton Semi-Annual Report”), and to provide notices of the occurrence of certain enumerated events. The obligation to provide the D.R. Horton Semi-Annual Report and notices of the occurrence of certain enumerated events may be terminated once D.R. Horton owns less than 68 residential lots in Improvement Area No. 2, as described in the form of Continuing Disclosure Certificate (Developer) attached as APPENDIX F.

D.R. Horton’s Sacramento Division is the division which will be responsible for complying with its obligations under its Developer Continuing Disclosure Certificate. D.R. Horton has advised the City that, based on a review of prior continuing disclosure obligations in Northern California, encompassing D.R. Horton’s Sacramento and Bay Area Divisions, D.R. Horton has not failed to comply in any material respect with any previous undertaking by it to provide periodic continuing disclosure reports or notice of listed events with respect to community facilities district or assessment district financings in Northern California within the past five years.

NO RATING

The City has not obtained a formal credit rating on the 2024 Bonds and currently does not anticipate obtaining one on the 2024 Bonds in the future. Prospective purchasers of the 2024 Bonds are required to make independent determinations as to the credit quality of the 2024 Bonds and their appropriateness as an investment.

UNDERWRITING

The 2024 Bonds are being purchased by Samuel A. Ramirez & Co., Inc., as underwriter (the “**Underwriter**”), at a purchase price of \$_____ (which represents the aggregate principal amount of the 2024 Bonds (\$_____), [plus/minus][net] original issue [premium/discount] of \$_____, and less an Underwriter’s discount of \$_____).

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

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

CONTINGENT FEES

In connection with the issuance of the 2024 Bonds, some or all of fees or other compensation payable to the City, as issuer of the 2024 Bonds, and certain professionals involved in the offering is contingent upon the issuance and delivery of the 2024 Bonds. Those entities include:

- The City, as the issuer;
- Samuel A. Ramirez & Co., Inc., as the Underwriter;
- Urban Futures, Inc., as Municipal Advisor;
- Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel;
- NBS, as Special Tax Consultant;
- Stradling Yocca Carlson & Rauth LLP, as Underwriter’s Counsel; and
- U.S. Bank Trust Company, National Association, as Fiscal Agent.

EXECUTION

The execution and delivery of the Official Statement by the City has been duly authorized by the City Council, acting as the legislative body of the District and Improvement Area No. 2.

CITY OF MANTECA

By: _____
Finance Director

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

APPENDIX C
THE APPRAISAL

APPENDIX D

CITY OF MANTECA AND SAN JOAQUIN COUNTY DEMOGRAPHIC INFORMATION

The following information concerning the City of Manteca (the “**City**”) and the San Joaquin County (the “**County**”) is included only for the purpose of supplying general information regarding the area of the City and County. The 2024 Bonds are not a debt of the City, the County, the State of California (the “**State**”) or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

General

The City. The City is centrally located in the State, in the San Joaquin Valley between the San Francisco Bay Area and the Sierra Nevada foothills. The City is located one hour east of the San Francisco Bay Area and one hour south of Sacramento, the State capital. Four freeways provide access to the City: U.S. Interstate 5 which links the Pacific states from Mexico to Canada; U.S. Interstate 205, which connects U.S. Interstate 5 to U.S. Interstate 580; State Route 120, which is the primary east-west corridor in the School District; and State Route 99, which provides a north-south alternative to U.S. Interstate 5 for most of California’s Central Valley.

The County. The County was established by an act of the State Legislature on February 18, 1850, as one of California’s original 27 counties. The area of the County is 1,448 square miles, and it is the fifteenth largest county in the State, as measured by population. The County seat is the City of Stockton, with a population of 317,204 in 2024 and an area of 55.1 square miles.

Population

The following table lists population estimates for the City, the County and the State for the last five calendar years, as of January 1, 2024.

CITY OF MANTECA, SAN JOAQUIN COUNTY AND STATE OF CALIFORNIA Population Estimates Calendar Years 2020 through 2024, as of January 1

Area	2020	2021	2022	2023	2024
Escalon	7,444	7,416	7,333	7,244	7,249
Lathrop	28,681	29,728	31,689	35,138	37,033
Lodi	66,128	65,917	66,309	66,164	66,492
Manteca	83,529	84,895	86,714	88,552	90,917
Ripon	15,988	16,106	15,908	15,726	15,741
Stockton	320,290	319,882	318,477	315,685	317,204
Tracy	92,959	93,774	94,774	95,341	96,609
Balance of County	164,214	162,602	160,959	160,053	160,163
County Total	779,233	780,320	782,163	783,903	791,408

Source: State Department of Finance estimates.

Employment and Industry

The unemployment rate in San Joaquin County was 7.1 percent in March 2024, down from a revised 7.7 percent in February 2024, and above the year-ago estimate of 6.5 percent. This compares with an unadjusted unemployment rate of 5.3 percent for California and 3.9 percent for the nation during the same period.

The County is part of the Stockton-Lodi Metropolitan Statistical Area (the “MSA”). Set forth below is data from 2019 through 2023, reflecting the MSA's civilian labor force, employment, and unemployment.

STOCKTON-LODI MSA (San Joaquin County) Annual Average Civilian Labor Force, Employment and Unemployment, Employment by Industry (March 2022 Benchmark)

	2019	2020	2021	2022	2023
Civilian Labor Force ⁽¹⁾	326,600	334,800	336,100	342,200	346,800
Employment	307,100	296,300	307,300	323,900	325,100
Unemployment	19,500	38,400	28,900	18,300	21,600
Unemployment Rate	6.0%	11.5%	8.6%	5.3%	6.2%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	15,400	14,600	14,200	13,800	14,100
Mining and Logging	100	100	100	0	0
Construction	13,100	13,000	13,900	14,900	13,900
Manufacturing	20,500	20,100	21,300	23,000	23,500
Wholesale Trade	11,700	10,600	10,800	11,600	12,300
Retail Trade	26,200	24,600	26,200	27,000	27,200
Transportation, Warehousing and Utilities	31,300	38,800	43,000	48,100	46,800
Information	1,600	1,200	1,200	1,200	1,100
Financial Activities	7,900	7,800	8,000	8,200	8,000
Professional and Business Services	20,200	21,300	22,500	24,100	23,700
Educational and Health Services	39,100	37,300	38,000	39,800	42,200
Leisure and Hospitality	22,600	18,500	21,300	24,300	24,600
Other Services	7,800	6,800	7,300	7,900	8,200
Federal Government	3,200	3,300	3,100	3,100	3,000
State Government	6,800	6,800	6,000	5,500	5,100
Local Government	34,900	33,000	32,900	34,000	35,200
Total All Industries ⁽³⁾	262,400	257,700	269,800	286,300	288,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Columns may not add to totals due to rounding.

Source: *State of California Employment Development Department.*

Principal Employers

The following table lists the major employers within the City as of June 30, 2022.

CITY OF MANTECA Principal Employers for Fiscal Year Ended June 30, 2022

<u>Employer</u>	<u>Number of Employees</u>
Amazon.com Services, LLC	1,139
Tennant Sales & Service Company	800
Manteca Unified School District	751
City of Manteca	408
Doctors Hospital of Manteca	401
Kaiser Foundation	351
Wal-Mart	316
Costco Wholesale #1031	312
Bass Pro Outdoor World	301
A.M. Stephens Construction Co. Inc.	250
C. Overaa & Co.	250
Eckert Cold Storage	250
Home Depot	207
Give Every Child a Chance	182
Target Corp.	137
Karma Inc, (DBA Manteca Care & Rehab)	<u>125</u>
Total	6,180

Source: City of Manteca, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2022.

Major Employers

The major employers in the County as of August 2024 are shown below in alphabetical order without regard to the number of employees.

SAN JOAQUIN COUNTY Major Employers As of August 2024

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Amazon Fulfillment Ctr	Stockton	Mail Order Fulfillment Service
Ashley Lane LP	Stockton	Real Estate
Blue Shield of California	Lodi	Insurance
Dameron Hospital	Stockton	Hospitals
Foster Care Svc	Stockton	Government Offices-County
Leprino Foods Co	Tracy	Cheese Processors (mfrs)
Lodi Health Home Health Agency	Lodi	Home Health Service
M & R Co	Lodi	Fruits & Vegetables-Growers & Shippers
Medline	Tracy	Physicians & Surgeons Equip & Supls-Whls
NA Chaderjian Youth	Stockton	State Govt-Correctional Institutions
O-G Packing & Cold Storage Co	Stockton	Fruits & Vegetables-Growers & Shippers
Prima Frutta Packing Inc	Linden	Fruit & Produce Packers
Safeway Distribution Ctr	Tracy	Distribution Centers (whls)
San Joaquin County CA Pubc	Stockton	Government Offices-County
San Joaquin County Human Svc	Stockton	Government Offices-County
San Joaquin County Sch	Stockton	School Districts
San Joaquin General Hospital	French Camp	Hospitals
San Joaquin Sheriff's Office	French Camp	Government Offices-County
Sjgov	Stockton	Government Offices-County
St Joseph's Regional Health	Stockton	Health Services
Stockton Police Dept	Stockton	Police Departments
Stockton Unified Sch Dist	Stockton	Facilities Management
Stockton Unified School Dist	Stockton	Schools
Walmart Supercenter	Stockton	Department Stores
Waste Management-Lodi Transfer	Lodi	Solid Waste Collection

Source: California State Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2024 2nd Edition.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2020 through 2024.

**CITY OF MANTECA, SAN JOAQUIN COUNTY, THE STATE OF CALIFORNIA AND THE
UNITED STATES
Effective Buying Income
As of January 1, 2020 through 2024**

Year	Area	Total Effective Buying Income (000s' Omitted)	Median Household Effective Buying Income
2020	City of Manteca	\$1,933,892	\$65,439
	San Joaquin County	17,868,858	58,141
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Manteca	\$1,946,567	\$65,395
	San Joaquin County	18,493,713	59,914
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	City of Manteca	\$2,282,650	\$73,568
	San Joaquin County	21,672,926	68,971
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448
2023	City of Manteca	\$2,569,884	\$74,006
	San Joaquin County	22,168,255	68,912
	California	1,461,799,662	77,175
	United States	11,454,846,397	65,326
2024	City of Manteca	\$2,935,024	\$82,407
	San Joaquin County	24,445,200	76,847
	California	1,510,708,521	80,973
	United States	11,987,185,826	67,876

Source: Claritas, LLC.

Commercial Activity

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

Total taxable sales reported during the first quarter of calendar year 2024 in the City were reported to be \$369,123,173, a 0.96% decrease over the total taxable sales of \$372,694,539 reported during the first quarter of calendar year 2023.

CITY OF MANTECA Taxable Transactions (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2019	956	\$929,663	1,507	\$1,147,616
2020	1,060	928,929	1,740	1,111,947
2021	967	1,267,680	1,618	1,496,447
2022	987	1,349,442	1,646	1,634,099
2023	976	1,368,993	1,624	1,636,819

Source: State of California, Board of Equalization.

Total taxable sales reported during the first quarter of calendar year 2024 in the County were reported to be \$5,540,295,867, a 9.16% increase over the total taxable sales of \$5,075,449,986 reported during the first quarter of calendar year 2023.

SAN JOAQUIN COUNTY Taxable Transactions (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2019	9,978	\$9,058,063	16,144	\$14,311,068
2020	11,188	10,122,979	18,358	15,609,880
2021	10,642	15,100,195	17,665	22,244,519
2022	10,884	15,342,203	18,100	23,625,470
2023	10,632	15,486,406	17,666	23,169,139

Source: State of California, Board of Equalization.

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

CITY OF MANTECA Total Building Permit Valuations (Dollars in Thousands)

	2019	2020	2021	2022	2023
<u>Permit Valuation:</u>					
New Single-family	\$174,239.4	\$199,291.6	\$248,446.4	\$390,392.4	\$285,962.6
New Multi-family	0.0	0.0	13,590.0	15,727.0	0.0
Res. Alterations/Additions	<u>4,324.3</u>	<u>2,128.9</u>	<u>3,569.4</u>	<u>9,421.7</u>	<u>7,111.1</u>
Total Residential	178,563.7	201,420.5	265,605.8	415,541.1	293,073.7
New Commercial	57,885.5	12,953.8	30,464.9	12,321.7	53,813.5
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	24,701.8	12,307.0	15,979.3	15,255.9	13,107.5
Com. Alterations/Additions	<u>98,285.7</u>	<u>1,975.3</u>	<u>2,028.4</u>	<u>5,404.4</u>	<u>11,439.6</u>
Total Nonresidential	180,873.0	27,236.1	48,472.6	32,982.0	78,360.6
<u>New Dwelling Units:</u>					
Single Family	537	609	729	821	690
Multiple Family	<u>0</u>	<u>0</u>	<u>20</u>	<u>106</u>	<u>0</u>
TOTAL	537	609	749	927	690

Source: Construction Industry Research Board, Building Permit Summary.

SAN JOAQUIN COUNTY Total Building Permit Valuations (Dollars in Thousands)

	2019	2020	2021	2022	2023
<u>Permit Valuation:</u>					
New Single-family	\$843,700.9	\$870,859.6	\$1,179,358.0	\$1,281,631.4	\$851,675.9
New Multi-family	57,271.1	38,411.8	69,775.2	88,457.7	75,802.5
Res. Alterations/Additions	<u>98,681.9</u>	<u>40,144.4</u>	<u>108,647.1</u>	<u>182,338.5</u>	<u>55,378.0</u>
Total Residential	999,653.9	949,415.8	1,357,780.3	1,552,427.6	982,856.4
New Commercial	380,383.3	255,761.2	272,617.0	641,696.7	199,112.8
New Industrial	120,003.8	534,199.5	43,401.3	249,274.2	13,931.0
New Other	61,991.7	33,112.3	58,264.9	107,863.0	76,524.2
Com. Alterations/Additions	<u>363,841.0</u>	<u>135,285.4</u>	<u>272,064.7</u>	<u>450,649.8</u>	<u>193,151.2</u>
Total Nonresidential	926,219.8	958,358.4	646,347.9	1,449,483.7	482,719.2
<u>New Dwelling Units</u>					
Single Family	2,564	2,843	3,665	3,168	2,147
Multiple Family	<u>461</u>	<u>245</u>	<u>178</u>	<u>338</u>	<u>605</u>
TOTAL	3,025	3,088	3,843	3,506	2,752

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

City Council
City of Manteca
1001 West Center Street
Manteca, California 95337

OPINION: \$_____ Improvement Area No. 2 of the City of Manteca
Community Facilities District No. 2023-1 (Villa Ticino West Facilities)
Special Tax Bonds Series 2024

Members of the City Council:

We have acted as bond counsel to the City of Manteca (the “City”) in connection with the delivery by the City of the above-referenced bonds (the “Bonds”), issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, *et seq.* (the “Act”), and pursuant to a Fiscal Agent Agreement, dated October 1, 2024, by and between the City and U.S. Bank Trust Company, National Association, as fiscal agent (the “Fiscal Agent Agreement”). We have examined the Act, an executed copy of the Fiscal Agent Agreement and such certified proceedings, opinions, and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Fiscal Agent Agreement and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The City is duly organized and existing under the laws of the State of California, with power to enter into the Fiscal Agent Agreement, to perform the agreements on its part contained therein, and to issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the City and are legal, valid and binding obligations of the City.
3. The Fiscal Agent Agreement has been duly approved by the City and constitutes a legal, valid and binding obligation of the City, enforceable against the City in accordance with its terms.
4. Pursuant to the Act, the Fiscal Agent Agreement establishes a valid lien on and pledge of the Special Tax Revenues (as defined in the Fiscal Agent Agreement) and the other sources pledged for the security of the Bonds.
5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The

opinions set forth in the preceding sentences are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each of such requirements. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Interest on the Bonds may be subject to the corporate alternative minimum tax. We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or any court; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations, opinions, and covenants referenced above.

Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX F

FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS

CONTINUING DISCLOSURE CERTIFICATE (City)

\$ _____
**IMPROVEMENT AREA NO. 2 OF THE
CITY OF MANTECA
COMMUNITY FACILITIES DISTRICT NO. 2023-1
(VILLA TICINO WEST FACILITIES)
SPECIAL TAX BONDS SERIES 2024**

THIS CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the City of Manteca, a public body, corporate and politic, organized and existing under and by virtue of the laws of the State of California (the “City”), in connection with the issuance of the bonds captioned above (the “Bonds”). The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of October 1, 2024 (the “Fiscal Agent Agreement”), by and between the City and U.S. Bank Trust Company, National Association, as fiscal agent (the “Fiscal Agent”). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c-12(b)(5).

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

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

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

“*Dissemination Agent*” means Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*District*” means the City of Manteca Community Facilities District No. 2023-1 (Villa Ticino West Facilities).

“*EMMA System*” means the Electronic Municipal Market Access system of the MSRB or such other electronic system designated by the MSRB or the Securities and Exchange Commission for compliance with the Rule.

“*Improvement Area No. 2*” means Improvement Area No. 2 of the District.

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

“*MSRB*” means the Municipal Securities Rulemaking Board, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Samuel A. Ramirez & Co., Inc., as the initial underwriter of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2025, with the report for the 2023-24 fiscal year, provide to the MSRB through the EMMA System an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City 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 the City hereunder.

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

(c) The Dissemination Agent shall:

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

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

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

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements 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 in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. This submission should be made with the following caveat:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15c2-12. NO FUNDS OR ASSETS OF THE CITY (OTHER THAN THE PROCEEDS OF THE SPECIAL TAXES LEVIED FOR IMPROVEMENT AREA NO. 2 AND SECURING THE BONDS) ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) The following additional items, indicating information as of the previous September 30th, with respect to the Bonds:

- (1) Principal amount of Bonds outstanding under the Fiscal Agent Agreement.
- (2) Balance in Reserve Fund.
- (3) Table indicating Special Tax levy, amount collected, delinquent amount and percent delinquent for the most recent year, and whether the Special Tax levy is covered by the Teeter Plan.
- (4) Status of foreclosure proceedings and summary of results of foreclosure sales, if any.
- (5) Identity of any delinquent taxpayer representing more than 5% of levy and value-to-lien ratios of applicable properties (using assessed values unless more accurate information is available without charge to the City).
- (6) Aggregate assessed value for all parcels in Improvement Area No. 2.
- (7) Until the fiscal year in which the Special Tax levied on the developed property in Improvement Area No. 2 is greater than or equal to the annual debt service on the Bonds, the number of building permits issued by the City for single family residential homes in such fiscal year in Improvement Area No. 2.

(c) For so long as there is any owner of property in Improvement Area No. 2 whose properties collectively represent 10% or more of the Special Taxes, the following information regarding the status of development in Improvement Area No. 2:

- (1) Significant amendments to land use entitlements.
- (2) Status of any legislative, administrative and judicial challenges to the construction of the development known to the City.
- (3) Assessed valuation of property shown on County Assessor's tax rolls with no "improvements" value in Improvement Area No. 2 for the current (as of the date of the report) fiscal year.
- (4) List of landowners (as shown County Assessor's tax roll) and assessor's parcel number(s) of parcels held by owners whose properties collectively represent 10% or more of the Special Taxes for the current (as of the date of the report) fiscal year.

(d) In addition to any of the information expressly required to be provided under paragraphs (a), (b) and (c) of this Section, the Issuer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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

Section 5. Reporting of Listed Events.

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Rating Changes.
- (7) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
- (8) Modifications to rights of security holders, if material.
- (9) Bond calls, if material, and tender offers.
- (10) Defeasances.
- (11) Release, substitution, or sale of property securing repayment of the securities, if material.
- (12) Bankruptcy, insolvency, receivership or similar event of the City.
- (12) The consummation of a merger, consolidation, or acquisition involving the City, or the sale of all or substantially all of the assets of the City (other than in the ordinary course of business), the entry into a definitive agreement to

- undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (13) Appointment of a successor or additional Fiscal Agent or the change of name of the Fiscal Agent, if material.
 - (14) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material (for a definition of “financial obligation,” see clause (e)).
 - (15) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties (for a definition of “financial obligation,” see clause (e)).

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB through the EMMA System, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Fiscal Agent Agreement.

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

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

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

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

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Urban Futures, Inc.

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

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

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

(c) the proposed amendment or waiver either (1) is approved by holders of the Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of holders, or (2) does not, in the opinion of the Fiscal Agent or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate will be accompanied by identifying information as prescribed by the MSRB.

Section 12. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 13. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Fiscal Agent, the Bond owners or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 15. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2024

CITY OF MANTECA, for and on behalf of
CITY OF MANTECA COMMUNITY
FACILITIES DISTRICT NO. 2023-1 (VILLA
TICINO WEST FACILITIES)

By: _____
Authorized Officer

AGREED AND ACCEPTED:

Urban Futures, Inc.,
as Dissemination Agent

By: _____
Name: _____
Title: _____

**CONTINUING DISCLOSURE CERTIFICATE
(Merchant Builder)**

Relating to:

\$ _____
**IMPROVEMENT AREA NO. 2 OF THE
CITY OF MANTECA
COMMUNITY FACILITIES DISTRICT NO. 2023-1
(VILLA TICINO WEST FACILITIES)
SPECIAL TAX BONDS SERIES 2024**

THIS CONTINUING DISCLOSURE CERTIFICATE (Merchant Builder) (the “Disclosure Certificate”) dated as of _____, 2024, is executed and delivered by _____, a _____ (the “Merchant Builder”) in connection with the issuance by the City of Manteca (the “City”) of its \$_____ Improvement Area No. 2 of the City of Manteca Community Facilities District No. 2023-1 (Villa Ticino West Facilities) Special Tax Bonds Series 2024 (the “Bonds”). The Bonds are being executed and delivered pursuant to a Fiscal Agent Agreement, dated as of October 1, 2024 (the “Fiscal Agent Agreement”), by and between the City and U.S. Bank Trust Company, National Association, as fiscal agent (the “Fiscal Agent”). The Merchant Builder covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Merchant Builder for the benefit of the holders and beneficial owners of the Bonds.

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

“Affiliate” means with respect to the Merchant Builder, any other Person (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with the Merchant Builder, and (ii) for whom information, including financial information or operating data, concerning such Person is material to potential investors in their evaluation of Improvement Area No. 2 and investment decision regarding the Bonds (i.e., information regarding such Person’s assets or funds that would materially affect the Merchant Builder’s ability to develop the Property as described in the Official Statement or to pay its Special Taxes on the Property (to the extent the responsibility of the Merchant Builder) prior to delinquency). For purposes hereof, the term “control” (including the terms “controlling,” “controlled by” or “under common control with”) means the present 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.

“Assumption Agreement” means an undertaking of a Major Owner, or an Affiliate thereof, for the benefit of the holders and beneficial owners of the Bonds containing terms substantially similar to this Disclosure Certificate (as modified for such Major Owner’s development and financing plans with respect to Improvement Area No. 2), whereby such Major Owner or Affiliate agrees to provide Periodic Reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in Improvement Area No. 2 owned by such Major Owner and its Affiliates and, at the option of the

Merchant Builder or such Major Owner, agrees to indemnify the Dissemination Agent (if any) pursuant to a provision substantially in the form of Section 11 hereof.

“Dissemination Agent” means Merchant Builder, or any successor Dissemination Agent designated in writing by the Merchant Builder and which has filed with the Merchant Builder, the City, and the Participating Underwriter a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate.

“District” means the City of Manteca Community Facilities District No. 2023-1 (Villa Ticino West Facilities).

“EMMA” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

“Improvement Area No. 2” means Improvement Area No. 2 of the District.

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

“Major Owner” means, as of any Report Date, an owner of [for KB HOME: less than 80; for D.R. Horton: less than 68] residential lots in Improvement Area No. 2.

“Official Statement” means the final official statement executed by the City in connection with the issuance of the Bonds.

“Merchant Builder” means _____, and its successors and assigns.

“Participating Underwriter” means Samuel A. Ramirez & Co., Inc., the original underwriter of the Bonds.

“Periodic Report” means any Periodic Report provided by the Merchant Builder pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“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.

“Property” means, as of the date of determination, the real property in Improvement Area No. 2 that is subject to the Special Tax and owned by (i) the Merchant Builder or (ii) any Affiliate of the Merchant Builder.

“Report Date” means April 1 and October 1 of any fiscal year. If, in any year, the Report Date falls on a Saturday, Sunday, or a holiday, such Report Date shall be extended to the next following day that is not a Saturday, Sunday, or holiday.

“Special Taxes” means the special taxes levied on taxable property in Improvement Area No. 2 that secure the Bonds.

Section 3. Provision of Periodic Reports.

(a) Until the Merchant Builder's obligations under this Disclosure Certificate are terminated in accordance with Section 6 herein, the Merchant Builder shall, or, upon written direction of the Merchant Builder the Dissemination Agent shall, not later than the Report Date, commencing April 1, 2025, file or cause to be filed with EMMA a Periodic Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Participating Underwriter and the City. Not later than 15 calendar days prior to the Report Date, the Merchant Builder shall provide the Periodic Report to the Dissemination Agent (if different from the Merchant Builder). The Merchant Builder shall provide a written certification with (or included as a part of) each Periodic Report furnished to the Dissemination Agent (if different from the Merchant Builder), the Participating Underwriter and the City to the effect that such Periodic Report constitutes the Periodic Report required to be furnished by it under this Disclosure Certificate. The Dissemination Agent, the Participating Underwriter and the City may conclusively rely upon such certification of the Merchant Builder and shall have no duty or obligation to review the Periodic Report. The Periodic Report may be submitted as a single document or as separate documents comprising a package and may incorporate by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent does not receive a Periodic Report by 15 calendar days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Merchant Builder that the Periodic Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Merchant Builder to determine whether its obligations under this Disclosure Certificate have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to Section 5 below). If the Merchant Builder does not provide, or cause the Dissemination Agent to provide, a Periodic Report to EMMA by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to EMMA in substantially the form required, with a copy to the City and the Participating Underwriter.

(c) With respect to the Periodic Report, the Dissemination Agent shall, to the extent the Periodic Report has been furnished to it, file the Periodic Report with EMMA and file a report with the Merchant Builder (if the Dissemination Agent is other than the Merchant Builder), the City and the Participating Underwriter certifying that the Periodic Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to and filed with EMMA.

Section 4. Content of Periodic Reports. The Merchant Builder's Periodic Report shall contain or incorporate by reference the information set forth in Exhibit A relating to the Merchant Builder, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Merchant Builder 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 EMMA. The Merchant Builder shall clearly identify each such other document so included by reference.

In addition to any of the information expressly required to be provided in Exhibit A, the Merchant Builder's Periodic Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) Until the Merchant Builder's obligations under this Disclosure Certificate are terminated in accordance with Section 6 herein, the Merchant Builder shall give, or cause to be

given, notice of the occurrence of any of the following Listed Events with respect to itself or the Property, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Merchant Builder and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Merchant Builder that is reasonably likely to have a significant impact on the Merchant Builder's ability to pay Special Taxes on the Property (to the extent the responsibility of the Merchant Builder) prior to delinquency or to sell or develop the Property;

(ii) failure of the Merchant Builder to pay any taxes, special taxes (including the Special Taxes) or assessments due with respect to the Property on or prior to the delinquency date to the extent such failure is not promptly cured by the Merchant Builder upon discovery thereof;

(iii) filing of a lawsuit of which the Merchant Builder is aware against the Merchant Builder or an Affiliate seeking damages, which is reasonably likely to have a significant impact on the Merchant Builder's ability to pay Special Taxes on the Property (to the extent the responsibility of the Merchant Builder) or to sell or develop the Property; and

(iv) material damage to or destruction of any of the improvements on the Property.

(b) Whenever the Merchant Builder obtains knowledge of the occurrence of a Listed Event, the Merchant Builder shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Merchant Builder determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Merchant Builder shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with EMMA, with a copy to the City and the Participating Underwriter.

Section 6. Duration of Reporting Obligation.

(a) All the Merchant Builder's obligations hereunder shall commence on the date hereof and terminate (except as provided in Section 11) on the earliest to occur of the following:

(i) upon the legal defeasance, prior redemption or payment in full of all the Bonds, or

(ii) at such time as the Merchant Builder is no longer a Major Owner, or

(iii) the date on which all of the Special Taxes attributable to the Property are paid in full.

The Merchant Builder shall give notice of the termination of its obligations under this Disclosure Certificate in the same manner as for a Listed Event under Section 5.

(b) If a portion of the Property owned by the Merchant Builder, or any Affiliate of the Merchant Builder, is conveyed to a Person that, upon such conveyance, will be a Major Owner,

the obligations of the Merchant Builder hereunder with respect to the property in Improvement Area No. 2 owned by such Major Owner and its Affiliates may be assumed by such Major Owner or by an Affiliate thereof, and if so assumed the Merchant Builder's obligations hereunder with respect to such portion of the Property will be terminated. In order to effect such an assumption, such Major Owner or Affiliate shall enter into an Assumption Agreement. If not so assumed, the Merchant Builder shall use commercially reasonable efforts to report the information, as applicable to the transferee, required herein so long as the transferee is a Major Owner.

Section 7. Dissemination Agent. The Merchant Builder may, from time to time, appoint or engage a Dissemination Agent to assist the Merchant Builder 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 initial Dissemination Agent shall be the Merchant Builder. The Dissemination Agent may resign by providing thirty (30) days' written notice to the City, the Participating Underwriter and the Merchant Builder.

Section 8. No Amendment. The Merchant Builder may not amend this Disclosure Certificate.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Merchant Builder 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 Periodic Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Merchant Builder chooses to include any information in any Periodic Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Merchant Builder shall have no obligation under this Disclosure Certificate to update such information or include it in any future Periodic Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Merchant Builder to comply with any provision of this Disclosure Certificate, the Participating Underwriter and any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Merchant Builder to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole and exclusive remedy under this Disclosure Certificate in the event of any failure of the Merchant Builder to comply with this Disclosure Certificate shall be an action to compel performance. Neither the Merchant Builder nor the Dissemination Agent shall have any liability to any holder or beneficial owner of the Bonds or any other party for monetary damages or financial liability of any kind whatsoever arising from or relating to this Disclosure Certificate.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Merchant Builder agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents (each, an "Indemnified Party"), harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding loss, liabilities, costs and expenses due to an Indemnified Party's negligence or willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall be paid compensation for its services provided hereunder in accordance with its schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable 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 hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Merchant Builder, the Fiscal Agent, the Bond owners, or any other party. The obligations of the Merchant Builder under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given by regular, overnight or electronic mail as follows:

To the Merchant Builder: _____
_____, Suite _____
_____, CA _____
Attn: Municipal Capital Markets Group
Email: _____

To the City: City of Manteca
1001 West Center Street
Manteca, California 95337
Attn: Shay Narayan
Email: snarayan@manteca.gov

To the Participating Underwriter: Samuel A. Ramirez & Co., Inc.
_____, Suite _____
_____, CA _____
Attn: Municipal Capital Markets Group
Email: _____

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

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Merchant Builder (its successors and assigns), the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity. All obligations of the Merchant Builder hereunder shall be assumed by any legal successor to the obligations of the Merchant Builder as a result of a sale, merger, consolidation or other reorganization.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Merchant Builder has executed this Disclosure Certificate as of the date first above written.

_____,
a _____

By: _____

Name: _____

Title: _____

EXHIBIT A

PERIODIC REPORT

Relating to:

**\$ _____
IMPROVEMENT AREA NO. 2 OF THE
CITY OF MANTECA
COMMUNITY FACILITIES DISTRICT NO. 2023-1
(VILLA TICINO WEST FACILITIES)
SPECIAL TAX BONDS SERIES 2024**

This Periodic Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (Merchant Builder) (the "Disclosure Certificate") dated _____, 2024 executed by _____, a _____ (the "Merchant Builder") in connection with the issuance by the City of Manteca (the "City") of the above-captioned bonds (the "Bonds").

Capitalized terms used in this Periodic Report but not otherwise defined have the meanings given to them in the Disclosure Certificate.

I. Property Ownership and Development

The information in this section is provided as of _____ (this date must be not more than 60 days before the date of this Periodic Report).

A. Property currently owned by the Merchant Builder or its Affiliates (if any) in Improvement Area No. 2 (the "Property"):

Development name: _____

Number of lots: _____

B. Updated information regarding land development and home construction activities with respect to the Property described in the Official Statement for the Bonds under the caption "IMPROVEMENT AREA NO. 2 – Development by [KB HOME] [D.R. Horton]" or the Periodic Report last filed in accordance with the Disclosure Certificate:

C. Status of building permits and any significant changes to the description of land use or development entitlements for the Property:

D. Status of any land purchase contracts (other than sales to homeowners) with regard to the Property:

E. Number of homes in Improvement Area No. 2 sold and closed to homeowners by the Merchant Builder to date and number of homes in Improvement Area No. 2 under contract for sale:

II. Legal and Financial Status of Merchant Builder

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any change in the legal structure of the Merchant Builder or the financial condition and financing plan of the Merchant Builder that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement.

III. Change in Development or Financing Plans

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement.

IV. Official Statement Updates

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any other significant changes in the information relating to the Merchant Builder or the Property contained in the Official Statement under the captions "IMPROVEMENT AREA NO. 2 – Development by [D.R. Horton][KB HOME]" and "OWNERSHIP OF PROPERTY WITHIN IMPROVEMENT AREA NO. 2 – [KB HOME] [D.R. Horton]" that would materially and adversely interfere with the Merchant Builder's ability to develop and sell the Property as described in the Official Statement.

V. Other Material Information

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

Certification

The undersigned Merchant Builder hereby certifies that this Periodic Report constitutes the Periodic Report required to be furnished by the Merchant Builder under the Disclosure Certificate.

ANY STATEMENTS REGARDING THE MERCHANT BUILDER, THE DEVELOPMENT OF THE PROPERTY, THE MERCHANT BUILDER'S FINANCING PLAN OR FINANCIAL CONDITION, OR THE BONDS, OTHER THAN STATEMENTS MADE BY THE MERCHANT BUILDER IN AN OFFICIAL RELEASE, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD, ARE NOT AUTHORIZED BY THE MERCHANT BUILDER. THE MERCHANT BUILDER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE MERCHANT BUILDER HAS NO OBLIGATION TO UPDATE THIS PERIODIC REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE CERTIFICATE.

Dated: _____

_____,
a _____

By: _____

Name: _____

Title: _____

APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

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

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

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

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). 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.

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

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

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

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

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

rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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