

PRELIMINARY OFFICIAL STATEMENT DATED MARCH [22], 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 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 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."

\$13,960,000*

**IMPROVEMENT AREA 3 OF THE CITY OF STOCKTON
COMMUNITY FACILITIES DISTRICT NO. 2018-2
(WESTLAKE VILLAGES II)
SPECIAL TAX BONDS, SERIES 2024**

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The City of Stockton (the "City") is issuing the above-captioned bonds (the "Bonds") for Improvement Area 3 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) ("Improvement Area 3") under the Mello-Roos Community Facilities Act of 1982 (the "Act"), the Resolution of Issuance (as defined herein), and a Fiscal Agent Agreement, dated as of April 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 BONDS – Authority for Issuance."

The Bonds are being issued to (i) construct and/or acquire certain public facilities authorized for the District (defined herein), (ii) pay capitalized interest on a portion of the Bonds through September 1, 2025, (iii) establish a debt service reserve fund for the Bonds, and (iv) pay initial administration costs and the costs of issuing the Bonds. See "SOURCES AND USES OF FUNDS."

The Bonds are payable from the Net Taxes (as defined herein) received by the City from special taxes levied on property within Improvement Area 3 according to the rate and method of apportionment of special tax for Improvement Area 3. The Bonds are secured by a first pledge of the Net Taxes levied and collected in Improvement Area 3 and the moneys on deposit in certain funds held by the Fiscal Agent under the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS."

Improvement Area 3 constitutes a portion of a large, ongoing development in the City known as the Westlake Villages Development. Land within CFD 2018-2 (Westlake Village II) (the "District") consists of 580 acres planned for 2,163 homes ranging in size from 1,400 to 3,500 square feet, and when fully developed is anticipated to include a master-planned portion dedicated to 55+ living, multiple neighborhood parks, a school site, and a series of artificial lakes to aid in flood control. Taxable land in Improvement Area 3, which is the only portion of the District that constitutes security for the Bonds, is developing into 277 single-family residential units in three villages (Villages E, G, and H). The Master Developer, which is owned by members of the Spanos family, has obtained final maps for all 277 residential lots, and sold the partially improved lots to Lennar Homes of California LLC ("Lennar Homes"). All of the required backbone and in-tract improvements are in place, including paved access and public utilities to the lots. As of March 1, 2024, with respect to the 277 lots in Improvement Area 3, 212 homes were under construction or completed, 111 homes had been sold and 88 homes had been sold and closed to individual homeowners. Homes sold may not result in closed escrow as sales contracts are subject to cancellation by the homebuyers. See "OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA 3."

Interest on the Bonds is payable semiannually on each March 1 and September 1, commencing September 1, 2024. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. The 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 Bonds. See "THE BONDS – Description of the Bonds" and "APPENDIX G – DTC and the Book-Entry Only System."

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

The Bonds, the interest thereon, and any premiums payable on the redemption of any Bonds, are not an indebtedness of the City (except to the limited extent described in this Official Statement), the State of California (the "State") or any of their respective political subdivisions. None of the City (except to the limited extent described in this Official Statement), the State or any of its political subdivisions is liable for the Bonds. Neither the faith and credit nor the taxing power of the City (except to the limited extent described in this Official Statement) or the State or any of their respective political subdivisions is pledged to the payment of the Bonds. Other than the Net Taxes, no taxes are pledged to the payment of the Bonds. The Bonds do not constitute a general obligation of the City, but are limited obligations of the City payable solely from the Net Taxes as more fully described in this Official Statement.

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 Bonds. Potential investors should read this entire Official Statement to obtain information essential for making an informed investment decision. Investment in the Bonds involves risks that may not be appropriate for some investors. See "SPECIAL RISK FACTORS" for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

The 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, is also serving as Disclosure Counsel to the City. Certain matters will be passed upon for the City by the City Attorney, and for the Underwriter by Kutak Rock LLP, Los Angeles, California. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about April _____, 2024.

[Oppenheimer Logo]

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. 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†: _____)

Maturity (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
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\$ _____ % Term Bond due September 1, 20____, Yield: ____%, Price: ____%, CUSIP† No. _____

\$ _____ % Term Bond due September 1, 20____, Yield: ____%, Price: ____%, CUSIP† No. _____

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CITY OF STOCKTON, CALIFORNIA

City Council

Kevin J. Lincoln II, *Mayor*
Kimberly Warmesley, *Vice Mayor and Councilmember, District 6*
Michele Padilla, *Councilmember, District 1*
Dan Wright, *Councilmember, District 2*
Michael Blower, *Councilmember, District 3*
Susan Lenz, *Councilmember, District 4*
Brando Villapudua, *Vice Mayor and Councilmember, District 5*

City Staff

Harry E. Black, *City Manager*
Kimberly Trammel, *Chief Financial Officer*
Carmen Barragan, *Debt and Treasury Manager*
Eliza Garza, *City Clerk*
Lori M. Asuncion, *City Attorney*

SPECIAL SERVICES

Municipal Advisor

Del Rio Advisors, LLC
Modesto, California

Bond Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Special Tax Consultant

DTA
San José, California

Appraiser

Integra Realty Resources – Sacramento
Sacramento, California

Fiscal Agent

U.S. Bank Trust Company, National Association
San Francisco, California

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions may identify “forward looking statements.” Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City since the date hereof.

Limit of Offering. 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 other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Involvement of Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, the District or Improvement Area 3 since the date hereof. All summaries of the Fiscal Agent Agreement or other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

The City maintains an Internet website, but the information on that website is not incorporated in this Official Statement.

[REGIONAL LOCATION MAP]

OFFICIAL STATEMENT

\$13,960,000*
IMPROVEMENT AREA 3 OF THE CITY OF STOCKTON
COMMUNITY FACILITIES DISTRICT NO. 2018-2
(WESTLAKE VILLAGES II)
SPECIAL TAX BONDS, SERIES 2024

This Official Statement, including the cover page, inside cover and attached appendices, is provided to furnish information regarding the bonds captioned above (the “**Bonds**”) to be issued by the City of Stockton (the “**City**”) on behalf of Improvement Area 3 (“**Improvement Area 3**”) of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) (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 have the meaning set forth in the Fiscal Agent Agreement. See “APPENDIX C – Summary of Certain Provisions of the Fiscal Agent Agreement.”

INTRODUCTION

This introduction is not a summary of the entire Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained throughout the Official Statement, including the cover page, inside cover and attached appendices, and documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Authority for Issuance. The Bonds are issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311, *et seq.*, of the Government Code of the State of California) (the “**Act**”) and pursuant to a Fiscal Agent Agreement dated as of April 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 (the “**Resolution of Issuance**”) adopted on March [19], 2024 by the City Council of the City (the “**City Council**”), as legislative body of the District. See “THE BONDS – Authority for Issuance.”

The City and the County. The City boundaries encompass approximately 64.8 square miles in the center of San Joaquin County (the “**County**”) in California’s San Joaquin Valley, 78 miles east of the San Francisco Bay area, 345 miles north of Los Angeles and 45 miles south of Sacramento. The City is a municipal corporation and a charter city, duly organized and existing under the constitution and laws of the State. For economic and demographic information

* Preliminary; subject to change.

regarding the City and the County, see “APPENDIX D – San Joaquin County and City of Stockton Demographic Information.”

Description of the Bonds. The Bonds will be issued in denominations of \$5,000 or any integral multiple of \$5,000. Interest is payable semiannually on each March 1 and September 1, commencing September 1, 2024. The Bonds will be initially issued only in book-entry form and registered to Cede & Co. as nominee of The Depository Trust Company (“DTC”), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Fiscal Agent to DTC, which remits such payments to its Participants for subsequent distribution to the registered owners as shown on the Fiscal Agent’s books. See “THE BONDS.”

Use of Proceeds. Proceeds of the Bonds will primarily be used to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements authorized to be financed by the District (the “**Improvements**,” as described herein). The Improvements consist generally of roadway, water, drainage, wastewater, and other infrastructure improvements necessary for completion of development of property within the District. The cost of a portion of the Improvements will be reimbursed by the proceeds of the Bonds and may also be reimbursed using pay-as-you go financing from the Special Tax. See “THE IMPROVEMENTS.” Proceeds of the Bonds will also be used to establish a reserve fund (described below) available for payment on the Bonds, to pay capitalized interest on a portion of the Bonds through September 1, 2025, and to provide initial administration costs and to pay the costs of the issuance of the Bonds.

The District and the Improvement Areas. The District, together with Improvement Area 3 therein, was formed in June 2018 with a maximum bond authorization of \$75,000,000, allocated \$15,000,000 to Improvement Area 1 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) (“**Improvement Area 1**”) and \$60,000,000 to Improvement Area 2 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) (“**Improvement Area 2**”). In January 2022, certain parcels that were formerly within Improvement Area 2 were moved into newly established Improvement Area 3 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) (“**Improvement Area 3**”) and Improvement Area 4 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) (“**Improvement Area 4**”) and, among other things, the maximum bond authorization for Improvement Area 3 was established at \$18,500,000. Improvement Area 1, Improvement Area 2, Improvement Area 3, and Improvement Area 4 are collectively referred to as the “**Improvement Areas**.” ***The Bonds will be the first and only “new money” series to be issued for Improvement Area 3; the Bonds are only payable from net Special Taxes levied in Improvement Area 3, as described herein.***

Land within the District (consisting of the four Improvement Areas) is known as the “Westlake Villages Development,” and is planned to develop into 2,163 homes ranging in size from 1,400 to 3,500 square feet. When fully developed, it is planned to include a master-planned portion dedicated to 55+ living, multiple neighborhood parks, a school site and a series of man-made lakes to aid in flood control. It is bounded on the west by Bishop Cut, on the north by Eight Mile Road, on the east by Regatta Lane and on the south by Disappointment Slough. Land in the District is part of a larger development being undertaken in the area. See “THE DISTRICT AND IMPROVEMENT AREA 3” for additional information.

Ownership and Development of Property. Stockton Westlake Investment, LLC, a California limited liability company (“**Stockton Westlake Investment, LLC**”), previously owned

all the land in Improvement Area 3. Eight Mile Development, Inc., a California corporation (the “**Master Developer**”), which is affiliated with Stockton Westlake Investment, LLC, constructed the backbone infrastructure necessary for all 277 lots within Improvement Area 3, and sold all 277 lots to Lennar Homes of California, LLC (“**Lennar Homes**”). All of the required backbone and in-tract improvements to develop the lots are now in place, including paved access and public utilities to the lots, and home building and sales activity is underway by Lennar Homes.

There are a total of 377 homes developing in Improvement Area 1 (Villages C, D, and F), 292 homes developing in Improvement Area 2 (Villages L, M, and N) and 277 homes developing in Improvement Area 3 (Villages E, G, and H). As of March 1, 2024, with respect to the 277 lots in Improvement Area 3, 212 homes were under construction or completed, 111 homes had been sold and 88 homes had been sold and closed to individual homeowners. Homes sold may not result in closed escrow as sales contracts are subject to cancellation by the homebuyers.

More details regarding the overall project are set forth in the following table. *Homes within Improvement Area 1 and Improvement Area 2 do not provide security for the Bonds. The Bonds are secured solely by the Special Taxes to be levied on property in Improvement Area 3.*

**Westlake Village – Overall Project Status
(Improvement Areas 1, 2 and 3)
As of March 1, 2024**

Improv. Area	Merchant Builder(s)	Total Units	Completed/Under Construction	Sold	Sold and Closed to Homeowners	% Sold and Closed to Homeowners
1	Regatta Partners; Caresco Homes; Richmond American; Lennar Homes	377	377	377	377	100%
2	Richmond American; Meritage	292	250	215	180	62%
3	Lennar Homes	277	212	111	88	32%

Sources: Master Developer; Lennar Homes.

See “OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA 3” for additional details on the Master Developer, Lennar Homes, and the ongoing development in Improvement Area 3.

Security and Sources of Payment for the Bonds. The City Council annually levies special taxes on the property in Improvement Area 3 (the “**Special Taxes**”) in accordance with the Rate and Method of Apportionment for Improvement Area 3 of City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) (the “**Special Tax Formula**”), which is attached as APPENDIX A to this Official Statement. The Bonds are secured by and payable from a first pledge of the “**Net Taxes**,” which are comprised of Gross Taxes less Administrative Expenses. “**Gross Taxes**” is defined in the Fiscal Agent Agreement as the proceeds of the Special Taxes received by the City, including any scheduled payments and any prepayments thereof and interest thereon, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. “Gross Taxes” does not include any penalties collected in connection with delinquent Special Taxes or any interest in excess of the interest due on the Bonds. The Bonds are also secured by certain funds and accounts established and held under the Fiscal Agent Agreement. In particular, a debt service reserve fund (the “**Reserve Fund**”), and within the Reserve Fund, the “**2024 Reserve Account**,” established in connection with the issuance of the Bonds in an

amount equal to the Reserve Requirement (as defined herein) for the Bonds as of their date of delivery. See “SECURITY FOR THE BONDS.”

Pursuant to the Act, the Resolution of Issuance, and the Fiscal Agent Agreement, so long as any Bonds are outstanding, the City will annually levy the Special Tax against all land within Improvement Area 3 taxable under the Act in accordance with the Special Tax Formula 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 Bonds as such becomes due and payable and to replenish the Reserve Fund as necessary. See “SECURITY FOR THE BONDS – Special Tax Methodology” and “APPENDIX A – Rate and Method of Apportionment of Special Tax.”

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of any of the parcels within Improvement Area 3. In the event of delinquency, proceedings may be conducted only against the real property on which the Special Tax is delinquent. The unpaid Special Taxes are not required to be paid upon sale of property within Improvement Area 3.

Covenant to Foreclose. The City has covenanted in the Fiscal Agent Agreement to cause foreclosure proceedings to be commenced and prosecuted against certain parcels with delinquent installments of the Special Taxes. For a more detailed description of the foreclosure covenant, see “SECURITY FOR THE BONDS – Delinquent Payments; Teeter Plan; Covenant for Superior Court Foreclosure.”

Additional Bonds for Refunding Purposes Only. The Fiscal Agent Agreement provides that additional bonds secured by the Net Taxes may be issued by the City only for the purpose of refunding then-Outstanding Bonds. See “SECURITY FOR THE BONDS – Additional Bonds for Refunding Purposes Only.”

Value Estimate of Property in Improvement Area 3. Taxable real property within Improvement Area 3 is security for the Special Tax securing the Bonds and is comprised of both developed and undeveloped property. To obtain an estimate of the value of taxable property in Improvement Area 3, the City ordered an appraisal (the “**Appraisal**”), prepared by Integra Realty Resources, Sacramento, California (the “**Appraiser**”), with a January 15, 2024 date of value. The Appraisal is described herein under the caption “VALUE OF PROPERTY WITHIN IMPROVEMENT AREA 3 AND SPECIAL TAX BURDEN – The Appraisal” and attached hereto in its entirety as APPENDIX B. The Appraisal estimates the value of the properties which are subject to the Special Tax as of the date of value of approximately \$77,324,000. See the Appraisal in APPENDIX B.

Based upon the \$77,324,000 appraised value of taxable property in Improvement Area 3 and an estimated principal amount of Bonds of \$13,960,000*, as well as overlapping land-secured debt attributable to those parcels of \$89,317, for a total direct and overlapping land-secured debt amount of \$14,049,317*, the value-to-lien ratio for such property is approximately 5.50* to 1; provided, however, that the value-to-lien ratio of individual parcels may vary significantly. See “VALUE OF PROPERTY WITHIN IMPROVEMENT AREA 3 AND SPECIAL TAX BURDEN – Value to Special Tax Burden Ratios.”

* Preliminary; subject to change.

Redemption of Bonds Before Maturity. The Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from prepaid Special Taxes. See “THE BONDS – Redemption.”

Risk Factors Associated with Purchasing the Bonds. Investment in the Bonds involves risks that may not be appropriate for some investors. See “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Bonds.

Limited Obligation of the City. The Bonds, the interest thereon, and any premiums payable on the redemption of any Bonds, are not an indebtedness of the City (except to the limited extent described in this Official Statement), the State of California (the “**State**”) or any of their respective political subdivisions. None of the City (except to the limited extent described in this Official Statement), the State or any of its political subdivisions is liable for the Bonds. Neither the faith and credit nor the taxing power of the City (except to the limited extent described in this Official Statement) or the State or any of their respective political subdivisions is pledged to the payment of the Bonds. Other than the Net Taxes, no taxes are pledged to the payment of the Bonds. The Bonds do not constitute a general obligation of the City, but are limited obligations of the City payable solely from the Net Taxes as more fully described in this Official Statement.

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 C – 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, the District or Improvement Area 3 since the date hereof.

SOURCES AND USES OF FUNDS

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

Sources

Principal Amount of Bonds	\$
<i>Plus/Less: [Net] Original Issue Premium/Discount</i>	<hr/>
<i>Total Sources</i>	\$

Uses

Improvement Fund	\$
Deposit to Interest Account ⁽¹⁾	
Deposit to 2024 Reserve Account of Reserve Fund ⁽²⁾	
Costs of Issuance ⁽³⁾	<hr/>
<i>Total Uses</i>	\$

(1) Capitalized interest will be used to pay a portion of debt service on the Bonds through September 1, 2025.

(2) Equal to the Reserve Requirement with respect to the Bonds as of their date of delivery.

(3) Includes, among other things, the fees and expenses of Bond Counsel and Disclosure Counsel, the Fiscal Agent, the Appraiser, the Special Tax Administrator, and the Municipal Advisor, Underwriter's discount, as well as the cost of printing the preliminary and final Official Statements.

THE BONDS

This section generally describes certain of the terms of the Bonds contained in the Fiscal Agent Agreement. See “APPENDIX C – Summary of Certain Provisions of the Fiscal Agent Agreement.”

Authority for Issuance

The Bonds are issued pursuant to the Fiscal Agent Agreement, the Resolution of Issuance, and the Act. On June 19, 2018, the City Council adopted Resolution No. 2018-06-19-1502-01 (the “**Resolution of Formation**”), which formed the District and Improvement Area 1 and Improvement Area 2 therein. In January 2022, certain parcels that were formerly within Improvement Area 2 were moved into newly established Improvement Area 3 and Improvement Area 4 and, among other things, the maximum bond authorization for Improvement Area 3 was established at \$18,500,000. *The Bonds will be the first and only “new money” series to be issued for Improvement Area 3. Additional Bonds secured by the Net Taxes may be issued by the City only for the purpose of refunding then-Outstanding Bonds.*

Description of the Bonds

The 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 Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will not mean the ultimate purchasers of the Bonds.

Payments of the principal, premium, if any, and interest on the 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 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 in “APPENDIX G – DTC and the Book-Entry Only System.”

The Bonds will be dated as of, and bear interest from, the date of their delivery at the rates contained, and mature in the amounts and years shown on the inside cover page of this Official Statement.

The principal of, and any redemption premium due with respect to, the Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of the Fiscal Agent in San Francisco, California, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the Bonds. Interest on the 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 September 1, 2024.

Interest on the 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 Bonds; provided that so long as any Bonds are in book-entry form, payments with respect to such Bonds will 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 Bond will 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 will 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 will 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 will bear interest from the dated date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal, premium, if any, and interest on the 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 direct participants and indirect participants, as more fully described herein. See “APPENDIX G – DTC and the Book-Entry Only System.”

Redemption*

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

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, ____ through August 30, ____	
September 1, ____ through August 30, ____	
September 1, ____ through August 30, ____	
September 1, ____ and any date thereafter	

Mandatory Redemption from Prepayments. The Bonds are subject to mandatory redemption from 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 Interest Payment Date at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

* Preliminary; subject to change.

Redemption Dates**Redemption Price**

Interest Payment Dates through March 1, ____
 September 1, ____ and March 1, ____
 September 1, ____ and March 1, ____
 September 1, ____ and Interest Payment Dates thereafter

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

Term Bonds Due September 1, ____

Mandatory Redemption Date (September 1)	Sinking Fund Payment
--	---------------------------------

Term Bonds Due September 1, ____

Mandatory Redemption Date (September 1)	Sinking Fund Payment
--	---------------------------------

The amounts in the foregoing tables will 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 Term Bonds.

Purchase In Lieu of Redemption. In lieu of redemption, moneys in the Redemption Account may be used and withdrawn by the Fiscal Agent for purchase of outstanding 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 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 will 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 Bonds designated for redemption, at their addresses appearing on the Bond registration books in the principal office of the Fiscal Agent; but such mailing is not a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such Bonds.

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

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

City's Right to Rescind. The City has the right to rescind any notice of the optional redemption of Bonds and such notice may 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 Bonds then called for redemption. Neither the City nor the Fiscal Agent will have any liability to the Owners of the Bonds or any other party related to any such rescission of redemption.

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 Bonds so called for redemption are deposited in the Redemption Account, such Bonds so called will 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 will accrue thereon on or after the redemption date specified in such notice.

Transfer or Exchange of Bonds

So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Bonds will be made in accordance with DTC procedures. See APPENDIX G. Any 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 Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any Bond(s) will be surrendered for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new Bond(s), for a like aggregate principal amount of Bond(s) of authorized denominations and of the same maturity. The City will pay the cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange. The Fiscal Agent will 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 Bonds will be required to be made (i) within 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after that Bond has been selected for redemption.

SECURITY FOR THE BONDS

Pledge of Special Taxes

The Bonds are secured by and payable from a first pledge of the Net Taxes. The Bonds are secured by and payable from a first pledge of the “**Net Taxes**,” which are comprised of Gross Taxes less Administrative Expenses. “**Gross Taxes**” is defined in the Fiscal Agent Agreement as the proceeds of the Special Taxes received by the City, including any scheduled payments and any prepayments thereof and interest thereon, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. “Gross Taxes” does not include any penalties collected in connection with delinquent Special Taxes or any interest in excess of the interest due on the Bonds.

The Bonds are also secured by the Reserve Fund held under the Fiscal Agent Agreement and, subject to prior disbursement to pay costs of the Improvements, moneys in the Improvement Fund. Until disbursed as provided in the Fiscal Agent Agreement, moneys in the Special Tax Fund, are pledged to the payment of the principal of, and interest and any premium on, the Bonds, as provided in the Fiscal Agent Agreement and in the Act, until all the Bonds have been paid and retired, or until moneys or Federal Securities have been set aside irrevocably for that purpose.

The Improvements are not pledged to pay the debt service on the Bonds. Any proceeds of condemnation, destruction or other disposition of any Improvements are not pledged to pay the debt service on the 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 3 will be levied and collected according to the tax liability determined by the City Council through the application of the Special Tax Formula, the complete copy of which is set forth in APPENDIX A hereto, for all taxable properties in Improvement Area 3. Interest and principal on the Bonds are payable from the annual Special Taxes to be levied and collected on taxable property within Improvement Area 3, from amounts held in the funds and accounts established under the Fiscal Agent Agreement (other than the Rebate Fund) and from the proceeds, if any, from the sale of such property for delinquency of such Special Taxes. For purposes of this Official Statement, DTA has served as special tax consultant to the City (the “**Special Tax Consultant**”) and prepared certain information regarding the Special Taxes applicable to Improvement Area 3.

Under the Special Tax Formula, taxable parcels in Improvement Area 3 are subject to both (i) “**Special Tax A**,” which is levied for public facilities, and (ii) “**Special Tax B**” which is levied for public services. ***Only Special Tax A is pledged to the Bonds and all references in this Official Statement to the Special Tax securing the Bonds means “Special Tax A” as defined in the Special Tax Formula.***

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 Act in an amount determined according to the Special Tax Formula approved by

the City. See “–Special Tax Methodology” below and “APPENDIX A – Rate and Method of Apportionment of Special Tax.”

The amount of Special Taxes that Improvement Area 3 may levy in any year, and from which principal and interest on the Bonds is to be paid, is strictly limited by the maximum rates approved by the qualified electors within Improvement Area 3 which are set forth as the “Maximum Special Tax A” for facilities in the Special Tax Formula (the “**Maximum Annual Special Tax**”). Under the Special Tax Formula, Special Taxes for the purpose of making payments on the Bonds will be levied annually in an amount, not in excess of the annual Maximum Annual Special Tax. The Special Taxes and any interest earned on the Special Taxes constitute a trust fund for the principal of and interest on the Bonds pursuant to the Fiscal Agent Agreement and, so long as the principal of and interest on these obligations remains unpaid, the Special Taxes and investment earnings thereon will not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and will be held in trust for the benefit of the owners thereof and will be applied pursuant to the Fiscal Agent Agreement. The Special Tax Formula apportions the Annual Costs (as defined in the Special Tax Formula and described below) among the taxable parcels of real property within Improvement Area 3 according to the rate and methodology set forth in the Special Tax Formula. See “–Special Tax Methodology” below. See also “APPENDIX A – Rate and Method of Apportionment of Special Tax.”

The City may levy the Special Tax at the Maximum Annual Special Tax rate, which has been authorized by the qualified electors within Improvement Area 3, as set forth in the Special Tax Formula, if conditions so require. Because each year’s Special Tax levy is limited to the Maximum Annual 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 Annual Costs will in fact be collected in any given year. See “SPECIAL RISK FACTORS – 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.

Special Tax Methodology

The Special Tax authorized under the Act applicable to land within Improvement Area 3 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 set forth in “APPENDIX A – Rate and Method of Apportionment of Special Tax” and in accordance with the Act. See “SPECIAL RISK FACTORS – Levy and Collection of Special Tax.” Capitalized terms set forth in this section and not otherwise defined have the meanings set forth in the Special Tax Formula.

Determination of Special Tax Requirement for Facilities. Each year, the City will determine the “**Special Tax Requirement for Facilities**,” which includes the following items (less any applicable credits for available revenues):

- (i) debt service on bonds issued for Improvement Area 3;
- (ii) any amounts needed to replenish bond reserve funds;
- (iii) pay Administrative Expenses;
- (iv) an amount equal to Special Tax delinquencies reasonably anticipated for such year and for previous year’s delinquencies in excess of the amount estimated for such year; and
- (v) pay-as-you-go construction expenditures for authorized improvements.

The calculation of the Special Tax Requirement for Facilities is the basis for the amount of Special Tax to be levied within Improvement Area 3. In no event may the City levy a Special Tax in any year above the Maximum Annual Special Tax identified for each parcel in the Special Tax Formula.

Parcels Subject to the Special Tax. Each Fiscal Year, all Taxable Property within Improvement Area 3 shall be classified as Developed Property, Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, or Taxable Public Property and shall be subject to Special Taxes in accordance with the Special Tax Formula determined pursuant to the provisions thereof. Residential Property shall be assigned to Land Use Classes 1 through 6 as listed in Table 1 in the Special Tax Formula based on the description and the Residential Floor Area for each Dwelling Unit. Non-Residential Property shall be assigned to Land Use Class 7.

Transition Year. A portion of the Maximum Special Tax A will transition from being used for public facilities to public services as described in the Special Tax Formula as of the Transition Year. “**Transition Year**” means the first year in which the CFD Administrator determines that the Transition Event has occurred in the prior Fiscal Year, and “**Transition Event**” means the earlier of (i) July 1, 2072 or (ii) the Fiscal Year when the CFD Administrator determines that the following events have occurred: (i) all Bonds secured by the levy and collection of Special Tax A in the CFD have been fully repaid, (ii) all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and (iii) there are no other Authorized Facilities that the City intends to fund with Bonds and Facilities Taxes.

Assigned Special Tax A and Backup Special Tax A. The Maximum Special Tax A for each Assessor’s Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax A and (ii) the amount derived by application of the Backup Special Tax A. In the Transition Year and each Fiscal Year thereafter, no Special Tax A shall be levied on Undeveloped Property, unless there are delinquent Special Tax A amounts on a Parcel of Undeveloped Property, in which case such delinquent Special Tax A amounts can continue to be levied against a parcel until they are collected.

Developed Property. Residential Property shall be assigned to Land Use Classes 1 through 6 as listed in Table 1 to the Special Tax Formula based on the Residential Floor Area for each Dwelling Unit. Non-Residential Property shall be assigned to Land Use Class 7. Pursuant to the Special Tax Formula, the Assigned Special Tax that was authorized to be levied in Fiscal Year 2021-22 for each Assessor’s Parcel classified as Developed Property is shown on Table 1 to the Special Tax Formula. The Backup Special Tax A for an Assessor’s Parcel of Developed Property equaled \$25,212 per Acre for Fiscal Year 2021-22. On each July 1, the Assigned Special Tax A and the Backup Special Tax A shall be increased by an amount equal to 2.00% of the amount in effect for the previous Fiscal Year. The Assigned Special Taxes for Fiscal Year 2024-25 are set forth in Table 5, herein.

Furthermore, all Assessor’s Parcels shall be relieved simultaneously and permanently from the obligation to pay and disclose the Backup Special Tax A if the CFD Administrator calculates that (i) the annual debt service required for the Outstanding Bonds, when compared to the Assigned Special Tax A that could be levied against all Assessor’s Parcels of Developed Property, results in 110% debt service coverage (i.e., the Assigned Special Tax A that could be levied against all Developed

Property in each remaining Fiscal Year based on the then existing development is at least equal to the sum of (a) 1.10 times the debt service necessary to support the remaining Outstanding Bonds in each corresponding Fiscal Year, and (b) the Administrative Expenses as defined in Section A of the Special Tax Formula), and (ii) all authorized Bonds have already been issued or the City has covenanted that it shall not issue any additional Bonds (except refunding bonds) to be supported by the Assigned Special Taxes.

In some instances, an Assessor's Parcel of Developed Property may contain more than one (1) Land Use Class. The Special Taxes levied on an Assessor's Parcel shall be the sum of the Special Taxes for all Land Use Classes located on that Assessor's Parcel. If an Assessor's Parcel of Developed Property includes both Residential Property and Non-Residential Property, the Acreage to be assigned to the Non-Residential Property for purposes of establishing the annual Special Tax A shall equal the Non-Residential Floor Area on the Assessor's Parcel divided by Total Floor Area on the Assessor's Parcel multiplied by the Acreage of the Assessor's Parcel. Furthermore, for a condominium plan, if only a portion of its building permits have been issued, the remaining portion of the condominium plan shall be considered Final Mapped Property. The CFD Administrator's allocation to each type of property shall be final.

Final Mapped Property, Undeveloped Property, and Other Categories. The Fiscal Year 2021-22 Maximum Special Tax for each Assessor's Parcel of Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be \$25,212 per Acre. On each July 1, the Maximum Special Tax for Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be increased by an amount equal to 2.00% of the amount in effect for the previous Fiscal Year.

The calculation of the Maximum Special Tax for Final Mapped Property for Fiscal Year 2024-25 is shown in the following table:

Final Mapped Property Special Tax Calculation	
Final Mapped Property Acres ⁽¹⁾	8.52
Maximum Special Tax (Per Acre) ⁽²⁾	\$26,755
Total	\$228,008

(1) Based on the area/acreage identified for residential lots on the County Assessor's Roll, as of January 1, 2023.

(2) Rate and Method of Apportionment for Improvement Area No. 3 of CFD No. 2018-2 (Westlake Villages II).

Source: DTA.

Annual Levy of Special Tax A. For each Fiscal Year, the CFD Administrator shall determine the Special Tax A Levy as follows:

First: The Assigned Special Tax A shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Assigned Special Tax A for Developed Property.

Second: If additional monies are needed to satisfy the Special Tax A Requirement after the first step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Final Mapped Property until (i) the total Special Taxes levied under the first two steps listed herein is equal the Special Tax A Requirement, or (ii) the Special Taxes levied on Final Mapped Property equal 100% of the Maximum Special Tax, whichever comes first.

Third: If additional monies are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property until (i) the total Special Taxes levied under the first three steps listed herein is equal the Special Tax A Requirement, or (ii) the Special Tax A levied on Undeveloped Property equals 100% of the Maximum Special Tax A, whichever occurs first.

Fourth: If additional monies are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, then the levy of the Special Tax A on each Assessor's Parcel of Developed Property for which the Maximum Special Tax A is determined through the application of the Backup Special Tax A shall be increased in equal percentages from the Assigned Special Tax A up to 100% of the Maximum Special Tax A for each such Assessor's Parcel of Developed Property until (i) the total Special Taxes levied under the first four steps listed herein is equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Developed Property equal 100% of the Maximum Special Tax A for Developed Property, whichever occurs first.

Fifth: If additional monies are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property until (i) the total Special Taxes levied under the first five steps listed herein is equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Taxable Property Owner Association Property equal 100% of the Maximum Special Tax A for Property Owner Association Property, whichever occurs first.

Sixth: If additional monies are needed to satisfy the Special Tax A Requirement after the first five steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property until (i) the total Special Taxes levied under the first six steps listed herein is equal the Special Tax A Requirement, or (ii) the Special Taxes levied on all Taxable Public Property equal 100% of the Maximum Special Tax A for Taxable Public Property, whichever occurs first.

Notwithstanding the above, the CFD Administrator or its designee may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax A in the first step (above), when (i) the City is no longer required to levy the Special Tax A beyond the first step (above) in order to meet the Special Tax A Requirement; and (ii) all authorized Bonds have already been issued or the City has covenanted that it will not issue any additional Bonds (except refunding bonds), to be supported by the Special Tax A.

Termination of the Special Tax. The Special Tax will be levied and collected (up to maximum allowable amount) for as long as needed to pay the principal and interest on the Bonds and other costs incurred in order to construct and acquire the authorized public facilities; provided, however, the Special Tax may not be levied after fiscal Year 2071-72.

Prepayment of the Special Tax. The Special Tax Formula provides that landowners may permanently satisfy all or a portion of the Special Tax by a cash settlement with the City. The amount of the prepayment required is to be calculated according to a formula set forth in the Special Tax Formula, which is generally based on the Parcel's share of the outstanding Bonds, remaining facilities costs which have not been bonded, the Reserve Fund, fees, call premiums, negative arbitrage and any expenses incurred by the City in connection with the prepayment and expected future facilities costs.

Annual Special Tax; Maximum Special Tax

The annual Special Tax will be calculated by the City and levied each year to meet the Special Tax Requirement for Facilities. However, in no event may the City levy a Special Tax in any year above the Maximum Annual Special Tax identified for each parcel in the Special Tax Formula. See "APPENDIX A – Rate and Method of Apportionment of Special Tax."

In addition to the maximum annual Special Tax rate limitation in the Special Tax Formula, Section 53321(d) of the 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. The debt service on the Bonds has been structured so that an annual Special Tax levy only on residential properties will be sufficient for annual payments on the Bonds, however in cases of significant delinquencies, default in the payment of principal of and interest on the Bonds may occur.

The Special Tax levy may include a pay-as-you-go component. The Special Tax Formula provides a mechanism whereby the City may utilize the pay-as-you-go component to pay for and/or reimburse developers of property in Improvement Area 3 for a portion of the cost of Improvements not funded by proceeds of the bonds issued for Improvement Area 3. In the event it is utilized, proceeds of the annual Special Tax levy will first be used to pay the Annual Costs other than pay-as-you-go expenditures and second, if the levy included a pay-as-you-go component, for authorized facilities costs not funded from Bond proceeds.

Levy and Collection of Special Taxes

The City shall cause Special Taxes in an amount corresponding to the Special Tax Requirement for Facilities to be levied each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which the County Treasurer-Tax Collector will accept the transmission of the Special Tax amounts for the parcels within Improvement Area 3 for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the City shall prepare or cause to be prepared, and shall transmit to the County Treasurer-Tax Collector such data as the County Treasurer-Tax Collector requires to include the levy of the Special Taxes on the next secured real property tax roll.

The City shall fix and levy the amount of Special Taxes within Improvement Area 3 required for the payment of principal of and interest on any outstanding Bonds of Improvement Area 3 becoming due and payable during the ensuing Bond Year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the rate and method of apportionment of the Special Taxes for Improvement Area 3 and the Ordinance. In any event, the Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

Special Tax Fund

The City covenants that it will receive Net Taxes in trust for the Owners and will instruct the Chief Financial Officer to deposit all Net Taxes with the Fiscal Agent at least three Business Days prior to each Interest Payment Date, and the City shall have no beneficial right or interest in the amounts so deposited, except as provided by this Agreement. All such Net Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth in this Agreement, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the City.

Pursuant to the Fiscal Agent Agreement, the Fiscal Agent establishes as a separate fund to be held by the Fiscal Agent for the benefit of the owners of the Bonds, the Special Tax Fund. The Fiscal Agent is required to deposit the Special Taxes in the Special Tax Fund and thereafter transfer the Net Taxes on the dates and in the amounts in the following order of priority:

(1) To the Interest Account of the Special Tax Fund, at least one Business Day prior to each Interest Payment Date, the amount required to pay interest the Bonds on the immediately succeeding Interest Payment Date; provided, that to the extent that deposits have been made in the Interest Account from the proceeds of the sale of an issue of the Bonds, or otherwise, the transfer from the Special Tax Fund need not be made;

(2) To the Principal Account of the Special Tax Fund, at least one Business Day prior to each Interest Payment Date, the amount required to pay principal of the Bonds (including mandatory sinking fund payments) on the immediately succeeding Interest Payment Date; provided, that to the extent that deposits have been made in the Interest Account from the proceeds of the sale of an issue of the Bonds, or otherwise, the transfer from the Special Tax Fund need not be made;

(3) To the Redemption Account of the Special Tax Fund, moneys needed for the purpose of redeeming Bonds called for optional redemption prior to maturity, to be applied on or after the redemption date to the payment of principal, interest and premiums, if any, on the Bonds to be redeemed;

(4) To the Reserve Fund, after taking into account amounts then on deposit in the Reserve Fund, the amounts needed so that the amount in the Reserve Fund equals the Reserve Requirement; and

(5) To the Surplus Fund, as soon as practicable after each September 2, all remaining amounts in the Special Tax Fund. The amounts in the Surplus Fund are not pledged to the repayment of the Bonds and may be used by the City for any lawful purpose. Moneys deposited in the Surplus Fund shall be transferred by the Fiscal Agent upon the direction of the City.

Reserve Fund

The Fiscal Agent Agreement establishes the Reserve Fund, and within the Reserve Fund, the 2024 Reserve Account, to be held by the Fiscal Agent, to the credit of which a deposit

shall be made upon issuance of the Bonds in the amount of the Reserve Requirement with respect to the Bonds as of the date of their delivery.

Moneys in the 2024 Reserve Account of the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest on, the Bonds and will be subject to a lien in favor of the Owners of the Bonds. Unless otherwise set forth in a Supplemental Agreement, for each Series of Additional Bonds covered by the Reserve Fund, the Fiscal Agent shall establish a separate account within the Reserve Fund for each such Series, which account shall be maintained purely for accounting purposes, and amounts in all accounts within the Reserve Fund shall be pledged to all Bonds equally and ratably.

Upon delivery of the Bonds, the amount on deposit in the 2024 Reserve Account of the Reserve Fund will be established by depositing certain proceeds of the Bonds in the amount of the “**Reserve Requirement**” for the Bonds, which means , as of the date of any calculation, an amount equal to the lesser of (a) Maximum Annual Debt Service on the respective Outstanding Bonds covered by the Reserve Fund, (b) 125% of the average Annual Debt Service on the respective Outstanding Bonds covered by the Reserve Fund, or (c) 10% of the original principal amount of the respective Bonds covered by the Reserve Fund (or the issue price of the respective Bonds excluding accrued interest, if the net original issue discount or premium is less than 98% or more than 102% of the principal amount of the respective Bonds), as calculated by the City. However, in no event will the City, in connection with the issuance of Additional Bonds covered by the Reserve Fund be obligated to deposit an amount in the Reserve Fund which is in excess of the amount permitted by the applicable provisions of the Tax 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, in the event the amount of any such deposit into the Reserve Fund is so limited, the Reserve Requirement will, in connection with the issuance of such Additional Bonds, be increased only by the amount of such deposit as permitted by the Code, and the City may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Fund Credit Instrument in the Reserve Fund as described above.

The City is required to maintain an amount of money or other security equal to the Reserve Requirement in the Reserve Fund at all times that the Bonds are outstanding. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Special Tax Fund in the event of any deficiency of the amount required for payment of the principal of, and interest on, the Bonds on such Interest Payment Date.

Whenever 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 Improvement Fund, if the Project has not been completed as of the date of such transfer, or if the Project has been completed, to the Special Tax Fund to be used for the payment of the principal of and interest on the Outstanding Bonds, 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.

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: (1) a Qualified Reserve Fund Credit Instrument, and (2) an opinion of Bond Counsel stating that such release will not, of itself, cause the portion of the interest on the Bonds to become includable in gross income for

purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, the Fiscal Agent will transfer such funds from the Reserve Fund to the City. Prior to the expiration of any Qualified Reserve Fund Credit Instrument, the City is obligated either to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or to deposit or cause to be deposited with the Fiscal Agent an amount of funds such that the funds on deposit in the Reserve Fund together with all Qualified Reserve Fund Credit Instruments held by the Fiscal Agent is at least equal to the Reserve Requirement (which funds may come from a draw by the Fiscal Agent on the Qualified Reserve Fund Credit Instrument prior to its expiration). Any Qualified Reserve Fund Credit Instrument deposited with the Fiscal Agent shall contain instructions to the Fiscal Agent with respect to the purpose and use thereof.

Under the Fiscal Agent Agreement, a “**Qualified Reserve Fund Credit Instrument**” is defined as an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company, provided that all of the following requirements are met: (a) the long-term credit rating of such bank or insurance company is rated at the time of issuance in the “AA” category or higher by S&P or Moody’s (without regard to qualifier); (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Special Tax Fund for the purpose of making payments required pursuant to the Fiscal Agent Agreement or the amount to be restored to the Reserve Fund if not timely renewed or extended.

If a Qualified Reserve Fund Credit Instrument were obtained in the future, and the long-term credit rating of the provider thereof was downgraded after the date of issuance of such Qualified Reserve Fund Credit Instrument, the City would not be obligated to replace the Qualified Reserve Fund Credit Instrument or otherwise fund the Reserve Fund.

Delinquent Payments; Teeter Plan; Covenant for Superior Court Foreclosure

General. 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 or collected at a different time to meet the City’s financial obligations. In the event of a delinquency in the payment of any installment of Special Taxes, the City is authorized by the Act to order institution of an action in superior court to foreclose the lien therefor.

Teeter Plan. In 1949, the California Legislature enacted an alternative method for the distribution of property taxes to local agencies. This method, commonly known as the Teeter Plan, is set forth in Sections 4701-4717 of Revenue and Taxation Code of the State of California. The San Joaquin County Board of Supervisors (the “Board of Supervisors”) approved implementation of the Teeter Plan in November 1993, both as to general and special taxes entered and collected on the secured tax roll.

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes, special taxes and assessments are distributed to taxing agencies within a county included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. A county then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with the Teeter Plan, a county can advance to the participating taxing agencies an amount equal to 95% of the total then-prior years’ delinquent secured property taxes, 100% of

the total then-prior years' delinquent secured special taxes, including the associated penalties and interest, and 100% of the then-current year's secured roll levy.

The Teeter Plan remains in effect unless the Board of Supervisors orders discontinuance. The County policy provides that it may order discontinuance of the Teeter Plan as to special taxes for the next year if the rate of delinquency for a taxing district exceeds 3% in any Fiscal Year. Unless and until the Board of Supervisors orders discontinuance of the Teeter Plan with respect to the District, the City is credited with 100% of the scheduled Special Tax payments without regard to actual amounts collected. The City can give no assurance, however, that the Teeter Plan will be continued in future years.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a *pro rata* adjustment for the amount of the change is made on the records of the treasurer of the County and the County Auditor. Such an adjustment would be an offset to future distributions of tax revenues to the District.

So long as the County maintains its policy of collecting taxes pursuant to said procedures and the City meets the Teeter Plan requirements, the City will receive 100% of the annual installments levied on taxable parcels in Improvement Area 3 without regard to actual collections. No assurance can be given that the County will continue to include special taxes levied within community facilities districts in the Teeter Plan, and the County could decide to discontinue the inclusion of such special taxes in the Teeter Plan at any time, or to discontinue the Teeter Plan in its entirety.

Foreclosure Covenant. 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 October 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:

- Aggregate Delinquencies. 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 within 30 days thereafter institute foreclosure proceedings as authorized by the Act in order to enforce the lien of the delinquent installment of the Special Tax against each separate lot or parcel of land in Improvement Area 3 for which such installment of the Special Tax is delinquent, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; or
- Individual Delinquencies. The amount so collected is deficient by less than 5% of the total amount of the Special Tax levied in Improvement Area 3 in such Fiscal Year, but that property owned by any single property owner in Improvement Area 3 is delinquent by more than \$5,000 with respect to the Special Tax due and payable by such property owner in such Fiscal Year and prior Fiscal Year(s), it will within 30 days thereafter institute foreclosure proceedings as authorized by the Act in order to enforce the lien of the delinquent installment of the Special Tax against each such property, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale.

The Chief Financial Officer shall notify legal counsel of any such delinquency of which it is aware, and such legal counsel shall commence, or cause to be commenced, such actions to

collect such delinquencies and subsequent foreclosure proceedings in such a manner as such counsel deems appropriate.

Notwithstanding the foregoing, the City's obligation to pursue foreclosure shall be at the option of the City so long as (i) the Teeter Plan is in effect with respect to any delinquent parcel meeting the conditions above, and (ii) there is no then-outstanding draw on any amounts in the Reserve Fund.

Foreclosure Proceedings. Under the 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 that will be sufficient to pay or reimburse the delinquent special taxes.

The Owners of the Bonds benefit from the Reserve Fund established pursuant to the Fiscal Agent Agreement; however, if delinquencies in the payment of the Special Taxes with respect to the Bonds 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 Bonds pending prosecution of foreclosure proceedings and receipt by the City of the proceeds of foreclosure sales. Provided that it is not levying the Special Tax at the Maximum Annual Special Tax rates set forth in the Special Tax Formula, the City may adjust (but not to exceed the Maximum Annual Special Tax and subject to the limitation described under the caption “— Special Tax Methodology – Limitation on Increases of Special Tax Levy” above) the Special Taxes levied on all property within Improvement Area 3 subject to the Special Tax to provide an amount required to pay debt service on the Bonds and to replenish the Reserve Fund.

Under current law, a judgment debtor (property owner) has at least 120 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 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 3 AND SPECIAL TAX BURDEN – Overlapping Liens and Priority of Lien.”

No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the City to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-

judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.6 of the Act, the City, as judgment creditor, is entitled to purchase any property sold at foreclosure using a “credit bid,” where the City could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the City becomes the purchaser under a credit bid, the City must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

Additional Bonds For Refunding Purposes Only

The City may issue one or more additional series of special tax bonds, payable from Net Taxes and secured by the Net Taxes equally and ratably with, or subordinate to, Bonds previously issued, in such principal amount as shall be determined by the City, but only if (a) the bonds are issued to refund some or all of the then-Outstanding Bonds and (b) debt service on the refunding bonds is less than debt service on the Bonds refunded.

DEBT SERVICE SCHEDULE

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

**Improvement Area 3 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Special Tax Bonds Series 2024
Debt Service Schedule***

Period Ending (Sept. 1)	Bonds Principal	Bonds Interest	Bonds Total
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* Preliminary; subject to change.

(1) Capitalized interest will be used to pay a portion of debt service on the Bonds through September 1, 2025.

Source: Underwriter.

The projected annual debt service coverage on the Bonds (based on the Assigned Special Tax and the projected debt service on the Bonds) is shown below.

**Improvement Area 3 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Debt Service Coverage Based on Assigned Special Tax**

Period Ending (Sept.1)	Assigned Special Taxes⁽¹⁾	Administrative Expenses⁽²⁾	Special Taxes Available For Debt Service	2024 Bonds Net Debt Service^{(3)*}	Debt Service Coverage*
2024	\$0	\$0	\$0		NA
2025	821,910	(25,500)	231,144		
2026	838,348	(26,010)	812,338		
2027	855,115	(26,530)	828,585		
2028	872,217	(27,061)	845,156		
2029	889,662	(27,602)	862,060		
2030	907,455	(28,154)	879,301		
2031	925,604	(28,717)	896,887		
2032	944,116	(29,291)	914,825		
2033	962,998	(29,877)	933,121		
2034	982,258	(30,475)	951,783		
2035	1,001,904	(31,084)	970,819		
2036	1,021,942	(31,706)	990,236		
2037	1,042,380	(32,340)	1,010,040		
2038	1,063,228	(32,987)	1,030,241		
2039	1,084,493	(33,647)	1,050,846		
2040	1,106,182	(34,320)	1,071,863		
2041	1,128,306	(35,006)	1,093,300		
2042	1,150,872	(35,706)	1,115,166		
2043	1,173,890	(36,420)	1,137,469		
2044	1,197,367	(37,149)	1,160,219		
2045	1,221,315	(37,892)	1,183,423		
2046	1,245,741	(38,649)	1,207,092		
2047	1,270,656	(39,422)	1,231,233		
2048	1,296,069	(40,211)	1,255,858		
2049	1,321,990	(41,015)	1,280,975		
2050	1,348,430	(41,835)	1,306,595		
2051	1,375,399	(42,672)	1,332,727		
2052	1,402,907	(43,526)	1,359,381		
2053	1,430,965	(44,396)	1,386,569		
2054	1,459,584	(45,284)	1,414,300		
Total	\$33,343,304	(\$1,034,486)	\$31,743,552		

* Preliminary; subject to change.

(1) Assigned Special Tax for Fiscal Year 2024-25 (assuming full buildout) escalating by 2% per year, per the Rate and Method of Apportionment.

(2) Based on an estimated Administration Expense budget of \$25,000 in FY 2023-24.

(3) Capitalized interest will be used to pay a portion of debt service on the Bonds through September 1, 2025.

Sources: City of Stockton, Underwriter, DTA.

THE DISTRICT AND IMPROVEMENT AREA 3

Formation of the District and Improvement Area 3

On June 19, 2018, the City Council adopted the Resolution of Formation, which formed the District, and Improvement Area 1 and Improvement Area 2 therein. In January 2022, certain parcels that were formerly within Improvement Area 2 were moved into newly established Improvement Area 3 and Improvement Area 4.

Location and Description of the District and the Immediate Area

The District. The District is bounded on the west by Bishop Cut, on the north by Eight Mile Road, on the east by Regatta Lane and on the south by Disappointment Slough in the City. It is part of a larger development project, as described further herein. See “OWNERSHIP AND DEVELOPMENT OF IMPROVEMENT AREA 3.”

Maps. The maps on the following pages show the area of the District and Improvement Area 3 therein.

[Reserved for Map #1 – Aerial Overview]

[Reserved for Map #2 – DTA Map Overview]

[Reserved for Map #3 – Detailed Improvement Area 3 Plan]

Environmental Matters

Flood Zone. According to the Federal Emergency Management Agency (FEMA) National Flood Insurance Program, Flood Insurance Rate Map (FIRM), the subject is located within Zone X (areas outside of the 0.2% annual chance flood plain), as reflected by FEMA map panel 06077C-0295F (dated October 16, 2009).

Seismic Conditions. According to the Seismic Safety Commission, the subject properties are located within Zone 3, which is considered to be the lowest risk zone in California. There are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, the subject is not located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology.

Fire Hazard. Land in Improvement Area 3 is not located within a High Fire Hazard Severity Zone or Very High Fire Hazard Severity Zone as defined by CalFIRE.

The Improvements

The City expects to utilize proceeds of the Bonds to reimburse costs expended for infrastructure facilities constructed and necessary to facilitate development in Improvement Area 3 and, more broadly, the District. Authorized District facilities consist generally of roadway improvements, water and wastewater system improvements, drainage system improvements, sound walls, landscaping and certain incidental expenses. The Special Tax Formula provides that the funding of Improvement costs can also be made from collections of the Special Tax available as the “pay-as-you-go” component of Special Taxes. The pay-as-you-go funding component could provide for funding of the cost of the Improvements in excess of the amount provided from Bond proceeds through annual Special Tax collections in excess of the amount needed to pay the debt service on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology.”

OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA 3

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within Improvement Area 3. There is no assurance that the present property owners or any subsequent owners will have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay the Special 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 3 of the Special Tax or the principal or interest on the Bonds, or the ability to control who becomes a subsequent owner of any property within Improvement Area 3.

The Master Developer and Lennar Homes have provided certain information set forth in this section entitled “OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA 3.” No representation is made by the City or the Underwriter as to the accuracy or adequacy of such information so provided. There may be material adverse changes to this information after the date of this Official Statement. In addition, any Internet addresses included below are for reference only, and the information on those Internet sites is not a part of this Official Statement or incorporated by reference into this Official Statement.

Certain other information contained below has been obtained from the Appraisal. See APPENDIX B.

No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner or in the configuration or to the density described herein, or that Lennar Homes or any other property owner will or will not retain ownership of its property in Improvement Area 3. Neither the Bonds nor the Special Taxes are personal obligations of the Master Developer, Lennar Homes or of 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, Lennar Homes or any other landowners. The Bonds are secured only by the Special Taxes and moneys available under the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS" and "SPECIAL RISK FACTORS" herein.

Current Ownership

The following table shows the estimated Fiscal Year 2024-25 maximum special taxes levied on owners of property in Improvement Area 3 as of the January 15, 2024 date of value of the Appraisal. The Special Tax for Fiscal Year 2024-25 will only be levied on Developed Property as defined in the Special Tax Formula. Additional information on the Master Developer and each of Lennar Homes and their planned development in Improvement Area 3 is provided below.

Table 1
Improvement Area 3 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Estimated Top Taxpayers for Fiscal Year 2024-25

Owners of Record⁽¹⁾	Number of Lots⁽¹⁾	Taxable Acres⁽²⁾	Est. FY 2024-25 Maximum Special Taxes⁽³⁾	Share of Special Tax
Individual Owners	67	9.38	\$250,857	25.01%
Lennar Homes ⁽²⁾	210	28.11	752,034	74.99
Totals	277	37.48	\$1,002,891	100%

(1) Source: Appraisal prepared by Integra Realty Resources, dated February 6, 2024.

(2) Based on the area/acreage identified for residential lots on the County Assessor's Roll, as of January 1, 2023.

(3) Based on the application of the backup special tax pursuant to Section C.3 of the Rate and Method of Apportionment, in an amount of \$26,231 per acre for FY 2024-25.

Source: DTA.

Development Plan and Current Status

General. Land in the District is planned to be developed into 2,163 homes ranging in size from 1,400 to 3,500 square feet. It is bounded on the west by Bishop Cut, on the north by Eight Mile Road, on the east by Regatta Lane and on the south by Disappointment Slough in the City. The land in the District is part of a larger residential community referred to as the "Westlake Villages Development," being developed by the Master Developer in the City (herein, the "**Westlake Villages Development**").

The Westlake Villages Development includes approximately 580 acres that is planned for approximately 2,163 homes including 767 active adult (55+ age-restricted) homes (not

including the 322 single-family homes built in the initial phase of the Westlake Village Development that are located outside the District, referred to by the Master Developer as Villages O, P & Q) and approximately 68 acres of lakes, an 11-acre community park and a recreation center to be located on 5 acres. There is no commercial component to the Westlake Villages Development. The Westlake Villages Development covers the land in Improvement Area 3 of the District as well as in the three other improvement areas established for the District and land outside the District. *Only the special taxes levied in Improvement Area 3 are security for the Bonds.*

The Master Developer maintains an internet website (www.westlakeliving.com) for the Westlake Villages Development. The website address is given for reference and convenience only, and the information on the website may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.

Utilities. It is expected that utility service for the taxable property in Improvement Area 3 will be provided by the following entities:

Utility	Provider
Water/Sewer	City of Stockton
Electricity/Natural Gas	Pacific Gas & Electric (PG&E)
Data/Phone	Comcast/AT&T

Final Map Status. All 277 single-family residential units have received final map approval.

Purchase of Lots by Lennar Homes. Lennar Homes purchased all 277 lots within Improvement Area 3 from the Master Developer. All of the land in Improvement Area 3 transferred in a larger transaction that consisted of Villages G, H, E, I, and J from Eight Mile Development, Inc. to Lennar Homes for \$13,547,724 or \$31,887 per lot. The transaction as a whole was 428 lots with a typical lot size of 5,818 square feet and the transaction was negotiated in May of 2021. The villages were taken down over time with the first transfer occurring in October of 2021 and the last village transferred in September of 2023.

Homes Under Construction. Lennar Homes is current building and selling production homes in Improvement Area 3. As of January 15, 2024 (the date of value of the Appraisal), Lennar Homes had sold and closed 67 homes to individual homeowners.

Backbone Infrastructure and Other Development Conditions. The Development Agreement and Subdivision Agreement require satisfaction of various items as conditions of development of the Westlake Villages Development. All of the backbone infrastructure improvements necessary for the build-out of the 277 single-family homes in Improvement Area 3 (Villages E, G, and H), including backbone roads and related improvements are in place. A listing of the key capital improvements – both backbone infrastructure and in-tracts – is set forth in Table 2 on the following page.

Table 2
List of Key Capital Improvements and In-Tracts
Improvement Area 3
As of December 28, 2023

List of Capital Improvements/ Discrete Components	Planning Area	Total Costs Estimated ⁽¹⁾	Percent of Total Cost Estimate	Completion Percentage / Expended to Date	Allocated to Villages E, G, H
<u>WATER IMPROVEMENTS</u>					
VILLAGE E IN-TRACT	3	\$5,574,912	16.37%	100.00%	\$5,574,912
VILLAGE G IN-TRACT	3	8,122,690	23.85	100.00	8,122,690
VILLAGE H IN-TRACT	3	4,144,273	12.17	100.00	4,144,273
SUBTOTAL		\$17,841,875	52.38%		\$17,841,875
<u>SANITARY SEWER IMPROVEMENTS</u>					
VILLAGE E IN-TRACT	3	\$473,379	1.39%	100.00%	\$473,379
VILLAGE G IN-TRACT	3	337,550	0.99	100.00	337,550
VILLAGE H IN-TRACT	3	452,759	1.33	100.00	452,759
SUBTOTAL		\$1,263,689	3.71%		\$1,263,689
<u>STREET/ROADWAY IMPROVEMENTS</u>					
VILLAGE E SPINE	3	\$639,045	1.88%	100.00%	\$639,045
VILLAGE E IN-TRACT	3	620,977	1.82	100.00	620,977
VILLAGE G SPINE	3	620,321	1.82	100.00	620,321
VILLAGE G IN-TRACT	3	610,096	1.79	100.00	610,096
VILLAGE H SPINE	3	516,522	1.52	100.00	516,522
VILLAGE H IN-TRACT	3	471,366	1.38	100.00	471,366
WESTLAKE VILLAGES DRIVE	3	1,339,675	3.93	100.00	1,339,675
SCOTT CREEK SPINE ROAD	3	\$984,017	2.89%	100.00%	984,017
SUBTOTAL		\$5,802,019	14.15%		\$4,818,001
<u>STORM DRAIN IMPROVEMENTS</u>					
VILLAGE E IN-TRACT	3	\$2,154,672	6.33%	100.00%	\$2,154,672
VILLAGE G IN-TRACT	3	3,730,887	10.95	100.00	3,730,887
VILLAGE H IN-TRACT	3	2,380,663	6.99	100.00	2,380,663
LAKE 2 IMPROVEMENTS	3	887,305	2.61	100.00	887,305
SUBTOTAL		\$9,153,527	26.87%		\$9,153,527
TOTAL ESTIMATE		\$34,061,109	97.11%		\$33,077,092

(1) Estimates, subject to change.

Source: Master Developer.

Development Agreement and Subdivision Agreement

Development Agreement. The City entered into a Development Agreement in September 2004 (as amended to date, the “**Development Agreement**”) with Spanos Family Partnership, a California general partnership and certain individuals to which Stockton Westlake Investment, LLC, and Lennar Homes are successors in interest with respect to the land owned by each party in the District. The Development Agreement’s purpose is to preserve existing policies, rules and regulations with respect to the Westlake Villages Development. All of the property in the District 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 the Stockton City Code. The Development Agreement runs with the property and is set to expire on January 10, 2040.

Subdivision Agreement. The City entered into a Subdivision Agreement on January 31, 2006 (as amended to date, the “**Subdivision Agreement**”) with Spanos Family Partnership, a California general partnership, which subsequently assigned the Subdivision Agreement to

Stockton Westlake Investment, LLC. The Subdivision Agreement is the primary implementation tool for the development of the Westlake Villages project and creates a binding contract between the City and the parties thereto, and their assigned successors in interest, which sets forth the needed infrastructure improvements, park dedication requirements, timing and method for financing improvements and other specific performance obligations of the City and the Master Developer and its successors, 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. Included are provisions relating to infrastructure improvements, public dedication requirements, landscaping amenities and other obligations of the parties.

The Subdivision Agreement runs with the property, and may be modified only by mutual consent of the parties. With the Agreement in place, subject to compliance with the terms of the Agreement, construction of homes within the District may occur upon City approval of subdivision maps, satisfaction of certain design requirements and conditions of such maps and issuance of building permits.

The Master Developer

Ownership Structure of Master Developer. The Master Developer has been installing the public improvements necessary for development of the District, exercising options to purchase land within the District from Stockton Westlake Investments, LLC, and selling lots to Lennar Homes. Both the Master Developer and Stockton Westlake Investments, LLC are owned by members of the Spanos family. The Master Developer has been involved in the entitlement and development of the Westlake Villages Development since 2014. The Spanos family, through various entities, has owned the land for more than 25 years.

Relevant Experience of Spanos Family and Related Entities. Starting in 1960 by Alex G. Spanos, the Spanos family has formed a variety of privately held real estate companies focused on the development of multi-family housing and master planned communities (collectively, the “**Spanos Family Companies**”). Over the past 60 years, Spanos Family Companies have developed more than 125 apartment projects across the country consisting of over 50,000 apartment units. Spanos Family Companies currently have offices in 7 states, with the primary office located in Stockton, California. Additionally, the Spanos family has owned a majority stake in the Los Angeles Chargers football team (previously the San Diego Chargers) for over 35 years.

Spanos Family Companies have worked on master planned communities in Stockton for more than 25 years. Spanos Family Companies have entitled and sold Spanos Park West, a largely residential subdivision in the City, including more than 1,700 homes built to the immediate east of Westlake Villages Development, along with the Parkwest Place shopping center and apartments and Walmart in the late 1990's and early 2000's. Preceding that project, Spanos Family Companies entitled and sold Spanos Park East, a residential subdivision in the City, including approximately 1,000 homes located on the east side of Highway 5 in the City that were built in the early 1990s.

Master Developer's Financing Plan

Cost Incurred for the Improvements. The Master Developer has expended over \$33 million dollars on the construction and installation of Improvements to facilitate construction of homes in Improvement Area 3, in addition to costs attributable to other Improvement Areas of

the project, which commenced in late 2018. See Table 2 above for a detailed break-down of the status and costs of the backbone and in-tract improvements constructed by the Master Developer for Improvement Area 3.

The Improvements include spine road infrastructure on Regatta Lane, Scott Creek Drive, traffic signals located at Eight Mile Road & Regatta Lane and Scott Creek Drive & Regatta Lane, perimeter precast masonry walls, common area landscaping, an artificial lake, sanitary lift station, wet utility trunk lines (storm drain, sanitary sewer, water, and non-potable water lines) and partial improvements to Eight Mile Road. Further, the Improvements include the in-tract construction and installation of paved streets, wet utility trunk lines (storm drain, sanitary sewer, water and non-potable water lines), joint trenches for dry utilities, curbs, gutters, and sidewalks. All required fees and engineering and consulting required entitlements, permits and soft costs have been paid for the Improvements.

Funding Sources. The Master Developer has used, and intends to use, the following sources of funds to finance the Improvements for the Westlake Villages Development:

- Equity from the partner-entities comprising the Master Developer (see “–The Master Developer,” above, for more information about these entities).
- Sales of lots in the District (including Improvement Area 3) to merchant builders and other developers (see “– Lennar Homes” herein).
- Proceeds of special tax bonds secured by land within the District (including Improvement Area 3).
- Pay-as-you-go Special Taxes available to the Master Developer under the Acquisition Agreement (see “–Acquisition Agreement” below).

Notwithstanding the belief of the Master Developer that it will have sufficient funds to complete its planned development, no assurance can be given that sources of financing available to the Master Developer will be sufficient to complete such development as currently anticipated. While the Master Developer has made internal financing available in the past for similar activities, there can be no assurance whatsoever of its willingness or ability to do so in the future. Neither the Master Developer nor the Spanos Family Companies or any of their affiliates has any legal obligation of any kind to make any such funds available or to obtain loans or lines of credit. If and to the extent that internal financing, loan proceeds, lines of credit, or bond proceeds are inadequate to pay the costs to complete the Master Developer’s planned development, there could be a shortfall in the funds required to complete such proposed development and portions of such development might not be completed.

Acquisition Agreement. In connection with the formation of the District, the City and the Master Developer entered into a Funding, Construction and Acquisition Agreement (the “**Acquisition Agreement**”) which provides that the Master Developer will construct (or cause to be constructed or funded) the Improvements, and the City, upon completion of construction and acceptance (or through progress payments on segments of a particular Improvement prior to completion of the entire Improvement), will purchase the Improvements or reimburse the Master Developer for expended amounts from the proceeds of the Bonds and/or Special Taxes on a pay-as-you-go basis. The Master Developer will be responsible for the portion of the cost of construction of the Improvements not paid with Bond proceeds.

The Rate and Method provides that the funding of Improvement costs can also be made from collections of the Special Tax available as the “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 Improvements 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 current City policy, the City contemplates utilizing this funding mechanism during the expected build-out of the District or 20 years, whichever is shorter. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Tax Methodology” and “ – Special Tax Fund.”

Lennar Homes

Lennar Homes’ Development Plan. Lennar Homes purchased all 277 lots within Improvement Area 3 from the Master Developer. All of the land in Improvement Area 3 transferred in a larger transaction that consisted of Villages G, H, E, I, and J from Eight Mile Development, Inc. to Lennar Homes for \$13,547,724 or \$31,887 per lot. The transaction as a whole was 428 lots with a typical lot size of 5,818 square feet and the transaction was negotiated in May of 2021. The villages were taken down over time with the first transfer occurring in October of 2021 and the last village transferred in September of 2023.

Lennar Homes is building out the villages as three distinct communities, described as follows:

Project/Village	Merchant Builder	Total Units	Completed/Under Construction as of Mar. 1, 2024 ⁽¹⁾	Sold as of Mar. 1, 2024	Sold and Closed to Homeowners as of Mar. 1, 2024
Waterside (Village E)	Lennar Homes	92	59	35	26
Shoreside (Village G)	Lennar Homes	99	74	37	31
The Keys II (Village H)	Lennar Homes	86	79	39	31
Totals		277	212	111	88

Source: Lennar Homes.

Project/Village	Total Units	Floor Plans	Approx. Square Footage	Base Home Pricing ⁽¹⁾
Waterside (Village E)	92	4	2,309 – 2,966	\$584,296 – \$702,240
Shoreside (Village G)	99	4	2,127 – 2,776	\$556,140 – \$615,987
The Keys II (Village H)	86	4	2,433 – 3,161	\$587,673 – \$670,366
Totals	277			

(1) Base home prices are as of March 1, 2024 and subject to change. Base home prices shown exclude lot premiums, options and extras and any incentives or price reductions, including mortgage rate buy-downs.

Source: Lennar Homes; Lennar.com website for square footage and home pricing as of March 1, 2024.

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. Lennar Homes 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.

Lennar Homes. Lennar Homes is based in Irvine, California. Lennar Homes has been in the business of developing residential real estate communities in California since 1996. On February 1, 2022, Lennar Homes of California, Inc., a California corporation, was converted to a California limited liability company and is now known as Lennar Homes of California, LLC, a California limited liability company (“**Lennar Homes**” or the “**Developer**”). All references herein to Lennar Homes prior to February 1, 2022 shall mean Lennar Homes of California, Inc. a California corporation, and all references herein to Lennar Homes on and after February 1, 2022 shall mean Lennar Homes of California, LLC, a California limited liability company.

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

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

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

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

Lennar Financing Plan. Lennar Homes plans to fund its home construction costs through internally generated funds (which may include home sales revenue and funding from its parent company).

Although Lennar Homes expects to have sufficient funds available to undertake and complete its development activities in Improvement Area 3, there can be no assurance, however, that amounts necessary to finance the remaining development and home construction costs will be available to Lennar Homes when needed. While Lennar Homes' 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 Lennar Homes 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 Lennar Homes' property in Improvement Area 3. Lennar Homes has no legal obligation to Bondholders to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes. Any contributions Lennar 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 Lennar Homes within Improvement Area 3 and other financing is not put into place, there could be a shortfall in the funds required to complete the proposed development by Lennar Homes or to pay ad valorem property taxes or Special Taxes related to Lennar Homes' property in Improvement Area 3, and the remaining portions of such development may not be completed. Many factors beyond Lennar Homes' control, or a decision by Lennar Homes to alter its current plans, may cause the actual sources and uses to differ from the projections. See "SPECIAL RISK FACTORS" herein for a discussion of risk factors."

VALUE OF PROPERTY WITHIN IMPROVEMENT AREA 3 AND SPECIAL TAX BURDEN

The value of the land within Improvement Area 3 is a critical factor in determining the investment quality of the 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. Although a portion of Improvement Area 3 is developed, a variety of economic, political, and natural occurrences incapable of being accurately predicted can affect land values and eventual completion of development. See "SPECIAL RISK FACTORS – Property Values and Property Development."

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within Improvement Area 3, and the owners have made no commitment to pay the principal of or interest on the Bonds or to support payment of the Bonds in any manner. There is no assurance that the 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 Bondholder will have the ability at any time to seek payment from the owners of property within Improvement Area 3 of any Special Tax or any principal or interest due on the Bonds, or the ability to control who becomes a subsequent owner of any property within Improvement Area 3.

The Appraisal

General. At the request of the City, Integra Realty Resources, Sacramento, California (the "Appraiser") prepared an Appraisal Report with a date of value of January 15, 2024 (the "Appraisal"). The Appraisal estimates a value for all taxable property in Improvement Area 3. The Appraisal is set forth in its entirety in APPENDIX B 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 and qualifications which are set forth in the Appraisal.

Property Appraised. The appraised properties consist of all 277 improved residential lots, with new homes under construction and completed, located within Improvement Area 3.

Value Estimates. The Appraiser was requested to provide a market value of the appraised properties by Assessor's parcel, as well as a cumulative, or aggregate, value of the property, as of the date of inspection (value). The Appraiser has concluded a "not-less-than" market value estimate of \$77,324,000 for taxable property in Improvement Area 3, representing the cumulative, or aggregate, values, in accordance with the assumptions and conditions set forth in the Appraisal. Total value represents a "not-less-than" value given that, for each single-family lot improved with a completed home without a complete assessed improvement value reflected on the County of San Joaquin Assessor's Tax Roll, the Appraiser valued the home based on the smallest floor plan within each community with a completed home, without consideration for upgrades and lot premiums.

Values by ownership are shown in the following table.

Table 4
Improvement Area 3 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Appraised Value of Taxable Property in Improvement Area 3

Owner	Appraised Value
Lennar Homes ⁽¹⁾	\$44,534,000
Individual Homeowners	<u>32,790,000</u>
Total⁽²⁾	<u>\$77,324,000</u>

(1) Ownership includes partially-improved lots, homes under construction and completed homes. For additional details, see APPENDIX B – The Appraisal.

(2) Total value represents a "not-less-than" value given that, for each single-family lot improved with a completed home without a complete assessed improvement value reflected on the County of San Joaquin Assessor's Tax Roll, the Appraiser valued the home based on the smallest floor plan within each community with a completed home, without consideration for upgrades and lot premiums.

Source: *The Appraisal*.

The valuation accounts for the impact of the lien of the Special Tax and excludes property in Improvement Area 3 designated for public and quasi-public purposes and not subject to the Special Tax of Improvement Area 3.

Appraisal Methodology. In the Appraisal, the Appraiser provides estimates of market value of the appraised properties by ownership and Assessor's parcel, as well as an aggregate, or cumulative value of the properties. The Appraiser used the sales comparison approach to value to determine the market value of each component comprising the appraised properties (being improved residential lots, with some new homes under construction). The cumulative, or aggregate, value of the appraised properties represents the sum of the value estimates concluded for each ownership interest, which is not equivalent to the market value of Improvement Area 3 as a whole. For additional details, see APPENDIX B.

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.” The estimate of market value is subject to the hypothetical condition that certain of the proceeds from the Bonds are available to reimburse for infrastructure improvements completed. The estimate of market value accounts for the impact of the Lien of the Special Taxes securing the Bonds.

Extraordinary Assumptions and Limiting Conditions. In considering the estimate of value evidenced by the Appraisal, the Appraisal is based upon a number of standard and special assumptions that affect the estimates as to value, some of which include that there were no adverse soil conditions, toxic substances or other environmental hazards that may interfere or inhibit development of the appraised properties. If, at some future date, items are discovered that are determined to have a detrimental impact on value, the Appraiser reserves the right to amend the opinion of value stated in the Appraisal. For more information and a complete description of certain other assumptions made by the Appraiser, see “APPENDIX B – The Appraisal.”

Because the Appraiser arrived at an estimate of current market value based upon certain 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, 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.

No assurance can be given that the estimated absorption will be achieved or attained over an extended period of time; real estate is cyclical in nature, and it is impossible to accurately forecast and project specific demand over a projected absorption period. See “SPECIAL RISK FACTORS – Property Values and Property Development.”

Limitations of Appraised or Assessed Valuation. Property values may not be evenly distributed throughout Improvement Area 3; 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 Bonds are outstanding in that the City has no control over the market value of the property within Improvement Area 3 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 “– Overlapping Liens and Priority of Lien” below.

For a description of certain risks that might affect the assumptions made in the Appraisal, see “SPECIAL RISK FACTORS” herein.

Value to Special Tax Burden Ratios

The value of the land within Improvement Area 3 is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of a Special Tax, the County's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Taxes. See "SECURITY FOR THE BONDS – Delinquent Payments; Teeter Plan; Covenant for Superior Court Foreclosure" and "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure Delays." Reductions in District property values due to a downturn in the economy, natural disasters such as earthquakes or floods, stricter land use regulations or other events could have an adverse impact on the security for payment of the Special Taxes. The Special Tax is levied on each parcel within Improvement Area 3 and only the respective individual parcel is responsible for its allocated Special Tax.

Based upon the \$77,324,000 appraised value of taxable property in Improvement Area 3 and an estimated principal amount of Bonds of \$13,960,000*, as well as overlapping land-secured debt attributable to those parcels of \$89,317, for a total direct and overlapping land-secured debt amount of \$14,049,317*, the value-to-lien ratio for such property is approximately 5.50* to 1; provided, however, that the value-to-lien ratio of individual parcels may vary significantly.

In comparing the value of the real property within Improvement Area 3 and the principal amount of the Bonds, 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 3 cannot be foreclosed upon as a whole to pay delinquent Special Taxes of the owners of such parcels within Improvement Area 3 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.

Share of Assigned Special Tax – At Build-Out. The following table summarizes the estimated total Assigned Special Tax and share of Assigned Special Tax for parcels in Improvement Area 3, assuming full development at build-out.

Table 5
Improvement Area 3 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Assigned Special Tax Calculation for Fiscal Year 2024-25
– Assuming Full Development

Land Use Class	Property Description	Assigned Special Tax	No. of Planned Units ⁽¹⁾	Estimated Total Assigned Special Tax	Share of Assigned Special Tax
1	SINGLE FAMILY DETACHED (>3,000 SF)	\$3,747	22	\$82,437	10.03%
2	SINGLE FAMILY DETACHED (2,700 - 3,000 SF)	3,079	82	252,442	30.71
3	SINGLE FAMILY DETACHED (2,400 - 2,699 SF)	2,891	65	187,897	22.86
4	SINGLE FAMILY DETACHED (2,100 - 2,399 SF)	2,770	108	299,133	36.39
5	SINGLE FAMILY DETACHED (1,800 - 2,099 SF)	2,739	0	0	0.00
6	SINGLE FAMILY DETACHED (< 1,800 SF)	2,708	0	0	0.00
Total			277	\$821,910	100.00%

(1) Provided by Lennar Homes and subject to change.
Source: DTA.

* Preliminary; subject to change.

Share of Assigned Special Tax – Current Development. The following table summarizes the estimated total Assigned Special Tax and share of Assigned Special Tax for parcels in Improvement Area 3, based on the status of development as of the date indicated.

Table 6
Improvement Area 3 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Assigned and Final Mapped Property Special Tax Calculations for Fiscal Year 2024-25 –
Current Development Status (As of January 15, 2024)

Developed Property Assigned Special Tax Calculation					
Land Use Class	Property Description	FY 2024-25 Assigned Special Tax	Building Permits Issued ⁽¹⁾	Total Assigned Special Tax	Share of Special Taxes
1	SINGLE FAMILY DETACHED (>3,000 SF)	\$3,747	22	\$82,437	10.03%
2	SINGLE FAMILY DETACHED (2,700 - 3,000 SF)	3,079	70	215,500	26.22
3	SINGLE FAMILY DETACHED (2,400 - 2,699 SF)	2,891	53	153,209	18.64
4	SINGLE FAMILY DETACHED (2,100 - 2,399 SF)	2,770	67	185,573	22.58
5	SINGLE FAMILY DETACHED (1,800 - 2,099 SF)	2,739	0	0	0.00
6	SINGLE FAMILY DETACHED (< 1,800 SF)	2,739	0	0	0.00
Developed Property Subtotal:			212	\$636,718	77.47%

Final Mapped Property Special Tax Calculation					
Land Use Class	Property Description	FY 2024-25 Maximum Special Tax (per Acre)	Actual Special Tax (per Acre)⁽³⁾	Total Final Mapped Special Tax	Share of Special Taxes
Final Mapped	FINAL MAPPED PROPERTY (8.52 Remaining Acres) ⁽²⁾	\$26,755	\$21,731	\$185,191	22.53%
Final Mapped Property Subtotal:				\$185,191	22.53%
Grand Total:				\$821,910	100.00%

(1) Source: Lennar Homes. As of January 15, 2024.

(2) Acreage of lots for which a building permit has not been issued as of January 15, 2024.

(3) Initial estimate based on building permit issuances as of January 15, 2024. Pursuant to the Rate and Method of Apportionment, the actual Special Tax for Final Mapped Property will depend the number of building permits issued as of May 1, 2024.

Source: DTA.

Value-to-Lien Ratios by Major Property Owners. The following table summarizes the value-to-lien ratios of property in Improvement Area 3 against the Bonds and overlapping land-secured debt in Improvement Area 3, by major property owners (as of the January 15, 2024 date of value in the Appraisal) for purposes of application of the Special Tax Formula.

Table 7
Improvement Area 3 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Value-to-Lien Ratio by Major Property Owners
Fiscal Year 2024-25

Property Owner	No. of Lots⁽¹⁾	Taxable Acres⁽²⁾	Appraised Value⁽¹⁾	Est. FY 2024-25 Maximum Special Tax Levy⁽³⁾	% of Est. FY 2024-25 Maximum Special Tax Levy	Reclamation District No. 2042 CFD No. 2001-1⁽⁴⁾	Series 2024 Bonds*	Total Land-Secured Debt*	Value to Lien Ratio*
Individual Owners	67	9.38	\$32,790,000	\$250,857	25.01%	\$22,341	\$3,376,606	\$3,398,948	9.65
Lennar Homes ⁽²⁾	210	28.11	45,534,000	752,034	74.99	66,976	10,583,39	10,650,369	4.18
Totals	277	37.48	\$77,324,000	\$1,002,891	100.00%	\$89,317	\$13,960,000	\$14,049,317	5.50

* Preliminary; subject to change.

(1) Source: Appraisal prepared by Integra Realty Resources, dated February 28, 2024.

(2) Based on the area/acreage identified for residential lots on the County Assessor's Roll, as of January 1, 2023.

(3) Based on the application of the backup special tax pursuant to Section C.3 of the Rate and Method of Apportionment, in an amount of \$26,231 per acre for FY 2024-25.

(4) CalMuni's Overlapping Debt Report. The outstanding debt (\$89,317) was allocated proportionally among the 37.48 taxable acre.

Source: DTA.

Overlapping Liens and Priority of Lien

The principal of and interest on the Bonds are payable from the Special Tax authorized to be collected within Improvement Area 3, and payment of the Special Tax is secured by a lien on certain real property within Improvement Area 3. Such lien is co-equal to and independent of the lien for general taxes and any other liens imposed under the Act, regardless of when they are imposed on the property in Improvement Area 3. 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 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 3.

Other public agencies whose boundaries overlap those of Improvement Area 3 could, without the consent of the City and in certain cases without the consent of the owners of the land within Improvement Area 3, impose additional taxes or assessment liens on the land within Improvement Area 3. The lien created on the land within Improvement Area 3 through the levy of such additional taxes or assessments may be secured on parity with the lien of the Special Tax. In addition, construction loans may be obtained by the homebuilder owners and home loans are likely to be obtained by ultimate homeowners. The deeds of trust securing such debt on property within Improvement Area 3, however, will be subordinate to the lien of the Special Tax.

There can be no assurance that the current owners, or any subsequent owner, 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 or foreseen by the City.

Set forth on the following page is an overlapping debt table showing the existing authorized indebtedness payable with respect to property within Improvement Area 3. This table has been prepared by California Municipal Statistics Inc. as of the date indicated, and is included for general information purposes only. Neither the City nor the Underwriter has reviewed the data for completeness or accuracy and make no representations in connection therewith.

Table 8
City of Stockton
Improvement Area 3 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Summary of Overlapping Bonded Debt
As of March 1, 2024

2023-24 Local Secured Assessed Valuation: \$5,843,809

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable Debt</u>	<u>Debt 3/1/24</u>	
San Joaquin Delta Community College District General Obligation Bonds	0.005%	\$8,105	
Lodi Unified School District General Obligation Bonds	0.025	68,118	
Lodi Unified School District SFID No. 1 General Obligation Bonds	0.064	23,584	
Stockton Unified School District General Obligation Bonds	0.0002	742	
Reclamation District No. 2042 Community Facilities District No. 2001-1	3.291	89,317	
City of Stockton Community Facilities District No. 2018-2, I.A. 3	100.000	--	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$189,866	
 <u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Joaquin County Certificates of Participation	0.005%	\$2,651	
Lodi Unified School District Certificates of Participation	0.025	1,788	
Stockton Unified School District Certificates of Participation	0.0002	35	
City of Stockton Pension Obligation Bonds	0.019	10,160	
TOTAL OVERLAPPING GENERAL FUND DEBT		\$14,634	
COMBINED TOTAL DEBT		\$204,500	(2)

Ratios to 2023-24 Assessed Valuation:

Direct Debt (\$0)	0.00%
Total Combined Total Debt.....	3.50%
Direct and Overlapping Tax and Assessment Debt.....	3.25%

(1) Excludes the 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.

Sample Tax Bill

The following tables summarize the representative property tax bills for Fiscal Year 2023-24 for certain land use classes of residential property in Improvement Area 3, based on the 3 villages being developed by Lennar Homes.

Table 9A
Improvement Area 3 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Effective Tax Rate Analysis Fiscal Year 2023-24
Waterside (Village E)

VILLAGE/NAME/BUILDER		VILLAGE E - WATERSIDE		
ESTIMATED HOME SIZE ⁽¹⁾		2,793	2,463	2,309
LAND USE CLASS ⁽²⁾		2	3	4
LAND USE CLASS DESCRIPTION		(2,700 - 3,000 SF)	(2,400 - 2,699 SF)	(2,100 - 2,399 SF)
BASE SALES PRICE ⁽¹⁾		\$591,990	\$560,990	\$548,990
AD-VALOREM TAXES ⁽³⁾	RATE	AMOUNT	AMOUNT	AMOUNT
BASE PROPERTY TAX RATE	1.0000%	\$5,919.90	\$5,609.90	\$5,489.90
LODI USD 2002 MEASURE K BOND	0.022%	\$131.42	\$124.54	\$121.88
LODI USD 2016 MEASURE U BOND	0.045%	\$264.62	\$250.76	\$245.40
LODI SFID1 2006 MEASURE L BOND	0.042%	\$248.04	\$235.05	\$230.03
SJ DELTA COLL 2004 MEASURE L BOND	0.014%	\$79.92	\$75.73	\$74.11
TOTAL GENERAL PROPERTY TAXES	1.1223%	\$6,643.90	\$6,295.99	\$6,161.31
OVERLAPPING ASSESSMENTS ⁽⁴⁾				
WESTLAKE VILL ZONE C-6 LNDSCP		\$105.40	\$105.40	\$105.40
WEST LAKE VILLAGE MUD ZONE 11		\$4.30	\$4.30	\$4.30
CENTRAL DELTA WATER		\$2.00	\$2.00	\$2.00
WATER ZONE 2		\$2.00	\$2.00	\$2.00
SJC MOSQUITO ABATE		\$1.16	\$1.16	\$1.16
SJC MOSQ & VCTR CONTR-BEN ASMT		\$9.92	\$9.92	\$9.92
RECL DISTR NO 2042 (MR)		\$30.70	\$30.70	\$30.70
RECL DISTR NO 2042		\$48.40	\$48.40	\$48.40
CSA NO 53 - HAZ WASTE		\$4.00	\$4.00	\$4.00
TOTAL SPECIAL ASSESSMENTS & CHARGES		\$207.88	\$207.88	\$207.88
TOTAL EFFECTIVE TAX RATE EXCLUDING CFD		1.16%	1.16%	1.16%
<i>IMPROVEMENT AREA NO. 3 OF CFD 2018-2 (FACILITIES) ⁽⁵⁾</i>		\$3,078.56	\$2,890.73	\$2,769.75
<i>CFD 2018-2 (SERVICES) ⁽⁶⁾</i>		\$632.17	\$632.17	\$632.17
PROJECTED TOTAL PROPERTY TAXES		\$10,562.52	\$10,026.77	\$9,771.12
PROJECTED TOTAL EFFECTIVE TAX RATE		1.78%	1.79%	1.78%

(1) Source: Appraisal prepared by Integra Realty Resources, dated February 6, 2024.

(2) Rate and Method of Apportionment for Improvement Area No. 3 of CFD No. 2018-2 (Westlake Villages II).

(3) Source: County of San Joaquin Tax Collector. Based on tax rates for FY 2023-24.

(4) Based on review of taxes/assessments on subject property and neighboring properties.

(5) Source: Rate and Method of Apportionment. Assigned Special Tax A applicable for FY 2024-25.

(6) Source: Rate and Method of Apportionment. Special Tax B applicable for FY 2024-25.

Table 9B
Improvement Area 3 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Effective Tax Rate Analysis Fiscal Year 2023-24
Shoreside (Village G)

VILLAGE/NAME/BUILDER		VILLAGE G - SHORESIDE		
ESTIMATED HOME SIZE ⁽¹⁾		2,776	2,612	2,127
LAND USE CLASS ⁽²⁾		2	3	4
LAND USE CLASS DESCRIPTION		(2,700 - 3,000 SF)	(2,400 - 2,699 SF)	(2,100 - 2,399 SF)
BASE SALES PRICE ⁽¹⁾		\$588,990	\$567,990	\$535,990
AD-VALOREM TAXES ⁽³⁾	RATE	AMOUNT	AMOUNT	AMOUNT
BASE PROPERTY TAX RATE	1.0000%	\$5,889.90	\$5,679.90	\$5,359.90
LODI USD 2002 MEASURE K BOND	0.022%	\$130.76	\$126.09	\$118.99
LODI USD 2016 MEASURE U BOND	0.045%	\$263.28	\$253.89	\$239.59
LODI SFID1 2006 MEASURE L BOND	0.042%	\$246.79	\$237.99	\$224.58
SJ DELTA COLL 2004 MEASURE L BOND	0.014%	\$79.51	\$76.68	\$72.36
TOTAL GENERAL PROPERTY TAXES	1.1223%	\$6,610.23	\$6,374.55	\$6,015.42
OVERLAPPING ASSESSMENTS ⁽⁴⁾				
WESTLAKE VILL ZONE C-6 LNDSCP		\$105.40	\$105.40	\$105.40
WEST LAKE VILLAGE MUD ZONE 11		\$4.30	\$4.30	\$4.30
CENTRAL DELTA WATER		\$2.00	\$2.00	\$2.00
WATER ZONE 2		\$2.00	\$2.00	\$2.00
SJC MOSQUITO ABATE		\$1.16	\$1.16	\$1.16
SJC MOSQ & VCTR CONTR-BEN ASMT		\$9.92	\$9.92	\$9.92
RECL DISTR NO 2042 (MR)		\$30.70	\$30.70	\$30.70
RECL DISTR NO 2042		\$48.40	\$48.40	\$48.40
CSA NO 53 - HAZ WASTE		\$4.00	\$4.00	\$4.00
TOTAL SPECIAL ASSESSMENTS & CHARGES		\$207.88	\$207.88	\$207.88
TOTAL EFFECTIVE TAX RATE EXCLUDING CFD		1.16%	1.16%	1.16%
<i>IMPROVEMENT AREA NO. 3 OF CFD 2018-2 (FACILITIES) ⁽⁵⁾</i>		\$3,078.56	\$2,890.73	\$2,769.75
<i>CFD 2018-2 (SERVICES) ⁽⁶⁾</i>		\$632.17	\$632.17	\$632.17
PROJECTED TOTAL PROPERTY TAXES		\$10,528.85	\$10,105.34	\$9,625.22
PROJECTED TOTAL EFFECTIVE TAX RATE		1.79%	1.78%	1.80%

(1) Source: Appraisal prepared by Integra Realty Resources, dated February 6, 2024.

(2) Rate and Method of Apportionment for Improvement Area No. 3 of CFD No. 2018-2 (Westlake Villages II).

(3) Source: County of San Joaquin Tax Collector. Based on tax rates for FY 2023-24.

(4) Based on review of taxes/assessments on subject property and neighboring properties.

(5) Source: Rate and Method of Apportionment. Assigned Special Tax A applicable for FY 2024-25.

(6) Source: Rate and Method of Apportionment. Special Tax B applicable for FY 2024-25.

Table 9C
Improvement Area 3 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Effective Tax Rate Analysis Fiscal Year 2023-24
The Keys II (Village H)

VILLAGE/NAME/BUILDER		VILLAGE H - THE KEYS II			
ESTIMATED HOME SIZE ⁽¹⁾		3,156	2,705	2,433	2,166
LAND USE CLASS ⁽²⁾		1	2	3	4
LAND USE CLASS DESCRIPTION		(>3,000 SF)	(2,700 - 3,000 SF)	(2,400 - 2,699 SF)	(2,100 - 2,399 SF)
BASE SALES PRICE ⁽¹⁾		\$626,990	\$584,990	\$552,990	\$536,990
AD-VALOREM TAXES ⁽³⁾	RATE	AMOUNT	AMOUNT	AMOUNT	AMOUNT
BASE PROPERTY TAX RATE	1.0000%	\$6,269.90	\$5,849.90	\$5,529.90	\$5,369.90
LODI USD 2002 MEASURE K BOND	0.022%	\$139.19	\$129.87	\$122.76	\$119.21
LODI USD 2016 MEASURE U BOND	0.045%	\$280.26	\$261.49	\$247.19	\$240.03
LODI SFID1 2006 MEASURE L BOND	0.042%	\$262.71	\$245.11	\$231.70	\$225.00
SJ DELTA COLL 2004 MEASURE L BOND	0.014%	\$84.64	\$78.97	\$74.65	\$72.49
TOTAL GENERAL PROPERTY TAXES	1.1223%	\$7,036.71	\$6,565.34	\$6,206.21	\$6,026.64
OVERLAPPING ASSESSMENTS ⁽⁴⁾					
WESTLAKE VILL ZONE C-6 LNDSCP		\$105.40	\$105.40	\$105.40	\$105.40
WEST LAKE VILLAGE MUD ZONE 11		\$4.30	\$4.30	\$4.30	\$4.30
CENTRAL DELTA WATER		\$2.00	\$2.00	\$2.00	\$2.00
WATER ZONE 2		\$2.00	\$2.00	\$2.00	\$2.00
SJC MOSQUITO ABATE		\$1.16	\$1.16	\$1.16	\$1.16
SJC MOSQ & VCTR CONTR-BEN ASMT		\$9.92	\$9.92	\$9.92	\$9.92
RECL DISTR NO 2042 (MR)		\$30.70	\$30.70	\$30.70	\$30.70
RECL DISTR NO 2042		\$48.40	\$48.40	\$48.40	\$48.40
CSA NO 53 - HAZ WASTE		\$4.00	\$4.00	\$4.00	\$4.00
TOTAL SPECIAL ASSESSMENTS & CHARGES		\$207.88	\$207.88	\$207.88	\$207.88
TOTAL EFFECTIVE TAX RATE EXCLUDING CFD		1.16%	1.16%	1.16%	1.16%
IMPROVEMENT AREA NO. 3 OF CFD 2018-2 (FACILITIES) ⁽⁵⁾		\$3,747.13	\$3,078.56	\$2,890.73	\$2,769.75
CFD 2018-2 (SERVICES) ⁽⁶⁾		\$632.17	\$632.17	\$632.17	\$632.17
PROJECTED TOTAL PROPERTY TAXES		\$11,623.89	\$10,483.96	\$9,936.99	\$9,636.45
PROJECTED TOTAL EFFECTIVE TAX RATE		1.85%	1.79%	1.80%	1.79%

(1) Source: Appraisal prepared by Integra Realty Resources, dated February 6, 2024.

(2) Rate and Method of Apportionment for Improvement Area No. 3 of CFD No. 2018-2 (Westlake Villages II).

(3) Source: County of San Joaquin Tax Collector. Based on tax rates for FY 2023-24.

(4) Based on review of taxes/assessments on subject property and neighboring properties.

(5) Source: Rate and Method of Apportionment. Assigned Special Tax A applicable for FY 2024-25.

(6) Source: Rate and Method of Apportionment. Special Tax B applicable for FY 2024-25.

Special Tax Collection and Delinquency Rate

The first year for levy and collection of the Special Taxes will be for Fiscal Year 2024-25; accordingly, there is no delinquency history. Future delinquencies in the payment of property taxes (including the Special Taxes) with respect to property in Improvement Area 3, to the extent not covered by the Teeter Plan, could result in draws on the Reserve Fund established, and perhaps, ultimately, a default in the payment on the Bonds. See “SECURITY FOR THE BONDS – Delinquent Payments; Teeter Plan; Covenant for Superior Court Foreclosure” and “SPECIAL RISK FACTORS.”

SPECIAL RISK FACTORS

The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which 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 Bonds.

Limited Obligation of the City to Pay Debt Service

The City has no obligation to pay principal of and interest on the Bonds in the event Special Tax collections are delinquent, 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 on which levies of the Special Tax are delinquent, nor is the City obligated to advance funds to pay such debt service on the Bonds. The Bonds are not general obligations of the City but are limited obligations of the City and Improvement Area 3 payable solely from the proceeds of the Special Tax and certain funds held under the Fiscal Agent Agreement, including amounts deposited in the Reserve Fund and investment income thereon, and the proceeds, if any, from the sale of property subject to the Special Tax in the event of a foreclosure. See “SECURITY FOR THE BONDS.” Tax revenues available for the payment of the Bonds will be limited to the Net Taxes levied and collected on taxable property within Improvement Area 3.

Levy and Collection of the Special Tax

General. The principal source of payment of principal of and interest on the Bonds is the proceeds of the annual levy and collection of the Special Tax against property within Improvement Area 3.

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 Bonds.

In addition to the maximum annual Special Tax rate limitation in the Special Tax Formula, Section 53321(d) of the 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 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 Taxable Parcels 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 Taxable Parcels and their proportionate share of debt service on the 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 Taxable Parcels to vary from the Special Tax that might otherwise be expected:

Transfers to Governmental Entities. The number of Taxable Parcels could be reduced through the acquisition of Taxable Parcels 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 Parcels 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 Net Taxes. For a summary of recent Special Tax collection and delinquency rates in Improvement Area 3, see “VALUE OF PROPERTY WITHIN IMPROVEMENT AREA 3 AND SPECIAL TAX BURDEN” herein.

Concentration of Ownership

The majority of taxable property within Improvement Area 3 is currently owned by Lennar Homes. An owner of property in Improvement Area 3 is not personally obligated to pay the Special Tax attributable to the owner's property. Rather, the Special Tax is an obligation only against the parcel of property, secured by the amount which could be realized in a foreclosure proceeding against the property, and not by any promise of the owner to pay. If the value of the property is not sufficient, taking into account other obligations also constituting a lien against the property, the City, Fiscal Agent and owners of the Bonds have no recourse against the owner, such as filing a lawsuit to collect money.

Failure of Lennar Homes, or any future owner of significant property subject to the Special Taxes in Improvement Area 3 to pay installments of Special Taxes when due could cause the depletion of the Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax and, consequently, result in the delinquency rate reaching a level that would cause an insufficiency in collection of the Special Tax to meet the City's obligations on the Bonds. In that event, there could be a delay or failure in payments on the Bonds. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure Delays” below and “SECURITY FOR THE BONDS – Delinquent Payments; Teeter Plan; Covenant for Superior Court Foreclosure.”

Development of undeveloped property within Improvement Area 3 may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of

landowners to pay the Special Taxes when due. Certain infrastructure improvements remain to be completed in order to complete construction within Improvement Area 3. No assurance can be given that the remaining proposed residential development will be partially or fully completed, and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain vacant and only partially improved.

Appraised Values

The Appraisal estimates the market value of the taxable property within Improvement Area 3. This market value is merely the present opinion of the Appraiser, and is subject to the assumptions and limiting conditions stated in the Appraisal. The City has not sought the present opinion of any other appraiser of the value of the taxed parcels. A different present opinion of value might be rendered by a different appraiser.

The opinion of value relates to sale by a willing seller to a willing buyer as of the date of valuation, each having similar information and neither being forced by other circumstances to sell or to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

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 which affect the estimates as to value, as well as the hypothetical condition of the Improvements having been completed, as set forth in the Appraisal (see APPENDIX B hereto). The improvements to be financed by the Bonds were not in place as of the date of inspection; thus, the value estimate is subject to a hypothetical condition (of such improvements being in place).

In addition, the opinion is a present opinion. It is based upon present facts and circumstances. Differing facts and circumstances may lead to differing opinions of value. The appraised market value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that any of the appraised property in Improvement Area 3 could be sold in a foreclosure for the estimated market value contained in the Appraisal. Such sale is the primary remedy available to Bondowners if that property should become delinquent in the payment of Special Taxes.

Property Values and Property Development

The value of taxable property within Improvement Area 3 is a critical factor in determining the investment quality of the 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. Land in Improvement Area 3 is adjacent to cropland areas utilized for hay and corn production, which could increase the chances of a fire in the area, and in an area protected from flooding by levees which could be breached.

Neither the Underwriter nor the City has evaluated development risks related to the development of land in Improvement Area 3. Since these are largely business risks of the type that property owners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any particular parcel, the City is issuing the Bonds without regard to any such evaluation. Thus, the creation of the District (and Improvement Area 3 therein) and the issuance of the Bonds in no way implies that the Underwriter or the City has evaluated these risks or the reasonableness of these risks.

The following is a discussion of specific risk factors that could affect the timing or scope of property development in Improvement Area 3 or the value of property in Improvement Area 3.

Land Development. Land values are influenced by the level of development in the area in many respects.

First, undeveloped or partially developed land is generally less valuable than developed land and provides less security to the Owners of the Bonds should it be necessary for Improvement Area 3 to foreclose on undeveloped or partially developed property due to the nonpayment of Special Taxes.

Second, failure to complete development on a timely basis could adversely affect the land values of those parcels that have been completed. Lower land values would result in less security for the payment of principal of and interest on the Bonds and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of the Special Tax. See "VALUE OF PROPERTY WITHIN IMPROVEMENT AREA 3 AND SPECIAL TAX BURDEN – Value to Special Tax Burden Ratios." No assurance can be given that the proposed development within Improvement Area 3 will be completed, and in assessing the investment quality of the Bonds, prospective purchasers should evaluate the risks of non-completion.

Neither the Master Developer nor Lennar Homes nor any other person provides any assurances that the project currently envisioned for the land in Improvement Area 3 will be completed, or that available sources of financing that will actually be available and sufficient to complete such projected development. The Master Developer and Lennar Homes have no obligation to the City or to owners of the Bonds to complete the project or the construction of homes within Improvement Area 3.

Risks of Real Estate Investment Generally. Continuing development of land within Improvement Area 3 may be adversely affected by changes in general or local economic conditions, fluctuations in the real estate market, increased construction costs, development, financing and marketing capabilities of individual property owners, water or electricity shortages, and other similar factors. Development in Improvement Area 3 may also be affected by development in surrounding areas, which may compete with Improvement Area 3. In addition, land development operations are subject to comprehensive federal, state and local regulations, including environmental, land use, zoning and building requirements. There can be no assurance that proposed land development operations within Improvement Area 3 will not be adversely affected by future government policies, including, but not limited to, governmental policies to restrict or control development, or future growth control initiatives. There can be no assurance that land development operations within Improvement Area 3 will not be adversely affected by these risks.

Natural Disasters. The value of the parcels in Improvement Area 3 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 parcels in Improvement Area 3 and the continued habitability and enjoyment of such private improvements. For example, the areas in and surrounding Improvement Area 3, like those in much of the State, may be subject to earthquakes or other unpredictable seismic activity. See “THE DISTRICT AND IMPROVEMENT AREA 3 – Environmental Matters.”

Other natural disasters could include, without limitation, landslides, floods, droughts or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. 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 parcels may well depreciate.

Drought. California is currently in a drought, and has in the past experienced various periods of drought. No assurance can be given that the current drought or any future drought will not adversely impact the development of land within Improvement Area 3.

Legal Requirements. Other events that may affect the value of a parcel 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. Development in Improvement Area 3 may also be adversely affected by the application of laws protecting endangered or threatened species.

Hazardous Substances. Any discovery of a hazardous substance detected on property within Improvement Area 3 would affect the marketability and the value of some or all of the property in Improvement Area 3. In that event, the owners and operators of a parcel within Improvement Area 3 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. State law with regard to hazardous substances are also applicable to property within Improvement Area 3 and are as stringent as the federal laws. 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 parcels be contaminated 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 just as is the seller.

The values set forth in the Appraisal do not take into account the possible reduction in marketability and value of any of the parcels within Improvement Area 3 by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition on a parcel. Although the City is not aware that the owner (or operator) of any of the property within Improvement Area 3 has a current liability for a hazardous substance with respect to any of the parcels, 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 parcels within Improvement Area 3 resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which 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 which 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 a parcel within Improvement Area 3 that is realizable upon a foreclosure sale.

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. The discovery of an endangered plant or animal could delay development of undeveloped property in Improvement Area 3 or reduce the value of such property.

Other Possible Claims Upon the Value of Taxable Property

While the Special Taxes are secured by the Taxable Parcels in Improvement Area 3, the security only extends to the value of such 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 3 AND SPECIAL TAX BURDEN – Overlapping Liens and 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 Taxable Parcels. 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 Taxable Parcels. The table does not specifically identify which of the governmental obligations are secured by liens on one or more of the Taxable Parcels.

The City, the County and certain other public agencies are authorized by the 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 3. 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 of taxable property and may be secured by a lien on a parity with the lien of the Special Tax securing the 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 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 Taxable Parcel, 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 and Foreclosure Delays” below.

Bankruptcy and Foreclosure Delays

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 BONDS – Delinquent Payments of Special Tax; Teeter Plan; Covenant for Superior Court Foreclosure” and in the 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 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 BONDS – Delinquent Payments; Teeter Plan; 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 3.

The payment of the Special Tax and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax may also 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 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.

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.

To the extent that property in Improvement Area 3 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 Bonds on a timely basis.

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 Federal Deposit Insurance Corporation (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 within Improvement Area 3 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 Improvement Area 3 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 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.

No Acceleration Provisions

The 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 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 Bonds are in book-entry form, DTC will be the sole Bondowner and will be entitled to exercise all rights and remedies of Bond holders, in accordance with its procedures and rules.

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS,” interest on the Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the 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 Bonds were to become includable in gross income for purposes of federal income taxation, the 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.

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 Bonds will be selected for audit by the IRS. It is also possible that the market value of such Bonds might be affected as a result of such an audit of such Bonds (or by an audit of similar bonds or securities).

Voter Initiatives

From time to time, initiative measures qualify for the State ballot pursuant to the State’s constitutional initiative process and those measures could be adopted by State voters. The adoption of any such initiative might place limitations on the ability of the State, the City, the County or other local districts to increase revenues or to increase appropriations or on the ability of the landowners to complete the development of Improvement Area 3. See “– Property Values and Property Development” above.

Under the State 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 Special Tax 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 State 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, State 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. Taxes for general governmental purposes require a majority vote and taxes for specific purposes (“special taxes”) require a two-thirds vote.

The Taxpayer Protection and Government Accountability Act (“Initiative 1935”) has been determined to be eligible for the November 2024 Statewide general election and, unless withdrawn by its proponent prior to June 27, 2024, will be certified as qualified for the ballot in such election. At the request of the Governor of California and the State Legislature, the California Supreme Court has agreed to consider whether Initiative 1935 should be barred from appearing on the ballot as an unlawful revision of the State Constitution, given its potential wide-ranging impact on the ability of the State and local governments to fund their operations. The Governor and the State Legislature have requested a decision by the California Supreme Court by late June 2024, prior to the ballot certification date. The City is unable to predict the outcome of such court case.

Similar to Proposition 218 and Proposition 26, Initiative 1935 would, among other things, amend the State Constitution to impose heightened barriers for State and local governments to impose taxes and fees. Initiative 1935 would provide that any tax or fee imposed after January 1, 2022 not in accordance with such provisions is void 12 months after the effective date of Initiative 1935, unless subsequently reenacted in accordance with its terms. If adopted, the scope and impact of Initiative 1935 would be subject to future judicial interpretation. The City is unable to predict how Initiative 1935, if adopted, might be interpreted by the courts, and there can be no assurance that any such interpretation would not have an adverse impact on the City’s ability to levy and collect the Special Taxes.

The Special Taxes and bonded indebtedness limit for Improvement Area 3 were authorized by not less than a two-thirds vote of the landowners who constituted the qualified electors of Improvement Area 3 at the time of such voted authorization. In connection with such election, all of the landowner electors provided waivers customarily required in connection with landowner elections, unanimously waiving, among other matters, legal requirements pertaining to the conduct of such election including the procedural requirements that Initiative 1935, if enacted, would impose. The City believes, therefore, that issuance of the Bonds and levying of the Special Tax does not require the conduct of further proceedings under the Mello-Roos Act, Proposition 218, Proposition 26 or Initiative 1935 (assuming it is adopted and becomes effective).

Like their antecedents, Proposition 218, Proposition 26 and Initiative 1935 (assuming it is adopted and becomes effective) are likely to undergo both judicial and legislative scrutiny before the impact on Improvement Area 3 can be determined. Certain provisions of Proposition 218, Proposition 26 and Initiative 1935 (assuming it is adopted and becomes effective) may be examined by the courts for their constitutionality.

Case Law Related to Mello-Roos Act

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 San Diego’s city charter (the “**Charter**”) and was intended to function much like a community facilities district established under the 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 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 its Charter and with applicable provisions of the State 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 3, there were no registered voters within Improvement Area 3 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 property pursuant to the 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 3. Moreover, Sections 53341 and 53359 of the Act establish a limited period of time in which special taxes levied under the Act may be challenged by a third party, which time period has now passed.

Pandemic Diseases

The spread of pandemic diseases (such as COVID-19), and responses intended to slow their spread, may result in negative impacts to the homebuilding operations and sales of homes within Improvement Area 3 in the future. There can be no assurances that the spread of pandemic diseases and related shelter in place order and/or social distancing requirements imposed by governmental authorities in response will not materially adversely impact the pace of sales of lots or homes or the willingness of owners of land in Improvement Area 3, including the Master Developer, Lennar Homes or individual homeowners, to pay the Special Taxes securing the Bonds. In addition, 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 Net Taxes by the City for the payment of the Bonds. Finally, stock and municipal bond markets in the U.S. and globally could see significant volatility attributed to pandemic disease concerns; there can be no assurances that these or other concerns that emerge later will not materially adversely impact the secondary market for the Bonds.

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 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 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 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 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 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 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 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 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 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 Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the 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 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the 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 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 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 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 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 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 Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the 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 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 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 Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the 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 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, is also serving as Disclosure Counsel to the City. The City Attorney will pass upon certain legal matters for the City. Kutak Rock LLP, Los Angeles, California will pass upon certain legal matters for the Underwriter as counsel to the Underwriter.

No Litigation

At the time of delivery of and payment for the Bonds, the City Attorney will deliver his opinion that to the best of its knowledge there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or regulatory agency pending against the City affecting its existence or the titles of its officers to office or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection or application of the Special Tax to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Fiscal Agent Agreement or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any of said documents.

CONTINUING DISCLOSURE

The City

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to Improvement Area 3 (the “**City Annual Report**”) by not later than March 31 following the end of the City’s fiscal year, commencing March 31, 2025, with the report for the fiscal year ending June 30, 2024, and to provide notices of the occurrence of certain listed events (“**Notice Events**”). These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the “**Rule**”). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in APPENDIX F.

In the preceding five years, the City failed to timely comply in certain respects with its previous undertakings with regard to the Rule to provide annual reports, adopted budgets, or notices of Notice Events, and in some instances, information was not associated with the correct CUSIP number, including that the Fiscal Year 2017-18 budget was filed 3 months late with respect to certain obligations. In addition, on occasions during the last five years the City failed to provide its audited or unaudited financial statements in the time required by its continuing disclosure undertakings, including that the Fiscal Year 2020-21 audited financial statements were filed 6 weeks late with respect to certain obligations, and failure to file notices were not filed.

Lennar Homes

The Underwriter does not consider Lennar Homes to be an “obligated person” with respect to the Bonds for purpose of the Rule. Notwithstanding the foregoing, to provide updated information with respect to their development within Improvement Area 3, Lennar Homes has agreed to execute a Developer Continuing Disclosure Certificate, the form of which is set forth in APPENDIX F (the “**Developer Continuing Disclosure Certificate**”), for the benefit of the owners of the Bonds, pursuant to which it will covenant to provide, semiannual reports on March 31 and September 30 of each year and notice of the occurrence of certain events with respect to itself and the property it owns in Improvement Area 3 until satisfaction of certain conditions set forth in its Developer Continuing Disclosure Certificate. The complete text of the Developer Continuing Disclosure Certificate is set forth in APPENDIX F.

Lennar Homes’ obligation to provide semiannual reports and listed event disclosures will terminate upon the earliest to occur of: (a) the legal defeasance, prior redemption or payment in full of all of the Bonds; or (b) when Lennar Homes, together with its Affiliates, collectively own fewer than [] planned residential lots in Improvement Area 3.

Lennar Homes Prior Continuing Disclosure Compliance. Lennar Homes represents that, other than as disclosed in this paragraph, to the actual knowledge of Lennar Homes, Lennar Homes has not failed in any material respect to comply with any previous undertaking by it to provide periodic continuing disclosure reports or notices of material events with respect to community facilities districts or assessment districts in California within the past five years. However, (i) in connection with the \$16,780,000 California Municipal Finance Authority Special Tax Revenue Bonds BOLD Program Series 2020B, Lennar Homes inadvertently failed to file the initial Semi-Annual Report by the due date of May 1, 2021, but filed a curative report on May 21, 2021; and (ii) in connection with the \$5,795,000 City of Rancho Cordova Grantline 208 Community Facilities District No. 2018-1 Special Tax Bonds, Series 2021B, Lennar Homes

inadvertently failed to file the initial annual report by the due date of April 1, 2022, but filed a curative report on September 21, 2022.

NO RATINGS

The City has not applied to a rating agency for the assignment of a rating to the Bonds and does not contemplate applying for a rating.

UNDERWRITING

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

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

The Underwriter may offer and sell the 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.

MUNICIPAL ADVISOR

Del Rio Advisors, LLC of Modesto, California, serves as the City’s independent registered municipal advisor. All financial and other information presented in this Official Statement has been provided by the City and others from their records. Unless otherwise footnoted, Del Rio Advisors, LLC takes no responsibility for the accuracy or completeness of any data provided by the City or others and neither firm has undertaken to make an independent verification and neither firm assumes responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Del Rio Advisors, LLC has assisted the City with the structure, timing and terms for the sale of the Bonds. Del Rio Advisors, LLC provides municipal advisory services only and does not engage in the underwriting, marketing, or trading of municipal securities or other negotiable instruments. The fees of Del Rio Advisors, LLC are contingent upon the successful closing of the Bonds.

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.

CITY OF STOCKTON

By: _____
Chief Financial Officer

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

APPENDIX B
THE APPRAISAL

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF FISCAL AGENT AGREEMENT

The following contains a brief summary of certain provisions of the Fiscal Agent Agreement not found in the main body of the Official Statement. Investors are hereby directed to obtain a complete copy of the Fiscal Agent Agreement, which is available from the City or the Fiscal Agent upon request.

Certain Definitions

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 *et seq.* of the California Government Code.

“Administrative Expenses” means any or all of the following:

(a) the expenses directly related to the administration of Improvement Area 3, including, but not limited to, the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or a designee thereof or both); the costs of collecting the Special Taxes (whether by San Joaquin County, the City or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs associated with preparing Special Tax disclosure statements and responding to the public inquiries regarding the Special Taxes; the costs of the City, Improvement Area 3 or any designee thereof related to an appeal of the Special Tax;

(b) the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties of the Fiscal Agent pertaining to the Bonds required under this Fiscal Agent Agreement and any Supplemental Agreement;

(c) the costs of the City or any designee thereof of complying with the City, Improvement Area 3, or obligated person disclosure requirements associated with applicable federal or state securities laws of the Act pertaining to the Bonds;

(d) any amounts required to be rebated to the federal government; and

(e) all other costs and expenses of the City (including, but not limited to, an allocable share of the salaries of the City staff directly related to the foregoing, a proportionate amount of City general administrative overhead related to the foregoing, and amounts advanced by the City for any administrative purpose of Improvement Area 3, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure) and the Fiscal Agent incurred in connection with the discharge of their respective duties hereunder and in any way related to the administration of Improvement Area 3 and all actual costs and expenses incurred in connection with the administration of the Bonds.

“Agreement” means the Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement.

“Annual Debt Service” means, for each Bond Year and each Series of Outstanding Bonds, the sum of (i) the interest due on the respective Series of Outstanding Bonds in such Bond Year, assuming that such Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the respective Series of Outstanding Bonds, including any mandatory sinking fund payments, due in such Bond Year.

“Authorized Officer” means the City Manager, Chief Financial Officer, City Clerk, City Attorney, including any deputy, acting or interim officer holding such position, or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

“Bond Counsel” means any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Year” means each twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 1, 2024.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Principal Office of the Fiscal Agent is located are authorized or obligated by law or executive order to be closed.

“CDIAC” means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

“Closing Date” means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate, dated as of the Closing Date, related to the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“District” means the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) formed pursuant to the Resolution of Formation.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded

on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

“*Federal Securities*” means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment).

(i) Direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as “stripped” obligations and coupons; or

(ii) Any of the following obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank, (ii) certificates of beneficial ownership issued by the Farmers Home Administration, (iii) participation certificates issued by the General Services Administration, (iv) mortgage-backed bonds or passthrough obligations issued and guaranteed by the Government National Mortgage Association, (v) project notes issued by the United States Department of Housing and Urban Development, and (vi) public housing notes and bonds guaranteed by the United States of America.

“*Chief Financial Officer*” means the duly acting Chief Financial Officer or Treasurer of the City, or if the City has no Chief Financial Officer, such officer of the City serving a similar role.

“*Fiscal Agent*” means the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers in the Agreement provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Agreement.

“*Fiscal Year*” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“*Information Services*” means “EMMA” or the “Electronic Municipal Market Access” system of the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Maximum Annual Debt Service” means, for each Series of Outstanding Bonds, the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of the respective Series of Outstanding Bonds.

“Officer’s Certificate” means a written certificate of the City signed by an Authorized Officer of the City.

“Ordinance” means any ordinance of the City levying the Special Taxes.

“Original Purchaser” means the first purchaser of the Bonds from the City.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Agreement) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Agreement; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Agreement or any Supplemental Agreement.

“Owner” or *“Bondowner”* means any person who shall be the registered owner of any Outstanding Bond.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Prepayment” means moneys received by the City from the prepayment of Special Taxes as provided in the “Rate, Method of Apportionment, and Manner of Collection of Special Tax” applicable to Improvement Area 3.

“Principal Office” means the corporate trust office of the Fiscal Agent set forth in the Agreement, or such other or additional offices as may be designated by the Fiscal Agent.

“Record Date” means the fifteenth (15th) day of the month next preceding the month of the applicable Interest Payment Date whether or not such day is a Business Day.

“Regulations” means temporary and permanent regulations promulgated under the Code.

“Resolution of Formation” means Resolution No. 2018-06-19-1502-01, adopted by the City Council of the City on June 19, 2018 establishing the District for the purpose of providing for the financing of certain public facilities in and for such District.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to the Agreement, but only if and to the extent that such agreement is specifically authorized under the Agreement.

Certain Covenants

Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of

the Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of the Agreement and all Supplemental Agreements and of the Bonds.

Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default under the Agreement, to the benefits of the Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by the Agreement.

Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Special Tax Fund and to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund, the Reserve Fund and the Costs of Issuance Fund. Such books of record and accounts shall at all times during business hours and upon reasonable prior notice, be subject to the inspection of the City and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Private Activity Bond Limitation. The City shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes. On or within five (5) Business Days of each June

1, the Fiscal Agent shall provide the Chief Financial Officer with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund.

The City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which County Auditor will accept the transmission of the Special Tax amounts for the parcels within Improvement Area 3 for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the City shall prepare or cause to be prepared, and shall transmit to the Chief Financial Officer, such data as the County Auditor requires to include the levy of the Special Taxes on the next secured real property tax roll.

The City shall fix and levy the amount of Special Taxes within Improvement Area 3 required for the payment of principal of and interest on any outstanding Bonds of Improvement Area 3 becoming due and payable during the ensuing Bond Year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the rate and method of apportionment of the Special Taxes for Improvement Area 3 and the Ordinance. In any event, the Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The City covenants that it will receive Net Taxes in trust for the Owners and will instruct the Chief Financial Officer to deposit all Net Taxes with the Fiscal Agent at least three Business Days prior to each Interest Payment Date, and the City shall have no beneficial right or interest in the amounts so deposited, except as provided by this Agreement. All such Net Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth in this Agreement, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the City.

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

No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the gross proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and Regulations.

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Yield of the Bonds. In determining the yield of the Bonds to comply with the Agreement, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing, without regard to whether or not redemption moneys are received or Bonds are redeemed.

Modification or Amendment of the Fiscal Agent Agreement

The Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Agreement), or reduce the percentage of Bonds required for the amendment hereof. No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

The Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the City in the Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Agreement reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Agreement, or in regard to questions arising under the Agreement, as the City and the Fiscal Agent may deem necessary or desirable, and which shall not adversely affect the rights of the Owners of the Bonds;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

If consent of the Owners is required, the Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Agreement) and a notice shall have been mailed as hereinafter provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice

thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise above specifically provided) upon the City and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in the Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in the Agreement. Upon request, the City shall provide an Officer's Certificate to the Fiscal Agent listing those Bonds which are disqualified pursuant to the Agreement.

Defeasance and Discharge

If the City shall pay and discharge the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with (in the event that all of the Bonds are to be defeased) the amounts then on deposit in the funds and accounts provided for in the Agreement, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums, or;

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the City shall determine as confirmed by an independent certified public accountant will, together with the interest to accrue thereon and (in the event that all of the Bonds are to be defeased) moneys then on deposit in the fund and accounts provided for in the Agreement, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in the Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Agreement and all other obligations of the City under the Agreement with respect to such Bonds Outstanding shall cease and terminate, except only the obligations of the City related to certain tax matters and to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent pursuant to the Agreement; and thereafter Special Taxes shall not be payable to the Fiscal Agent. Notice of such election shall be filed with the Fiscal Agent.

APPENDIX D**SAN JOAQUIN COUNTY AND CITY OF STOCKTON
DEMOGRAPHIC INFORMATION**

Improvement Area 3 of the District is located in the City of Stockton (the “City”), which is located in the center of San Joaquin County (the “County”), California (the “State”). Certain financial and economic data for the City, County and State are presented in this appendix for information purposes only. The Bonds are not a debt or obligation of the City, County or State, but are a limited obligation of the City secured solely by the Net Taxes generated in Improvement Area 3 and certain other funds held pursuant to the Fiscal Agent Agreement, all as described in more detail in this Official Statement.

General

The City is situated amidst the farmland of California’s San Joaquin Valley, a subregion of the Central Valley, whose boundaries encompass 64.8 square miles of waterways, which make up the California Delta. The City is located 78 miles east of the San Francisco Bay area, 345 miles north of Los Angeles and 45 miles south of Sacramento. The Stockton Metropolitan Statistical Area, which encompasses the entire County, covers approximately 1,400 square miles.

The City was founded by Captain Charles Maria Weber in 1849 after he acquired Rancho de los Franceses and is named after Robert F. Stockton and was the first community in the State to not have a name of Spanish or Native American origin. The City is located on the San Joaquin River in northern San Joaquin Valley. With approximately 320,000 people, Stockton is the 11th largest city in California and the 61st largest city in the United States. According to the United States Census Bureau, the city occupies a total area of 64.8 square miles, of which 61.7 square miles is land and 3.1 square miles (4.76%) is water. The City is a municipal corporation and a charter city, duly organized and existing under the constitution and laws of the State.

Stockton is the largest inland seaport in California. Since the California Gold Rush, it has served as a gateway to the Central Valley. It provided easy access for trade and transportation to the southern gold mines. It has been the location of the oldest chartered university in California, University of the Pacific, since 1923. Historically an agricultural community, Stockton’s economy has since diversified into other industries, which include telecommunications and manufacturing. Stockton’s central location, relative to both San Francisco and Sacramento, as well as its proximity to the state and interstate freeway system, together with its comparatively inexpensive land costs, have prompted several companies to base their regional operations in the City.

Population

Population figures for the City, the County and the State for the last five years are shown in the following table.

CITY OF STOCKTON, SAN JOAQUIN COUNTY AND THE STATE OF CALIFORNIA
Population Estimates
Calendar Years 2019 through 2023 as of January 1

Calendar Year	City of <u>Stockton</u>	San Joaquin <u>County</u>	State of <u>California</u>
2019	317,356	764,373	39,605,361
2020	323,456	779,233	39,538,223
2021	323,101	780,515	39,286,510
2022	321,911	782,811	39,078,674
2023	319,731	786,145	38,940,231

Source: State Department of Finance estimates.

Major Employers

The following table lists the largest employers within the City.

CITY OF STOCKTON
Principal Employers
Fiscal Year 2021-22

Employer Name	No. of Employees
Stockton Unified School District	5,265
Amazon	4,750
St. Joseph's Medical Center	3,200
City of Stockton	2,118
San Joaquin County Office of Education	1,955
Pacific Gas and Electric	1,550
University of the Pacific	1,329
Lincoln Unified School District	1,125
Kaiser Permanente	1,065
San Joaquin Delta College	813

Source: City of Stockton Annual Comprehensive Financial Report 2021-22.

The County's major employers are set forth below in alphabetized order.

COUNTY OF SAN JOAQUIN
Major Employers
(As of March 2024)

Employer Name	Location	Industry
Adventist Health Lodi Memorial	Lodi	Hospitals
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
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 Public	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	Consultants-Business NEC

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2024 1st Edition.

Employment and Industry

The Community Facilities District is included in the Stockton Metropolitan Statistical Area (“MSA”), which includes all of San Joaquin County. The unemployment rate in San Joaquin County was 6.8 percent in December 2023, up from a revised 6.4 percent in November 2023, and above the year-ago estimate of 5.2 percent. This compares with an unadjusted unemployment rate of 5.1 percent for California and 3.5 percent for the nation during the same period.

Set forth below is data from calendar years 2018 to 2022 reflecting the County’s civilian labor force, employment and unemployment. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the Community Facilities District. Annual Figures for 2023 are not yet available.

**STOCKTON-LODI MSA
(San Joaquin County)
Annual Average Labor Force and Employment by Industry
Calendar Years 2018 through 2022
(March 2022 Benchmark)**

	2018	2019	2020	2021	2022
Civilian Labor Force ⁽¹⁾	324,100	327,100	335,400	336,900	344,400
Employment	304,300	307,700	296,900	308,000	326,400
Unemployment	19,800	19,500	38,500	28,900	18,100
Unemployment Rate	6.1%	5.9%	11.5%	8.6%	5.2%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	15,600	15,400	14,600	14,200	13,700
Mining and Logging	100	100	100	100	0
Construction	12,800	13,100	13,000	13,900	15,100
Manufacturing	20,600	20,600	20,300	21,400	22,600
Wholesale Trade	11,800	11,700	10,600	10,800	11,400
Retail Trade	26,700	26,200	24,600	26,200	26,900
Transportation, Warehousing and Utilities	28,400	31,300	38,800	43,000	48,800
Information	1,800	1,600	1,200	1,200	1,200
Financial Activities	7,800	7,900	7,800	8,000	8,200
Professional and Business Services	19,600	20,200	21,300	22,500	24,100
Educational and Health Services	38,800	39,100	37,300	38,000	39,800
Leisure and Hospitality	22,000	22,600	18,500	21,300	24,500
Other Services	7,600	7,800	6,800	7,300	8,000
Federal Government	3,100	3,200	3,300	3,100	3,100
State Government	6,700	6,800	6,800	6,000	5,500
Local Government	33,700	34,900	33,000	32,900	34,100
Total All Industries ⁽³⁾	257,000	262,500	257,800	269,900	286,900

(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) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Construction Activity

The tables below summarize building activity in the City and the County from calendar years 2018 through 2022.

CITY OF STOCKTON
Building Permit Activity
For Calendar Years 2018 through 2022
(Dollars in Thousands)

	2018	2019	2020	2021	2022
<u>Permit Valuation</u>					
New Single-family	\$104,468.2	\$99,207.4	\$129,515.4	\$104,348.4	\$156,148.5
New Multi-family	0.0	32,175.0	12,061.1	27,536.4	0.0
Res. Alterations/Additions	<u>61,592.1</u>	<u>66,557.3</u>	<u>11,378.0</u>	<u>78,590.8</u>	<u>141,667.0</u>
Total Residential	166,060.3	197,939.7	152,954.5	210,475.6	297,820.0
New Commercial	21,301.7	20,758.4	25,926.8	44,227.2	138,967.5
New Industrial	68,896.1	104,091.5	7,898.5	43,340.5	249,274.2
New Other	665.0	1,684.1	5,213.4	9,954.5	49,064.0
Com. Alterations/Additions	<u>109,640.5</u>	<u>179,066.8</u>	<u>46,657.9</u>	<u>88,721.6</u>	<u>280,870.3</u>
Total Nonresidential	200,503.3	305,600.8	85,696.6	186,243.8	718,178.7
New Dwelling Units					
Single Family	324	302	481	364	497
Multiple Family	<u>0</u>	<u>262</u>	<u>93</u>	<u>45</u>	<u>0</u>
TOTAL	324	564	574	409	497

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF SAN JOAQUIN
Building Permit Activity
For Calendar Years 2018 through 2022
(Dollars in Thousands)

	2018	2019	2020	2021	2022
<u>Permit Valuation</u>					
New Single-family	\$883,071.1	\$843,700.9	\$870,859.6	\$1,179,358.0	\$1,281,631.4
New Multi-family	99,601.4	57,271.1	38,411.8	69,775.2	88,457.7
Res. Alterations/Additions	<u>95,073.4</u>	<u>98,681.9</u>	<u>40,144.4</u>	<u>108,647.1</u>	<u>182,338.5</u>
Total Residential	1,077,745.9	999,653.9	949,415.8	1,357,780.3	1,552,427.6
New Commercial	498,359.0	380,383.3	255,761.2	272,617.0	641,696.7
New Industrial	240,073.7	120,003.8	534,199.5	43,401.3	249,274.2
New Other	31,904.4	61,991.7	33,112.3	58,264.9	107,863.0
Com. Alterations/Additions	<u>249,142.4</u>	<u>363,841.0</u>	<u>135,285.4</u>	<u>272,064.7</u>	<u>450,649.8</u>
Total Nonresidential	1,019,479.5	926,219.8	958,358.4	646,347.9	1,449,483.7
New Dwelling Units					
Single Family	2,765	2,564	2,843	3,665	3,168
Multiple Family	<u>593</u>	<u>461</u>	<u>245</u>	<u>178</u>	<u>338</u>
TOTAL	3,358	3,025	3,088	3,843	3,506

Source: Construction Industry Research Board, Building Permit Summary.

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 STOCKTON, SAN JOAQUIN COUNTY AND THE STATE OF CALIFORNIA Effective Buying Income 2020 through 2024

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2020	City of Stockton	\$6,301,309	\$47,701
	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 Stockton	\$6,408,269	\$49,625
	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 Stockton	\$7,510,371	\$58,964
	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 Stockton	\$7,468,379	\$58,873
	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 Stockton	\$8,181,528	\$66,096
	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.

The total taxable sales through three quarters during calendar year 2023 in the City were reported to be \$4,692,561,996, a 5.65% decrease in total taxable sales through three quarters of \$4,973,751,253 reported during calendar year 2022.

CITY OF STOCKTON
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2018	4,094	3,351,992	6,160	4,494,043
2019	4,262	3,458,758	6,470	4,694,505
2020	4,797	3,498,450	7,411	4,729,022
2021	4,729	4,477,798	7,347	6,108,929
2022	4,812	4,610,164	7,443	6,724,541

Source: State of California, Board of Equalization.

The total taxable sales through three quarters during calendar year 2023 in the County were reported to be \$16,910,383,113, a 2.73% decrease in total taxable sales through three quarters of \$17,385,516,538 reported during calendar year 2022.

SAN JOAQUIN COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2018	9,660	8,855,169	15,473	13,457,721
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

Source: State of California, Board of Equalization.

Transportation

The City. The City is located on Interstate 5, the West Coast's major route from Canada to Mexico. The City's Crosstown Freeway connects Interstate 5 with State Route 99, the State's other principal north-south freeway. Other freeway connections provide convenient access to the San Francisco Bay area and Reno. Thirty-five major transcontinental truck lines and nearly 200 contract carriers serve the City. The City is also served by Greyhound and the San Joaquin Regional Transit District.

The Port of Stockton, the largest inland deep water seaport in the State, is served by numerous international shipping companies through the Stockton Channel to the San Francisco Bay. The modern port facility handles dry and liquid bulk commodities and general cargo.

The Stockton Metropolitan Airport serves the San Joaquin Valley with passenger and air freight facilities, including regularly scheduled commercial passenger service.

Railroad service is provided to the City by Burlington Northern, Santa Fe and the Union Pacific railroads. Daily passenger service by Amtrak is available to San Francisco, Los Angeles, and Sacramento.

The County. Major highways in the County include: Interstate 5, Interstate 205, Interstate 580, State Route 99, State Route 4 (Crosstown Freeway/California Delta Highway) and State Route 120. The San Joaquin Regional Transit District provides bus service within the City of Stockton in addition to routes throughout the County and commuter routes to Livermore, Pleasanton, Sacramento and Santa Clara County. Greyhound and Amtrak also provide service. The Stockton Metropolitan Airport serves the San Joaquin Valley with passenger and air freight facilities.

Education

Within the City, there are 4 colleges, Delta College, California State University Stanislaus extension (public), University of the Pacific, and Humphrey's College with a total of approximately 13,250 students. There are 6 high schools, 7 middle schools and 35 elementary schools (17 private).

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

City Council
City of Stockton
425 N El Dorado Street
Stockton, California 95202

OPINION: \$_____ Improvement Area 3 of the City of Stockton
Community Facilities District No. 2018-2 (Westlake Villages II)
Special Tax Bonds Series 2024

Members of the City Council:

We have acted as bond counsel to the City of Stockton (the “City”) in connection with the issuance by the City of its \$_____ Improvement Area 3 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) Special Tax Bonds Series 2024 (the “Bonds”), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, et seq. of the California Government Code (the “Act”) and a Fiscal Agent Agreement dated as of April 1, 2024 (the “Fiscal Agent Agreement”) by and between the City and U.S. Bank Trust Company, National Association, as fiscal agent. We have examined the law and such certified proceedings 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 the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a public body, corporate and politic, with the power to adopt the resolution authorizing the issuance of the Bonds (the “Resolution”), enter into the Fiscal Agent Agreement, and perform the agreements on its part contained therein, and issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the City and are valid and binding limited obligations of the City, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

3. The Fiscal Agent Agreement has been duly entered into by the City and constitutes a valid and binding obligation of the City enforceable upon the City.

4. Pursuant to the Act, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement.

5. The 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 opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that such interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on 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 Indenture 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**FORM OF CONTINUING DISCLOSURE UNDERTAKINGS****CONTINUING DISCLOSURE CERTIFICATE
(City)**

\$ _____
**IMPROVEMENT AREA 3 OF THE CITY OF STOCKTON
 COMMUNITY FACILITIES DISTRICT NO. 2018-2
 (WESTLAKE VILLAGES II)
 SPECIAL TAX BONDS, SERIES 2024**

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”), dated as of April 1, 2024 is executed and delivered by the CITY OF STOCKTON (the “City”), in connection with the execution and delivery of its Improvement Area 3 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) Special Tax Bonds Series 2024 (the “Bonds”). The Bonds are being executed and delivered pursuant to a Fiscal Agent Agreement, dated as of April 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 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 the Rule.

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 herein, 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.

“Dissemination Agent” means, initially, Willdan Financial Services, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation in accordance with Section 8 of this Disclosure Certificate.

“District” means the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II).

“Improvement Area 3” means Improvement Area 3 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II).

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

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, 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 Oppenheimer & Co. Inc., as the original 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.

“Special Taxes” means the special taxes levied on taxable property within Improvement Area 3 that are pledged to repayment of the Bonds.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than March 31 following the end of the City’s Fiscal Year (presently June 30), commencing with the report for the 2023-24 Fiscal Year due March 31, 2025, provide to the MSRB, in an electronic format as prescribed by the MSRB, 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. 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, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, in an electronic format as prescribed by the MSRB, a notice to such effect.

(c) With respect to each Annual Report, the Dissemination Agent shall:

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

(ii) if the Dissemination Agent is other than the City, file a report with the City 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:

(a) The City's 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 City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) For the report due no later than March 31, 2025 and each Annual Report due thereafter, the following additional information:

(i) A maturity schedule for the outstanding Bonds, and a listing of Bonds, if any, redeemed prior to maturity during the prior Fiscal Year.

(ii) Balance in the Reserve Fund (and any accounts therein), and statement of the Reserve Requirement for the Bonds. Statement of projected reserve fund draw, if any.

(iii) Balance in other funds and accounts held by the City or Fiscal Agent related to the Bonds.

(iv) A table indicating the levy of Special Taxes, amount collected, delinquent amount and percent of Special Tax levy delinquent for the most recent Fiscal Year.

(v) The aggregate assessed value of the properties in Improvement Area 3 for the most recent Fiscal Year.

(vi) Identification of each delinquent property owner in Improvement Area 3 representing more than 5% of the levy of Special Taxes in Improvement Area 3, and the value-to-lien ratios of the corresponding property, together with the following information respecting each such parcel:

(A) the amount delinquent (exclusive of late charges and monthly penalties for reinstatement) and the assessed value of such parcel;

(B) the date of the first delinquency;

(C) the status of any foreclosure action by the City;

(D) in the event a foreclosure complaint has been filed respecting such delinquent parcel and such complaint has not yet been dismissed, the date on which the complaint was filed in the California Superior Court; and

(E) in the event a foreclosure sale has occurred respecting such delinquent parcel, a summary of the results of such foreclosure sale.

(c) 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) 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 security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (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.
- (14) Appointment of a successor or additional fiscal agent or the change of name of the fiscal agent, if material.
- (15) 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 the definition of financial obligation, see clause (e)).
- (16) 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 the 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, 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.

(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 MSRB consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB pursuant to this 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 Dissemination Agent, with or without appointing a successor

Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

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; and

(b) the proposed amendment or waiver either (i) 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 (ii) does not, in the opinion of 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 Report 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 this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. 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 any amendment made pursuant to this Section 9 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. Default. If the City fails 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 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) 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 harmless the Dissemination Agent, its officers, directors, employees and agents (each, an "Indemnified Party"), against any loss, expense and liability 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 reasonable attorneys' fees) of defending against any claim of liability, but excluding losses, liabilities, costs and expenses due to an Indemnified Party's negligence, willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the holders and beneficial owners from time to time of the Bonds 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.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all reasonable and documented expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Notices. Any notice or communications required to be given to the Dissemination Agent, the City or the Participating Underwriter may be given as follows:

To the Dissemination Agent:	Willdan Financial Services 27368 Via Industria, Suite 200 Temecula, California 92590
To the City:	City of Stockton 425 N. El Dorado Street Stockton, California 95202 Attn: Chief Financial Officer
To the Participating Underwriter:	Oppenheimer & Co. Inc. 135 Main Street, Suite 1700 San Francisco, California 94105 Attn: Municipal Capital Markets Group Email: Rick.Brandis@opco.com

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 Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. 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.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Certificate as of the date first above written.

CITY OF STOCKTON, for and on behalf
of Improvement Area 3 of the City of
Stockton Community Facilities District No.
2018-2 (Westlake Villages II)

By: _____
Authorized Officer

Accepted by Dissemination Agent:

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By: _____
Name: _____
Title: _____

**FORM OF CONTINUING DISCLOSURE CERTIFICATE
(Lennar Homes)**

\$ _____
**IMPROVEMENT AREA 3 OF THE CITY OF STOCKTON
 COMMUNITY FACILITIES DISTRICT NO. 2018-2
 (WESTLAKE VILLAGES II)
 SPECIAL TAX BONDS, SERIES 2024**

THIS CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) dated as of April 1, 2024, is executed by Lennar Homes of California, LLC (the “Developer”) in connection with the execution and delivery by the City of Stockton (the “City”) of its City of Stockton Improvement Area 3 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) Special Tax Bonds Series 2024 (the “Bonds”). The Bonds are being executed and delivered pursuant to a Fiscal Agent Agreement, dated as of April 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 Developer covenants and agrees as follows:

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

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:

“*Affiliate*” means any person presently directly (or indirectly through one or more intermediaries) under managerial control of the Developer, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including without limitation information relevant to the proposed development of the Property or to the Developer’s ability to pay the Special Taxes levied on the Property prior to delinquency).

“*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 3), 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 3 owned by such Major Owner and its Affiliates and, at the option of the Developer 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 the Developer, or any successor Dissemination Agent designated in writing by the Developer, and which has filed with the Developer and the City 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 Stockton Community Facilities District No. 2018-2 (Westlake Villages II).

“Improvement Area 3” means Improvement Area 3 of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II).

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

“Major Owner” means, as of any date of determination, a Person that, together with the Person’s Affiliates, owns [] or more residential lots (or property intended to be subdivided into 58 or more residential lots) in Improvement Area 3 on an aggregate basis.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information.

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

“Participating Underwriter” means Oppenheimer & Co. Inc., the original Underwriter of the Bonds.

“Periodic Report” means any Periodic Report provided by the Developer 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 (i) the property owned by the Developer or an Affiliate in Improvement Area 3 as of the date of determination, and (ii) the property in Improvement Area 3 that the Developer or an Affiliate sold to a Major Owner who has not assumed the undertakings of this Disclosure Certificate under Section 6(b) that is owned by such Major Owner as of the date of determination.

“Report Date” means March 31 and September 30 of each fiscal year.

“Special Taxes” means the special taxes levied on taxable property within Improvement Area 3 that are pledged to repayment of the Bonds.

Section 3. Provision of Periodic Reports.

(a) So long as the Developer’s obligations under this Disclosure Certificate have not been terminated pursuant to Section 6 herein, the Developer shall, or, upon written direction of the Developer the Dissemination Agent shall, not later than each Report Date, commencing September 30, 2024, file or cause to be filed with the MSRB, in an electronic format as prescribed by the MSRB, 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

Developer shall provide the Periodic Report to the Dissemination Agent (if different from the Developer). The Developer shall provide a written certification with (or included as a part of) each Periodic Report furnished to the Dissemination Agent (if different from the Developer), 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 Developer 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 Developer that the Periodic Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Developer 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 Developer does not provide, or cause the Dissemination Agent to provide, a Periodic Report to the MSRB by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice in a timely manner to the MSRB to such effect, with a copy to the City and the Participating Underwriter.

(c) The Dissemination Agent shall: (i) determine prior to each Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of continuing disclosure reports; and (ii) to the extent the Periodic Report has been furnished to it, file the Periodic Report with the MSRB and file a report with the Developer (if the Dissemination Agent is other than the Developer), 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 the MSRB.

Section 4. Content of Periodic Reports. The Developer's Periodic Report shall contain or incorporate by reference the information set forth in Exhibit A relating to the Developer, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Developer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Developer 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 Developer'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) So long as the Developer's obligations under this Disclosure Certificate have not been terminated pursuant to Section 6 herein, the Developer 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 Developer and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Developer that is reasonably likely to have a significant impact on the Developer's ability to pay Special Taxes for which it is responsible prior to delinquency or to sell or develop the Property;

(ii) failure of the Developer 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 Developer upon discovery thereof;

(iii) filing of a lawsuit of which the Developer is aware against the Developer or an Affiliate seeking damages, which is reasonably likely to have a significant impact on the Developer's ability to pay Special Taxes for which it is responsible prior to delinquency or to sell or develop the Property;

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

(v) any payment default or other material default by the Developer that continues to exist beyond any applicable notice and cure periods on any loan with respect to the construction of improvements on the Property.

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

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

Section 6. Duration of Reporting Obligation.

(a) All the Developer'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 Property is no longer owned by a Major Owner; or

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

The Developer 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 is conveyed to a Person that, upon such conveyance, will be a Major Owner, the obligations of the Developer hereunder with respect to the Property conveyed to such Major Owner may be assumed by such Major Owner, and if so

assumed the Developer's obligations hereunder with respect to such portion of the Property conveyed will be terminated. In order to effect such an assumption, such Major Owner shall enter into an Assumption Agreement in form and substance equivalent to this Disclosure Certificate or as otherwise satisfactory to the City and the Participating Underwriter. However, a Major Owner shall not be required to enter into an Assumption Agreement if such Major Owner is already a party to a continuing disclosure certificate in form and substance similar to this Disclosure Certificate with respect to the Bonds, and under which the property conveyed to such Major Owner will become subject to future Periodic Reports. If not so assumed, the Developer shall use commercially reasonable efforts to obtain report the information, as applicable to the transferee, required herein so long as the transferee is a Major Owner.

Section 7. Dissemination Agent. The Developer may, from time to time, appoint or engage a Dissemination Agent to assist the Developer 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 Developer. The Dissemination Agent may resign by providing 30 days' written notice to the City, the Developer and the Participating Underwriter.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(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, or change in law; and

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

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Developer 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 Developer 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 Developer 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 Developer to comply with any provision of this Disclosure Certificate, the Fiscal Agent shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and 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 Developer 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 Developer to comply with this Disclosure Certificate shall be an action to compel performance.

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 Developer 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 Developer, the Fiscal Agent, the Bond owners, or any other party. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds, but shall be assumed by a Major Owner from and after the date of such assumption when property is sold to a Major Owner and such Major Owner enters into an assumption agreement.

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 Developer

 Attn: _____
 Email: _____

With a copy to:

 Attn: _____
 Email: _____

To the City:

City of Stockton
 425 N. El Dorado Street
 Stockton, California 95202
 Attn: Chief Financial Officer
 Email: _____

To the Participating Underwriter: Oppenheimer & Co. Inc.
 135 Main Street, Suite 1700
 San Francisco, California 94105
 Attn: Municipal Capital Markets Group
 Email: Rick.Brandis@opco.com

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 Developer (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 Developer hereunder shall be assumed by any legal successor to the obligations of the Developer 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.

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

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

DEVELOPER:

LENNAR HOMES OF CALIFORNIA, LLC

By: _____
 Name:
 Title:

EXHIBIT A**PERIODIC REPORT**

(MARCH 31, ____ / SEPTEMBER 30, ____)

\$ _____

**IMPROVEMENT AREA 3 OF THE CITY OF STOCKTON
COMMUNITY FACILITIES DISTRICT NO. 2018-2
(WESTLAKE VILLAGES II)
SPECIAL TAX BONDS, SERIES 2024**

This Periodic Report is hereby submitted under Section 4 of the Continuing Disclosure Certificate (the "Disclosure Certificate") dated April 1, 2024, executed by the undersigned (the "Developer") in connection with the issuance of the above-captioned bonds by the City of Stockton (the "City") with respect to its Improvement Area 3 ("Improvement Area 3") of the City of Stockton Community Facilities District No. 2018-2 (Westlake Villages II) (the "District").

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 30 days before the date of this Periodic Report).

A. Property currently owned by the Developer in Improvement Area 3 (the "**Property**"): _____

Development name(s): _____

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 "OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA 3—Lennar Homes" or the Periodic Report last filed in accordance with the Disclosure Certificate:

C. Status of building permits and any material changes to the description of land use or development entitlements for the Property described in the Official Statement for the Bonds under the caption "OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA 3—Lennar Homes" or the Periodic Report last filed in accordance with the Disclosure Certificate:

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

E. Number of Homes in Improvement Area 3 sold and closed to homeowners by the Developer to date: _____

Number of Homes in Improvement Area 3 under contract for sale as of _____, 20__ : _____

II. Legal and Financial Status of Developer

Unless such information has previously been included or incorporated by reference in a Periodic Report, describe any change in the legal structure of the Developer or the financial condition and financing plan of the Developer 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 Developer or the Property contained in the Official Statement under the heading "OWNERSHIP AND DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA 3—Lennar Homes" that would materially and adversely interfere with the Developer'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 Developer hereby certifies that this Periodic Report constitutes the Periodic Report required to be furnished by the Developer under the Disclosure Certificate.

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

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

Dated: _____

DEVELOPER: _____

By: _____

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 (herein, the “Securities”) to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Securities 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 Securities (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Securities (the “Agent”) takes 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 Securities, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Securities, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Securities, 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”) 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. *The information contained on this Internet site is not incorporated herein by reference.*

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 shall 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. 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.

10. 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.

11. 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.