

RESOLUTION NO. 2021-285

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE AUTHORIZING THE ISSUANCE OF SPECIAL TAX BONDS FOR AND ON BEHALF OF COMMUNITY FACILITIES DISTRICT NO. 2005-1 (LAGUNA RIDGE), APPROVING AND DIRECTING THE EXECUTION OF A SUPPLEMENTAL AGREEMENT TO FISCAL AGENT AGREEMENT, APPROVING THE SALE OF SUCH BONDS, AND APPROVING OTHER RELATED DOCUMENTS AND ACTIONS

WHEREAS, the City Council of the City of Elk Grove (the "City") has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code (the "Mello-Roos Act"), to form Community Facilities District No. 2005-1 (Laguna Ridge) (the "CFD"), to authorize the levy of special taxes upon the land within the CFD, and to issue bonds secured by said special taxes, for the purpose of financing certain public improvements and related expenses, all as described in its Resolution No. 2006-62 adopted March 8, 2006 and the proceedings related thereto; and

WHEREAS, following a vote of landowners in the CFD authorizing the levy of a special tax, the City Council, as legislative body of the CFD, authorized the issuance of special tax bonds of the City for the CFD in the maximum principal amount of not to exceed \$225,000,000; and

WHEREAS, in order to provide funds for certain authorized improvements, in 2007 the City caused to be issued for the CFD the \$67,670,000 City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2007 (the "2007 Bonds"); and

WHEREAS, in order to refinance the 2007 Bonds in full, and provide funds for certain additional authorized improvements, the City caused to be issued for the CFD the \$113,500,000 City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2016 (the "2016 Bonds") for the purpose of (i) refinancing the 2007 Bonds in full (allocated to \$46,060,000 of the \$113,500,000 issued) and (ii) financing various public improvements authorized to be funded by the CFD (allocated to \$67,440,000 of the \$113,500,000 issued); and

WHEREAS, in order to provide funds for certain additional authorized public improvements, the City caused to be issued for the CFD the \$19,145,000 City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2018 (the "2018 Bonds"); and

WHEREAS, in order to provide funds for certain additional authorized public improvements, the City caused to be issued for the CFD the \$11,495,000 City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2020 (the "2020 Bonds"); and

WHEREAS, the City has determined that the CFD has a remaining authorization to issue bonds in the principal amount of \$59,250,000, and the City Council wishes to provide for the issuance of an additional series of special tax bonds for the CFD to provide funds for certain additional authorized improvements (the "Additional Capital Facilities"), such bonds to be designated the "City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds Series 2021" (the "2021 Bonds"); and

WHEREAS, the City Council wishes to sell the 2021 Bonds to the Elk Grove Finance Authority (the "Authority"); and

WHEREAS, the Authority wishes to issue special tax revenue bonds (the "Authority Bonds") pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Authority Bond Law") for the purpose of purchasing the 2021 Bonds from the City to assist the City in the purpose of the financing; and

WHEREAS, as required by Section 6586.5 of the Authority Bond Law, the City has caused publication of a notice of a public hearing on the financing of the Additional Capital Facilities once at least five (5) days prior to the hearing in a newspaper of general circulation in the county; and

WHEREAS, the City Council held a public hearing at which all interested persons were provided the opportunity to speak on the subject of financing the Additional Capital Facilities; and

WHEREAS, there have been submitted to the City Council certain documents described below providing for the issuance of the 2021 Bonds, the use of the proceeds of the 2021 Bonds, issuance of the Authority Bonds, and the financing of the Additional Capital Facilities, and the City Council with the aid of its staff, has reviewed the documents and found them to be in proper order; and

WHEREAS, all conditions, things, and acts required to exist, to have happened, and to have been performed precedent to and in the issuance of the 2021 Bonds and the Authority Bonds as contemplated by this Resolution and the documents referred to herein exist, have happened and have been performed in due time, form, and manner as required by the laws of the State of California, including the Mello-Roos Act and the Authority Bond Law.

NOW, THEREFORE, BE IT RESOLVED, as follows:

Section 1. Bonds Authorized. Pursuant to the Mello-Roos Act, this Resolution and the Third Supplemental Agreement (as described in Section 4 hereof), the City Council hereby authorizes the issuance of the 2021 Bonds in an aggregate principal amount not in excess of the principal amount of the Authority Bonds.

In furtherance of the issuance of the 2021 Bonds and pursuant to Section 53345.8 of the Mello-Roos Act, the City Council hereby finds and determines that the value of the real property subject to the special taxes levied pursuant to the Mello-Roos Act to pay debt service on the 2021 Bonds is at least three times the proposed aggregate principal amount of the 2021 Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Mello-Roos Act on property within the CFD or a special assessment levied on property within the CFD.

Section 2. Findings Relating to Financing of Additional Capital Facilities. The City Council hereby finds that issuance of the Authority Bonds for the purpose of financing the Additional Capital Facilities and acquiring the Additional Capital Facilities will result in significant public benefits of the type described in Section 6586 of the Bond Law, including, but not limited to, a more efficient delivery of City services to residential

and commercial development and demonstrable savings in effective interest rate, bond preparation, bond underwriting and bond issuance costs. The City Council hereby approves the issuance of the Authority Bonds.

Section 3. Authorities Granted. The City Manager, Finance Director, or such other official of the City as may be designated by such officer pursuant to Section 8 hereof (each, an “Authorized Officer”), each acting alone, is hereby authorized and directed to execute and deliver the documents approved herein in substantially the form on file with the City Clerk, together with such additions or changes as are approved by an Authorized Officer upon consultation with the City’s bond counsel and municipal advisor, including such additions or changes as are necessary or advisable to permit the timely issuance, sale and delivery of the 2021 Bonds. The approval of such additions or changes shall be conclusively evidenced by the execution and delivery by an Authorized Officer of the documents herein specified.

Section 4. Third Supplemental Agreement to Fiscal Agent Agreement. The City Council hereby approves the form of the Supplemental Agreement No. 3 to Fiscal Agent Agreement (the “Third Supplemental Agreement”), attached hereto as Exhibit A, by and between the City and U.S. Bank National Association, as fiscal agent, with respect to the 2021 Bonds, in substantially the form presented to this City Council, together with any changes therein or additions thereto deemed advisable by an Authorized Officer. The date, manner of payment, principal amount, interest rate or rates, interest payment dates, denominations, form, manner of execution, place of payment, terms of redemption, costs of issuing and other terms of the 2021 Bonds shall be as provided in the Third Supplemental Agreement as finally executed and delivered. The terms and provisions of the Third Supplemental Agreement, as executed, are incorporated herein by this reference as if fully set forth herein. An Authorized Officer is hereby authorized and directed to execute the Third Supplemental Agreement on behalf of the City and the City Clerk is hereby authorized and directed to attest thereto. The Council hereby authorizes the delivery and performance of the Third Supplemental Agreement.

Section 5. Official Statement; Continuing Disclosure Certificate. The City Council hereby approves the Preliminary Official Statement, attached hereto as Exhibit B, prepared in connection with the Authority Bonds and the 2021 Bonds in substantially the form presented to this City Council, together with any changes therein or additions thereto deemed advisable by an Authorized Officer, each acting alone. The City Council hereby approves and authorizes the distribution by Piper Sandler & Co., as underwriter of the Authority Bonds, of the Preliminary Official Statement to prospective purchasers of the Authority Bonds and authorizes and directs an Authorized Officer on behalf of the City to deem the Preliminary Official Statement “final” pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”) prior to its distribution to prospective purchasers of the Authority Bonds. The subsequent execution of a final Official Statement is hereby authorized, which shall include then current financial information regarding the City and such other changes and additions to the Preliminary Official Statement deemed advisable by an Authorized Officer, and such execution shall be conclusive evidence of the approval of the final Official Statement by the City.

The City Council hereby approves the form of the Continuing Disclosure Certificate with respect to the Authority Bonds in substantially the form thereof attached to the Preliminary Official Statement. An Authorized Officer is hereby authorized and directed to complete and execute the Continuing Disclosure Certificate on behalf of the City (for and on behalf of itself and the Authority) with such changes, additions or deletions as may be approved by the Authorized Officer.

Section 6. Sale of 2021 Bonds to the Authority; CFD Bonds Purchase Agreement. The form of a CFD Bonds Purchase Agreement, attached hereto as Exhibit C, relating to the sale of the 2021 Bonds by the City to the Authority, to be dated the date of sale, between the City and the Authority is hereby approved, in substantially the form presented. An Authorized Officer is hereby authorized and directed to execute the CFD Bonds Purchase Agreement on behalf of the City and the City Clerk is hereby authorized and directed to attest thereto. The Council hereby authorizes the delivery and performance of the CFD Bonds Purchase Agreement.

Section 7. Actions Authorized. All actions heretofore taken by the officers and agents of the City with respect to the establishment of the CFD and the sale and issuance of the 2021 Bonds and the Authority Bonds are hereby approved, confirmed and ratified, and the appropriate officers of the City, or their designee, are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the 2021 Bonds and the Authority Bonds in accordance with this resolution, and any certificate, agreement, and other document described in the documents herein approved. All actions to be taken by an Authorized Officer, as defined herein, may be taken by such Authorized Officer or any designee, with the same force and effect as if taken by the Authorized Officer.

Section 8. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED by the City Council of the City of Elk Grove this 22nd day of September 2021




BOBBIE SINGH-ALLEN, MAYOR of the
CITY OF ELK GROVE

ATTEST:


JASON LINDGREN, CITY CLERK

APPROVED AS TO FORM:


JONATHAN P. HOBBS,
CITY ATTORNEY

**SUPPLEMENTAL AGREEMENT NO. 3 TO
FISCAL AGENT AGREEMENT**

by and between

CITY OF ELK GROVE

and

**U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent**

Dated as of _____, 1, 2021

Relating to:

**\$ _____
CITY OF ELK GROVE
COMMUNITY FACILITIES DISTRICT NO. 2005-1 (LAGUNA RIDGE)
SPECIAL TAX BONDS
SERIES 2021**

TABLE OF CONTENTS

SECTION 1. Supplement to Original Fiscal Agent Agreement.....	3
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ARTICLE XII

2021 BONDS

Section 12.1 Amount, Issuance and Purpose of 2021 Bonds	3
Section 12.2 Description of 2021 Bonds; Interest Rates	3
Section 12.3 Place and Form of Payment	4
Section 12.4. Form of 2021 Bonds	4
Section 12.5. Execution and Authentication	4
Section 12.6. Application of Proceeds of Sale of 2021 Bonds.....	5
Section 12.7. Redemption of 2021 Bonds	5
Section 12.8. Certification of Independent Financial Consultant	7
Section 12.9. Security for the 2021 Bonds	7
Section 12.10. Effect of this Article XII.....	7
SECTION 2. Attachment of Exhibit B	7
SECTION 3. Additional Amendments to Original Fiscal Agent Agreement	7
SECTION 4. Carry Forward of Certain Amendments	9
SECTION 5. Partial Invalidity.....	9
SECTION 6. Execution in Counterparts	9
SECTION 7. Governing Law.....	10

EXHIBIT A - FORM OF 2021 BONDS

SUPPLEMENTAL AGREEMENT NO. 3 TO FISCAL AGENT AGREEMENT

THIS SUPPLEMENTAL AGREEMENT TO FISCAL AGENT AGREEMENT (this "Supplemental Agreement No. 3") is made and entered into as of _____, 1, 2021, between the City of Elk Grove, a municipal corporation and general law city organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), for and on behalf of the City's Community Facilities District No. 2005-1 (Laguna Ridge) (the "CFD"), and U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the "Fiscal Agent") under a Fiscal Agent Agreement, dated as of August 1, 2016 (the "Original Fiscal Agent Agreement") by and between the Fiscal Agent and the City.

RECITALS:

WHEREAS, the City Council of the City has formed the CFD under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 *et seq.* of the California Government Code) (the "Act") and Resolution No. 3006-62 adopted March 8, 2006; and

WHEREAS, the City Council, as the legislative body of the CFD, is authorized under the Act to levy special taxes to pay for the costs of facilities within the CFD and to authorize the issuance of bonds secured by said special taxes under the Act; and

WHEREAS, the Council, as legislative body of the CFD, previously authorized the issuance of special tax bonds of the City for the CFD in the maximum aggregate principal amount of not to exceed \$225,000,000 (the "Bond Authorization"); and

WHEREAS, pursuant to the provisions of the Act, the City previously issued, for and on behalf of the CFD, \$67,670,000 initial principal amount of City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2007 (the "2007 Bonds") for the purpose of financing various public improvements authorized to be funded by the CFD; and

WHEREAS, pursuant to the provisions of the Act and the Original Fiscal Agent Agreement, the City previously issued, for and on behalf of the CFD, \$113,500,000 initial principal amount of City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2016 (the "2016 Bonds") for the purpose of (i) refinancing the 2007 Bonds in full (allocated to \$46,060,000 of the \$113,500,000 issued) and (ii) financing various public improvements authorized to be funded by the CFD (allocated to \$67,440,000 of the \$113,500,000 issued); and

WHEREAS, in order to provide funds for certain additional authorized public improvements, the City caused to be issued for the CFD the \$19,145,000 City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2018 (the "2018 Bonds") secured on parity with the 2016 Bonds, pursuant to a Supplemental Agreement No. 1 to Fiscal Agent Agreement dated June 1, 2018, supplementing the Original Fiscal Agent Agreement; and

WHEREAS, in order to provide funds for certain additional authorized public improvements, the City caused to be issued for the CFD the \$11,495,000 City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2020 (the

"2020 Bonds") secured on parity with the 2016 Bonds and 2018 Bonds, pursuant to a Supplemental Agreement No. 2 to Fiscal Agent Agreement dated October 1, 2020, supplementing the Original Fiscal Agent Agreement; and

WHEREAS, Section 8.2 of the Original Fiscal Agent Agreement authorizes the issuance by Supplemental Agreement of Parity Bonds (as such terms are defined in the Original Fiscal Agent Agreement) secured under the Original Fiscal Agent Agreement and supplements thereto on parity with the 2016 Bonds, 2018 Bonds and 2020 Bonds; and

WHEREAS, after due investigation and deliberation the City has determined that it is in the interests of the City and the CFD at this time for the City, for and on behalf of the CFD, to provide for the issuance of City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2021 in the initial aggregate principal amount of \$_____ (the "2021 Bonds"), to finance various public improvements authorized to be funded by the CFD; and

WHEREAS, this Supplemental Agreement No. 3 is a "Supplemental Agreement" as defined in Section 1.1 of the Original Fiscal Agent Agreement and the 2021 Bonds are "Parity Bonds" as defined in Section 1.1 of the Original Fiscal Agent Agreement and secured under the Original Fiscal Agent Agreement, as amended and supplemented, including by this Supplemental Agreement No. 3, on parity with the 2016 Bonds, 2018 Bonds and 2020 Bonds;

WHEREAS, the City and the Fiscal Agent desire to enter into this Supplemental Agreement No. 3 pursuant to Section 8.2 of the Original Fiscal Agent Agreement and to provide for the issuance of the 2021 Bonds;

WHEREAS, in providing for the issuance of the 2021 Bonds, it is necessary to supplement and amend the Original Fiscal Agent Agreement, as more particularly provided herein, as such supplements and amendments are authorized by Sections 8.2 and 6.1 of the Original Fiscal Agent Agreement; and

WHEREAS, unless the context otherwise requires, capitalized terms used but not defined in this Supplemental Agreement have the respective meanings given them in the Original Fiscal Agent Agreement; and

WHEREAS, the City has determined that all acts and proceedings required by law necessary to make the 2021 Bonds, when executed by the City for the CFD, authenticated and delivered by the Fiscal Agent and duly issued, the valid, binding and legal special obligations of the City for the CFD, and to constitute the Original Fiscal Agent Agreement, as previously supplemented and as amended and supplemented by this Supplemental Agreement No. 3, a valid and binding agreement for the uses and purposes herein and therein set forth, in accordance with its terms, have been done or taken and the execution and delivery of this Supplemental Agreement No. 3 have been in all respects duly authorized.

AGREEMENT:

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, and for other consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

SECTION 1. Supplement to Original Fiscal Agent Agreement. In accordance with the provisions of Section 8.2 and 6.1 of the Original Fiscal Agent Agreement, the Original Fiscal Agent Agreement is hereby amended by adding a new article thereto, to be designated as Article XII. Such Article XII shall read in its entirety as follows:

ARTICLE XII

2021 BONDS

Section 12.1. Amount, Issuance and Purpose of 2021 Bonds. Under and pursuant to the Act, the City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2021 in the aggregate principal amount of \$_____ will be issued for the purpose of (a) financing costs of the Facilities, (b) funding the Reserve Requirement, and (c) funding the Costs of Issuance.

Section 12.2. Description of 2021 Bonds; Interest Rates. The 2021 Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. The 2021 Bonds will be numbered as desired by the Fiscal Agent.

The 2021 Bonds will be designated "City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2021." The 2021 Bonds will be dated as of their Delivery Date and will mature and be payable on September 1 in the years and in the aggregate principal amounts and will be subject to and will bear interest at the rates set forth in the table below, payable on March 1, 2022 and each Interest Payment Date thereafter:

Maturity Date <u>(Sept. 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>
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†

† Term Bond

Interest will be payable on the 2021 Bonds from the date established in accordance with Section 12.3 on each Interest Payment Date thereafter until the principal sum of that 2021 Bonds has been paid; provided, however, that if at the maturity date of any 2021 Bonds funds are available for the payment or redemption thereof in full, in accordance with the terms of this

Fiscal Agent Agreement, such 2021 Bonds will then cease to bear interest. Interest due on the 2021 Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Section 12.3. Place and Form of Payment. The 2021 Bonds will be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the 2021 Bonds and any premiums due upon the redemption thereof will be payable upon presentation and surrender thereof at the Principal Office of the Fiscal Agent, or at the designated office of any successor Fiscal Agent. Interest on any 2021 Bond will be payable from the Interest Payment Date next preceding the date of authentication of that 2021 Bond, unless (i) such date of authentication is an Interest Payment Date in which event interest will be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication, or (iii) the date of authentication is prior to the close of business on the first Record Date occurring after the issuance of such 2021 Bond, in which event interest will be payable from the dated date of such 2021 Bond; provided, however, that if at the time of authentication of such 2021 Bond, interest is in default, interest on that 2021 Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on that 2021 Bond, interest on that 2021 Bond will be payable from its dated date. Interest on any 2021 Bond will be paid to the person whose name will appear in the Bond Register as the Owner of such 2021 Bond as of the close of business on the Record Date. Such interest will be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register. In addition, upon a request in writing received by the Fiscal Agent on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the 2021 Bonds, payment will be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated by such Owner.

Section 12.4. Form of 2021 Bonds. The 2021 Bonds and the certificate of authentication will be substantially in the form attached hereto as Exhibit A, which form is hereby approved and adopted as the forms of such 2021 Bonds and of the certificate of authentication.

Notwithstanding any provision in this Fiscal Agent Agreement to the contrary, the City may, in its sole discretion, elect to issue the 2021 Bonds in book entry form.

Until definitive 2021 Bonds will be prepared, the City may cause to be executed and delivered in lieu of such definitive 2021 Bonds temporary bonds in fully registered form, subject to the same provisions, limitations and conditions as are applicable in the case of definitive 2021 Bonds, except that they may be in any denominations authorized by the City. Until exchanged for definitive 2021 Bonds, any temporary bond will be entitled and subject to the same benefits and provisions of this Fiscal Agent Agreement as definitive 2021 Bonds. If the City issues temporary 2021 Bonds, it will execute and furnish definitive 2021 Bonds without unnecessary delay and thereupon any temporary 2021 Bond may be surrendered to the Fiscal Agent at its office, without expense to the Owner, in exchange for a definitive 2021 Bond of the same issue, maturity, interest rate and principal amount in any authorized denomination. All temporary 2021 Bonds so surrendered will be cancelled by the Fiscal Agent and will not be reissued.

Section 12.5. Execution and Authentication. The 2021 Bonds will be signed on behalf of the City by the manual or facsimile signature of the City Manager or Finance Director and by

the manual or facsimile signature of the City Clerk, or any duly appointed deputy City Clerk, in their capacity as officers of the City, and the seal of the City (or a facsimile thereof) will be impressed, imprinted, engraved or otherwise reproduced thereon, and attested by the signature of the City Clerk. In case any one or more of the officers who will have signed or sealed any of the 2021 Bonds will cease to be such officer before the 2021 Bonds so signed and sealed have been authenticated and delivered by the Fiscal Agent (including new 2021 Bonds delivered pursuant to the provisions with reference to the transfer and exchange of 2021 Bonds or to lost, stolen, destroyed or mutilated 2021 Bonds), such 2021 Bonds will nevertheless be valid and may be authenticated and delivered as herein provided, and may be issued as if the person who signed or sealed such 2021 Bonds had not ceased to hold such office.

Only the 2021 Bonds as will bear thereon such certificate of authentication in the form set forth in Exhibit A attached hereto will be entitled to any right or benefit under this Fiscal Agent Agreement, and no 2021 Bond will be valid or obligatory for any purpose until such certificate of authentication will have been duly executed by the Fiscal Agent.

Section 12.6. Application of Proceeds of Sale of 2021 Bonds. Proceeds received from the Authority Trustee or deemed to have been received from the Authority Trustee from the purchase and sale of the 2021 Bonds in the amount of \$_____ (being 100% of the aggregate principal amount thereof plus a net original issue premium of \$_____ and less an Underwriter’s discount of \$_____), and reflecting a credit for costs of issuance paid by the Authority in connection with the Authority Bonds in the amount of \$_____). Proceeds of said purchase price will be deposited or transferred on the Delivery Date as follows:

(i) \$_____ of the proceeds of the sale of the 2021 Bonds will be deposited by the Fiscal Agent into the “2021 Bonds Subaccount” of the Improvement Fund, which subaccount shall be established within the Improvement Fund by the Fiscal Agent in accordance with Section 3.10;

(ii) \$_____ of the proceeds of the sale of the 2021 Bonds will be deposited by the Fiscal Agent into the 2021 Reserve Account of the Special Tax Fund, which is equal to the Reserve Requirement for the 2021 Bonds.

The Fiscal Agent may, in its discretion, establish a temporary fund or account in its books and records to facilitate such deposits and transfer.

Section 12.7. Redemption of 2021 Bonds.

(a) Optional Redemption.

The 2021 Bonds maturing on or before September 1, _____, are not subject to optional redemption prior to maturity. The 2021 Bonds maturing on or after September 1, _____ may be redeemed, at the option of the City, from any source of funds on any date on or after September 1, _____, in whole, or in part as to maturities selected by the City (and if partial maturities then by lot), at the following respective redemption prices (expressed as percentages of the principal amount of the 2021 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 31, _____	

September 1, _____ through August 31, _____	103%
September 1, _____ through August 31, _____	102
September 1, _____ through August 31, _____	101
September 1, _____ and any date thereafter	100

Notwithstanding the foregoing, with the redemption price may include an additional premium if necessary, based on the certificate of an Independent Financial Consultant as set forth in Section 12.8, to redeem the corresponding portion of the Authority Bonds.

In the event the City elects to redeem Bonds as provided above, the City will give written notice to the Fiscal Agent of its election to so redeem, the redemption date and the principal amount of the Bonds to be redeemed. The notice to the Fiscal Agent will be given at least 45 but no more than 90 days prior to the redemption date, or by such later date as is acceptable to the Fiscal Agent, in its sole discretion.

(b) Mandatory Sinking Fund Redemption. The Term 2021 Bonds maturing on September 1, _____ and September 1, _____ are subject to redemption prior to their stated maturity, in part, by lot from amounts deposited into the Redemption Account in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium, but which amounts will be proportionately reduced by the principal amount of all Term 2021 Bonds optionally redeemed:

Term Bond Maturing September 1, _____

Mandatory Redemption Dates (September 1)	Principal Amount
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(maturity)

Term Bond Maturing September 1, _____

Mandatory Redemption Dates (September 1)	Principal Amount
---	---------------------

(maturity)

(c) Extraordinary Redemption. The 2021 Bonds are subject to extraordinary redemption as a whole, or in part on a pro rata basis among maturities (to the extent possible, by uniformly decreasing debt service on the remaining outstanding 2021 Bonds), on any Interest Payment Date, and will be redeemed by the Fiscal Agent, from Prepayments deposited to the Redemption Account pursuant to Section 3.2, plus amounts transferred from the 2021 Reserve Account pursuant to Section 3.6(c), at a redemption price equal to the principal amount to be redeemed, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest thereon to the date of redemption.

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date from March 1, _____ through March 1, _____	103%
September 1, _____ and March 1, _____	102

September 1, _____ and March 1, _____	101
September 1, _____ and any Interest Payment Date thereafter	100

Notwithstanding the foregoing, the redemption price shall include an additional premium, if and to the extent necessary, as indicated on the certificate of an Independent Financial Consultant as set forth in Section 12.8, to redeem the corresponding portion of the Authority Bonds.

The provisions of Section 3.5(d) will govern the City's right to use moneys in the Redemption Account to purchase 2021 Bonds rather than redeem 2021 Bonds.

Section 12.8. Certification of Independent Financial Consultant. The City will not be authorized to redeem 2021 Bonds pursuant to Section 12.7(a) or 11.7(c) unless it has provided the Fiscal Agent with a certificate of an Independent Financial Consultant to the effect that the proposed redemption, assuming a corresponding redemption of the Authority Bonds, and assuming continuing payment of Special Taxes by property owners not then in default, will not adversely impact the availability of Revenues (as defined in the Authority Indenture) in an amount sufficient to pay debt service on the Authority Bonds, as scheduled. In the event the Independent Financial Consultant is unable to provide such certificate, the redemption premium will be the amount that will be sufficient to enable the Independent Financial Consultant to deliver the required certificate.

Section 12.9. Security for 2021 Bonds. The 2021 Bonds shall be Parity Bonds which shall be secured in the manner and to the extent set forth in the Agreement, including, without limitation, Sections 2.3 and 8.2 thereof.

Section 12.10. Effect of this Article XII. Except as in this Article XII expressly provided or except to the extent inconsistent with any provision of this Article XII, the 2021 Bonds shall be deemed to be "Bonds" under and within the meaning of Section 1.1, and every term and condition contained in the foregoing provisions of the Original Fiscal Agent Agreement shall apply to the 2021 Bonds with full force and effect, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Article XII.

SECTION 2. Attachment of Exhibit A. The Original Fiscal Agent Agreement is hereby further amended by incorporating therein an Exhibit A-2 setting forth the form of the 2021 Bonds, which shall read in its entirety as set forth in Exhibit A attached hereto and hereby made a part hereof.

SECTION 3. Additional Amendments to Original Fiscal Agent Agreement. The Original Fiscal Agent Agreement is hereby further amended and supplemented, as follows:

(a) Section 1.1 of the Agreement is hereby amended by adding and/or modifying the following defined terms:

"Article XII" means Article XII which has been incorporated in and made a part of the Agreement pursuant to Supplemental Agreement No. 3, together with all amendments of and supplements to this Article XII entered into pursuant to the provisions of Section 6.1 and Section 8.2.

"Closing Date" means the date upon which there is an initial physical delivery of Bonds in exchange for the amount representing the purchase price of the Bonds, being August 24, 2016 for the 2016 Bonds, June 28, 2018 for the 2018 Bonds, October 8, 2020 for the 2020 Bonds and _____, 2021 for the 2021 Bonds.

"Parity Bonds" means all Bonds issued pursuant to this Fiscal Agent Agreement that are payable from Net Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Bonds.

"Reserve Account" means as to the 2016 Bonds the Reserve Account established at the time of issuance of the 2016 Bonds and as to the 2018 Bonds, 2020 Bonds, 2021 Bonds and any other Parity Bonds the designated subaccount therein established for such series of Bonds.

"Supplemental Agreement No. 3" means Supplemental Agreement No. 3 to Fiscal Agent Agreement, dated as of _____, 1, 2021, between the City, for and on behalf of the CFD, and the Fiscal Agent.

"Term 2021 Bonds" means the 2021 Bonds subject to mandatory sinking fund redemption described herein.

"2021 Bonds" means the \$_____ City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2021 issued hereunder.

"2021 Bonds Subaccount" means the subaccount with such name established by the Fiscal Agent within the Improvement Fund pursuant to Section 3.10.

SECTION 4. Carry Forward of Certain Amendments. Certain amendments to the Original Fiscal Agent Agreement made in Supplemental Agreement No. 1 to Fiscal Agent Agreement are unchanged and set forth as follows for convenience only:

(a) Section 1.1 of the Agreement was amended in 2018 by adding and/or modifying the following defined term:

"Reserve Requirement" means:

(a) as to the 2016 Bonds, as of any date of calculation, an amount equal to the least of: (i) Maximum Annual Debt Service on the Outstanding 2016 Bonds; (ii) 10% of the initial principal amount of the 2016 Bonds (or the issue price of the 2016 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 2016 Bonds); or (iii) 125% of average Annual Debt Service on the Outstanding 2016 Bonds. In the event Parity Bonds are issued, the City may elect that each Series of Bonds have a separate Reserve Requirement provided that, if the Reserve Account is funded with cash, the "Reserve Requirement" may not exceed an amount that, pursuant to the Code, may be borrowed and invested at an unrestricted yield when all debt service Reserve Accounts maintained with respect to all Bonds issued pursuant to this Agreement are taken into consideration, and

(b) as to the 2018 Bonds and any Series of Bonds issued after the 2018 Bonds, as of any date of calculation, an amount equal to the least of: (i) Maximum Annual Debt Service on the applicable Series of Outstanding Bonds; (ii) 10% of the initial

principal amount of the applicable Series of Bonds (or the issue price of the applicable Series of 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 applicable Series of Bonds); or (iii) 125% of average Annual Debt Service on the applicable Series of Outstanding Bonds, provided that upon any recalculation of the Reserve Requirement for the 2018 Bonds and Bonds issued after the issuance of the 2018 Bonds, the recalculated amount shall not exceed the initial Reserve Requirement for such Bonds. In the event a Reserve Account for any series is funded with cash, the "Reserve Requirement" may not exceed an amount that, pursuant to the Code, may be borrowed and invested at an unrestricted yield when all debt service Reserve Accounts maintained with respect to all Bonds issued pursuant to this Agreement are taken into consideration.

(b) Section 3.6 of the Agreement was amended in 2018 by replacing the lead-in of the first paragraph thereto with the following: "There will be maintained in the Reserve Account of the Special Tax Fund (which may be in a subaccount of the Reserve Account) an amount equal to the Reserve Requirement established for each series of Bond, which may be in the form of a Reserve Account Credit Instrument. On the Closing Date for each series of Bonds, the Fiscal Agent will deposit in the Reserve Account the amount of the Reserve Requirement for such series. Amounts in the respective Reserve Account for such series (or draws on a Reserve Account Credit Instrument) will be applied with respect to each respective series of Bonds as follows:".

(c) References in the Original Fiscal Agent Agreement to the 2016 Bonds which, if the context requires reference to the 2016 Bonds and any Parity Bonds in order to maintain the parity relationship of the 2016 Bonds and any Parity Bonds and the security therefor, shall be deemed to refer to "Bonds" as defined in the Original Fiscal Agent Agreement rather than "2016 Bonds."

SECTION 5. Partial Invalidity. If any section, paragraph, sentence, clause or phrase of this Supplemental Agreement No. 3 shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Supplemental Agreement No. 3. The City hereby declares that it would have entered into this Supplemental Agreement No. 3 and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the 2021 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Supplemental Agreement No. 3 may be held illegal, invalid or unenforceable.

SECTION 6. Execution in Counterparts. This Supplemental Agreement No. 3 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.

SECTION 7. Governing Law. This Supplemental Agreement No. 3 shall be construed and governed in accordance with the laws of the State of California applicable to contracts made and performed in such State.

IN WITNESS WHEREOF, the City and the Fiscal Agent have caused this Supplemental Agreement No. 3 to Fiscal Agent Agreement to be executed as of _____, 1, 2021.

CITY OF ELK GROVE, for and on behalf of
its COMMUNITY FACILITIES DISTRICT
NO. 2005-1 (LAGUNA RIDGE)

By: _____
Matt Paulin
Finance Director

ATTEST:

By: _____
Jason Lindgren
City Clerk

APPROVED AS TO FORM:

Jonathan Hobbs
City Attorney

U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Officer

**EXHIBIT A TO
SUPPLEMENTAL AGREEMENT NO. 3 TO FISCAL AGENT AGREEMENT
FORM OF SPECIAL TAX BOND, SERIES 2021**

No. R-__ \$ _____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**CITY OF ELK GROVE
COMMUNITY FACILITIES DISTRICT NO. 2005-1 (LAGUNA RIDGE)
SPECIAL TAX BOND, SERIES 2021**

<u>INTEREST RATE:</u> ____%	<u>MATURITY DATE:</u> September 1, ____	<u>DATED DATE:</u> _____, 2021	<u>CUSIP:</u> N/A
---------------------------------------	---	--	-----------------------------

REGISTERED OWNER: U.S. BANK NATIONAL ASSOCIATION, as Trustee under that certain Indenture of Trust dated as of August 1, 2016, as supplemented, between the Elk Grove Finance Authority and U.S. Bank National Association, as amended

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

THE CITY OF ELK GROVE (the "City"), for and on behalf of City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) (the "CFD"), FOR VALUE RECEIVED, hereby promises to pay, solely from certain amounts held under the Fiscal Agent Agreement (as hereinafter defined), to the Registered Owner named above, or registered assigns, on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the Principal Amount set forth above, and to pay interest on such Principal Amount from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication, unless (i) the date of authentication is an Interest Payment Date in which event interest will be payable from such date of authentication, (ii) the date of authentication is after a Record Date (as hereinafter defined) but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication, or (iii) the date of authentication is prior to the close of business on the first Record Date in which event interest will be payable from the Dated Date set forth above. Notwithstanding the foregoing, if at the time of authentication of this Bond interest is in default, interest on this Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment, interest on this Bond will be payable from the Dated Date set forth above. Interest will be paid semiannually on March 1 and September 1 (each an "Interest Payment Date"), commencing March 1, 2022, at the Interest Rate set forth above, until the Principal Amount is paid or made available for payment.

The principal of and premium, if any, on this Bond are payable to the Registered Owner in lawful money of the United States of America upon presentation and surrender of this Bond at the Principal Office of the Fiscal Agent (as such term is defined in the Fiscal Agent Agreement), initially U.S. Bank National Association (the "Fiscal Agent"). Interest on this Bond will be paid by check of the Fiscal Agent mailed, by first class mail, postage prepaid, or in certain circumstances described in the Fiscal Agent Agreement by wire transfer to an account within the United States of America, to the Registered Owner as of the close of business on the fifteenth day of the month preceding the month in which the Interest Payment Date occurs (the "Record Date") at such Registered Owner's address as it appears on the registration books maintained by the Fiscal Agent.

This Bond is one of a duly authorized issue of "City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2021" (the "Bonds") issued in the aggregate principal amount of \$_____ pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311, et seq., of the California Government Code (the "Act") for the purpose of financing certain public improvements and paying certain costs related to the issuance of the Bonds. The issuance of the Bonds and the terms and conditions thereof are provided for by a resolution adopted by the City Council of the City acting in its capacity as the legislative body of the CFD (the "Legislative Body") on _____, 2021 and Supplemental Agreement No. 3 to Fiscal Agent Agreement executed in connection therewith, which amended and supplemented the Fiscal Agent Agreement dated as of August 1, 2016 (as supplemented, the "Fiscal Agent Agreement"), and this reference incorporates the Fiscal Agent Agreement herein, and by acceptance the Registered Owner of this Bond assents to said terms and conditions. The Fiscal Agent Agreement is adopted under and this Bond is issued under, and both are to be construed in accordance with, the laws of the State of California.

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

Optional Redemption. The Bonds maturing on or before September 1, _____, are not subject to optional redemption prior to maturity. The Bonds maturing on or after September 1, _____ may be redeemed, at the option of the City, from any source of funds on any date on or after September 1, _____, in whole, or in part as to maturities selected by the City (and if partial maturities then by lot), 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 31, _____	

September 1, _____ through August 31, _____	103%
September 1, _____ through August 31, _____	102
September 1, _____ through August 31, _____	101
September 1, _____ and any date thereafter	100

In the event the City elects to redeem Bonds as provided above, the City will give written notice to the Fiscal Agent of its election to so redeem, the redemption date and the principal amount of the Bonds to be redeemed. The notice to the Fiscal Agent will be given at least 45 but no more than 90 days prior to the redemption date, or by such later date as is acceptable to the Fiscal Agent, in its sole discretion.

Mandatory Sinking Fund Redemption. The Term 2021 Bonds maturing on September 1, _____ and September 1, _____ are subject to redemption prior to their stated maturity, in part, by lot from amounts deposited into the Redemption Account in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium, but which amounts will be proportionately reduced by the principal amount of all Term 2021 Bonds optionally redeemed:

Term Bond Maturing September 1, _____

Mandatory Redemption Dates (<u>September 1</u>)	Principal <u>Amount</u>
--	----------------------------

(maturity)

Term Bond Maturing September 1, _____

Mandatory Redemption Dates (<u>September 1</u>)	Principal <u>Amount</u>
--	----------------------------

(maturity)

Extraordinary Redemption. The 2021 Bonds are subject to extraordinary redemption as a whole, or in part on a pro rata basis among maturities (to the extent possible, by uniformly decreasing debt service on the remaining outstanding 2021 Bonds), on any Interest Payment Date, and will be redeemed by the Fiscal Agent, from Prepayments deposited to the Redemption Account pursuant to Section 3.2, plus amounts transferred from the 2021 Reserve Account pursuant to Section 3.6(c), at a redemption price equal to the principal amount to be redeemed, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest thereon to the date of redemption.

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date from March 1, _____ through March 1, _____	103%
September 1, _____ and March 1, _____	102
September 1, _____ and March 1, _____	101
September 1, _____ and any Interest Payment Date thereafter	100

Notwithstanding the foregoing, the redemption price may include an additional premium if necessary, based on the certificate of an Independent Financial Consultant, to redeem the corresponding portion of the Authority Bonds.

In lieu of applying amounts in the Redemption Account to redeem Bonds, an Authorized Representative of the City may instruct the Fiscal Agent to apply such amounts to purchase Bonds as set forth in the Fiscal Agent Agreement.

Notice of redemption with respect to the Bonds to be redeemed will be mailed to the registered owners thereof not fewer than 30 nor more than 45 days prior to the redemption date by first class mail, postage prepaid, to the addresses set forth in the registration books. Neither a failure of the Registered Owner to receive such notice nor any defect therein will affect the validity of the proceedings for redemption. All Bonds or portions thereof so called for redemption will cease to accrue interest on the specified redemption date; provided that funds for the redemption are on deposit with the Fiscal Agent on the redemption date. Thereafter, the registered owners of such Bonds will have no rights except to receive payment of the redemption price upon the surrender of the Bonds.

This Bond will be registered in the name of the Registered Owner, as to both principal and interest, and the City and the Fiscal Agent may treat the Registered Owner as the absolute owner for all purposes and will not be affected by any notice to the contrary.

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

The Fiscal Agent will not be required to register transfers or make exchanges of (i) any Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

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

THE BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE CITY OR THE CFD FOR WHICH THE CITY OR THE CFD IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, GENERAL OR SPECIAL TAXES, OTHER THAN THE SPECIAL TAXES REFERENCED HEREIN. THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE FROM THE PORTION OF THE SPECIAL TAXES AND OTHER AMOUNTS PLEDGED UNDER THE FISCAL AGENT AGREEMENT BUT ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

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

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

IN WITNESS WHEREOF, the City of Elk Grove, for and on behalf of its City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge), has caused this Bond to be dated as of _____, 2021, to be signed on behalf of the City by the Mayor by his facsimile signature and attested by the facsimile signature of the City Clerk.

CITY OF ELK GROVE

By: _____
Mayor

ATTEST:

City Clerk

**[FORM OF FISCAL AGENT'S CERTIFICATE
OF AUTHENTICATION AND REGISTRATION]**

This is one of the Bonds described in the within-defined Fiscal Agent Agreement.

Dated: _____, 2021

U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Officer

[FORM OF ASSIGNMENT]

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

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

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

Dated: _____

Signature guaranteed:

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

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

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2021

NEW ISSUE - FULL BOOK-ENTRY

NON-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 2021 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. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$ _____ *

ELK GROVE FINANCE AUTHORITY
Special Tax Revenue Bonds
Series 2021

Dated: Date of Delivery

Due: September 1, as shown on inside cover

General. The Special Tax Revenue Bonds, Series 2021 (the "2021 Bonds") are being issued by the Elk Grove Finance Authority (the "Authority") to assist the City of Elk Grove, Sacramento County, California (the "City") in the financing of certain improvements for its Community Facilities District No. 2005-1 (Laguna Ridge) (the "District"). The Authority has previously issued its \$113,500,000 Special Tax Revenue Bonds, Series 2016 (the "2016 Bonds") and its \$19,145,000 Special Tax Revenue Bonds, Series 2018 (the "2018 Bonds" and together with the 2016 Bonds, the "Prior Bonds"), which will remain outstanding on a parity basis with the 2021 Bonds. Additional parity bonds may be issued by the Authority in the future. As used herein, "Bonds" means the 2021 Bonds, Prior Bonds and any additional parity bonds issued by the Authority in the future.

Purpose. The 2021 Bonds are being issued to purchase the City's Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2021 (the "2021 CFD Bonds"), which will be issued by the City concurrently with the 2021 Bonds. The City has previously issued its \$113,500,000 Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2016 in the amount of \$113,500,000 (the "2016 CFD Bonds"), Series 2018 in the amount of \$19,145,000 (the "2018 CFD Bonds") Series 2020 in the amount of \$11,495,000 (the "2020 CFD Bonds", and together with the 2016 CFD Bonds and 2018 CFD Bonds, the "Prior CFD Bonds"), which will remain outstanding on a parity basis with the 2021 CFD Bonds. Additional bonds may be issued by the City for the District on a parity basis in the future. As used herein, "CFD Bonds" means the 2021 CFD Bonds, Prior CFD Bonds and any additional parity bonds issued by the City for the District in the future. The 2021 CFD Bonds are being issued to provide money for certain authorized improvements for the District, fund a debt service reserve account for the 2021 CFD Bonds, and pay costs of issuance.

Security for the Bonds and CFD Bonds. The Bonds are payable solely from "Revenues" pledged by the Authority under an Indenture, dated as of August 1, 2016, as supplemented in 2018 and 2020, and by a Third Supplemental Indenture of Trust, dated as of _____ 1, 2021 (collectively, the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), which consist primarily of debt service payments received by the Authority from the City on the CFD Bonds, which payments are secured by a lien for facilities special taxes (net of certain administrative expenses) (the "Special Taxes") authorized under the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, et seq. (the "Act"), as more fully described herein. Installments of principal and interest sufficient to meet annual CFD Bonds debt service are included on the regular county tax bills sent to owners of property against which there are unpaid Special Taxes. Scheduled payments under the CFD Bonds are calculated to be sufficient to permit the Authority to pay the principal of and interest on the Bonds when due. See "SECURITY FOR THE BONDS." **Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. In the event of delinquency, proceedings may be conducted only against the parcel of real property securing the delinquent Special Tax. There is no assurance the owners will be able to pay the Special Tax or that they will pay such Special Tax even though financially able to do so.**

The District. Property in the District subject to the Special Tax securing the CFD Bonds comprises approximately 1,155 net acres in the City, which is developing into residential, commercial and other uses in accordance with the City's Laguna Ridge Specific Plan ("LRSP"). Although not part of the LRSP, land comprising the Sterling Meadows project, is also part of the District and is developing consistent with the LRSP. See "THE LAGUNA RIDGE SPECIFIC PLAN" and "THE DISTRICT." The City has obtained the 2021-22 assessed values of all of the land in the District; however, in order to have a more accurate estimate of the value of the parcels without structure value on the 2021-22 property tax roll, the City has obtained an appraisal of such parcels. See "VALUE OF PROPERTY AND VALUE-TO-LIEN RATIOS."

Additional Bonds and CFD Bonds. Additional special tax bonds of the City for the District, and additional revenue bonds of the Authority to purchase them, may be issued and secured on parity with the 2021 CFD Bonds and 2021 Bonds, respectively, provided certain conditions are met. See "SECURITY FOR THE BONDS – Additional Bonds and CFD Bonds." *The City currently anticipates that additional special tax bonds and additional revenue bonds will be issued in the future in order to fund additional authorized improvements for the District. See "THE DISTRICT – The Improvements" herein.*

Bond Terms. The 2021 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 March 1, 2022. The 2021 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 2021 Bonds. Principal and interest (and premium, if any) on the 2021 Bonds is payable by the Trustee to DTC, which remits such payments to its Participants for subsequent distribution to the registered owners as shown on the Trustee's books. See "THE 2021 BONDS - Bond Terms" and "- Book-Entry Only System."

Redemption. The 2021 Bonds are subject to redemption prior to maturity as described herein. See "THE 2021 BONDS – Redemption."

Risk Factors. The 2021 Bonds may not be appropriate investments for certain individuals. See "RISK FACTORS" for a discussion of the risk factors that should be considered in evaluating the investment quality of the 2021 Bonds.

THE 2021 BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES AND FUNDS PLEDGED THEREFOR IN THE INDENTURE. THE 2021 BONDS ARE NOT A DEBT OR LIABILITY OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISIONS THEREOF OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN, AND NEITHER THE FAITH AND CREDIT OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS ARE PLEDGED TO THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2021 BONDS AND NEITHER THE AUTHORITY (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREFOR, NOR IN ANY

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

EVENT SHALL THE 2021 BONDS OR ANY INTEREST THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS SET FORTH IN THE INDENTURE. THE 2021 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

Maturity Schedule
(see inside cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF 2021 BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE 2021 BONDS.

The 2021 Bonds are offered when, as and if issued and received by the Underwriter and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation. It is anticipated that the 2021 Bonds will be delivered in book-entry form through the facilities of DTC on or about _____, 2021.

[Piper Logo]

The date of this Official Statement is: _____, 2021.

* Preliminary; subject to change.

MATURITY SCHEDULE

\$ _____
ELK GROVE FINANCE AUTHORITY
SPECIAL TAX REVENUE BONDS
SERIES 2021

(Base CUSIP†: 287254)

Serial Bonds

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
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\$ _____ % Term Bond Due September 1, 20__; Price: _____%; Yield: _____%; CUSIP†: _____

† CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. None of the Authority, the City or the Underwriter make any representation as to the occurrence of the CUSIP information.

**ELK GROVE FINANCE AUTHORITY
CITY OF ELK GROVE
SACRAMENTO COUNTY, CALIFORNIA**

**BOARD OF DIRECTORS OF THE AUTHORITY
AND MEMBERS OF THE CITY COUNCIL**

Bobbie Singh-Allen, *President / Mayor*
Stephanie Nguyen, *Vice President / Vice Mayor*
Patrick Hume, *Director / Council Member*
Kevin Spease, *Director / Council Member*
Darren Suen, *Director / Council Member*

AUTHORITY / CITY OFFICERS AND STAFF

Jason Behrmann, *Authority Executive Director / City Manager*
Matt Paulin, *Treasurer/Controller / Finance Director*
Jason Lindgren, *Authority Secretary / City Clerk*
Jonathan P. Hobbs, *General Counsel / City Attorney*

SPECIAL SERVICES

BOND COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

APPRAISER

Integra Realty Resources
Rocklin, California

SPECIAL TAX ADMINISTRATOR

NBS Government Finance Group
Temecula, California

TRUSTEE AND FISCAL AGENT

U.S. Bank National Association
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2021 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 2021 Bonds.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the City or the Authority, in any press release and in any oral statement made with the approval of an authorized officer of the City or the Authority, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. 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 or the District 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 2021 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Limited Scope of Information. The City has obtained certain information set forth herein from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the City. 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 or the District since the date hereof. All summaries of or references to the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, have the meanings given in the Indenture.

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

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 2021 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2021 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

THE 2021 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 2021 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

TABLE OF CONTENTS

<p>INTRODUCTION 1</p> <p>FINANCING PLAN 8</p> <p style="padding-left: 20px;">Authorized Improvements 8</p> <p style="padding-left: 20px;">Estimated Sources and Uses of Funds 9</p> <p>THE 2021 BONDS 10</p> <p style="padding-left: 20px;">Authority for Issuance 10</p> <p style="padding-left: 20px;">Bond Terms 10</p> <p style="padding-left: 20px;">Redemption 11</p> <p style="padding-left: 20px;">Book-Entry Only System 13</p> <p style="padding-left: 20px;">Registration, Transfer and Exchange of Bonds ... 14</p> <p>DEBT SERVICE SCHEDULE 15</p> <p>SECURITY FOR THE BONDS 17</p> <p style="padding-left: 20px;">Limited Obligation 17</p> <p style="padding-left: 20px;">Revenues and Flow of Funds 18</p> <p style="padding-left: 20px;">No Reserve Fund; Reserve Account Only for CFD</p> <p style="padding-left: 40px;">Bonds 20</p> <p style="padding-left: 40px;">Surplus Fund 20</p> <p style="padding-left: 40px;">Additional Bonds and CFD Bonds 20</p> <p style="padding-left: 40px;">Security for the CFD Bonds 22</p> <p style="padding-left: 40px;">Special Tax Methodology 28</p> <p style="padding-left: 40px;">Priority of Lien 31</p> <p>THE AUTHORITY 32</p> <p>THE LAGUNA RIDGE SPECIFIC PLAN 32</p> <p>THE DISTRICT 35</p> <p style="padding-left: 20px;">Formation of the District 35</p> <p style="padding-left: 20px;">Location and Description of the District and the</p> <p style="padding-left: 40px;">Immediate Area 35</p> <p style="padding-left: 40px;">CFD Authorized Facilities 37</p> <p style="padding-left: 40px;">Development in the District 37</p> <p style="padding-left: 40px;">Merchant Builder Development in Progress 42</p> <p>OWNERSHIP OF PROPERTY WITHIN THE</p> <p style="padding-left: 20px;">DISTRICT 44</p> <p style="padding-left: 40px;">Top Ten Taxpayers 44</p> <p>VALUE OF PROPERTY AND</p> <p style="padding-left: 20px;">VALUE-TO-LIEN RATIOS 48</p> <p style="padding-left: 40px;">Valuation of Property 48</p> <p style="padding-left: 40px;">Assessed Values 48</p>	<p>Appraised Values 49</p> <p>Total Value of Property 52</p> <p>Value-to-Lien Ratios 54</p> <p>Delinquencies; Teeter Plan 55</p> <p>Effective Tax Rates; Direct and Overlapping</p> <p style="padding-left: 20px;">Governmental Liens 57</p> <p>RISK FACTORS 60</p> <p style="padding-left: 20px;">Limited Obligation to Pay Debt Service 60</p> <p style="padding-left: 20px;">Levy and Collection of the Special Taxes 60</p> <p style="padding-left: 20px;">Payment of Special Taxes is not a Personal</p> <p style="padding-left: 40px;">Obligation of the Property Owners 62</p> <p style="padding-left: 20px;">Property Values 62</p> <p style="padding-left: 20px;">Other Possible Claims on the Property</p> <p style="padding-left: 40px;">Subject to the Special Tax; Additional CFD</p> <p style="padding-left: 80px;">Bonds 64</p> <p style="padding-left: 40px;">Development Risks 64</p> <p style="padding-left: 20px;">Enforcement of Special Taxes on</p> <p style="padding-left: 40px;">Governmentally Owned Properties 66</p> <p style="padding-left: 40px;">Depletion of Reserve Account 68</p> <p style="padding-left: 40px;">Bankruptcy Delays 69</p> <p style="padding-left: 40px;">Disclosure to Future Purchasers 69</p> <p style="padding-left: 40px;">No Acceleration; Right to Pursue Remedies 69</p> <p style="padding-left: 40px;">Loss of Tax Exemption 69</p> <p style="padding-left: 40px;">Voter Initiatives 70</p> <p style="padding-left: 40px;">Loss of Tax-Exemption 70</p> <p style="padding-left: 40px;">Secondary Market for Bonds 71</p> <p style="padding-left: 40px;">Potential Early Redemption of Bonds From</p> <p style="padding-left: 80px;">Prepayment 71</p> <p>TAX MATTERS 71</p> <p>CERTAIN LEGAL MATTERS 73</p> <p>LITIGATION 73</p> <p>NO RATINGS 74</p> <p>CONTINUING DISCLOSURE 74</p> <p>MUNICIPAL ADVISOR 74</p> <p>UNDERWRITING 74</p> <p>PROFESSIONAL SERVICES 75</p> <p>EXECUTION 75</p>
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APPENDIX A	- Summary of Certain Provisions of Principal Legal Documents
APPENDIX B	- General Information about the City of Elk Grove
APPENDIX C	- Rate and Method of Apportionment of Special Taxes
APPENDIX D	- The Appraisal
APPENDIX E	- Form of Bond Counsel Opinion
APPENDIX F	- Form of Continuing Disclosure Certificate
APPENDIX G	- DTC and the Book-Entry-Only System

[Insert Regional Location Map]

OFFICIAL STATEMENT

\$ _____ *

ELK GROVE FINANCE AUTHORITY
Special Tax Revenue Bonds
Series 2021

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information regarding the issuance by the Elk Grove Finance Authority (the “**Authority**”) of its Special Tax Revenue Bonds, Series 2021 (the “**2021 Bonds**”) in the aggregate principal amount set forth above.

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 Indenture or the CFD Fiscal Agent Agreement described herein.

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2021 Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Indenture (as defined below). See “APPENDIX A – Summary of Certain Provisions of Principal Legal Documents.”

General. The Special Tax Revenue Bonds, Series 2021 (the “**2021 Bonds**”) are being issued by the Authority to assist the City of Elk Grove, Sacramento County, California (the “**City**”) in the financing of certain improvements for its Community Facilities District No. 2005-1 (Laguna Ridge) (the “**District**”). The Authority has previously issued its \$113,500,000 Special Tax Revenue Bonds, Series 2016 (the “**2016 Bonds**”), \$19,145,000 Special Tax Revenue Bonds, Series 2018 (the “**2018 Bonds**”) and its \$11,495,000 Special Tax Revenue Bonds, Series 2020 (the “**2020 Bonds**” and together with the 2016 Bonds and 2020 Bonds, the “**Prior Bonds**”), which will remain outstanding on a parity basis with the 2021 Bonds. Additional parity bonds may be issued by the Authority in the future. As used herein, “**Bonds**” means the 2021 Bonds, the Prior Bonds and any additional parity bonds issued by the Authority in the future.

* Preliminary, subject to change.

Purpose. The 2021 Bonds are being issued to purchase the City's Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2021 (the "**2021 CFD Bonds**"), which will be issued by the City concurrently with the 2021 Bonds. The 2021 CFD Bonds are being issued to provide money for the construction and acquisition of public improvements authorized to be financed by the District, fund a debt service reserve account for the 2021 CFD Bonds, and pay costs of issuance.

The City has previously issued its \$113,500,000 Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2016 (the "**2016 CFD Bonds**") and \$19,145,000 Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2018 (the "**2018 CFD Bonds**"), and \$11,495,000 Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2020 (the "**2020 CFD Bonds**" and together with the 2016 CFD Bonds and 2018 CFD Bonds, the "**Prior CFD Bonds**"), which will remain outstanding on a parity basis with the 2021 CFD Bonds. Additional bonds may be issued by the City for the District on a parity basis in the future. As used herein, "**CFD Bonds**" means the 2021 CFD Bonds, the Prior CFD Bonds and any additional parity bonds issued by the City for the District in the future. See "FINANCING PLAN."

Security for the Bonds and CFD Bonds. The Bonds are special obligations of the Authority, payable from and secured by "**Revenues**" (as defined herein) of the Authority consisting primarily of payments received by the Authority from the City in connection with the CFD Bonds. Scheduled payments under the CFD Bonds, collectively, are sufficient to provide the Authority with money to pay the principal of and interest on the Bonds, collectively, when due. See "SECURITY FOR THE BONDS – Security for the CFD Bonds" below.

The 2021 Bonds are secured, on a parity basis with the Prior Bonds, by a lien on and security interest in all of the Revenues and any other amounts (including proceeds of the sale of the 2021 Bonds) held in certain funds established under the Indenture, as supplemented by a Supplemental Indenture of Trust, dated as of June 1, 2018, Second Supplemental Indenture of Trust, dated as of October 1, 2020, and Third Supplemental Indenture of Trust, dated as of _____ 1, 2021 (collectively, the "**Indenture**"), between the Authority and U.S. Bank National Association, as trustee (the "**Trustee**"). See "SECURITY FOR THE BONDS – Revenues and Flow of Funds."

The 2021 CFD Bonds are issued upon and are secured by facilities special taxes (as defined in more detail in the CFD Fiscal Agent Agreement, the "**Facilities Special Tax**") (net of certain administrative expenses) (herein, the "**Special Tax**" or "**Special Taxes**") levied against taxable property in the District, and such unpaid Special Taxes constitute a trust fund for the redemption and payment of the principal of the 2021 CFD Bonds and the interest thereon.

The Special Taxes are to be levied by the City on taxable real property within the boundaries of the District. The 2021 CFD Bonds are also payable from the proceeds of any foreclosure actions brought following a delinquency in payment of the Special Taxes, and from amounts held in certain funds and accounts related to the 2021 CFD Bonds, including a reserve account for the 2021 CFD Bonds, all as more fully described herein. The Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the City Council through the application of a rate and method of apportionment of Special Tax for the District (the "**Special Tax Formula**") which was approved by the City in connection with the original formation of the District. The Special Tax represents a lien on the parcels of land subject to thereto, and failure to pay the Special Tax could result in proceedings to foreclose the delinquent property. See "SECURITY FOR THE BONDS — Special Tax

Methodology” and “APPENDIX C — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” *The Special Tax Formula also provides for the levy of special taxes for services in the District (“**Services Special Taxes**”), which are not pledged to payment of the CFD Bonds or the Bonds.*

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District, and the owners have made no commitment to pay the principal of or interest on the 2021 CFD Bonds or the Prior CFD Bonds or to support payment of the 2021 CFD Bonds or the Prior CFD Bonds in any manner. In the event of delinquency, proceedings may be conducted only against the particular parcel securing the delinquent Special Tax.

Special Tax Levy; “Designated Developed” Properties. The Special Tax Formula provides that a parcel will have “Developed Property” status for purposes of applying the Special Tax once a building permit has been issued, however the Special Tax Formula also permits parcel owners to designate parcels as “Developed Property” if no building permit has been issued (referred to throughout as “**designated**” Developed Property). Once a parcel is so designated the designation is not reversible.

The 2021 CFD Bonds are being structured so that annual debt service coverage for all Parity Bonds is at least 110% from annual Net Taxes (described herein) generated from Developed Property (including designated Developed Property) on the Fiscal Year 2021-22 tax roll. For the Fiscal Year 2021-22 Special Tax levy, there were 4,492 parcels of Developed Property in the District levied, consisting of 4,450 parcels of single-family residential (including 331 parcels which were designated as Developed Property planned for 641 single-family residential lots), and 3 multi-family residential properties (including 1 parcel which is designated as Developed Property), and 46 non-residential properties (including 20 parcels which were designated as Developed Property). There were 13 parcels which were other than Developed Property, none of which received a Fiscal Year 2021-22 Special Tax levy. See Table 2 under the caption “THE DISTRICT - Development in the District.”

For Fiscal Year 2021-22 Special Tax levy, which provides debt service on the Bonds, the Facilities Special Tax Requirement (as defined in the Special Tax Formula) was met by only taxing Developed Property (including property designated as Developed Property). See SECURITY FOR THE BONDS- Special Tax Methodology.”

The City does not intend to issue bonds in an amount which requires a Special Tax levy on parcels designated as Tentative Map or Undeveloped Property (other than designated Developed Property) under the Special Tax Formula for repayment, but the City, in its discretion in the future, is allowed to do so under the CFD Fiscal Agent Agreement provided the conditions for the issuance of Additional CFD Bonds set forth in the Fiscal Agent Agreement are met. Tentative Map or Undeveloped Property can be levied a Special Tax in the event of delinquencies on other properties anticipated to be levied a Special Tax pursuant to the Special Tax Formula. See “SECURITY FOR THE BONDS – Additional Bonds and CFD Bonds.”

Additional Bonds and CFD Bonds. Additional special tax bonds of the City for the District, and additional revenue bonds of the Authority to purchase them, may be issued and secured on parity with the 2021 CFD Bonds and 2021 Bonds, respectively, provided certain conditions are met. The total bond authorization for the District is \$225,000,000. See “SECURITY FOR THE BONDS – Additional Bonds and CFD Bonds.” *The City currently anticipates that additional special tax bonds of the City and additional revenue bonds of the*

Authority will be issued in the future in order to fund additional authorized improvements for the District. See “THE DISTRICT – The Improvements” herein.

The District and Value of Land in the District. Property in the District subject to the Special Tax securing the 2021 CFD Bonds and Prior CFD Bonds comprises approximately 1,155 net acres in the City, which is developing into residential, commercial and other uses in accordance with the City’s Laguna Ridge Specific Plan (“LRSP”). Although not part of the LRSP, approximately 200 acres of land comprising the Sterling Meadows project, is also part of the District and is developing consistent with the LRSP, as detailed herein. Development in the District, including in the Sterling Meadows project, is ongoing and future subdivision of undeveloped parcels is expected.

The majority of the property in the District comprises a portion, but not all, of the land comprising the LRSP, and is located in the southwestern portion of the City. The LRSP encompasses approximately 1,900 acres of land, planned for development into 6,758 residential dwelling units, 275 acres of commercial and office use and 17 acres of civic uses (allowing for 330,000 square feet of space at typical densities), as well as schools, parks, trails, drainage infrastructure, water treatment plants and well sites, sewer infrastructure, and other supportive land uses. The majority of the parcels in the District are located within the LRSP. In addition, the Sterling Meadows project, which is located in the District but outside the LRSP, is anticipated to develop into 976 single-family homes and a 12.5-acres multi-family site. See “THE LAGUNA RIDGE SPECIFIC PLAN” herein.

The City has obtained the 2021-22 assessed values of all of the land in the District. However, in order to have a more accurate estimate of the value of the parcels without a structure value on the 2021-22 property tax roll, the City has obtained an appraisal of such parcels (as described in more detail herein, the “**Appraised Parcels**”). In calculating the value of taxable property in the District and value-to-lien ratios related thereto, Fiscal Year 2021-22 assessed values were used for those properties with a structure value on the 2021-22 roll, and appraised values were used for the Appraised Parcels. See “VALUE OF PROPERTY AND VALUE-TO-LIEN RATIOS – Appraised Values” and “APPENDIX D – The Appraisal” herein. The aggregate value estimate for the appraised properties as of the July 23, 2021 date of value, using the methodologies described in the Appraisal and subject to the limiting conditions and special assumptions set forth in the Appraisal, is as follows:

Component Aggregate Value	Valuation
Appraised Properties	
Existing Homes based on 2020-21 Assessed Value	\$ 266,322,100
Existing Commercial Properties based on 2020-21 Assessed Value	1,938,834,913
Existing Homes based on 2020-21 Assessed Value	<u>200,162,397</u>
TOTAL	\$2,405,319,410

The combined value of all taxable property within the District (\$2,405,319,410) is approximately _____* times the \$ _____* aggregate principal amount of the CFD Bonds and approximately _____* times the \$ _____* aggregate principal amount of the CFD Bonds and overlapping debt. See “VALUE OF PROPERTY AND VALUE-TO-LIEN RATIOS.”

Redemption. The 2021 Bonds are subject to redemption prior to maturity as described herein. See “THE 2021 BONDS – Redemption” herein.

* Preliminary, subject to change.

Risks of Investment. See the section of this Official Statement entitled “RISK FACTORS” for a discussion of special factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the 2021 Bonds.

Neither the Authority, the City nor the Underwriter can predict the impact of COVID-19 on home production and home sales activities or the willingness of owners of land in the District to pay the Special Taxes securing the 2021 Bonds. See “RISK FACTORS – COVID-19 Pandemic.”

THE 2021 BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES AND FUNDS PLEDGED THEREFOR IN THE INDENTURE. THE 2021 BONDS ARE NOT A DEBT OR LIABILITY OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISIONS THEREOF OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN, AND NEITHER THE FAITH AND CREDIT OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS ARE PLEDGED TO THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2021 BONDS AND NEITHER THE AUTHORITY (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREFOR, NOR IN ANY EVENT SHALL THE 2021 BONDS OR ANY INTEREST THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS SET FORTH IN THE INDENTURE. THE 2021 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

Limited Scope of Official Statement. There follows in this Official Statement descriptions of the Authority, the 2021 Bonds, the Indenture, the City, the 2021 CFD Bonds, the Fiscal Agent Agreement, dated as of August 1, 2016, by and between the City and U.S. Bank National Association, as fiscal agent, as supplemented by that certain Supplemental Fiscal Agent Agreement, dated as of June 1, 2018, Second Supplemental Fiscal Agent Agreement, dated as of October 1, 2020 and Third Supplemental Fiscal Agent Agreement, dated as of _____ 1, 2021 (collectively, the “**CFD Fiscal Agent Agreement**”), and certain other documents. 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. All statements herein with respect to such documents are qualified in their entirety by reference to each such document for the complete details of all of their respective terms and conditions. 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. Terms not defined herein shall have the meanings set forth in the Indenture or the CFD Fiscal Agent Agreement, as applicable.

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 nor 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 Authority or the City since the date hereof.

All financial and other information presented in this Official Statement has been provided by the Authority and the City from their records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the owners, the District, the Authority or the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

FINANCING PLAN

The 2021 Bonds are being issued to acquire the 2021 CFD Bonds, which will be issued by the City concurrently with the issuance of the 2021 Bonds. Proceeds of the 2021 Bonds and the 2021 CFD Bonds will be used to finance certain additional public authorized improvements for the District. Proceeds will also be used to fund a reserve account for the 2021 CFD Bonds and to pay costs of issuance, as described below. See “–Estimated Sources and Uses of Funds.”

Authorized Improvements

A portion of the proceeds of the 2021 CFD Bonds will be deposited to the Improvement Fund held by the Fiscal Agent under the CFD Fiscal Agent Agreement for the purpose of financing certain authorized public improvements, including transportation, wastewater systems, potable and non-potable water systems, drainage, landscaping, parks, parkways and public facilities. These improvements were either constructed by developers in the District that the City will reimburse using the proceeds of the 2021 CFD Bonds or will be built by the City.

The City is authorized to issue bonds payable from Special Taxes in the District in the aggregate principal amount of not-to-exceed \$225,000,000. The City previously issued for and on behalf of the District the \$67,670,000 City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2007, which were refunded in full by the \$113,500,000 principal amount of City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2016 (the “2016 CFD Bonds”). The 2016 CFD Bonds were purchased by the Authority with the proceeds of its \$113,500,000 Elk Grove Finance Authority Special Tax Revenue Bonds, Series 2016 (the “2016 Bonds”). The par amount of the 2016 CFD Bonds not used for refunding purposes was \$67,440,000, the 2018 CFD Bonds were issued in the amount of \$19,145,000 and the 2020 CFD Bonds were issued in the amount of \$11,495,000, thereby leaving a remaining bonding capacity of \$59,250,000. The 2021 CFD Bonds are issued in the amount of \$ _____*, leaving a remaining bonding capacity for the District of \$ _____*.

The 2021 CFD Bonds are being structured so that annual debt service coverage for Parity Bonds is at least 110% from annual Net Taxes (described herein) generated from Developed Property (including property designated as Developed Property) on the Fiscal Year 2021-22 tax roll. The Special Tax Formula provides that a parcel will have “Developed Property” status for purposes of applying the Special Tax once a building permit has been issued, however the Special Tax Formula also permits parcel owners to designate parcels as “Developed Property” if no building permit has been issued. Once a parcel is so designated the designation is not reversible. See SECURITY FOR THE BONDS- Special Tax Methodology.” Also see “THE DISTRICT - Development in the District” and Table 2 therein.

The City currently anticipates that Additional CFD Bonds (defined herein) will be issued in the future in order to fund additional authorized improvements for the District. For the entire list of authorized capital facilities for the District, see “THE DISTRICT – The Improvements.”

* Preliminary, subject to change.

Estimated Sources and Uses of Funds

2021 Bonds. The estimated sources and uses of funds relating to the 2021 Bonds are as follows:

<u>Sources:</u>	
Principal Amount of the 2021 Bonds	
<i>Plus:</i> Original Issue Premium	_____
Total Sources	
<u>Uses:</u>	
Deposit to Purchase Fund ⁽¹⁾	
Costs of Issuance ⁽²⁾	
Underwriter's Discount	_____
Total Uses	

-
- (1) To be used to acquire the 2021 CFD Bonds.
 - (2) Costs of issuance include Trustee and Fiscal Agent fees, Bond Counsel fees, Disclosure Counsel fees, Municipal Advisor fees, printing costs, and other related costs of issuing the 2021 Bonds and the 2021 CFD Bonds.

2021 CFD Bonds. The estimated sources and uses of funds relating to the 2021 CFD Bonds (which are being purchased at the same price as the 2021 Bonds, as shown below) are as follows:

<u>Sources:</u>	
Purchase Price of 2021 CFD Bonds	_____
Total Sources	_____
<u>Uses:</u>	
Deposit to 2021 Reserve Account ⁽¹⁾	
Deposit to Improvement Fund ⁽²⁾	_____
Total Uses	

-
- (1) Equal to the Reserve Requirement (defined herein) for the 2021 CFD Bonds on the date of delivery thereof.
 - (2) To be held by the City and used for improvements with respect to the District.

THE 2021 BONDS

This section provides summaries of the 2021 Bonds and certain provisions of the Indenture. See "APPENDIX A – Summary of Certain Provisions of Principal Legal Documents" for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Authority for Issuance

The 2021 Bonds are being issued under the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "**Bond Law**"), a resolution of the Board of Directors of the Authority adopted on _____, 2021 (the "**Authority Resolution**"), and the Indenture.

Bond Terms

General. The 2021 Bonds will be dated their date of delivery, and will be issued in the aggregate principal amounts set forth on the inside cover page hereof. The 2021 Bonds will bear interest from their dated date at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing March 1, 2022 (each, an "**Interest Payment Date**"), and will mature in the amounts and on the dates set forth on the inside cover page hereof.

The 2021 Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof.

Payment of Interest and Principal. Interest calculated on the basis of a 360-day year of twelve 30-day months on the 2021 Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Register as the Owner of such 2021 Bond as of the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs, whether or not such day is a Business Day (the "**Record Date**") immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed on such Interest Payment Date by first class mail, postage prepaid, to the Owner at the address of such Owner as it appears on the Bond Register or by wire transfer to an account in the United States of America made on such Interest Payment Date upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds of a Series provided to the Trustee in writing at least 5 Business Days before the Record Date for such Interest Payment Date.

Principal of and premium (if any) on any 2021 Bond will be paid upon presentation and surrender of such 2021 Bond, at maturity or the prior redemption of such 2021 Bond, at the Trust Office of the Trustee.

Calculation of Interest. Each 2021 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2021, in which event it will bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any 2021 Bond, interest on such 2021 Bond is in default, such 2021 Bond will bear interest from the Interest Payment Date to which interest has previously been

paid or made available for payment on such 2021 Bond, or from the Closing Date if no interest has been paid or made available for payment.

Redemption

Optional Redemption. The 2021 Bonds maturing on or before September 1, _____, are not subject to optional redemption prior to maturity. The 2021 Bonds maturing on and after September 1, _____, may be redeemed at the option of the Authority, from any source of available funds, prior to maturity on any date on or after September 1, _____, as a whole, or in part from maturities corresponding to the maturities of the 2021 CFD Bonds simultaneously redeemed, if any redemption of 2021 CFD Bonds is being accomplished in conjunction with such optional redemption, and otherwise from such maturities as are selected by the Authority, and by lot within a maturity, at the following respective redemption prices (expressed as percentages of the principal amount of the 2021 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 20__ through August 31, 20__	103%
September 1, 20__ through August 31, 20__	102
September 1, 20__ through August 31, 20__	101
September 1, 20__ and any date thereafter	100

Special Mandatory Redemption. The 2021 Bonds are subject to mandatory special redemption on any Interest Payment Date from proceeds of early redemption of CFD Bonds from prepayment of Special Taxes (as defined in the CFD Fiscal Agent Agreement), in whole or in part, from maturities corresponding to the maturities of the CFD Bonds simultaneously redeemed, at the principal amount thereof, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest to the date of redemption thereof:

<u>Redemption Date</u>	<u>Redemption Premium</u>
Any Interest Payment Date from March 1, 2022 through March 1, _____	%
September 1, _____ and March 1, _____	
September 1, _____ and March 1, _____	
September 1, _____ and any Interest Payment Date thereafter	0

Mandatory Sinking Fund Redemption of 2021 Bonds. The 2021 Bonds maturing on September 1, _____ and September 1, _____ (the "Term 2021 Bonds"), are subject to redemption prior to their stated maturity, in part, by lot from amounts deposited into the Principal Account in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium, but which amounts will be reduced by the principal amount of all 2021 Bonds optionally redeemed:

Term Bond Maturing September 1,

Mandatory Redemption Dates (September 1)	Principal Amount
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(maturity)

Term Bond Maturing September 1,

Mandatory Redemption Dates (September 1)	Principal Amount
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(maturity)

For a description of the redemption provisions of the 2021 CFD Bonds, see “APPENDIX A – Summary of Certain Provisions of Principal Legal Documents – CFD Fiscal Agent Agreement Relating to the 2021 CFD Bonds.”

Certification of Independent Financial Consultant. In connection with an optional or special mandatory redemption of 2021 Bonds, the Authority will deliver to the Trustee a certificate of an Independent Accountant verifying that, following such optional prepayment of the 2021 CFD Bonds and redemption of the 2021 Bonds, the principal and interest generated from the remaining 2021 CFD Bonds is adequate to make the timely payment of principal and interest due on the 2021 Bonds that will remain Outstanding hereunder following such optional redemption.

Notice of Redemption. The Trustee on behalf, and at the expense, of the Authority will mail (by first class mail, postage prepaid) notice of any redemption to the respective Owners of any 2021 Bonds designated for redemption at their respective addresses appearing on the Bond Register, and to the Securities Depositories and to the Municipal Securities Rulemaking Board, at least 30 but not more than 60 days prior to the date fixed for redemption. Neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such 2021 Bonds or the cessation of the accrual of interest thereon. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the 2021 Bonds of such maturity or maturities in whole) of the 2021 Bonds to be redeemed, and will require that such 2021 Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2021 Bonds will not accrue after the redemption date.

In addition to the foregoing notice, further notice will be given by the Trustee in said form by first class mail to any Bondowner whose 2021 Bond has been called for redemption but who has failed to submit his 2021 Bond for payment by the date which is sixty days after the redemption date, but no defect in said further notice nor any failure to give or receive all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption.

Rescission of Redemption Notice. Any such redemption notice may specify that redemption on the specified date will be subject to receipt by the Authority of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and neither the Authority nor the Trustee will have any liability to the Owners or any other party as a result of its failure to redeem the 2021 Bonds as a result of insufficient moneys. The Authority will have the right to rescind any redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the 2021 Bonds then called for redemption, and such cancellation will not constitute an Event of Default hereunder. The Trustee will mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Selection of Bonds of a Maturity for Redemption. Unless otherwise provided under the Indenture, whenever provision is made in the Indenture or in the applicable Supplemental Indenture for the redemption of fewer than all of the 2021 Bonds of a maturity of a series, the Trustee will select the 2021 Bonds to be redeemed from all 2021 Bonds of such maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion will deem appropriate and fair. For purposes of such selection, all 2021 Bonds will be deemed to be comprised of separate \$5,000 authorized denominations, and such separate authorized denominations will be treated as separate 2021 Bonds which may be separately redeemed.

Partial Redemption of Bonds. In the event only a portion of any 2021 Bond is called for redemption, then upon surrender of such 2021 Bond the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2021 Bond or 2021 Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2021 Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the 2021 Bonds so called for redemption will have been duly provided, such 2021 Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue on such 2021 Bonds from and after the redemption date specified in such notice.

Book-Entry Only System

General. The 2021 Bonds will be 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 actual purchasers of the 2021 Bonds (the “Beneficial Owners”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in this Official Statement) as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the 2021 Bonds. See “APPENDIX G — DTC and the Book-Entry-Only System.”

If the book-entry-only system is no longer used with respect to the 2021 Bonds, the 2021 Bonds will be registered and transferred in accordance with the Indenture. See “–Registration, Transfer and Exchange of Bonds” below.

Payments Made to DTC. While the 2021 Bonds are subject to the book-entry system, the principal and interest with respect to a 2021 Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the 2021 Bonds, as described in “APPENDIX G — DTC and the Book-Entry-Only System.”

Registration, Transfer and Exchange of Bonds

Bond Register. The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the 2021 Bonds, which will be the Bond Register and will at all times during regular business hours be open to inspection by the Authority upon reasonable notice; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records, 2021 Bonds as provided under the Indenture.

Transfer of Bonds. Subject to the book-entry only provisions of the Indenture, any 2021 Bond may in accordance with its terms, be transferred, upon the Bond Register, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2021 Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed.

Whenever any 2021 Bond is surrendered for transfer, the Authority will execute and the Trustee will thereupon authenticate and deliver to the transferee a new 2021 Bond or 2021 Bonds of like Series, tenor, maturity and aggregate principal amount. No 2021 Bonds selected for redemption will be subject to transfer, nor will any 2021 Bond be subject to transfer during the 15 days prior to the selection of 2021 Bonds for redemption.

Exchange of Bonds. 2021 Bonds may be exchanged at the Trust Office of the Trustee for 2021 Bonds of the same Series, tenor and maturity and of other authorized denominations. No 2021 Bonds selected for redemption will be subject to exchange, nor will any 2021 Bond be subject to exchange during the 15 days prior to the selection of 2021 Bonds for redemption. The Owners of the 2021 Bonds will be required to pay any tax or other governmental charge required to be paid for any exchange and the Owners of the 2021 Bonds will be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the exchange of any 2021 Bonds.

The cost of printing any 2021 Bonds and any services rendered or any expenses incurred by the Trustee in connection with any transfer or exchange will be paid by the Authority. However, the Owners of the 2021 Bonds will be required to pay any tax or other governmental charge required to be paid for any exchange or registration of transfer and the Owners of the 2021 Bonds will be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the replacement of any mutilated, lost or stolen 2021 Bonds.

DEBT SERVICE SCHEDULE

The 2021 Bonds. The table below presents the debt service schedule for the 2021 Bonds, and 2021 Bonds and Parity Bonds debt service, assuming no optional or special mandatory redemptions are made. The scheduled aggregate debt service on the 2021 Bonds is equal to the scheduled aggregate debt service on the 2021 CFD Bonds. The table is followed by a table showing debt service coverage.

Annual Debt Service Schedule for the 2021 Bonds

Year Ending September 1	2021 Bonds Principal	2021 Bonds Interest	Total 2021 Bonds Debt Service	2016, 2018, 2020 Bonds Debt Service	Total Bonds Debt Service
2021				\$7,885,652	
2022				8,039,413	
2023				8,200,413	
2024				8,362,363	
2025				8,528,763	
2026				8,703,163	
2027				8,876,213	
2028				9,056,263	
2029				9,230,013	
2030				9,416,094	
2031				9,612,944	
2032				9,802,394	
2033				9,991,694	
2034				10,035,144	
2035				10,072,844	
2036				10,116,256	
2037				10,160,663	
2038				10,116,850	
2039				10,095,800	
2040				10,070,300	
2041				10,044,900	
2042				10,023,800	
2043				10,006,050	
2044				9,985,700	
2045				9,971,950	
2046				9,958,600	
2047				2,579,700	
2048				2,627,500	
2049				893,000	
2050				910,000	
Totals				\$253,374,434	

Source: Underwriter

Fiscal Year 2021-22 Debt Service Coverage. The table below shows the debt service coverage for the 2021 Bonds, based on the Fiscal Year 2021-22 Special Tax levy. The coverage based on the Maximum Special Tax allocable to all parcels in the District is also shown, however the Special Tax for Fiscal Year 2021-22 was only levied on Developed Property (including designated Developed Property).

Fiscal Year/ Bond Year	Developed Special Tax Levy/ Maximum Special Tax ⁽¹⁾	Designated Developed Tax Levy/ Maximum Special Tax ⁽²⁾	Tentative Mapped Property Maximum Special Tax ⁽³⁾⁽⁵⁾	Undeveloped Property Maximum Special Tax ⁽⁴⁾⁽⁵⁾	Priority Administration Service	Series 2016, 2018 and 2020 Debt Service	Series 2021 Debt Service*	Debt Service Coverage from Developed and Designated Developed Property ^{(6)*}	Debt Service Coverage from Maximum Special Taxes from all Property in the CFD ^{(6) *}
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- (1) Developed Property means, according to the Rate and Method of Apportionment of the CFD, all parcels of taxable property for which a building permit for new construction was issued on or prior to May 1 of the preceding fiscal year. All parcels with a building permit issued on or prior to May 1, 2021 are classified as Developed Property.
- (2) According to the Rate and Method of Apportionment of the CFD, the owner of record may request that a parcel be designated as Developed Property, even if no building permit has been issued. Once a parcel is designated as Developed Property, it will be levied as if it were Developed Property. 641 lots are designated developed on these 331 parcels classified as single family property.
- (3) Tentative Map Property means, according to the Rate and Method of Apportionment of the CFD, all parcels for which a tentative map has been approved by the City and which are not yet Final Map Property or Developed Property. Parcels expected to be non-residential property, for sale multi-family property, rental multi-family property, AC-zoned auto mail phase III property or SC-zoned auto mail phase III property after issuance of a building permit shall be designated as Tentative Map Property until they become Developed Property, even if such parcels are included in a final map. Note that parcels that are currently Tentative Map Property that are AC-zoned auto mail phase III property or SC-zoned auto mail phase III property are excluded from this table.
- (4) Undeveloped Property means, according to the Rate and Method of Apportionment of the CFD, all parcels of taxable property that are not Developed Property, Final Map Property or Tentative Map Property.
- (5) Reflects maximum special tax only. These properties did not receive a special tax levy for Fiscal Year 2021-22.
- (6) Pursuant to the Act, the special tax levied against any parcel for private residential use may not be increased as a consequence of delinquency or default by the owner of any other parcel, by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquency or default.
- Source: *Underwriter*.

*Preliminary and subject to change

SECURITY FOR THE BONDS

The Bonds (including the 2021 Bonds) are special obligations of the Authority, payable from and secured by Revenues (as defined herein) of the Authority consisting primarily of payments received by the Authority from the City on the CFD Bonds (including the 2021 CFD Bonds). Scheduled payments on the CFD Bonds, collectively, are sufficient to provide the Authority with money to pay the principal of and interest on the Bonds, collectively, when due. This section provides summaries of the security for the Bonds (including the 2021 Bonds) and certain provisions of the Indenture. See “APPENDIX A – Summary of Certain Provisions of Principal Legal Documents” for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

As used in this section, “SECURITY FOR THE BONDS,” references to “Bonds” means the 2021 Bonds and any Parity Bonds issued under the Indenture (including the Prior Bonds), and references to “CFD Bonds” means the 2021 CFD Bonds and any Additional CFD Bonds issued under the CFD Fiscal Agent Agreement (including the Prior CFD Bonds), as the context requires.

Limited Obligation

In order to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture, and subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, the Authority pledges all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to the Indenture, other than amounts on deposit in the Rebate Fund. This pledge constitutes a first pledge of and charge and lien upon such assets for the payment of the Bonds in accordance with their terms and will be valid and binding from and after issuance of the Bonds, without any physical delivery thereof or further act. The pledge is also irrevocable until all of the Bonds issued under the Indenture are no longer Outstanding.

Under the Indenture, the Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds all of the Revenues and all of the right, title and interest of the Authority in the CFD Bonds, subject to the terms of the Indenture. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. Subject to the provisions of the Indenture, the Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the CFD Bonds.

The CFD Bonds are limited obligations of the City and secured by an irrevocable pledge of certain revenues of the City, consisting primarily of monies received by the City as payment of special taxes levied against property within the District. Scheduled payments under the CFD Bonds are sufficient to provide the Authority with money to pay the principal of, premium, if any, and interest on the Bonds when due.

All obligations of the Authority under the Indenture and the Bonds are special obligations of the Authority, payable solely from and secured by Revenues and the amounts in the funds

established by the Indenture (except amounts in the Rebate Fund or Surplus Fund). All obligations of the City under the CFD Fiscal Agent Agreement are not general obligations of the City, but are limited obligations, payable solely from the special taxes and the funds pledged therefor under such CFD Fiscal Agent Agreement. Neither the faith and credit of the City nor of the State of California or any political subdivision thereof is pledged to the payment of the CFD Bonds.

The CFD Bonds are payable solely from and secured solely by the special taxes, net of administrative expenses, and the amounts in the Special Tax Fund created with respect thereto under the CFD Fiscal Agent Agreement (the “**Special Tax Fund**”). The City is not obligated to advance available surplus funds from the City treasury to cure any deficiency in any Special Tax Fund.

Revenues and Flow of Funds

Pledge of Revenues. Subject to the terms of the Indenture, the Bonds are secured by a first lien on and pledge of all of the Revenues, which consist primarily of amounts received by the Authority as the result of its ownership of the CFD Bonds. Under the Indenture, the Authority will transfer in trust, grant a security interest in and assign to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the CFD Bonds.

Revenues. The Indenture defines “**Revenues**” as follows:

- (a) all amounts received from the CFD Bonds;
- (b) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture with respect to the Bonds (other than the Rebate Fund and the Surplus Fund); and
- (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture with respect to the Bonds (other than investment income on moneys held in the Rebate Fund and the Surplus Fund).

Collection by the Trustee. The Trustee will collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee. The Trustee also is entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the CFD Bonds.

Under the Indenture, the Trustee is directed to establish, maintain and hold in trust a special fund designated as the “Revenue Fund” and deposit the Revenues, when and as received by the Trustee, therein; provided that the Trustee shall deposit any Revenues that represent payment of the redemption price of any CFD Bonds into the Redemption Account of the Special Tax Fund established under the CFD Fiscal Agent Agreement. All moneys at any time held in the Revenue Fund shall be held in trust for the benefit of the Owners and shall be disbursed, allocated, and applied solely for payment of the Bonds and for any other uses and purposes set forth in the Indenture. Subject to the provisions of the Indenture regarding the remedies and

rights of the Bond Owners, the Trustee is also entitled to and will take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the CFD Bonds.

Application of Revenues. On each Interest Payment Date and date for redemption of the Bonds, the Trustee will transfer from the Revenue Fund, and deposit into the following respective accounts for the Bonds, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

Interest Account. On each Interest Payment Date and redemption date, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds being redeemed on such date. No deposit need be made into the Interest Account if the amount contained in such account is at least equal to the interest becoming due and payable upon all Outstanding Bonds on the next succeeding Interest Payment Date or redemption date, as applicable.

All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity). If the amounts on deposit in the Interest Account on any Interest Payment Date or redemption date are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Bonds, the Trustee will apply such amounts to the payment of interest on each of the Outstanding Bonds on a pro rata basis.

Principal Account. On each Interest Payment Date and redemption date on which the principal of the Bonds will be payable, the Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date, or required to be redeemed on such date; provided, however, that no amount will be deposited to effect a mandatory special redemption unless the Trustee has first received a certificate of an Independent Accountant certifying that such deposit to effect the redemption of the Bonds will not impair the ability of the Authority to make timely payment of the principal of and interest on the Bonds, assuming for such purposes that the City continues to make timely payments on all CFD Bonds not then in default.

All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds at the maturity thereof or upon any earlier redemption thereof.

Deficiencies. If on any Interest Payment Date or date for redemption the amount on deposit in the Revenue Fund is inadequate to make the transfers described above as a result of a payment default on an issue of CFD Bonds, the Trustee will immediately notify the City of the amount needed to make the required deposits under “–Application of Revenues” above. In the event that within 5 Business Days of delivering such notice the Trustee receives additional

payments from the City to cure such shortfall, the Trustee will deposit such amounts to the account designated in writing by the City.

Deposit into Rebate Fund. On each Interest Payment Date after making the transfers described above, upon receipt of a Request of the Authority to do so, the Trustee will transfer from the Revenue Fund to the Rebate Fund for deposit in the accounts in the Rebate Fund the amounts specified in such Request.

Surplus Fund. On September 2 of each year, after making the deposits described above, the Trustee will transfer all amounts remaining on deposit in the Revenue Fund to the Surplus Fund.

No Reserve Fund; Reserve Account Only for CFD Bonds

The Authority has not established a debt service reserve account for the Bonds, but the City has established separate debt service reserve accounts for the Prior CFD Bonds and the 2021 CFD Bonds, respectively. See “– Security for the CFD Bonds – Reserve Account” below.

Surplus Fund

Any amounts transferred to the Surplus Fund will no longer be considered Revenues and are not pledged to repay the Bonds. So long as CFD Bonds are outstanding, on September 3 of each year, after setting aside any amount specified in a Request of the Authority as necessary to pay Administrative Expenses, any moneys remaining in the Surplus Fund will be transferred to the City and used for any lawful purpose.

Additional Bonds and CFD Bonds

Additional Bonds. The Authority may by Supplemental Indenture establish one or more additional series of bonds (“**Additional Bonds**”) secured on parity with the 2021 Bonds and Prior Bonds, subject to the conditions set forth in the Indenture, which include the conditions that the proceeds of such Additional Bonds will be applied to purchase Additional CFD Bonds under the CFD Fiscal Agent Agreement for the CFD Bonds, and that a certificate of an Independent Financial Consultant be delivered to the Trustee which states that the annual payments due on the CFD Bonds will be adequate to pay the principal of and interest on all Bonds and Additional Bonds when due. The Bonds are being issued as Additional Bonds under the Indenture.

Additional CFD Bonds. Under the CFD Fiscal Agent Agreement for the CFD Bonds, the City may at any time after the issuance and delivery of the CFD Bonds issue additional bonds (“**Additional CFD Bonds**”) payable from the Net Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the outstanding CFD Bonds and any other Additional CFD Bonds theretofore issued, so long as the following conditions are met:

(a) The City will be in compliance with all covenants set forth in the CFD Fiscal Agent Agreement and any Supplemental Agreement then in effect and a certificate of the City to that effect will have been filed with the Fiscal Agent; provided, that Additional CFD Bonds may be issued notwithstanding that the City is not in compliance with all such covenants so long as immediately following the issuance of such Additional CFD Bonds the City will be in compliance with all such covenants.

(b) The issuance of such Additional CFD Bonds will have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Additional CFD Bonds will have been provided for by a Supplemental Agreement duly adopted by the City, which will specify certain information as described in the CFD Fiscal Agent Agreement, including establishment of a reserve account equal to the Reserve Requirement calculated with respect to the series of Additional CFD Bonds.

(c) Except in the case where Additional CFD Bonds are issued to refund CFD Bonds or Additional CFD Bonds and there is annual debt service savings in each year, the following additional conditions must be satisfied:

Value-to-Lien Ratio -- Aggregate. The aggregate fair market value of all Taxable Property (and the then existing private improvements thereon) (based on either the assessed valuations thereof as contained in the most recent equalized assessment roll of the County or an MAI appraisal or a combination thereof), shall be equal to at least 4 times the sum of (i) the aggregate principal amount of all CFD Bonds to be outstanding after the issuance of such Additional CFD Bonds, plus (ii) the aggregate principal amount of all outstanding special assessment bonds that are payable from special assessments levied on the Taxable Property, plus (iii) the proportion of the aggregate principal amount of all outstanding bonds issued under the Act (other than the CFD Bonds) that are payable from special taxes to be levied on the Taxable Property.

Annual Debt Service Coverage Ratio. The amount of Maximum Facilities Special Taxes that may be levied in each Fiscal Year on all Taxable Property following issuance of the Additional CFD Bonds by application of the Rate and Method of Apportionment, less the Administrative Expense Cap for each such Fiscal Year, shall be no less than 110% of Annual Debt Service in the Bond Year that commences in such Fiscal Year with respect to the CFD Bonds to be Outstanding.

The City may, but is not required to, sell the Additional CFD Bonds to the Authority.

The City is authorized to issue bonds payable from Special Taxes in the District in the aggregate principal amount of not-to-exceed \$225,000,000. The 2007 CFD Bonds were issued in the original principal amount of \$67,670,000. The par amount of the 2016 CFD Bonds not used for refunding purposes was \$67,440,000, the 2018 CFD Bonds were issued in the amount of \$19,145,000 and the 2020 CFD Bonds were issued in the amount of \$11,495,000, thereby leaving a remaining bonding capacity of \$59,250,000. The 2021 CFD Bonds are issued in the amount of \$_____, leaving a remaining bonding capacity for the District of \$_____. *The City currently anticipates that Additional CFD Bonds will be issued in the future in order to fund additional authorized improvements for the District. See "THE DISTRICT – The Improvements" herein.*

The City does not presently intend to issue bonds in an amount which requires a Special Tax levy on parcels designated as Tentative Map or Undeveloped Property (and not yet designated as designated Developed Property) under the Special Tax Formula for repayment, however the City, in its discretion in the future, is allowed to do so under the CFD Fiscal Agent Agreement provided the conditions for the issuance of Additional CFD Bonds set forth in the Fiscal Agent Agreement (described above) are met.

Security for the CFD Bonds

This section contains only a brief description of certain provisions of the CFD Fiscal Agent Agreement; certain other provisions are described in “APPENDIX A – Summary of Certain Provisions of Principal Legal Documents.” Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

The CFD Bonds constitute a limited obligation of the City that is secured by a first lien on and pledge of, and is payable solely from, Net Taxes (defined below) collected in the District and amounts deposited by the City in the Special Tax Fund. The City’s limited obligation to pay the principal of and interest on the CFD Bonds from Net Taxes collected in the District and amounts in the Special Tax Fund is absolute and unconditional.

The CFD Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon the District’s or City’s property, or upon any of its income, receipts or revenues, except the Net Taxes collected in the District and other amounts in the Special Tax Fund.

Except for the Net Taxes for the District, neither the credit nor the taxing power of the City is pledged for the payment of the CFD Bonds or related interest, and no Owner of the Bonds may compel the exercise of taxing power by the City or the forfeiture of any of its property. The principal of and interest on the CFD Bonds are not a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction.

Special Taxes; Gross Taxes; Net Taxes. The “**Special Taxes**” for the District (which as defined in the Fiscal Agent Agreement include only the Facilities Special Tax defined in the Special Tax Formula established for the District) are levied and collected according to the Special Tax Formula; see “– Special Tax Methodology” and “APPENDIX C – Rate and Method of Apportionment of Special Taxes.”

The “**Net Taxes**” pledged by the City to the CFD Bonds is defined in the CFD Fiscal Agent Agreement as “**Gross Taxes**” minus amounts set aside to pay the “**Administrative Expenses Cap**” (which, for Fiscal Year 2021-22, is \$114,444 and for each subsequent year, will be an amount equal to the preceding fiscal year’s Administrative Expenses Cap plus an additional 2% of such amount).

“**Gross Taxes**” is defined as the proceeds of the Special Taxes [defined in the Fiscal Agent Agreement as only the Facilities Special Tax] received by the City, including any scheduled payments and any prepayments of, or interest on, such Special Taxes, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Facilities Special Taxes to the amount of said lien and interest on such amount. “Gross Taxes” do not include any penalties collected in connection with delinquent Special Taxes or any interest in excess of the interest due on the CFD Bonds.

*The Special Tax Formula also provides for the levy of special taxes for services in the District (“**Services Special Taxes**”), which are not pledged to payment of the CFD Bonds or the Bonds.*

Allocation of Special Taxes. Except for the portion of any Prepayment to be deposited to the Redemption Account, the Fiscal Agent will, on each date on which the Net Taxes are

received from the City, deposit the Net Taxes in the Special Tax Fund to be held for the Owners of the CFD Bonds. The Fiscal Agent will transfer the Net Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the CFD Fiscal Agent Agreement, in the following order of priority, to:

- (1) the Interest Account of the Special Tax Fund;
- (2) the Principal Account of the Special Tax Fund;
- (3) the Redemption Account of the Special Tax Fund;
- (4) the Reserve Account of the Special Tax Fund; and
- (5) the Surplus Fund.

Parity CFD Bonds. Under the CFD Fiscal Agent Agreement, the City covenants that it will not mortgage or otherwise encumber, pledge or place any charge upon the Net Taxes (except as provided in the CFD Fiscal Agent Agreement), and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the CFD Bonds, except for Additional CFD Bonds issued in accordance with the CFD Fiscal Agent Agreement. See “– Additional Bonds and CFD Bonds” above.

Nothing in the CFD Fiscal Agent Agreement prevents the City from issuing or incurring indebtedness payable from a pledge of Net Taxes that is subordinate in all respects to the pledge of Net Taxes to repay the CFD Bonds.

Priority of Lien. The Special Taxes and any interest and penalties thereon constitute a lien on the parcel of land on which it was imposed until paid. This lien is co-equal to and independent of the lien for general taxes, the lien of any other community facilities district special taxes and special assessment liens. See “VALUE OF PROPERTY AND VALUE-TO-LIEN RATIOS – Direct and Overlapping Governmental Liens.”

Reserve Account for 2021 CFD Bonds. Each series of CFD Bonds is secured by a separate reserve account established under the CFD Fiscal Agent Agreement. The reserve account for the 2021 CFD Bonds (the “**2021 Reserve Account**”) is established by the CFD Fiscal Agent Agreement to be held by the Fiscal Agent for the benefit of the Authority as the Owner of the 2021 CFD Bonds. *The Authority has not established a debt service reserve account for the Bonds. A reserve account was previously established for the Prior CFD Bonds in the amount of the Reserve Requirement for the each series of Prior CFD Bonds, but is not available for the 2021 CFD Bonds.*

Upon delivery of the 2021 CFD Bonds, the amount on deposit in the 2021 Reserve Account will be established by depositing certain proceeds of the 2021 CFD Bonds in the amount of the Reserve Requirement for the 2021 CFD Bonds. Under the CFD Fiscal Agent Agreement, “**Reserve Requirement**” means, with respect to each series of CFD Bonds, as of any date of calculation, an amount equal to the least of: (i) Maximum Annual Debt Service on the applicable Series of Outstanding CFD Bonds; (ii) 10% of the initial principal amount of the applicable Series of CFD Bonds (or the issue price of the applicable Series of CFD 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 applicable Series of CFD Bonds); or (iii) 125% of average Annual Debt Service on the applicable Series of Outstanding CFD Bonds, provided that

upon any recalculation of the Reserve Requirement, the recalculated amount shall not exceed the initial Reserve Requirement for such CFD Bonds. In the event a Reserve Account for any series is funded with cash, the "Reserve Requirement" may not exceed an amount that, pursuant to the Code, may be borrowed and invested at an unrestricted yield when all debt service Reserve Accounts maintained with respect to all CFD Bonds issued pursuant to the CFD Fiscal Agent Agreement are taken into consideration.

As used in the definition of Reserve Requirement, as to each series of CFD Bonds, "**Maximum Annual Debt Service**" means the maximum sum obtained for any Bond Year by adding the following for each Bond Year: (1) the principal amount of the Outstanding CFD Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and (2) the interest payable on the aggregate principal amount of the CFD Bonds Outstanding in such Bond Year if the CFD Bonds are retired as scheduled. With respect to the CFD Bonds, "**Annual Debt Service**" means, as to each series of CFD Bonds, the principal amount of any Outstanding CFD Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding CFD Bonds in such Bond Year, if such CFD Bonds are retired as scheduled.

Moneys in the 2021 Reserve Account will be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the 2021 CFD Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due. If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any 2021 CFD Bonds when due, the CFD Bonds Fiscal Agent will withdraw from the 2021 Reserve Account for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund, as applicable, moneys necessary for such purposes.

Whenever moneys are withdrawn from the 2021 Reserve Account, after making the required transfers referred to above, the Fiscal Agent will transfer to the 2021 Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the City elects to apply to such purpose, the amount needed to restore the amount of such 2021 Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund will be deemed available for transfer to the 2021 Reserve Account only if the Fiscal Agent determines that such amounts will not be needed to make the deposits required to be made to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next September 1. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the 2021 Reserve Account are inadequate to restore the 2021 Reserve Account to the Reserve Requirement, then the City will include the amount necessary fully to restore the 2021 Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

If the 2021 Reserve Account is at any time funded in whole or in part with cash, the City may at any time release any cash or investments on deposit from the 2021 Reserve Account, in whole or in part, by tendering to the Fiscal Agent: (1) a Reserve Account Credit Instrument, and (2) an opinion of Bond Counsel stating that such release will not, of itself, cause the interest on the Bonds or the Authority 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 2021 Reserve Account to or upon the direction of the City.

If the 2021 Reserve Account is funded with a combination of cash and a Reserve Account Credit Instrument, the Fiscal Agent will deplete all cash balances before drawing on the Reserve Account Credit Instrument. With regard to replenishment, any available moneys provided by the City will be used first to reinstate the Reserve Account Credit Instrument and second, to replenish the cash in the 2021 Reserve Account.

As used in the CFD Fiscal Agent Agreement, “**Reserve Account Credit Instrument**” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company where: (a) the long-term credit rating of such bank or insurance company from any rating agency is “AA” or better at the time of purchase (without regard to numerical or other modification); (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 with respect to which funds are proposed to be released pursuant to the CFD Fiscal Agent Agreement; and (d) the Fiscal Agent is authorized under 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 Interest Account or the Principal Account for the purpose of making payments required under the CFD Fiscal Agent Agreement.

THE AUTHORITY AND THE CITY HAVE NO OBLIGATION TO REPLENISH THE RESERVE ACCOUNT EXCEPT TO THE EXTENT THAT DELINQUENT SPECIAL TAXES ARE PAID OR PROCEEDS FROM FORECLOSURE SALES ARE REALIZED.

Covenant to Commence Foreclosure Proceedings. Under the Act, the City will covenant in the CFD Fiscal Agent Agreement with and for the benefit of the Authority, as the owner of the CFD Bonds, that it will order, and cause to be commenced as described below, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs.

On or about September 1 of each Fiscal Year, the Finance Director will compare the amount of Special Taxes theretofore levied in the Prior Fiscal Year in the District to the amount of Gross Taxes theretofore received by the City, and:

(i) *Individual Delinquencies.* If the Finance Director determines that any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of \$3,500 or more, then the Finance Director will send or cause to be sent a notice of delinquency (and a demand for immediate payment of the delinquent amounts) to the property owner by September 15 of such Fiscal Year, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by the City by December 1 of such Fiscal Year.

(ii) *Aggregate Delinquencies.* If the City determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District (including the total of delinquencies under paragraph (i) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the City will notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) by September 15 of such Fiscal Year, and will commence foreclosure proceedings by December 1 of such Fiscal Year against each parcel of land in the District with a Special Tax delinquency.

Notwithstanding the foregoing, the City may determine not to initiate foreclosure proceedings if (a) the amount in each Reserve Account is equal to the applicable Reserve Requirement and (b) there have been no defaults in the payment of debt service on the related CFD Bonds.

Although the County has implemented the Teeter Plan and the Teeter Plan covers the District, the City has the ability to remove delinquent parcels from the Teeter Plan to comply with the foregoing covenant to commence foreclosure proceedings against delinquent parcels. For additional information on delinquencies in the District and the County's Teeter Plan, see "VALUE OF PROPERTY AND VALUE-TO-LIEN RATIOS – Delinquencies; Teeter Plan."

The owners of the 2021 CFD Bonds benefit from the 2021 Reserve Account established pursuant to the CFD Fiscal Agent Agreement; however, if delinquencies in the payment of the Special Taxes with respect to the CFD Bonds are significant enough to completely deplete the 2021 Reserve Account for the 2021 CFD Bonds, there could be a default or a delay in payments of principal and interest to the owners of the 2021 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 annual Maximum Special Tax rates set forth in the Special Tax Formula, the City may adjust (but not to exceed the annual Maximum Special Tax) the Special Taxes levied on all property within the District subject to the Special Tax to provide an amount required to pay debt service on the CFD Bonds (including the 2021 CFD Bonds). Pursuant to Section 53321(d) of the Act, the special tax levied against any assessor's 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 assessor's parcel within a community facilities district by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. In addition, under the Special Tax Formula, the City may not increase the levy of special taxes by such percentage on either residential or non-residential parcels that have been levied in the prior year. As a result, it is possible that the City may not be able to increase the tax levy to the maximum Special Tax rate in all years. However, to the extent the City's ability to levy the necessary amount of Special Taxes is limited by Section 53321(d) of the Act or the Special Tax Formula, the City can levy Special Taxes on Tentative Map Property and Undeveloped Property up to the maximum annual Special Tax rates.

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

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent upon the nature of the defense, if any, put forth by the debtor and the condition of the calendar of the superior court of the county. Such foreclosure actions can be stayed by the superior court on generally accepted equitable grounds or as the result of the debtor's filing for relief under the Federal bankruptcy laws. The 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.

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 District 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 District, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the District 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 District becomes the purchaser under a credit bid, the District 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.

Other Covenants of the City. In the CFD Fiscal Agent Agreement, the City will make the following covenants (among others).

Punctual Payment. It will duly and punctually pay or cause to be paid the principal of and interest on the CFD Bonds, to the extent that Net Taxes and other amounts pledged under the CFD Fiscal Agent Agreement are available for such payment.

Against Encumbrance. It will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in the CFD Fiscal Agent Agreement, and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the CFD Bonds except for Additional CFD Bonds issued in accordance with the CFD Fiscal Agent Agreement. Nothing in the CFD Fiscal Agent Agreement prevents the City from issuing or incurring indebtedness payable from a pledge of Net Taxes that is subordinate in all respects to the pledge of Net Taxes to repay the CFD Bonds.

Levy of Special Tax. The City will comply with all requirements of the Act so as to assure the timely collection of Gross Taxes, including without limitation, the enforcement of delinquent Special Taxes.

Processing. On or within 5 Business Days of each June 1, the CFD Fiscal Agent will provide the City with a notice stating the amount then on deposit in the Special Tax Fund and the other funds and accounts held by the Fiscal Agent under the CFD Fiscal Agent Agreement, whether or not amounts need to be deposited into the Reserve Account to increase the amounts on deposit in such account to the Reserve Requirement, and informing the City that the Special Taxes need to be levied under the Ordinance as necessary to provide for the Special Tax Requirement, which is calculated in the manner described below. The receipt of or failure to receive such notice by the City will in no way affect the obligations of the City under the following two paragraphs and the Fiscal Agent will not be liable for failure to provide such notice to the City. Upon receipt of such notice, the City will communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

Levy. The City will effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the CFD Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the City will prepare or cause to be prepared, and will transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

Computation. The City will fix and levy the amount of Special Taxes within the District in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay (A) the principal of and interest on the CFD Bonds when due, (B) the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year and (C) any amounts required to replenish the Reserve Account to the Reserve Requirement (the “**Special Tax Requirement**”), taking into account the balances in such funds and in the Special Tax Fund; provided, that for each year that any Bonds are Outstanding, the City shall levy the Maximum Facilities Special Tax on the following Taxable Property in the District: Developed Property and Final Map Property (as such terms are defined in the Special Tax Formula). The City shall administer the Special Tax Formula in a manner that once a parcel is classified or designated as Developed Property, such classification or designation shall not be reversible. The Special Taxes so levied may not exceed the authorized amounts as provided in the proceedings under the Resolution of Formation.

Collection. The Special Taxes will 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 time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the *ad valorem* taxes on real property.

Maintenance of Special Taxes. The City will not consent to or conduct proceedings with respect to a reduction in the Special Taxes that may be levied in the District below an amount, for any Fiscal Year, equal to 110% of the aggregate of the debt service due and payable with respect to the CFD Bonds in each corresponding Bond Year, plus 100% of the City’s reasonable estimate of Administrative Expenses for such Bond Year; provided, however, that the City may at any time reduce the Special Taxes to the extent that the amount of Special Taxes that would result from levying the Special Taxes at such maximum amounts would result in an amount of Special Taxes in excess of the amount required to comply with such covenant.

Special Tax Methodology

The Special Tax authorized under the Act applicable to land within the District 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 C – Rate and Method of Apportionment of Special Taxes.” The following paragraphs in this section summarize certain provisions of the Special Tax Formula for the

District. Capitalized terms set forth in this section and not otherwise defined have the meanings set forth in the Special Tax Formula.

On or about June 1 of each Fiscal Year, the Administrator shall identify the current Assessor Parcel numbers for all Parcels of Taxable Property in the District. The Administrator shall also determine: (i) whether each Assessor Parcel of Taxable Property is Developed Property, Final Map Property, Tentative Map Property, or Undeveloped Property, (ii) which Parcels are Single Family Property, Age-Restricted Housing Property, For Sale Multi-Family Property, Rental Multi-Family Property, AC-Zoned Auto Mall Phase III Property, SC-Zoned Auto Mall Phase III Property, and Non-Residential Property, (iii) for Single Family Property, the Zoning Designation for each Parcel, (iv) for For Sale Multi-Family Property, the number of Units within each building based on reference to the site plan, condominium plan, or other development plan, and (v) the Facilities Special Tax Requirement and Maintenance Special Tax Requirement. According to the Special Tax Formula, the owner of record may request that a parcel be designated as Developed, even if no building permit has been issued. Once a parcel is designated as Developed it will be levied as if it were a Developed/Final Map parcel. In the CFD Fiscal Agent Agreement, the City has covenanted to administer the Special Tax Formula in a manner that once a parcel is classified or designated as Developed Property, such classification or designation shall not be reversible.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in the District was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created Parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new Parcels created by the parcel map, and (iii) one or more of the newly-created parcels is in a different Development Class than other parcels created by the subdivision, the Administrator shall calculate the Special Tax for the property affected by recordation of the parcel map by determining the Special Tax that applies separately to the property within each Development Class, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map

The table on the following page identifies the Maximum Facilities Special Taxes for Developed Property and Undeveloped Property within the District for Fiscal Year 2021-22.

Table 1
Elk Grove Finance Authority
Special Tax Revenue Bonds, Series 2021
Maximum Annual Facilities Special Taxes for Fiscal Year 2021-22

Land Use	Zoning Designation	Maximum Facilities Special Tax Rate, FY 2021/22	Per	Actual Special Tax Rate, FY 2021/22
Age-Restricted Housing Property	N/A	\$1,345.87	Per Unit	\$1,345.87
Single Family Property	Densities < RD8	2,018.80	Per Unit (Developed) or per Lot (Final Map)	2,018.80
Single Family Property	Densities RD8 - RD14	1,615.04	Per Unit (Developed) or per Lot (Final Map)	1,615.04
Single Family Property	Densities >= RD15	1,345.87	Per Unit (Developed) or per Lot (Final Map)	1,345.87
For Sale Multi-Family Property	N/A	1,345.87	Per Unit	1,345.87
Rental Multi-Family Property	N/A	6,729.34	Per Acre	6,729.34
Non-Residential Property	N/A	6,729.34	Per Acre	6,729.34
SC-Zone Auto Mall Phase III	N/A	0.00	N/A	0.00
Tentative Map Property	N/A	9,959.43	Per Acre	0.00
Undeveloped Property	N/A	6,729.34	Per Acre	0.00

Source: NBS

Each Fiscal Year, the Administrator shall determine the Facilities Special Tax Requirement and a Facilities Special Tax shall be levied on all Parcels of Taxable Property in the District as follows:

First: The Facilities Special Tax shall be levied Proportionately on each Parcel of Developed Property (which is defined in the Special Tax Formula as property that has received a building permit by May 1 of the preceding fiscal year or was designated as Developed Property) within the District up to 100% of the Maximum Facilities Special Tax for such Fiscal Year until the amount levied on Developed Property is equal to the Special Tax Requirement prior to applying any Capitalized Interest that is available in the CFD accounts;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, and after applying Capitalized Interest to the Facilities Special Tax Requirement, then the Facilities Special Tax shall be levied proportionately on each Assessor Parcel of Final Map Property within the District, up to 100% of the Maximum Annual Facilities Special Tax for Final Map Property for such Fiscal Year;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Facilities Special Tax shall be levied proportionately on each Assessor Parcel of Tentative Map Property within the District, up to 100% of the Maximum Facilities Special Tax for Tentative Map Property for such Fiscal Year;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Facilities Special Tax shall be levied proportionately on each Assessor Parcel of Undeveloped Property within the District, up to 100% of the Maximum Facilities Special Tax for Undeveloped Property for such Fiscal Year.

The Special Taxes shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that prepayments of the Facilities Special Tax are permitted as set forth in the Special Tax Formula and provided further that the City may directly bill, collect at a different time or in a different manner, and/or collect delinquent Special Taxes through foreclosure or other available methods.

The Facilities Special Tax shall be levied and collected until principal and interest on Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Facilities Special Tax proceeds have been paid, and all Administrative Expenses have been reimbursed. However, in no event shall a Facilities Special Tax be levied after Fiscal Year 2050-51. Under no circumstances may the Facilities Special Tax on one Parcel in the CFD be increased by more than 10% as a consequence of delinquency or default in payment of the Facilities Special Tax levied on another Parcel or Parcels in the CFD. The City's interpretation of this language in the Special Tax Formula is that it applies to parcels being used for private residential purposes and non-residential purposes that were levied a special tax in the prior fiscal year; however, it would not prohibit a greater increase in the levy on Tentative Map and Undeveloped Property (up to the maximum special tax rates) should such greater levy be needed to meet the Facilities Special Tax Requirement.

The City does not intend to issue bonds in an amount which requires a Special Tax levy on parcels designated as Tentative Map or Undeveloped Property (other than designated Developed Property) under the Special Tax Formula for repayment, but the City, in its discretion in the future, is allowed to do so under the CFD Fiscal Agent Agreement provided the conditions for the issuance of Additional CFD Bonds set forth in the Fiscal Agent Agreement are met. Tentative Map or Undeveloped Property can be levied a Special Tax in the event of delinquencies on other properties anticipated to be levied a Special Tax pursuant to the Special Tax Formula. See “– Additional Bonds and CFD Bonds” above.

For more information on the levy and collection of the Special Tax, including a “back-up” component of the formula, see “APPENDIX C – Rate and Method of Apportionment of Special Taxes.” The “back-up” component of the formula provides that, at the time of the Final Bond Sale, the Administrator shall identify the Expected Maximum Special Tax Revenues which shall be the amount used to determine the Debt Service Coverage when the final series of Bonds are issued (such capitalized terms as defined in the Special Tax Formula). After the Final Bond Sale, the Administrator shall review the Tentative Map revisions and other changes to the land uses within the District and compare the revised land uses to the Expected Land Uses to evaluate the impact on the Expected Maximum Special Tax Revenue. In addition, the Administrator shall review Final Maps to determine whether they reflect the number of lots that were anticipated in the Tentative Map. This methodology may be needed to ensure adequate debt service for the Bonds in the event taxable parcels (including designated Developed Property) experience a decline in actual units once a Final Map is issued compared to at the time of designating as Developed Property. See APPENDIX C for additional details.

Priority of Lien

The principal of and interest on the CFD Bonds are payable from the Special Tax authorized to be collected within the District, and payment of the Special Tax is secured by a lien on certain real property within the District. 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 the District. 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 such District.

Private liens, such as deeds of trust securing loans obtained by owners of property in the District, may be placed upon property in the District at any time. Under California law, the Special Taxes have priority over all existing and future private liens imposed on property subject to the lien of the Special Taxes.

Parcels in the District are subject to a bonded special tax lien and non-bonded special taxes and assessments for services. See "VALUE OF PROPERTY AND VALUE-TO-LIEN RATIOS – Direct and Overlapping Governmental Liens." In particular, owners of taxable property in the District are subject to a maintenance special tax levy each year. The amount of the maintenance special tax (which is not pledged to payment of the CFD Bonds or the Bonds) is calculated in accordance with the formula therefor found in the Special Tax Formula. See APPENDIX C.

THE AUTHORITY

The Authority is a joint exercise of powers authority duly organized and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, and pursuant to a Joint Exercise of Powers Agreement entered into in 2005 by and among the City and the Elk Grove Parking Authority, and is qualified to assist in financing projects and certain public improvements and to issue the Bonds under the Bond Law. The Authority has no taxing power. The Authority and the City are each separate and distinct legal entities, and the debts and obligations of one such entity are not debts or obligations of the other entity.

The Authority was established for the purpose of financing the acquisition, construction, improvement and equipping of public capital improvements. The governing board of the Authority is the City Council of the City. All of the outstanding Prior CFD Bonds were purchased by the Authority.

THE LAGUNA RIDGE SPECIFIC PLAN

The majority of the property in the District comprises a portion of, but not all, of the land comprising the City's Laguna Ridge Specific Plan ("LRSP"). The LRSP encompasses approximately 1,900 acres of land and is located in the southwestern portion of the City, west of Highway 99, south of Elk Grove Boulevard, east of Bruceville Road and the East Franklin Specific Plan area, and north of Bilby Road and the area referred to as the "Southeast Policy Area." The entire LRSP can be viewed on the City's website.

The City adopted the LRSP in 2004 and construction of homes in the LRSP has been ongoing for over 10 years. The LRSP, at the time of adoption, identified a build-out potential of 7,767 dwelling units (1,875 of which were identified as multi-family development) and various acreages of commercial and office land uses. Since adoption of the LRSP, the City Council has approved a number of land use changes that have reduced the potential build-out of the plan

area from the 7,767 units originally contemplated to approximately 6,758 units. This change has primarily occurred relative to medium-density residential development that was converted to more conventional single-family neighborhoods (i.e., a density reduction) to reflect changing market conditions. Additionally, one higher-density single-family site was subsequently purchased by the local Community College District for a satellite campus, which site is exempt from the Special Tax.

Land in the District Not Within the LRSP. In parallel, but not as a result of, the foregoing changes to the LRSP area, the City in 2008 approved the Sterling Meadows project, which is proximate to but not within the LRSP area. That project is currently under development and approved for 976 single-family residential units and a 12.5-acre multi-family site after build-out. As a condition of approval of the Sterling Meadows project and its accompanying development agreement, the City and the developer of the project agreed that the project would annex into the District for both bond financing and public infrastructure maintenance. Taken together with the previously described changes, the build-out potential of the LRSP area and the Sterling Meadows project is currently 7,734 dwelling units, which includes both single-family and multi-family property.

LRSP Land Use Plan. The Land Use Plan provides for community-oriented commercial and office uses that have generally been directed toward Elk Grove Boulevard and Highway 99 to capitalize on the vehicular access and visibility provided by these major roadways. Neighborhood-serving commercial uses have been located off of Whitelock Parkway, which is centrally located within the Plan Area, allowing access for local residents and encouraging walking and biking as alternatives to vehicular use. Single-family residential units have been evenly distributed throughout the Plan Area, with a broad mix of single-family densities. Medium and High density residential are located adjacent to arterial streets and public transit opportunities and are generally in close proximity to commercial land uses. School and park sites are centrally located within each neighborhood within convenient walking distance of residents, minimizing the need for school children to cross arterials, and encouraging non-vehicular modes of transportation.

The Land Use Plan also includes proposed parkways, open space and landscape corridors providing a Class 1 off-street trail connection. The Laguna South Parkway is centrally located along the north side of Whitelock Parkway and traverses the Plan Area from Bruceville Road to Highway 99, providing a major east-west connection. There are also a number of paseos or tributary parkways that provide north-south connections between land uses and the Laguna South Parkway. Arterial and collector streets create landscaped boulevards with separated sidewalks for pedestrians offering a pleasant walking experience.

A map of the LRSP area is shown on the following page. *The map depiction excludes the Sterling Meadows project which is included in the District and approved for 976 single-family residential units and a 12.5-acre multi-family site. Construction of homes is currently underway by Lennar Homes of California, Inc. a California Corporation (“Lennar Homes”) and to a lesser extent, other homebuilders, with some homes sold to homeowners. See “THE DISTRICT - Development in the District” and “ - Designated Developed Property.”*

[Insert Map #1 - Specific Plan Land Use Map]

THE DISTRICT

Formation of the District

On November 9, 2005, the City Council adopted a Resolution of Intention to form a community facilities district under the Act, to levy a special tax and to incur bonded indebtedness for the purpose of financing the Improvements and making contributions to certain public facilities. After conducting a noticed public hearing, on March 8, 2006, the City Council adopted the Resolution of Formation, which established the District, set forth the Special Tax Formula for the levy of Special Taxes within the District and set forth the necessity to incur bonded indebtedness in a total amount not to exceed \$225,000,000. On the same day, an election was held within the District in which the then landowners in the District were the voters, and approved the foregoing. Eight annexations to the District have occurred, beginning in 2007, including the two most recent adding the Sterling Meadows area in 2017 (460 projected units) and 2018 (516 projected units).

Location and Description of the District and the Immediate Area

The District is located within the City limits, and generally bounded by Bruceville Road to the west, Elk Grove Boulevard to the north, State Highway 99 to the east and Bilby Road and Old Poppy Ridge Road to the south. Several annexations to the District have occurred since its formation, including the Sterling Meadows project. Much of the area in this portion of the City, both within the District and around it, has experienced a transition from largely undeveloped, agriculturally oriented uses toward a mixture of suburban land uses, and this transition has particularly intensified since formation of the District.

The predominant approved suburban land use within the City limits in the vicinity of the District is single family residential and to a lesser extent supporting commercial development. Land uses in the immediate area are devoted primarily to residential uses and supporting commercial development, both of which have experienced steady acceptance by the market. With the development of the District and neighboring master planned communities outside the District, such as Backer Ranch, Belavida, Laguna Reserve, Bilby Ranch and Laguna Estates, there are a variety of land uses, including single and multifamily residential, commercial and recreational uses that are expected to continue to be incorporated into the area over the next decade and more.

A District boundary map showing the current extent of the District (including annexations to-date) is shown on the following page.

[Insert Map #2 - District Boundary Map]

CFD Authorized Facilities

Authorized Facilities. The public facilities authorized to be financed by the District (the “Improvements”) are described in detail in the in the Resolution of Formation and in the Community Facilities District Hearing Report prepared for the City by Goodwin Consulting Group, Sacramento, California and include public improvements, development impact fees, public services, as well as District formation and administrative expenses. The public facilities, including facilities which may be financed by impact fees, authorized to be financed by bonds for the District generally include public roads, drainage, water, joint trenches, concrete curbs, gutters and sidewalks, utilities, street lighting, landscaping, masonry soundwalls, traffic signals, lift stations, water treatment and storage, wastewater, an aquatic center, a senior center, parks, parkways, and other miscellaneous improvements. It is not expected that revenues available from the adopted maximum special tax rates will be sufficient to fund all of the items authorized to be financed. A portion of the improvements were funded by the Prior CFD Bonds, and some are expected to be funded by the 2021 CFD Bonds. It is not expected that revenues available from the adopted maximum special tax rates for the District will be sufficient to finance all of the Improvements specified in the Resolution of Formation and Hearing Report.

Use of Proceeds of 2021 CFD Bonds. The 2021 CFD Bonds are being issued to reimburse _____ [[[update this from 2020: VTL Sterling Meadows LLC for constructed public capital improvements and to reimburse Lennar Homes approximately \$5.4 million for a portion of the cost of public infrastructure and/or impact fees required for development of its “Elements” and “Essentia” neighborhoods within the District described under the caption “ - New Development in the District” above.]]] An approximate one-third share of the proceeds of the 2021 Bonds available for Improvements will be transferred to the City to provide for the cost of public capital facilities authorized to be financed by the District.

[[In connection with the issuance of the 2021 CFD Bonds, the City will enter into a Funding, Construction and Acquisition Agreement (the “**Acquisition Agreement**”) with VTL Sterling Meadows LLC and Lennar Homes to provide for these reimbursements.]]

Development in the District

Development in the District is primarily single-family residential, with completed homes and ongoing home construction, all consistent with the LRSP land uses, which primarily consist of low, medium and high density residential neighborhoods and, to a lesser extent, supporting uses such as parks, recreation, open space and supporting neighborhood land uses. See “THE LAGUNA RIDGE SPECIFIC PLAN” above. Although not part of the Laguna Ridge Specific Plan, approximately 200 acres of land comprising the Sterling Meadows project, is also part of the District and is undergoing residential development consistent with the LRSP. Permitted land uses are configured to reinforce the neighborhood identity and sense of community.

At buildout, the District is projected to include approximately 7,734 single-family homes. The District also includes 5 multi-family sites, and 35 non-residential parcels for retail and office uses, some of which have been developed. There are also a number of public/quasi-public land areas (e.g., civic center, water treatment sites, school sites, parks, and open space) that are within the boundaries of the District but not subject to Special Taxes, as well as one privately held site corresponding to a portion of the Elk Grove Auto Mall Phase III, which site is not subject to the Special Tax supporting the CFD Bonds, as it is only subject to the services component of the tax levied under the Special Tax Formula.

For the Fiscal Year 2021-22 Special Tax levy, there were 4,492 parcels of Developed Property in the District levied, consisting of 4,450 parcels of single-family residential (including 331 parcels which were designated as Developed Property), and 3 multi-family residential properties (including 1 parcel which is designated as Developed Property), and 39 non-residential properties (including 20 parcels which were designated as Developed Property). There were no parcels eligible to be taxed as Final Map Property. There are currently no parcels taxed for Fiscal Year 2021-22 as Tentative Map Property or Undeveloped Property, because the Facilities Special Tax Requirement (as defined in the Special Tax Formula) was met by only taxing Developed Property (including property designated as Developed Property). See SECURITY FOR THE BONDS- Special Tax Methodology” above.

Current Land Uses. The following table shows the development status of property in the District as of May 1, 2021.

**Table 2
Elk Grove Finance Authority
Special Tax Revenue Bonds, Series 2021
Development Status as of May 1, 2021 and
Fiscal Year 2021-22 Estimated Facility Special Tax Levy by Category for the District**

Development Status	Parcel Count	Maximum Special Tax, FY 2021/22	Special Tax Levy, FY 2021/22 ⁽⁶⁾	Assessed Value ⁽⁷⁾	Appraised Value ⁽⁸⁾	Composite Value ⁽⁹⁾
Developed Property (1)						
Single Family Property	4,119	\$7,785,833.42	\$7,785,833.42	\$1,914,470,002	\$96,710,000	\$2,011,180,002
Multi-Family Property	2	112,110.80	112,110.78	35,593,831	0	35,593,831
Non-Residential Property	19	325,612.50	325,612.40	141,524,567	398,891	141,923,458
Designated Developed Property (2)						
Single Family Property	331	1,157,443.98	1,157,443.98	0	74,139,500	74,139,500
Multi-Family Property	1	14,595.93	14,595.92	0	1,194,000	1,194,000
Non-Residential Property	20	507,318.12	507,318.04	0	26,524,614	26,524,614
Final Map Property (3)						
Single Family Property	0	0.00	0.00	0	0	0
Tentative Map Property (4)	2	207,355.11	0.00	0	5,102,000	5,102,000
Undeveloped Property (5)						
Residential Property	4	1,299,825.84	0.00	0	51,135,600	51,135,600
Non-Residential Property	7	156,093.73	0.00	0	11,113,575	11,113,575
Totals	4,505	\$11,566,189.43	\$9,902,914.54	\$2,091,588,400	\$266,318,180	\$2,357,906,580

- (1) Developed Property means, according to the Rate and Method of Apportionment of the CFD, all parcels of taxable property for which a building permit for new construction was issued on or prior to May 1 of the preceding fiscal year. All parcels with a building permit issued on or prior to May 1, 2021 are classified as Developed Property.
- (2) According to the Rate and Method of Apportionment of the CFD, the owner of record may request that a parcel be designated as Developed Property, even if no building permit has been issued. Once a parcel is designated as Developed Property, it will be levied as if it were Developed Property. 641 Units are designated developed on these 331 parcels classified as single family property.
- (3) Final Map Property means, according to the Rate and Method of Apportionment of the CFD, all parcels for which a final map has been recorded prior to or on May 1 of any fiscal year, which are not yet developed property and which, based on the zoning designations for the parcels, are not expected to be for sale multi-family property, rental multi-family property, automall or non-residential property when a building permit is issued. All parcels with an approved Final Map or prior to May 1, 2021 which are not developed or expected to be developed as other than single family residential are classified as Final Map Property.
- (4) Tentative Map Property means, according to the Rate and Method of Apportionment of the CFD, all parcels for which a tentative map has been approved by the City and which are not yet final map property or developed property. Parcels expected to be non-residential property, for sale multi-family property, rental multi-family property, AC-zoned auto mail phase III property or SC-zoned auto mail phase III property after issuance of a building permit shall be designated as Tentative Map Property until they become developed property, even if such parcels are included in a final map. Note that parcels that are currently Tentative Map Property that are AC-zoned auto mail phase III property or SC-zoned auto mail phase III property are excluded from this table. Such property is currently taxable but will not be taxable upon development.
- (5) Undeveloped Property means, according to the Rate and Method of Apportionment of the CFD, all parcels of taxable property that are not developed property, final map property or tentative map property.
- (6) Amount enrolled on the Sacramento County property tax bills for fiscal year 2021/22 given development status as of May 1, 2021. Parcels are levied at the maximum rate, but levy amounts are rounded down to the nearest even cent for tax roll purposes.
- (7) Per the Sacramento County Assessor's roll data for Fiscal Year 2021/22, with a January 1 valuation date. Assessed value does not reflect any changes made to valuation after July 2021 as a result of assessment appeal, correction or any other changes.
- (8) Per the Appraisal prepared by Integra Realty Resources as of July 23, 2021. There is a slight rounding difference between the table and the Appraisal due to the allocation of value to individual parcels.
- (9) Sum of appraised value and assessed value for each category.

Source: NBS

Building Permits. The following table sets forth the number of single-family residential, multi-family residential and commercial building permits issued in the District through June 30, 2021.

**Table 3
Elk Grove Finance Authority
Special Tax Revenue Bonds, Series 2020
Building Permits Issued Within the District
As of June 30, 2021**

Fiscal Year ⁽¹⁾	Age-Restricted and Single Family Property Permits Issued	For Sale and Rental Multi- Family Property Permits Issued	Non- Residential Property Permits Issued	Total Building Permits Issued
Prior to 2011/12 ⁽²⁾	988	2	7	997
2011/12	310	0	0	310
2012/13	299	0	1	300
2013/14	298	0	2	300
2014/15	436	0	0	436
2015/16	513	0	0	513
2016/17	169	0	0	169
2017/18	210	0	9	219
2018/19	454	0	9	463
2019/20	276	0	2	278
2020/21	274	0	8	282
Totals	4,227	2	30	4,267

(1) Includes the full fiscal year period from July 1 through June 30 each period. This differs from the definition of Developed Property according to the Rate and Method of Apportionment of the CFD, which includes building permits issued through April 30 of each year, therefore the data here is not reflected in the special tax data tables. Further, in some cases more than one permit is issued for a single parcel, so there are more permits than developed parcels in the CFD.

(2) Includes building permits issued from January 11, 2006 through June 30, 2011.

Source: City Planning Department, compiled by NBS

Zoning. All of the taxable land within the District is currently zoned for single-family, medium-density and multifamily residential development, as well as office park and shopping center uses in accordance with the LRSP. A description of each of the allowable land use designations, excluding the Sterling Meadows project which is zoned for single-family residential, is set forth above under “THE LAGUNA RIDGE SPECIFIC PLAN.”

Utilities. All typical urban utility services for finished lots are available at the lots within the District or will be extended to the lots. These utilities include electricity, natural gas, telephone, cable television, water, and sanitary sewer and storm water facilities. The City provides police and fire services and storm water facilities, Sacramento Municipal Utility District provides electric, Pacific Gas & Electric provides natural gas, and County entities provide water and sewer.

Flood Zone. According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Community Panel 060262-0320, effective July 6, 1998, the developable portions of the property in the District are located within Flood Zone X, described as areas of minimal flooding (outside of the 100 and 500-year floodplains). The Appraisal also

notes that, according to First American Flood Data Services, Map Panel 06067C-0316H, -0317H, -0318H and -0319H, effective August 16, 2012, the Appraised Parcels are located in Flood Zone X. Property within the District meets the 200 year flood protection level required in the Central Valley Flood Protection Plan.

Seismic Conditions. According to the Seismic Safety Commission, the property in the District is located within Zone 3, areas of moderate seismic activity. 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 property is not located within 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.

Merchant Builder Development in Progress

As of the Fiscal Year 2021-22 tax roll, merchant builders receiving a Special Tax levy comprised Lennar Homes (270 parcels), Poppy Lane LLC (Tim Lewis Communities development; 139 parcels), Richmond American (47 parcels) and Meritage Homes (1 parcel planned for 161 RD-5 units). See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT - Top Ten Taxpayers" below.

Lennar Homes. Lennar Homes purchased 269 single family residential lots in Sterling Meadows, Units 2B, 2C, 2E East and 2E West in July 2019. Lennar Homes is constructing two product lines within this purchase:

Elements (continuation). Units 2E East and 2E West consist of 130 single family residential lots and will be a continuation of Lennar Homes' Elements at Sterling Meadows collection currently being constructed in an adjacent portion of Sterling Meadows. Elements consists of 3 floor plans ranging from 1,632 square feet to 2,140 square feet and priced from \$549,990 to \$568,990. Lennar Homes projects buildout of the neighborhood by late 2023 subject to market conditions.

Essentia. Units 2B and 2C consist of 139 single family residential lots are being constructed as Essentia at Sterling Meadows. Essentia consists of 5 floor plans ranging from 1,454 square feet to 2,018 square feet and priced from \$548,990 to \$613,990. Lennar Homes projects buildout of the neighborhood by early 2024 subject to market conditions.

The development of Lennar Homes' projects within the District are subject to delays caused by the COVID-19 pandemic. However, Lennar Homes has not seen a significant slowdown in home sales due to the COVID-19 pandemic. To date, Lennar Homes has not experienced any material increase in costs, or any development or home sale delays resulting from an inability to obtain or continue financing sources, work stoppages, reduced attendance of workers, lack of or delays in the delivery of building materials or an inability to obtain necessary inspections and approvals, attributable to the COVID-19 pandemic. To date, Lennar Homes has continued to fund and implement its projects as described in this Official Statement and intends to do so to complete the projects. See "SPECIAL RISK FACTORS – COVID-19 Pandemic" herein.

Lennar Homes' sales offices with respect to its developments within the District are currently by appointment only. Lennar Homes has also implemented policies at its model home sites and sales offices which are intended to allow for a normal pace of access by prospective

home purchasers while complying with the applicable social distancing orders. Specifically, prospective purchasers are able to tour model homes by appointment.

Lennar Homes cannot predict the ultimate effects of the COVID-19 outbreak or whether any such effects would have a material adverse effect on the ability to develop the projects as planned. As the impacts caused by the outbreak evolve, there could be an adverse impact on the timing and costs of Lennar Homes' projects in the District.

Lennar Homes has provided the information regarding its activity in the District and set forth below. No assurance can be given that all information is complete. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. The Special Taxes are not personal obligations of the owners, developers or of any subsequent landowners; the CFD Bonds are secured only by the Special Taxes and moneys available under the CFD Fiscal Agent Agreement. See "SECURITY FOR THE BONDS – " and "RISK FACTORS" herein.

OWNERSHIP OF PROPERTY WITHIN THE DISTRICT

Substantial portions of land in the District have been developed since formation of the District in 2005. The Special Tax Formula provides that a parcel will have “Developed Property” status for purposes of applying the Special Tax once a building permit has been issued, however the Special Tax Formula also permits parcel owners to designate parcels as “Developed Property” if no building permit has been issued. Once a parcel is so designated the designation is not reversible. The 2021 CFD Bonds are being structured so that annual debt service coverage for the all Parity Bonds is at least 110% from annual Net Taxes (described herein) generated from Developed Property (including designated Developed Property) on the Fiscal Year 2021-22 tax roll, taking into account the annual 2% escalation factor in future years.

For the Fiscal Year 2021-22 Special Tax levy, there were 4,150 parcels of Developed Property in the District levied, consisting of 4,108 parcels of single-family residential (including 192 parcels which were designated as Developed Property planned for 470 single-family residential lots; note that an application has been submitted to the City for one tentative mapped lot that is currently designated Developed for 12 residential lots to become 75 residential lots, which would increase the planned single family lots from 470 to 533 and increase the amount of Special Tax revenues from Developed Property in future years), and 3 multi-family residential properties (including 1 parcel which is designated as Developed Property), and 39 non-residential properties (including 27 parcels which were designated as Developed Property). There are also parcels eligible to be taxed as Tentative Map Property or Undeveloped Property, but which were not levied a Special Tax in Fiscal Year 2021-22 because the Facilities Special Tax Requirement (as defined in the Special Tax Formula) was met by only taxing Developed Property.

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. 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 the District 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 the District.

Top Ten Taxpayers

The following table shows the top ten payers of the Special Taxes in the District, based on the estimated Fiscal Year 2021-22 Special Tax levy amount. *The listing does not reflect changes in ownership since the date the tax roll was prepared.*

**Table 4
Elk Grove Finance Authority
Special Tax Revenue Bonds, Series 2021
Top Ten Taxpayers in the District
Based on the Estimated Fiscal Year 2021-22 Special Tax Levy**

Owner (1)	Parcel Count	Assessed Value Total (2)	Appraised Value (3)	Composite Value (4)	Special Tax Levy, FY 2021/22	% of Special Tax Levy, FY 2021/22	CFD 2005-1 Bonds (5)	Overlapping Debt (6)	Total Debt	Value to Total Debt
1a LENNAR HOMES OF CALIFORNIA INC - Developed	22	\$1,095,078	\$7,680,000	\$8,775,078	\$39,703.02	0.40%	\$601,945	\$18,512	\$620,457	14,141:1
1b LENNAR HOMES OF CALIFORNIA INC - Designated Developed	248	0	38,787,500	38,787,500	364,055.58	3.68	5,519,517	41,945	5,561,461	6,97:1
2 MERITAGE HOMES OF CALIFORNIA INC - Designated Developed	1	0	11,270,000	11,270,000	325,026.80	3.28	4,927,794	100,786	5,028,580	3,16:1
3a Developed 161 RD-5 Units	37	1,743,303	7,960,000	9,703,303	74,695.60	0.75	1,132,474	142,322	1,274,797	7,61:1
3b RICHMOND AMERICAN HOMES MD INC - Designated Developed	10	0	9,530,000	9,530,000	220,049.20	2.22	3,336,208	44,537	3,380,746	2,82:1
4a POPPY LANE LLC - Designated Developed	68	4,263,700	16,705,000	20,968,700	137,278.40	1.39	2,081,304	221,673	2,302,977	9,11:1
4b POPPY LANE LLC - Designated Developed	71	0	10,730,000	10,730,000	143,334.80	1.45	2,173,127	5,981	2,179,107	4,92:1
5a DIGNITY COMMUNITY CARE - Developed	1	18,119,802	0	18,119,802	25,235.02	0.25	382,593	43,376	425,969	42,54:1
5b DIGNITY COMMUNITY CARE - Designated Developed	4	0	6,923,000	6,923,000	162,708.68	1.64	2,466,858	279,679	2,746,536	2,52:1
6a RIDGE EG WEST LP - Developed	8	17,502,696	398,891	17,901,587	45,523.90	0.46	690,197	198,560	888,757	20,14:1
6b RIDGE EG WEST LP - Designated Developed	13	0	6,920,614	6,920,614	116,827.94	1.18	1,771,251	139,397	1,910,648	3,62:1
7 RIDGE EG EAST LP (COSTCO WHOLESale CORPORATION)	1	30,638,762	0	30,638,762	117,218.36	1.18	1,777,170	462,483	2,239,653	13,68:1
8 FRED W/TAMARA J BROADBENT REV TRUST/ETAL	1	0	3,822,000	3,822,000	104,977.60	1.06	1,591,586	700	1,592,285	2,40:1
9 EGBL 15 LLC	1	0	7,410,000	7,410,000	100,940.10	1.02	1,530,372	113,734	1,644,107	4,51:1
10 CONTINUUM CARE LLC	1	0	3,795,000	3,795,000	94,950.98	0.96	1,439,570	65,018	1,504,588	2,52:1
Subtotals	487	\$73,363,341	131,932,005	205,295,346	\$2,072,525.98	20.93	\$31,421,967	\$1,878,701	33,300,668	6,30:1
All Other Owners - Parcels Levied 2021/22	4,005	2,018,225,059	67,035,000	2,085,260,059	7,830,388.56	79.07	118,718,033	26,982,414	145,700,447	14,31:1
All Other Owners - Parcels Not Levied 2021/22	13	0	67,351,175	67,351,175	0.00	0.00	0	525,424	525,424	128,18:1
Totals	4,505	\$2,091,588,400	\$266,318,180	\$2,357,906,580	\$9,902,914.54	100.00%	\$150,140,000	\$29,386,539	\$179,526,539	13,16:1

(1) Per Sacramento County Assessor's Data, as of July 2021.
(2) Per the Sacramento County Assessor's roll data for Fiscal Year 2021/22, with a January 1 valuation date. Assessed value does not reflect any changes made to valuation after July 2021 as a result of assessment appeal, correction or any other changes. If property was appraised, no assessed value is shown even though the property does have an assessed value greater than zero.
(3) Per the Appraisal prepared by Integra Realty Resources as of _____, 2021. There is a slight rounding difference between the table and the Appraisal due to the allocation of value to individual parcels.
(4) Sum of appraised value and assessed value for each category.
(5) Allocated based on estimated 2020/21 special tax levy. 2021 CFD Bond Amount Estimated. 2016, 2018 and 2020 Bonds Outstanding as of 9/3/2021 in the amount of \$138,640,000.
(6) Per overlapping debt statement prepared by California Municipal Statistics. This does not include PACE liens which affect 16 developed single family parcels owned by individual homeowners as of August 2021.
Source: MBS

Designated Developed Property. The City reports that it is aware of the following status of the designated Developed Property parcels held by the Top Ten Taxpayers as of September 2021:

Lennar Homes of California (10 parcels) – Lennar owns Developed and designated Developed Parcels within the CFD. The 10 designated developed parcels consist of 8 small lot mapped parcels and 2 tentative mapped parcels that are expected to be developed into 269 number of residential units. See – *Merchant Builder Development in Progress* section of POS for more detail on status of development.

Meritage Homes of California, Inc (1 parcel) – Meritage Homes has designated developed 161 single family lots for the McGeary Ranch Village 2 project on this parcel.

Richmond American Homes MD, Inc (65 parcels) – Richmond American has been actively building homes in the CFD. They have 65 designated Developed Parcels that have their small lot final map. These parcels are in the process or will be improved with single family homes.

Poppy Lane, LLC (214 parcels) – This entity is affiliated with Tim Lewis Communities which is currently developing homes in their “Traditions at Poppy Lane”, “Legacy at Poppy Lane” and “Classics at Poppy Lane” neighborhoods. Models are open and marketing is ongoing. City records indicate 214 final mapped lots in a project being developed as single family homes in three phases.

Dignity Community Care (4 parcels) – Dignity Health is planning a hospital campus, consisting of a new hospital and medical offices. In January 2020, Dignity Health announced they are planning to start design and permitting in 2020 and then construction in 2023. To date the City Planning Department hasn’t received plans. It is the City’s understanding, the review will go straight to the California Office of Statewide Health Planning and Development. Dignity Health’s Developed Parcel currently consists of one medical building.

Ridge EG West, LP (20 parcels) – These parcels are the site of The Ridge Shopping Center. There is one pending building permit with a scheduled restaurant opening in 2022. The Ridge EG West, LP is an affiliate of Pappas Investments.

Fred W/Tamara J Broadbent Rev Trust/ETAL (1 parcel) – The Backer Family owns multiple parcels as a part of the Madeira South project. They have designated developed 52 single family lots on one parcel for a phase of this project; it is the City’s understanding that the lots will soon be sold to a merchant builder.

EGBL 15, LLC (1 parcel) –The owner is an affiliate of Pappas Investments. The parcel is undeveloped, but currently zoned for a shopping center.

Continuum Care LLC (1 parcel) – The City approved a conditional use permit and tentative map for a new approximately 76,000 square foot 120-bed rehabilitation and medical services facility with associated improvements including parking and landscaping. The City is not aware of when construction will begin. As of August 24, 2020, this property is delinquent for both installments of the FY 2019-20 property tax bill, including the CFD 2005-1 Special Tax levies in the amount of \$91,263.76 (not including penalties and interest).

Lennar Homes. Lennar Homes is a wholly-owned indirect subsidiary of Lennar Corporation, a Delaware corporation (“**Lennar Corporation**”), publicly traded on the New York Stock Exchange under the symbol “LEN.” Lennar is based in Aliso Viejo, California, and has been in the business of developing residential real estate communities in California since 1995. The year 2019 marked the 22nd year that Lennar has operated in the Sacramento area. In early 2018, Lennar Corporation completed a merger with homebuilder CalAtlantic, creating the largest homebuilder in the United States based on revenues. Lennar Homes is self-funding the construction.

Lennar Corporation is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, 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, may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such files can also be accessed over the Internet at the SEC’s website at www.sec.gov. Copies of such material can be obtained from the public reference section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the office of the NYSE at 20 Broad Street, New York, New York 10005. Additionally, Lennar Corporation provides investor relations information on its website.

VALUE OF PROPERTY AND VALUE-TO-LIEN RATIOS

Valuation of Property

The value of the land within the District is a critical factor in determining the investment quality of the Bonds. Due to the recent and ongoing nature of development of homes in the District, the County assessed valuations are not in all cases reflective of most current development status, as is the case with certain properties in the District. Accordingly, in connection with valuing property in the District, the City has obtained the 2021-22 County assessed valuation of the property in the District (the “**Assessed Valuation**”) for certain developed property as well as ordered an appraisal of developed property not appearing on the 2021-22 tax roll as developed, as well as undeveloped and partially developed parcels, as detailed below and in “APPENDIX D – The Appraisal.”

If a property owner defaults in the payment of a 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 Taxes. See “SECURITY FOR THE BONDS – Security for the CFD Bonds – Other Covenants of the City” and “RISK FACTORS – Bankruptcy 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 the District and only the respective individual parcel is responsible for such Special Tax. In comparing the aggregate value of the real property within the District and the principal amount of the Bonds, it should be noted that only the Assessor’s parcel of real property upon which there is a delinquent Special Tax can be foreclosed upon. All of the real property within the District cannot be foreclosed upon as a whole to pay delinquent Special Taxes unless all of the property is subject to delinquent Special Taxes. Individual parcels may be foreclosed upon to pay delinquent Special Taxes levied against such parcels only. See “SECURITY FOR THE BONDS – Security for the CFD Bonds.”

The principal amount of the Bonds will not be allocated pro rata among the parcels within the District; rather, the annual Special Taxes for the District will be billed annually for each parcel within the District. Upon the sale of developed parcels, the buyer typically acquires the property subject to the unpaid portion of any general property taxes and special taxes levied against the parcel purchased. General property taxes and special taxes levied against the parcel are not required to be removed from the property and are not required to be, but may be, paid off in full upon transfer of property or upon development of the property.

Assessed Values

Assessed Valuations. As provided by Article XIII A of the California Constitution, county assessors’ assessed values are to reflect market value as of the date the property was last assessed (or 1975, whichever is more recent), increased by a maximum of 2% per year. Properties may be reassessed by the County only upon a change of at least 51% ownership of existing property or upon new construction. The assessed values of parcels in the District thus reflect, for undeveloped parcels, the estimate of the County Assessor (the “**Assessor**”) of market value when acquired (or 1975, whichever is later), possibly increased by up to 2% per year, and for parcels on which construction has occurred since their date of acquisition, the Assessor’s estimate of market value as of the time of construction, possibly increased by up to 2% per year. The actual market value of parcels in the District, if sold at foreclosure, may be

higher or lower than the Assessor’s assessed values, depending upon the date of the Assessor’s most recent assessment. The actual fair market value of any parcel can often be more accurately established through an arms-length sale or an appraisal by an independent appraiser.

Historical Assessed Values. The following table shows a recent history of assessed valuations of the property that was levied a Special Tax in each Fiscal Year in the District. The total assessed value shown in Table 12 is for all parcels within the District, while Table 7 reflects only the assessed values of parcels that were levied in each year shown.

Table 6
Elk Grove Finance Authority
Special Tax Revenue Bonds, Series 2020
Historical Assessed Values for the District⁽¹⁾
Fiscal Years 2011-12 through 2021-22

Fiscal Year	Land Value	Structure Value	Total Value	% Change in Total Value
2012/13 (2)	\$146,445,405	\$212,495,229	\$358,940,634	
2013/14 (2)	160,840,672	328,646,827	489,487,499	36.37%
2014/15 (3)	222,401,800	411,112,575	633,514,375	29.42
2015/16 (3)	260,244,988	517,383,570	777,628,558	22.75
2016/17 (3)	314,541,479	711,774,272	1,026,315,751	31.98
2017/18 (3)	341,132,625	947,478,975	1,288,611,600	25.56
2018/19	406,269,858	1,062,972,835	1,469,242,693	14.02
2019/20	455,358,241	1,230,423,187	1,685,781,428	14.74
2020/21	557,541,513	1,445,967,510	2,003,509,023	18.85
2021/22	561,404,398	1,635,476,802	2,196,881,200	9.65

- (1) Assessed Value data provided for parcels levied a special tax in the fiscal year shown.
- (2) Per data provided by Sacramento County on March 1, 2016.
- (3) Per the Sacramento County Assessor's roll data for each fiscal year, with a January 1 valuation date. Assessed value does not reflect any changes made to valuation after July of each fiscal year as a result of assessment appeal, correction or any other changes.

Source: NBS

Appraised Values

General. Integra Realty Resources, Sacramento, California (the “**Appraiser**”) prepared an appraisal report dated September 2, 2021, with a date of value of July 23, 2021 (the “**Appraisal**”). The Appraisal was prepared at the request of the City. The Appraisal is set forth in APPENDIX D 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.

The Appraisal provides a market value of the appraised properties by ownership and assessor’s parcel, as well as a cumulative, or aggregate, value of the properties as of the date of value (based on the hypothetical condition the improvements to be financed by the 2021 Bonds were in place as of the date of valuation). The valuation accounts for the impact of the lien of the Special Tax and represents the hypothetical market value (based on the hypothetical condition cited below) of all the land in the District. The property appraised excludes property in the District designated for public and quasi-public purposes.

Parcels Appraised. The appraised properties consist of 561 improved single-family residential lots and 1,239 tentatively mapped lots (or approximately 257.13 acres), as well as two multifamily parcels ranging from 2.17 to 3.79 acres, 12 office parcels ranging from 0.77 to 18.70 acres, and 17 retail parcels within the District, all of which are identified in the appendix to the Appraisal.

In addition, there are also 145 completed single-family homes within the boundaries of the District not currently assessed for a complete improvement value by the Placer County Assessor on the 2021-22 County property tax roll; as such, a not-less-than estimate of market value for the smallest floor plan constructed within each subdivision was appraised and assigned to each respective assessor’s parcel within the District. See APPENDIX B for additional details.

Value Estimates. The aggregate value estimate for the appraised properties as of the July 23, 2021 date of value, using the methodologies described in the Appraisal and subject to the limiting conditions and special assumptions set forth in the Appraisal, and based on the ownership of the property as of that date, is as follows:

Component Aggregate Value	Valuation
Appraised Properties	
Existing Homes based on 2020-21 Assessed Value	\$ 266,322,100
Existing Commerical Properties based on 2020-21 Assessed Value	1,938,834,913
Existing Homes based on 2020-21 Assessed Value	<u>200,162,397</u>
TOTAL	\$2,405,319,410

The appraisal methodology utilizes the sales comparison and an extraction technique, to estimate the market value for the property’s various components. For the ownership held by the master developer, the aggregate value estimate is then integrated into a discounted cash flow (subdivision development method). The approaches to value were conducted as set forth below. See also “Assumptions and Limiting Conditions” below.

Appraisal Methodology. In the Appraisal, the Appraiser determined the highest and best use of the Appraised Parcels as though vacant based on four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity). As shown in the *Highest and Best Use Analysis* section of the Appraisal, the highest and best use of the subject property as vacant is for near term residential development (production single-family homes and multifamily), with an interim hold for development of the subjects’ office and retail development, unless in a build to suit situation.

The Appraiser was requested to provide estimates of market value of the Appraised Parcels by ownership and Assessor’s parcel, as well as an aggregate, or cumulative value of the properties. The sales comparison approach to value was used to determine the market value of each developable land use component comprising the Appraised Parcels (improved and unimproved production-oriented residential lots, as well as multifamily, office and retail land). The data set and other market indicators were utilized to establish the incremental value difference between each of the lot size categories and parcels. The discounted cash flow analysis was relied upon in the valuation of ownership groups vested in multiple land uses and/or a number of parcels/lots, which require bulk discounting.

Hypothetical Conditions. The estimate of value contained in the Appraisal is subject to a hypothetical condition. A hypothetical condition is defined by USPAP as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on

the effective date of the assignment results, but is used for the purpose of the analysis.” It is a hypothetical condition of the Appraisal that various capital improvements will be financed by CFD Bonds and reimbursed by the City from District funds. For additional details, see APPENDIX D.

Assumptions and Limiting Conditions. In addition to the hypothetical condition described above, the Appraisal is based upon a number of standard and extraordinary assumptions, which affect the estimates as to value of the Appraised Parcels, some of which include the following. See “APPENDIX D – The Appraisal” for a complete list of the assumptions used by the Appraiser.

- The Appraiser assumed that there are no adverse soil conditions, toxic substances or other environmental hazards that may interfere or inhibit development of the Appraised Parcels. 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.
- The aggregate value presented in the Appraisal is not the market value in bulk of the entire subject property. As defined by The Dictionary of Real Estate Appraisal, an aggregate value is “the total of multiple market value conclusions.” For purpose of the Appraisal, market value has been estimated by the individual ownerships only.
- The Appraiser has also assumed that there is no hazardous material on or in the property that would cause a loss in value. The value estimated is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed by the Appraiser for such conditions or for any expertise or engineering knowledge required to discover them. Investors are urged to retain an expert in this field, if desired.
- An inspection of the Appraised Parcels by the Appraiser revealed no apparent adverse easements, encroachments or other conditions, which currently impact the Appraised Parcels. The Appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed by the Appraiser that typical easements do not have an impact on the opinion(s) of value as provided in the Appraisal. If, at some future date, these easements are determined to have a detrimental impact on value, the Appraiser reserves the right to amend the opinion(s) of value.
- The Appraiser added the assumed CFD debt lien to the value of the property to arrive at the total value of the property.

Limitations of Appraisal Valuation. Economic and other factors beyond the property owners’ control, such as economic recession, deflation of land values, acts of terrorism, or the complete or partial destruction of taxable property caused by, among other possibilities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District. See “RISK FACTORS – Property Values.” Property values may not be evenly distributed throughout the District; 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.

Special taxes are levied on each parcel within the District and only the respective individual parcel is responsible for such Special Taxes. No assurance can be given that the foregoing valuation estimate 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 the District 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 “SECURITY FOR THE BONDS – Priority of Lien” above and “– Direct and Overlapping Governmental Liens” below.

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

Total Value of Property

The total property valuation of the property in the District has been compiled using the County’s assessed valuation for 2021-22, as well as the appraised values for the Appraised Parcels, as described above. The total estimated valuation of all property in the District subject to the Special Taxes, as well as the amount of CFD Bonds and overlapping debt, for various categories of property in the combined District is as shown below.

Table 7
Elk Grove Finance Authority
Special Tax Revenue Bonds, Series 2020
Development Status and Values by Category for the District, as of May 1, 2020
Projected Fiscal Year 2021-22

Development Status	Parcel Count	Maximum Special Tax, FY 2021/22	Special Tax Levy, FY 2021/22 (6)	Assessed Value (7)	Appraised Value (8)	Composite Value (9)	CFD 2005-1 Bonds (10)	Overlapping Debt (11)	Total Debt	Value to Total Debt
Developed Property (1)										
Single Family Property	4,119	\$7,785,833.42	\$7,785,833.42	\$1,914,470,002	\$96,710,000	\$2,011,180,002	\$118,042,524	\$26,457,097	\$144,499,621	13.92:1
Multi-Family Property	2	112,110.80	112,110.78	35,593,831	0	35,593,831	1,699,733	411,116	2,110,849	16.86:1
Non-Residential Property	19	325,612.50	325,612.40	141,524,567	398,891	141,923,458	4,936,672	1,177,792	6,114,465	23.21:1
Designated Developed Property (2)										
Single Family Property	331	1,157,443.98	1,157,443.98	0	74,139,500	74,139,500	17,548,232	193,948	17,742,180	4.44:1
Multi-Family Property	1	14,595.93	14,595.92	0	1,194,000	1,194,000	221,292	3,131	224,423	5.32:1
Non-Residential Property	20	507,318.12	507,318.04	0	26,524,614	26,524,614	7,691,547	618,031	8,309,578	3.19:1
Final Map Property (3)										
Single Family Property	0	0.00	0.00	0	0	0	0	0	0	N/A:1
Tentative Map Property (4)	2	207,355.11	0.00	0	5,102,000	5,102,000	0	62,513	62,513	81.61:1
Undeveloped Property (5)										
Residential Property	4	1,299,825.84	0.00	0	51,135,600	51,135,600	0	332,879	332,879	153.62
Non-Residential Property	7	156,093.73	0.00	0	11,113,575	11,113,575	0	130,032	130,032	N/A:1
Totals	4,505	\$11,566,189.43	\$9,902,914.54	\$2,091,588,400	\$266,318,180	\$2,357,906,580	\$150,140,000	\$29,386,539	\$179,526,539	13.16:1

(1) Developed Property means, according to the Rate and Method of Apportionment of the CFD, all parcels of taxable property for which a building permit for new construction was issued on or prior to May 1 of the preceding fiscal year. All parcels with a building permit issued on or prior to May 1, 2021 are classified as Developed Property.

(2) According to the Rate and Method of Apportionment of the CFD, the owner of record may request that a parcel be designated as Developed Property, even if no building permit has been issued. Once a parcel is designated as Developed Property, it will be levied as if it were Developed Property. 641 Units are designated developed on these 331 parcels classified as single family property.

(3) Final Map Property means, according to the Rate and Method of Apportionment of the CFD, all parcels for which a final map has been recorded prior to or on May 1 of any fiscal year, which are not yet developed property and which, based on the zoning designations for the parcels, are not expected to be for sale multi-family property, rental multi-family property, automall or non-residential property when a building permit is issued. All parcels with an approved Final Map or prior to May 1, 2021 which are not developed or expected to be developed as other than single family residential are classified as Final Map Property.

(4) Tentative Map Property means, according to the Rate and Method of Apportionment of the CFD, all parcels for which a tentative map has been approved by the City and which are not yet final map property or developed property. Parcels expected to be non-residential property, for sale multi-family property, rental multi-family property, AC-zoned auto mall phase III property or SC-zoned auto mall phase III property after issuance of a building permit shall be designated as Tentative Map Property until they become developed property, even if such parcels are included in a final map. Note that parcels that are currently Tentative Map Property that are AC-zoned auto mall phase III property or SC-zoned auto mall phase III property are excluded from this table. Such property is currently taxable but will not be taxable upon development.

(5) Undeveloped Property means, according to the Rate and Method of Apportionment of the CFD, all parcels of taxable property that are not developed property, final map property or tentative map property.

(6) Amount enrolled on the Sacramento County property tax bills for fiscal year 2021/22 given development status as of May 1, 2021. Parcels are levied at the maximum rate, but levy amounts are rounded down to the nearest even cent for tax roll purposes.

(7) Per the Sacramento County Assessor's roll data for Fiscal Year 2021/22, with a January 1 valuation date. Assessed value does not reflect any changes made to valuation after July 2021 as a result of assessment appeal, correction or any other changes.

(8) Per the Appraisal prepared by Integra Realty Resources as of _____, 2021. There is a slight rounding difference between the table and the Appraisal due to the allocation of value to individual parcels.

(9) Sum of appraised value and assessed value for each category.

(10) Allocated based on estimated 2020/21 special tax levy. 2021 CFD Bond Amount Estimated. 2016, 2018 and 2020 Bonds Outstanding as of 9/3/2021 in the amount of \$138,640,000.

(11) Per overlapping debt statement prepared by California Municipal Statistics. This does not include PACE liens which affect 16 developed single family parcels owned by individual homeowners. PACE Liens are as of May 2020 and the highest annual PACE Assessment is \$6,977.12

Source: NBS

* Preliminary, subject to change.

Value-to-Lien Ratios

Value-to-Lien Ratios by Category. The following table sets forth the number of parcels, assessed values, appraised values, estimated Special Tax levy for Fiscal Year 2021-22, and total CFD Bonds and overlapping debt, based on the different value-to-lien ratios of property in the District. See “– Direct and Overlapping Governmental Liens” below.

Table 8
Elk Grove Finance Authority
Special Tax Revenue Bonds, Series 2021
Value-to-Lien Ratios

Value-to-Lien Category	Parcels	Assessed Value Total ⁽¹⁾	Appraised Value ⁽²⁾	Composite Value ⁽³⁾	2021/22 Special Tax Levy ⁽⁴⁾	% of 2021/22 Special Tax Levy	2021 Bond Share ⁽⁵⁾	Total CFD Bonds and Overlapping Debt ⁽⁶⁾
Greater than or equal to 20:1	153	\$153,996,856	\$48,150,000	\$202,146,856	\$411,686.54	4.16%	\$478,080.99	\$7,629,831
Greater than or equal to 15:1 - less than 20:1	1,265	712,730,374	29,700,000	742,430,374	2,358,959.00	23.82	2,739,398.43	44,443,933
Greater than or equal to 10:1 - less than 15:1	2,461	1,174,009,116	2,610,000	1,176,619,116	4,962,215.22	50.11	5,762,492.93	92,102,150
Greater than or equal to 5:1 - less than 10:1	481	49,601,274	56,488,500	106,089,774	818,662.06	8.27	950,691.20	13,548,396
Greater than or equal to 3:1 - less than 5:1	123	1,250,780	26,977,553	28,228,333	425,899.54	4.30	494,586.18	6,755,345
Greater than or equal to 2:1 - less than 3:1	9	0	35,040,952	35,040,952	925,492.18	9.35	1,074,750.27	14,521,460
Less than 2:1	0	0	0	0	0.00	0.00	0.00	0
N/A ⁽⁷⁾	13	0	67,351,175	67,351,175	0.00	0.00	0.00	525,424
Total	4,505	\$2,091,588,400	\$266,318,180	\$2,357,906,580	\$9,902,914.54	100.00%	\$11,500,000.00	\$179,526,539

(1) Per the Sacramento County Assessor's roll data for Fiscal Year 2021/22, with a January 1 valuation date. Assessed value does not reflect any changes made to valuation after July 2021 as a result of assessment appeal, correction or any other changes.

(2) Per the Appraisal prepared by Integra Realty Resources as of _____, 2021. There is a slight rounding difference between the table and the Appraisal due to the allocation of value to individual parcels.

(3) Sum of appraised value and assessed value for each category.

(4) Amount expected to be enrolled on the Sacramento County property tax bills for fiscal year 2021/22 given development status as of May 1, 2021.

(5) Allocated based on estimated 2021/22 special tax levy. Preliminary subject to change.

(6) Includes outstanding 2018 Bonds, outstanding 2016 Bonds, outstanding 2020 Bonds and overlapping debt per California Municipal Statistics. This does not include PACE liens which affect 16 developed single family parcels owned by individual homeowners. PACE Liens are as of August 2021 and the highest annual PACE Assessment is \$_____.

(7) Includes all parcels not levied in 2021/22.
Source: NBS

Delinquencies; Teeter Plan

Historical Special Tax Collections and Delinquencies. The following table summarizes the delinquency status of property in the District for the past nine fiscal years, as of June 30 in each Fiscal Year. The District currently participates in the “Teeter Plan” whereby it receives annually the full amount of its share of Special Tax levies, including delinquent property taxes. See “–Teeter Plan” below.

Table 9
Elk Grove Finance Authority
Special Tax Revenue Bonds, Series 2020
Special Tax Collections and Delinquencies for the District

Fiscal Year	Parcels Levied	Total Special Tax	At Fiscal Year End		As of August 3, 2021	
			Amount Delinquent	% Delinquent	Amount Delinquent	% Delinquent
2011/12	1,733	\$4,134,134	\$443,012	10.72%	\$0	0.00%
2012/13	1,726	4,018,051	141,615	3.52	0	0.00
2013/14	1,726	4,161,857	1,723	0.04	0	0.00
2014/15	2,502	5,010,336	2,636	0.05	0	0.00
2015/16	2,883	5,785,214	9,979	0.17	717	0.01
2016/17	3,028	6,557,970	41,324	0.63	1,828	0.03
2017/18	3,113	6,689,154	39,664	0.59	1,865	0.03
2018/19	3,569	8,009,842	16,804	0.21	2,854	0.04
2019/20	4,038	8,344,345	105,493	1.26	102,259	1.23
2020/21	4,150	9,014,700	19,462	0.22	14,844	0.16

Source: NBS & City of Elk Grove

[[One of the top ten taxpayers in the District, Continuum Care LLC, allocated 1.03% of the Fiscal Year 2021-22 Special Tax levy, is delinquent for the payment of its Fiscal Year [[2019-20]] levy in the amount of \$ _____ as of _____, 2021.]]

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

The Board of Supervisors of Sacramento County has adopted the Teeter Plan, and the County elects to apply its Teeter Plan to the collection of the Special Taxes annually. As such, the Teeter Plan has been applicable since the initial year of a Special Tax levy, but no assurance can be given that it will continue in any or all of the years that the 2021 CFD Bonds are outstanding. To the extent that the County’s Teeter Plan continues in existence and is carried out as adopted, and to the extent the County does not discontinue the Teeter Plan with respect to the City or the District, the County’s Teeter Plan may help protect owners of the 2021 CFD Bonds from the risk of delinquencies in the payment of Special Taxes. *However, there can be no assurance that the County will not modify or eliminate its Teeter Plan, or choose to*

remove the District from its Teeter Plan permanently in any year while the 2021 CFD Bonds are outstanding.

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

Effective Tax Rates; Direct and Overlapping Governmental Liens

Effective Tax Rates. Property in the District is subject to annual charges and assessments (which are billed to property owners on a semi-annual basis). The following tables set forth the total effective tax rate, based on Fiscal Year 2021-22 levies, for a typical parcel of developed residential property with a land use zone designation of less than RD8 and RD15 and higher.

Table 11
Elk Grove Finance Authority
Special Tax Revenue Bonds, Series 2020
Sample Property Tax Bill and Effective Property Tax Rate for the District
Single-Family Residential Property (Less than RD8)
Fiscal Year 2020-21

Estimated Property Characteristics

Assessed Value ⁽¹⁾	\$505,065
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Ad Valorem

	<u>Tax Rate</u>	
General Purpose Ad Valorem Tax (Proposition 13)	1.0000%	\$5,050.65
Los Rios College General Obligation Bonds	0.0232%	117.18
Elk Grove Unified General Obligation Bonds	<u>0.0349%</u>	<u>176.27</u>
Total Ad Valorem Taxes	1.0581%	\$5,344.09

Special/Direct Assessments and Taxes

Cosumnes CSD - District Wide Landscape & Lighting (Zone 8)	\$90.95
Sacramento County Water Agency Water & Drainage Studies - Zone 13	6.94
Elk Grove Unified School District MR - CFD No. 1	200.00
City of Elk Grove Street Maintenance District No. 1 (Zone 5)	124.87
City of Elk Grove Street Lighting Maintenance Dist No. 1 (Zone 2)	79.09
Cosumnes CSD CFD 1 (Elk Grove Fire Protection)	290.95
City of Elk Grove CFD No. 2005-1 (Laguna Ridge) Services District-Maintenance	973.73
City of Elk Grove CFD No. 2005-1 (Laguna Ridge) Infrastructure	1,940.40
City of Elk Grove CFD No. 2003-2 (Police Services)	<u>485.60</u>
Total Special/Direct Assessments and Taxes	<u>\$4,192.53</u>

Total Estimated Annual Property Taxes	\$9,536.62
Effective Tax Rate	1.8882%

Estimate of annual property taxes does not include any new special financing district fees, assessments, and/or special taxes imposed by the state, county, or local agencies that are yet to be established or any future annexation into existing special financing districts required by conditions for approval of development or any other imposed requirement. Information contained within is based upon records and official documents provided by various governmental agencies and third-party sources.

(1) Fiscal Year 2020/21 assessed valuation and appraisal data as of July 15, 2020 of a Single Family Residence with a Zoning Density designation of less than RD 8 located within the District.

Source: *Alliant Tax Research*

Table 12
Elk Grove Finance Authority
Special Tax Revenue Bonds, Series 2020
Sample Property Tax Bill and Effective Property Tax Rate for the District
Single-Family Residential Property (Densities RD15 and above)
Fiscal Year 2020-21

Estimated Property Characteristics

Assessed Value⁽¹⁾ \$413,652

Ad Valorem

Tax Rate

General Purpose Ad Valorem Tax (Proposition 13)	1.0000%	\$4,136.52
Los Rios College General Obligation Bonds	0.0232%	95.97
Elk Grove Unified General Obligation Bonds	<u>0.0349%</u>	<u>144.36</u>
Total Ad Valorem Taxes	1.0581%	\$4,376.85

Special/Direct Assessments and Taxes

Cosumnes CSD - District Wide Landscape & Lighting (Zone 8)	\$90.95
Sacramento County Water Agency Water & Drainage Studies - Zone 13	6.94
Elk Grove Unified School District MR - CFD No. 1	200.00
City of Elk Grove Street Maintenance District No. 1 (Zone 5)	124.87
City of Elk Grove Street Lighting Maintenance Dist No. 1 (Zone 2)	79.09
Cosumnes CSD CFD 1 (Elk Grove Fire Protection)	290.95
City of Elk Grove CFD No. 2005-1 (Laguna Ridge) Services District-Maintenance	973.73
City of Elk Grove CFD No. 2005-1 (Laguna Ridge) Infrastructure	1,293.60
City of Elk Grove CFD No. 2003-2 (Police Services)	<u>485.60</u>
Total Special/Direct Assessments and Taxes	<u>\$3,545.73</u>

Total Estimated Annual Property Taxes	\$7,922.58
Effective Tax Rate	1.9153%

Estimate of annual property taxes does not include any new special financing district fees, assessments, and/or special taxes imposed by the state, county, or local agencies that are yet to be established or any future annexation into existing special financing districts required by conditions for approval of development or any other imposed requirement. Information contained within is based upon records and official documents provided by various governmental agencies and third-party sources.

(1) Fiscal Year 2020/21 assessed valuation and appraisal data as of July 15, 2020 of a Single Family Residence with a Zoning Density designation of less than RD 8 located within the District.

Source: *Alliant Tax Research*

Overlapping Public Debt. Contained within the boundaries of the District are certain overlapping local agencies providing public services and assessing property taxes, assessments, special taxes and other charges on the property in the District. Many of the local agencies that overlap with the boundaries of the District have outstanding debt. The current and estimated direct and overlapping bonded obligations affecting the property in the District are shown in the following tables. The following table was prepared by California Municipal Statistics, Inc., and is included for general information purposes only. The City has not reviewed this report for completeness or accuracy and makes no representation in connection therewith.

Table 13
Elk Grove Finance Authority
Special Tax Revenue Bonds, Series 2020
Direct and Overlapping Bonded Debt for the District
As of August 1, 2021

2020-21 Local Secured Assessed Valuation: \$1,988,401,969 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/1/21</u>	
Los Rios Community College District General Obligation Bonds	0.892%	\$ 4,443,349	
Elk Grove Unified School District General Obligation Bonds	4.809	14,870,751	
Elk Grove Unified School District Community Facilities District No. 1	5.434	10,072,430	
City of Elk Grove Community Facilities District No. 2005-1	100.	<u>140,215,000</u>	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$169,601,530	
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
Sacramento County General Fund Obligations	1.077%	\$ 1,498,856	
Sacramento County Pension Obligation Bonds	1.077	7,222,260	
Sacramento County Board of Education Certificates of Participation	1.077	33,388	
Elk Grove Unified General Fund Obligations	4.809	565,978	
City of Elk Grove Lease Revenue Bonds	8.675	3,324,635	
Cosumnes Community Service District Certificates of Participation	7.561	<u>1,621,469</u>	
TOTAL OVERLAPPING GENERAL FUND DEBT		\$14,266,586	
Less: Sacramento County supported obligations		160,771	
City of Elk Grove Lease Revenue Bonds supported by enterprise revenues		<u>727,432</u>	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$13,378,383	
GROSS COMBINED TOTAL DEBT		\$183,868,116	(2)
NET COMBINED TOTAL DEBT		\$182,979,913	

(1) Excludes issue to be sold.

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

Ratios to 2020-21 Assessed Valuation:

Direct Debt (\$140,215,000)	7.05%
Total Direct and Overlapping Tax and Assessment Debt	8.53%
Gross Combined Total Debt	9.25%
Net Combined Total Debt	9.20%

As indicated in the table, land in the District is within the Elk Grove Unified School District and subject to tax for payment of a portion of its general obligation bonds and Community Facilities District No. 1 bonds, as indicated in the table. The school district has remaining bond authorizations for both. The original authorization for the general obligation bonds is \$476 million and the current unused authorization is \$272.9 million. The authorization

for the Community Facilities District No. 1 bonds is \$275 million and the current unused authorization is approximately \$121.9 million.

The total assessed value shown in Table 13 is for all parcels within the District, while Table 7 reflects only the assessed values of parcels that were levied in each year shown.

Property in the District is currently subject to the overlapping tax and assessment liens shown in the overlapping debt statements above. Property in the District is also subject to certain special taxes and assessments to fund services, as shown above under “–Effective Tax Rates.” Additional overlapping tax and assessment liens may be levied in the future on property in the District.

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 that should be considered before making an investment decision.

Limited Obligation to Pay Debt Service

The Bonds. The Bonds are special obligations of the Authority payable solely from and secured solely by the Revenues and funds pledged therefor in the Indenture, consisting primarily of debt service on the CFD Bonds. See “SECURITY FOR THE BONDS.”

The CFD Bonds. The CFD Bonds are limited obligation bonds under the Act and are payable solely from and are secured solely by the Special Taxes and the amounts in the Special Tax Fund, the Reserve Account and the other funds pledged to the CFD Bonds under the CFD Fiscal Agent Agreement. The City has no obligation to pay principal of or interest on the CFD Bonds if Special Tax collections are delinquent or insufficient, other than from amounts, if any, on deposit in the Reserve Account established for the CFD Bonds or funds derived from the foreclosure and sale of parcels for Special Tax delinquencies. The City is not obligated to advance funds to pay debt service on the CFD Bonds.

Levy and Collection of the Special Taxes

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

Limitation on Special Tax Rate. The annual levy of the Special Tax on any parcel is limited to the maximum 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 CFD Bonds. In addition, Pursuant to Section 53321(d) of the Act, the special tax levied against any assessor's 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 assessor's parcel within a community facilities district by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. In addition, under the Special Tax Formula, the City may not increase the levy of special taxes by such percentage on either residential or non-

residential parcels that have been levied in the prior year as a consequence of delinquencies. As a result, it is possible that the City may not be able to increase the tax levy to the maximum Special Tax rate in all years. However, to the extent the City's ability to levy the necessary amount of Special Taxes is limited by Section 53321(d) of the Act or the Special Tax Formula, the City believes it can levy Special Taxes on Tentative Map Property and Undeveloped Property up to the maximum annual Special Tax rates.

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

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

Transfers to Governmental Entities. The number of parcels of Taxable Property could be reduced through the acquisition of Taxable Property by a governmental entity (by exercise of its rights as mortgage guarantor, or for other reasons) and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.

Property Tax Delinquencies. Failure of the owners of Taxable Property to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Taxes. For a summary of Special Tax collections in the District, see "VALUE OF PROPERTY AND VALUE-TO-LIEN RATIOS – Delinquencies; Teeter Plan."

Delays Following Delinquencies and Foreclosure Sales. The CFD Fiscal Agent Agreement 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 – Security for the CFD Bonds" 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 subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to the Authority, as owner of the CFD Bonds, pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the Reserve Account for the applicable CFD Bonds is depleted. See "SECURITY FOR THE BONDS – Security for the CFD Bonds."

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

Property Owners are not personally obligated to pay their respective Special Taxes. Rather, the Special Taxes are obligations only against the respective parcels against which they are levied. If, after a default in the payment of the Special Tax and a foreclosure sale, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the parcel, the City has no personal recourse against the parcel owner. Property owners have the ability to prepay all (but not a portion) of their Facilities Special Tax obligations on a taxable parcel in the District in accordance with the Special Tax Formula, and 2 parcels (Wal-Mart and a senior citizen apartment building) have previously fully prepaid, in the aggregate amount of approximately \$1.4 million.

Property Values

The value of Taxable Property within the District is a critical factor in determining the investment quality of the Bonds. If a parcel owner defaults in the payment of the Special Taxes, the City's only remedy is to foreclose on the delinquent property. Assessed valuations and appraisal valuations are estimates, which vary from time to time and likely do not reflect actual market value or the amount that could be obtained in a foreclosure proceeding.

A land value determined by an appraiser is an opinion with respect to the market value, and is generally based upon a sales comparison approach, which determines the value of the subject property by comparing it to sales of comparable property, adjusted for differences between the subject and the comparable property. No assurance can be given that if a parcel with delinquent special taxes is foreclosed, any bid will be received for such property or, if a bid is received, that such bid will be equal to the value determined by the Appraiser or, for those parcels not appraised, the current assessed value of the parcel set forth on the County assessor's tax roll, or that it will be sufficient to pay delinquent special taxes.

In addition, potential investors in the Bonds should review the following additional specific risk factors that could affect the value of property in the District.

Economic Downturn; Bankruptcies. Land values in and around the City have in the past been, and likely would be in the future, adversely affected by national and local economic conditions. In the event of an economic downturn, property values could remain flat and/or decrease. Declines in home values in the District could result in property owner unwillingness or inability to pay mortgage payments, as well as *ad valorem* property taxes and Special Taxes, when due. Under such circumstances, bankruptcies are likely to increase. Bankruptcy by homeowners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings.

Mortgage Loans. Although residential projects that have their homes built and occupied by homeowners are typically viewed as providing bondholders with strong credits, some home purchasers may face challenges in making their mortgage and tax payments on a timely basis, due to their initial high loan to value ratios, creative mortgage loan structures, and/or negative equity levels, among other things. The availability of mortgage loans to homeowners, including potential buyers of homes within the District, could also affect the ability of current homeowners to resell their homes as well as the market prices available to current homeowners.

Natural Disasters. The value of the parcels in the District 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 the District and the continued habitability and enjoyment of such private improvements. For example, the areas in and surrounding the District, like those in much of California, may be subject to earthquakes or other unpredictable seismic activity; however, the District is not located in a seismic special studies zone.

Although the land in the District is not in a high-risk area (or a special fire hazard severity zone) for wildfires, landslides, floods, or tornadoes, natural disasters such as these are unpredictable and may occur anywhere throughout the State, with devastating consequences. Natural disasters could include, without limitation, landslides, floods, droughts, tornadoes, levy failures and wildfires. 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.

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

Although the City is not aware that the owner or operator of any of the Taxable Property in the District has such a current liability, it is possible that such liabilities do currently exist. Further, it is possible that liabilities may arise in the future resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but that may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the property values that would otherwise be realized upon a delinquency.

Other Factors. Other factors that could adversely affect property values in the District include, among others, relocation of employers out of the area, shortages of

water, electricity, natural gas or other utilities, and destruction of property caused by man-made disasters.

Other Possible Claims on the Property Subject to the Special Tax; Additional CFD Bonds

While the Special Taxes are secured by the Taxable Property in the District, the security only extends to the value of such property that is not subject to priority and parity liens and similar claims. Tables listing the outstanding governmental obligations affecting the Taxable Property in the District are set forth above under “VALUE OF PROPERTY AND VALUE-TO-LIEN RATIOS – Direct and Overlapping Governmental Liens.” These tables show the other obligations on the property that is subject to the Special Tax as of the date of this Official Statement. However, 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 within the District, and may be secured by a lien on a parity with the lien of the Special Taxes securing the CFD Bonds. For example, under the CFD Fiscal Agent Agreement for the CFD Bonds, the City may at any time after the issuance and delivery of the CFD Bonds issue Additional CFD Bonds, which would be payable from the Net Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the outstanding CFD Bonds and any other Additional CFD Bonds theretofore issued, so long as the conditions for such issuance are satisfied. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds and CFD Bonds.” In addition, a homeowner in the District could participate in programs (such as PACE) that places a lien on the property equal to the lien and charge securing the outstanding CFD Bonds and Additional CFD Bonds, if any. Based on the 2021-22 property tax roll, PACE liens exist against 16 single-family home parcels within the District. The overlapping debt information in this Official Statement does not include these PACE liens, or any additional PACE liens that may have arisen. Given that the Special Tax Formula permits owners of undeveloped land in the District to designate their parcels as “developed” for purposes of the Special Tax Formula, the security for such Additional CFD Bonds and the CFD Bonds may consist of the Special Tax levied on undeveloped parcels within the District.

In general, the Special Taxes, 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. If proceedings are brought to foreclose a delinquency, the Special Taxes will generally be on parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Likewise, if Additional CFD Bonds are issued by the City in the future, such Additional CFD Bonds will be secured by, and payable from, the sources provided therefor in the CFD Fiscal Agent Agreement on a parity basis with the CFD Bonds.

Development Risks

Development Risks Generally. A substantial portion of the District is undeveloped. The development status and value of taxable property within the District is a critical factor in determining the investment quality of the Bonds. 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 owner of the CFD Bonds (and, in turn the Owners of the Bonds) should it be necessary for the City 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 CFD Bonds (and, in turn the Bonds) and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of the Special Tax. Moreover, some of the parcels in the District may require a Section 404 permit from the U.S. Army Corps of Engineers and/or additional off-site and in-tract infrastructure in order to complete development. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT."

Development of undeveloped property within the District may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the merchant builders described in the preceding paragraph and other property owners to pay the Special Taxes when due. Certain infrastructure improvements remain to be completed in order to complete construction of the remaining homes and other buildings anticipated to be built in the District. No assurance can be given that the remaining proposed 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. See the information set forth under the captions "THE LAGUNA RIDGE SPECIFIC PLAN" and "THE DISTRICT."

No assurance can be given that the proposed development within the District will be completed, and in assessing the investment quality of the Bonds, prospective purchasers should evaluate the risks of non-completion. *Neither the City, nor any property owner in the District provides any assurances that the improvements not yet constructed in the District will be developed, or that sources of financing will actually be available in amounts sufficient to complete projected development in the District.*

Recent California Drought. The land in the City (including the District), like most of the State, is prone to occasional drought. For example the State experienced an extended drought period that began in 1987 and continued until the winter of 1992-93. Recently, the State faced one of the most severe droughts on record. In January 2014, Governor Brown declared a drought State of Emergency, directing State officials to take all necessary actions to prepare for water shortages and instructing local officials to reduce water usage by 20%. The City subsequently achieved water consumption reduction by implementing planned water efficiency programs to address occasional drought conditions. Following a wet winter 2015-16, the County eased its County-wide water restrictions, and the State suspended its mandatory Statewide reduction in urban water use. The volatility of weather patterns makes it difficult to predict how long drought conditions will persist, or how often they may reoccur. However, when drought conditions do occur, it can affect community water usage for the duration of the drought as cities and water agencies implement drought management plans that require water usage reduction, and can sometimes inhibit development of undeveloped areas.

Water in the District is supplied by the Sacramento County Water Agency, which has indicated that it has adequate water supplies to meet the allocation for all phases of development in the District. However, in the event that the water supply to the District is severely limited or cut off by virtue of future actions beyond the control of the Sacramento County Water Agency resulting from ongoing or future drought conditions, development that is currently ongoing within the District may be delayed or even stopped. In turn, the potential for added diversity of ownership of properties within the District could also be reduced if the developers of property within the District don't sell as many completed homes or sell such homes as quickly as anticipated, making the owners of the Bonds more dependent upon the District's current property owners and owners of undeveloped land for timely payment of the Special Taxes levied therein. Furthermore, such an increased period of concentrated ownership

of unsold properties and undeveloped land increases the potential negative impact of any bankruptcy or other financial difficulties experienced by any such owners. Any reduction or interruption in the water supply would also likely cause a reduction in the land value and thus a reduction in the security in the event of a need to foreclose on land within the District following a delinquency in the payment of Special Taxes.

Enforcement of Special Taxes on Governmentally Owned 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 the District, but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

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

Neither the City nor the Authority has undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the District. No assurance can be given as to the likelihood that the risks described above will materialize while the CFD Bonds are outstanding.

FDIC. If any financial institution making any loan secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan (or loans) goes into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

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

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

The Authority and the City are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District, in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Accounts established for the CFD Bonds and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the CFD Bonds.

Exemptions Under Special Tax Formula and the Mello-Roos Act. Certain properties are exempt from the Special Tax in accordance with the Special Tax Formula and the Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax.

In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are

expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

Depletion of Reserve Account

The Reserve Account for the CFD Bonds established and maintained by the Fiscal Agent under the CFD Fiscal Agent Agreement may be used to pay principal of and interest on the CFD Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Taxes against property within the District. See “SECURITY FOR THE BONDS – Security for the CFD Bonds – Reserve Account.” If funds in the Reserve Account for the CFD Bonds are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay all amounts to be paid to the Authority under the CFD Fiscal Agent Agreement. However, no replenishment from the proceeds of a Special Tax levy can occur so long as the proceeds that are collected from the levy of the Special Tax against property within the District at the maximum Special Tax rates, together with other available funds, remain insufficient to pay all such amounts. Thus, it is possible that the Reserve Account the CFD Bonds will be depleted and not be replenished by the levy of the Special Tax.

COVID-19 Pandemic

The spread of the COVID-19 coronavirus pandemic, and responses intended to slow its spread, are likely to result in negative impacts to the homebuilding operations and sales of homes within the District. 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 Special Tax Revenues by the City for the payment of the 2021 Bonds. Finally, stock and municipal bond markets in the U.S. and globally have seen significant volatility attributed to coronavirus concerns; there can be no assurances that these or other concerns that emerge later will not materially adversely impact the secondary market for the 2021 Bonds.

There can be no assurances that the spread of the virus and the related shelter in place order and social distancing requirements currently imposed by the State of California, or other State or local mandates and/or other responses intended to slow its spread will not materially adversely impact the pace of homesales or the willingness of owners of land in the District to pay the Special Taxes securing the 2021 Bonds.

As a measure to assist certain taxpayers impacted by COVID 19, on May 6, 2020 the Governor of the State issued Executive Order N-61-20 which waives penalties and interest on property tax installments for residential property occupied by the taxpayer and certain other real property which is used for a small business, subject to certain filing requirements and proof of economic hardship due to COVID-19 or any local, state or federal response to COVID-19. The order applies to taxes not delinquent prior to March 4, 2020, and waives and forgives penalties and interest through May 6, 2021.

Negative impacts on the collection of Special Taxes could occur because Special Tax payments are deferred and could be further deferred, or some taxpayers may be unable to make their property and special tax payments. Additionally the value of property on the 2021-22 and future tax rolls could be reduced, which will not be known until the tax roll is released. At this time, there is no way to provide an estimate of the impact that the pandemic could have on future property taxes.

Bankruptcy Delays

The payment of the Special Taxes, and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax, may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by State laws 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.

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

Disclosure to Future Purchasers

The City has recorded, in the Office of the Sacramento County Recorder, a notice of the Special Tax lien with respect to the District. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider the obligations represented by the Special Taxes in the purchase of a parcel of land or a home in the District, or the lending of money secured by property in the District.

No Acceleration; Right to Pursue Remedies

Neither the Bonds nor the CFD Bonds contain a provision allowing for acceleration if a payment default or other default occurs under the Indenture or the CFD Fiscal Agent Agreement. See "APPENDIX A – Summary of Certain Provisions of Principal Legal Documents."

Loss of Tax Exemption

As discussed under the caption "LEGAL MATTERS – 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 Authority in violation of its covenants in the Indenture, or of the City in violation of its covenants in the CFD Fiscal Agent Agreement.

The Indenture 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 be includable in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to mandatory redemption. See "THE BONDS – Redemption."

In addition, Congress has considered in the past, is currently considering and may consider in the future, legislative proposals, including some that carry retroactive effective dates,

that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation.

Voter Initiatives

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

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

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

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

The Special Taxes and the CFD Bonds were each authorized by not less than a two-thirds vote of the landowners within the CFD who constituted the qualified electors at the time of such voted authorization. The City believes, therefore, that issuance of the CFD Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 are likely to undergo both judicial and legislative scrutiny before the impact on the District can be determined. Certain provisions of Proposition 218 and Proposition 26 may be examined by the courts for their constitutionality under both State and federal constitutional law, the outcome of which cannot be predicted.

Loss of Tax-Exemption

As discussed under the caption “TAX MATTERS,” interest on the Bonds could 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 Authority or the City in violation

of their respective covenants in the Indenture or CFD Fiscal Agent Agreement. Should such an event of taxability occur, the Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

Potential Early Redemption of Bonds from Prepayments

Property owners within the District are permitted to prepay their Special Tax obligation at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. Such prepayments will result in a redemption of the Bonds on the interest payment date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of the prepayment. The resulting redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such 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 2021 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.

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**”) relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2021 Bonds. 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 2021 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 2021 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 2021 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 2021 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 2021 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2021 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2021 Bonds who purchase the 2021 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2021 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2021 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2021 Bonds under federal individual alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2021 Bond (said term being the shorter of the 2021 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 2021 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2021 Bond is amortized each year over the term to maturity of the 2021 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 2021 Bond premium is not deductible for federal income tax purposes. Owners of premium 2021 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 2021 Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the 2021 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 2021 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 2021 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 2021 Bonds, or as to the consequences of owning or receiving interest on the 2021 Bonds, as of any future date. Prospective purchasers of the 2021 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 2021 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2021 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 2021 Bonds, the ownership, sale or disposition of the 2021 Bonds, or the amount, accrual or receipt of interest on the 2021 Bonds.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the Bonds and the enforceability of the Indenture, the form of which is set forth in “APPENDIX E — Form of Opinion of Bond Counsel.” Jones Hall will also render an opinion as to the validity of the CFD Bonds and the enforceability of the CFD Fiscal Agent Agreement. Certain legal matters will also be passed upon for the City and the Authority by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City by the City Attorney.

LITIGATION

At the time of delivery of and payment for the Bonds and the CFD Bonds, the City Attorney will deliver his opinion (the “**City Attorney Opinion**”) that, except as may be stated in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending (notice of which has been served on the City) or, to his knowledge, threatened wherein an unfavorable decision, ruling or finding would: (a) affect the creation, organization, existence or powers of the City or the District, or the titles of its members and officers to their respective offices; (b) affect the validity of the CFD Fiscal Agent Agreement, CFD Bonds purchase agreement with the Authority or the Escrow Agreement (collectively, the “**City Documents**”) or restrain or enjoin the repayment of the CFD Bonds or in any way contest or affect the validity of the City Documents or contest the authority of the City to enter into or perform its obligations under any of the City Documents or under which a determination adverse to the City would have a material adverse effect upon the financial condition or the revenues of the City, questions the right of the City to use Special Taxes levied within the District for the repayment of the CFD Bonds or affects in any manner the right or ability of the City to collect or pledge the Special Taxes levied within the District for the repayment of the CFD Bonds; (c) enjoin or restrain the issuance, sale and delivery of the CFD Bonds, the receipt of any other moneys or property pledged or to be pledged under the CFD Fiscal Agent Agreement or the pledge thereof; (d) in any way question or affect any of the rights, powers, duties or obligations of the City with respect to the moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the CFD Bonds; (e) in any way question or affect any authority for the issuance of the CFD Bonds, or the validity or enforceability of the CFD Bonds, the resolution authorizing the issuance of the CFD Bonds or the City Documents; (f) in any way question or affect the CFD Bonds purchase agreement or the transactions contemplated by the City Documents, the Official Statement or the documents referred to in the Official Statement; and (g) the statements the Official Statement relating to the City are true and accurate.

NO RATINGS

The 2021 Bonds are not rated. No application has been made or is anticipated to be made to any rating agency for the assignment of a municipal bond credit rating on the 2021 Bonds.

CONTINUING DISCLOSURE

The City will covenant for the benefit of owners of the 2021 Bonds to provide certain financial information and operating data relating to the City by January 31 of each year for the prior fiscal year (each, an “**Annual Report**”) and to provide notices of the occurrence of certain listed events. The first Annual Report, for fiscal year 2019-20, will be due by January 31, 2021.

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 – Form of Continuing Disclosure Certificate.”

In the previous five years the City has not failed to comply, in all material respects, with any of its prior undertakings made pursuant to the Rule.

MUNICIPAL ADVISOR

The City and the Authority have retained Fieldman, Rolapp & Associates, Inc., of Irvine, California, as municipal advisor (the “**Municipal Advisor**”) in connection with the offering of the 2021 Bonds. All financial and other information presented in this Official Statement has been provided by the City and the Authority from their records, except for information expressly attributed to other sources. The Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the City, Authority or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fee of the Municipal Advisor is contingent upon the successful closing of the 2021 Bonds.

UNDERWRITING

Piper Sandler & Co. (the “**Underwriter**”), has agreed to purchase the 2021 Bonds at a purchase price of \$_____ (being the principal amount of the 2021 Bonds (\$_____) plus original issue premium of \$_____ and less an underwriter’s discount of \$_____).

The Underwriter may change the initial public offering prices of the 2021 Bonds from time to time. The agreement under which the Underwriter has agreed to purchase the 2021 Bonds provides that the Underwriter will purchase all the 2021 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth therein, including, among others, the approval of certain legal matters by counsel.

PROFESSIONAL SERVICES

In connection with the issuance of the 2021 Bonds, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the 2021 Bonds: Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel; Fieldman, Rolapp & Associates, Inc., Irvine, California, as municipal advisor to the Authority and the City; Stradling Yocca Carlson & Rauth, a Professional Corporation, as counsel to the Underwriter; and U.S. Bank National Association, as Trustee.

EXECUTION

The execution of this Official Statement and its delivery have been duly authorized by the Board of the Authority and the City Council of the City.

ELK GROVE FINANCE AUTHORITY

By: _____
Treasurer/Controller

CITY OF ELK GROVE

By: _____
Finance Director

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF ELK GROVE

The following information concerning the City of Elk Grove (the “City”), the County of Sacramento (the “County”) and the State of California (the “State”) are presented as general background information. The Bonds are a limited obligation of the Authority and are not an obligation of the City, the County or the State nor is the taxing the power of the County or of the State pledged to the payment of the Bonds.

General

The City is located in the southern portion of Sacramento County approximately 4 miles south of the City of Sacramento along, and between both, Interstate 5 and State Highway 99 and between the cities of Sacramento and Stockton. It is approximately equal driving distance from both the Bay Area and Sierra Mountain resorts. The City was incorporated on July 1, 2000 and has grown from a 2001 population of approximately 75,750 to a January 1, 2021 population of 178,124 according to the State Department of Finance. The City is the second largest incorporated city within Sacramento County. The City provides a variety of services to its residents which include public safety, highways and streets, public improvements, planning and zoning, general administration, transit, solid waste, and drainage.

The City had its start in agriculture and it is still a large part of the area’s economy today, with vineyards, dairy and cattle and row crops; but, now, there are also high technology, professional service, commercial and retail enterprises. The City has experienced substantial growth, particularly since its incorporation in 2000. Housing developments in the City represent a transition from previous land use for agricultural or grazing purposes toward a mixture of urban land uses, which transition has also occurred in other areas of the County.

Despite its close proximity to California’s capital city and although many City residents work for the State or County in Sacramento, Elk Grove remains independent of Sacramento’s growth and development; for example, Apple employs 2,500 people in the City.

Elk Grove’s climate varies from low temperatures of 24 to 44 degrees to highs of 80 to 110 degrees. Average annual rainfall is 19 inches per year falling primarily from October through April. Elevation is 45 feet.

Population

The following table sets forth population estimates for the City, County and State for the past five years.

POPULATION ESTIMATES
City, County and State
Calendar Years 2017 through 2021, as of January 1

<u>Year</u>	<u>City of Elk Grove</u>	<u>Sacramento County</u>	<u>State of California</u>
2017	170,020	1,511,390	39,352,398
2018	171,669	1,525,099	39,519,535
2019	172,956	1,538,054	39,605,361
2020	176,036	1,553,157	39,648,938
2021	178,124	1,561,014	39,466,855

Source: California State Department of Finance.

Employment and Industry

The unemployment rate in the Sacramento--Roseville--Arden-Arcade MSA was 6.7 percent in July 2021, down from a revised 6.9 percent in June 2021, and above the year-ago estimate of 11.2 percent. This compares with an unadjusted unemployment rate of 7.9 percent for California and 5.7 percent for the nation during the same period. The unemployment rate was 5.9 percent in El Dorado County, 5.3 percent in Placer County, 7.3 percent in Sacramento County, and 5.9 percent in Yolo County.

The following table summarizes the civilian labor force, employment and unemployment, as well as employment by industry for the Sacramento MSA for calendar years 2016 through 2020.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
Sacramento--Roseville--Arden-Arcade MSA
(El Dorado, Placer, Sacramento and Yolo Counties)
March 2020 Benchmark
Annual Averages

TITLE	2016	2017	2018	2019	2020
<u>Civilian Labor Force</u> ⁽¹⁾	1,068,500	1,074,700	1,088,400	1,098,800	1,087,900
Employment	1,012,000	1,025,500	1,047,000	1,058,400	1,058,400
Unemployment	56,500	49,200	41,300	40,400	40,400
Unemployment Rate	5.3%	4.6%	3.8%	3.7%	3.7%
<u>Wage and Salary Employment</u> ⁽²⁾					
Agriculture	9,700	9,800	9,100	8,700	8,300
Goods Producing	91,600	94,800	100,900	106,700	106,600
Mining and Logging	400	400	500	500	600
Construction	55,000	58,700	64,500	69,400	70,100
Manufacturing	36,200	35,700	36,000	36,800	35,900
Wholesale Trade	25,500	26,500	28,400	28,600	26,700
Retail Trade	100,500	101,400	102,000	100,500	95,100
Trade, Transportation & Utilities	152,500	155,300	159,800	161,300	156,300
Transportation, Warehousing & Utilities	26,600	27,400	29,500	32,200	34,600
Information	13,800	12,600	12,400	11,900	10,100
Finance & Insurance	37,500	37,400	36,700	35,200	35,100
Real Estate & Rental & Leasing	14,500	15,200	16,800	17,300	16,800
Professional & Business Services	128,500	132,400	136,000	137,400	132,500
Educational & Health Services	146,500	153,600	159,800	166,600	163,000
Leisure & Hospitality	99,800	103,300	106,200	109,600	83,700
Other Services	31,700	33,000	34,200	35,400	30,600
Federal Government	14,000	14,200	14,100	14,200	14,800
State Government	116,600	118,400	120,400	121,900	121,400
Local Government	104,000	102,600	103,500	105,300	99,400
Total, All Industries	960,700	982,500	1,009,900	1,031,400	978,400

⁽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.

Major Employers

The following table shows the top ten employers within the City.

CITY OF ELK GROVE Top Ten Employers Fiscal Year 2019-20

<u>Company</u>	<u>No. of Employees</u>	<u>% of Total City Employment</u>
Apple Computer Inc.	5,000	6.20%
Elk Grove Unified School District	3,884	4.81
CA Correctional Health Care Services	1,371	1.70
Walmart Stores (3 locations)	596	0.74
Kaiser Permanente Med Ctr (2 locations)	530	0.66
Raley's/Bel Air Markets (4 locations)	442	0.55
City of Elk Grove	375	0.46
Cosumnes Community Services District	343	0.43
Alldata LLC	300	0.37
Safeway (2 locations)	265	0.33
Total Top Ten Employers	13,106	16.24%

Source: City of Elk Grove audited financial statements for fiscal year 2019-20.

The following table list the major employers within the County as of September 2021, in alphabetical order.

**COUNTY OF SACRAMENTO
Major Employers
As of September 2021**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Aerojet Rocketdyne Inc	Rancho Cordova	Aerospace Industries (mfrs)
Agreeya Solutions	Folsom	Information Technology Services
AMPAC FINE CHEMICALS LLC	Rancho Cordova	Electronic Equipment & Supplies-Mfrs
Apple Distribution Ctr	Elk Grove	Distribution Centers (whls)
California Department-Crrctns	Sacramento	Insurance Agents Brokers & Service
California State Univ Scrmnt	Sacramento	Schools-Universities & Colleges Academic
Corrections Department	Sacramento	State Govt-Correctional Institutions
Dept of Transportation In Ca	Sacramento	Government Offices-State
Disabled American Veterans	Sacramento	Veterans' & Military Organizations
Employment Development Dept	Sacramento	Outplacement Consultants
Environmental Protection Agcy	Sacramento	State Government-Environmental Programs
Intel Corp	Folsom	Semiconductor Devices (mfrs)
Kaiser Permanente South	Sacramento	Hospitals
L A Care Health Plan	Sacramento	Health Plans
Mercy General Hospital	Sacramento	Hospitals
Mercy San Juan Medical Ctr	Carmichael	Hospitals
Sacramento Bee	Sacramento	Newspapers (publishers/Mfrs)
Sacramento Municipal Utility	Sacramento	Electric Contractors
Securitas Security Svc USA	Sacramento	Security Guard & Patrol Service
Smud	Sacramento	Electric Companies
State Compensation Ins Fund	Sacramento	Insurance
Summit Funding Inc	Sacramento	Financing
Sutter Medical Ctr-Sacramento	Sacramento	Hospitals
Villara Building Systems	Mcclellan	Building Contractors
Water Resource Dept	Sacramento	Government Offices-State

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2021 1st Edition.

Effective Buying Income

Effective Buying Income (“**EBI**”) 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 2017 through 2021. “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.

**CITY OF ELK GROVE, SACRAMENTO COUNTY,
STATE OF CALIFORNIA and the UNITED STATES
Effective Buying Income
As of January 1, 2017 through 2021**

Year	Area	Total Effective Buying Income (000s’ Omitted)	Median Household Effective Buying Income
2017	City of Elk Grove	\$4,386,894	\$68,901
	Sacramento County	35,596,193	50,219
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Elk Grove	\$4,650,427	\$72,443
	Sacramento County	38,238,821	54,343
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Elk Grove	\$5,081,058	\$76,657
	Sacramento County	40,651,806	56,387
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Elk Grove	\$5,261,190	\$78,627
	Sacramento County	42,705,779	59,288
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Elk Grove	\$5,501,335	\$83,012
	Sacramento County	45,067,224	62,945
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790

Source: The Nielsen Company Inc.

Commercial Activity

A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable sales during the first quarter of calendar year 2021 in the County were reported to be \$667,274,951 an 17.86% increase over the total taxable sales of \$566,182,286 reported during the first quarter of calendar year 2020.

CITY OF ELK GROVE Taxable Transactions (In Thousands)

	Retail and Food Services Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	1,838	1,931,315	2,747	2,158,382
2017	1,867	2,031,919	2,789	2,324,850
2018	1,915	2,065,019	2,933	2,366,433
2019	2,024	2,143,882	3,148	2,564,638
2020	2,259	2,102,677	3,572	2,492,934

Source: California State Board of Equalization

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during the first quarter of calendar year 2021 in the County were reported to be \$7,071,197,179 a 14.81% increase over the total taxable sales of \$6,159,206,189 reported during the first quarter of calendar year 2020.

COUNTY OF SACRAMENTO Taxable Transactions (Dollars in Thousands)

	Retail and Food Services Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	24,383	16,016,856	36,915	23,184,499
2017	24,501	16,934,872	37,317	24,610,617
2018	24,501	16,934,872	39,066	25,443,669
2019	25,530	18,156,992	40,858	26,717,621
2020	28,055	18,288,243	45,361	27,173,406

Source: California State Board of Equalization

Construction Activity

City of Elk Grove. The following table shows valuations of residential and non-residential building permits issued for calendar years 2016 through 2020.

CITY OF ELK GROVE Total Building Permit Valuations (Valuations in Thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Permit Valuation</u>					
New Single-family	\$90,019.2	\$74,571.4	\$146,205.0	\$154,866.0	\$157,377.4
New Multi-family	0.0	12,740.3	35,846.9	42,960.8	0.0
Res. Alterations/Additions	<u>8,776.0</u>	<u>9,696.8</u>	<u>8,649.6</u>	<u>11,130.5</u>	<u>8,737.6</u>
Total Residential	98,795.2	97,008.5	\$190,701.5	\$208,957.3	166,115.0
New Commercial	11,071.1	36,987.1	\$53,664.4	8,886.5	22,804.0
New Industrial	0.0	500.0	0.0	0.0	0.0
New Other	18,517.3	24,624.0	25,183.0	42,098.8	12,161.5
Com. Alterations/Additions	<u>19,007.5</u>	<u>27,348.3</u>	<u>15,652.1</u>	<u>29,851.6</u>	<u>14,419.2</u>
Total Nonresidential	48,595.9	89,459.4	\$94,499.5	\$80,836.9	\$49,384.7
<u>New Dwelling Units</u>					
Single Family	452	395	693	755	763
Multiple Family	<u>0</u>	<u>127</u>	<u>16</u>	<u>16</u>	<u>0</u>
TOTAL	452	522	709	771	763

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF SACRAMENTO Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Permit Valuation</u>					
New Single-family	\$611,073.6	\$744,006.3	\$1,069,568.4	\$1,108,399.9	\$1,008,390.7
New Multi-family	83,282.9	9,702.6	158,638.0	265,188.8	467,418.7
Res. Alterations/Additions	<u>255,821.8</u>	<u>214,028.1</u>	<u>276,723.6</u>	<u>293,210.5</u>	<u>\$262,864.6</u>
Total Residential	950,178.3	967,737.0	1,504,930.0	1,666,799.2	1,271,723.4
New Commercial	489,080.1	298,496.6	303,805.9	666,664.3	449,494.3
New Industrial	150.0	3,026.0	14,151.1	31,851.4	31,155.0
New Other	126,750.6	112,607.4	128,325.7	105,555.1	75,356.7
Com. Alterations/Additions	<u>418,862.1</u>	<u>265,276.7</u>	<u>518,663.2</u>	<u>700,604.0</u>	<u>335,458.0</u>
Total Nonresidential	1,034,842.8	679,406.7	964,945.9	\$1,504,674.8	\$891,464.0
<u>New Dwelling Units</u>					
Single-Family	276	3,174	3,589	3,981	3,588
Multiple Family	<u>609</u>	<u>66</u>	<u>1,272</u>	<u>184</u>	<u>2,868</u>
TOTAL	885	3,240	4,861	4,165	6,456

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX C
RATE AND METHOD OF APPORTIONMENT OF
SPECIAL TAXES

APPENDIX D

THE APPRAISAL

APPENDIX E

FORM OF BOND COUNSEL OPINION

_____, 2021

Board of Directors
Elk Grove Finance Authority
8401 Laguna Palms Way
Elk Grove, California 95758

OPINION: \$ _____ Elk Grove Finance Authority Special Tax
Revenue Bonds, Series 2021

Members of the Authority:

We have acted as bond counsel to the Elk Grove Finance Authority (the "Authority") in connection with the delivery by the Authority of the above-referenced bonds (the "Bonds"), issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Bond Law"), and pursuant to an Indenture of Trust dated as of August 1, 2016, as supplemented by a First Supplemental Indenture of Trust, dated as of June 1, 2018, Second Supplemental Indenture of Trust, dated as of October 1, 2020 and a Third Supplemental Indenture of Trust, dated as of _____ 1, 2021 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee. We have examined the Bond Law, an executed copy of the Indenture 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 Authority contained in the Indenture 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, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and to issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the City and are 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 opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. 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.

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

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 are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

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. 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 CERTIFICATE

\$ _____
ELK GROVE FINANCE AUTHORITY
SPECIAL TAX REVENUE BONDS
SERIES 2021

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Elk Grove (the “City”) in connection with the issuance by the Authority of the bonds captioned above (the “2021 Bonds”). The 2021 Bonds are being issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Bond Law”), and under an Indenture of Trust, dated as of August 1, 2016, as supplemented by a Supplemental Indenture of Trust, dated as of June 1, 2018, Second Supplemental Indenture of Trust, dated as of October 1, 2020 and a Third Supplemental Indenture of Trust dated as of _____, 2021 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”).

The 2021 Bonds are primarily secured by revenues derived from debt service payments made by the City on its City of Elk Grove Laguna Ridge Community Facilities District No. 2005-1 Special Tax Bonds, Series 2021 (the “2021 CFD Bonds”), on parity with special tax bonds issued for the City of Elk Grove Laguna Ridge Community Facilities District No. 2005-1 (the “District”) in 2016, 2018 and 2020. The Authority has previously issued its Special Tax Revenue Bonds, Series 2016 (the “2106 Bonds”), Special Tax Revenue Bonds, Series 2018 (the “2018 Bonds”) and Special Tax Revenue Bonds, Series 2020 (the “2020 Bonds”), which are secured by the payments derived from the CFD Bonds on a parity basis with the 2021 Bonds.

The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the 2021 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 Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

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

“*Annual Report Date*” means January 31 of each year.

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

“*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 2021 Bonds.

“Participating Underwriter” means Piper Sandler & Co., the original underwriter of the 2021 Bonds required to comply with the Rule in connection with offering of the 2021 Bonds.

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing January 31, 2021, with the report for the 2019-20 Fiscal Year, 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 under Section 5(c). 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 an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

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

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

(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 audited financial statements of the City, together with the following statement:

THE CITY'S ANNUAL FINANCIAL STATEMENTS ARE PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY OR THE AUTHORITY OTHER THAN THOSE PLEDGED UNDER THE INDENTURE ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE 2021 BONDS, AND NEITHER THE CITY NOR THE AUTHORITY ARE OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM ANY SOURCE TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY OR THE AUTHORITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE 2021 BONDS.

The audited financial statements shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Outstanding principal amount of the Authority's 2021 Bonds, 2016 Bonds, 2018 Bonds and Additional Bonds (if any) as of the end of the most recent Fiscal Year.

(c) The following additional items relating to the District:

(i) Outstanding principal amount of the CFD Bonds as of the end of the most recent Fiscal Year.

(ii) Balance of the 2021 Reserve Account for the 2021 CFD Bonds (or amount available under the Reserve Policy, if applicable), and a statement of the applicable Reserve Requirement for the 2021 CFD Bonds, as of September 1 of the current Fiscal Year.

(iii) A table showing assessed values (per the County Assessor's records), special taxes levied and value to lien ratios (direct debt only) for taxable property levied a special tax for the current Fiscal Year, substantially in the form contained in Table 9 to the Official Statement.

(iv) A table showing a history of special tax collections and delinquencies (per the County Assessor's records) for the current Fiscal Year substantially in the form contained in Table 10 to the Official Statement.

(v) With respect to delinquent Special Taxes as of June 30 of the preceding Fiscal Year, (i) a statement of whether or not the District continues to participate in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue and Taxation Code Section 4701 et seq., or an equivalent procedure, (ii) a list of all parcels delinquent in the payment of Special Taxes in the aggregate of \$3,500 or more (and information relating to the length of delinquency and status of any foreclosure, including results of foreclosure sales), (iii) the total dollar amount of delinquencies and

(iv) in the event that the total delinquencies within the District as of June 30 of the preceding Fiscal Year exceed 5% of the Special Tax for the preceding Fiscal Year, delinquency information for each parcel delinquent in the payment of Special Tax, amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel (including results of foreclosure sale).

(vi) The amount of prepayments of the Special Taxes for the most recently completed Fiscal Year.

(vii) Any changes to the Rate and Method of Apportionment of Special Tax for the District as of June 30 of the preceding Fiscal Year.

(viii) Annual information required to be filed by the City with the California Debt and Investment Advisory Commission pursuant to the CFD Act and relating generally to outstanding District bond amounts, fund balances, assessed values, special tax delinquencies and foreclosure information.

(d) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material 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.

(e) 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 Significant 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 2021 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 trustee or the change of name of a trustee, 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. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected 2021 Bonds under the Indenture.

(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. The Dissemination Agent shall not be responsible for determining whether an event is material.

(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 under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2021 Bonds. If such termination occurs prior to the final maturity of the 2021 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

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. The initial Dissemination Agent shall be NBS. 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 2021 Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2021 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the 2021 Bonds in the manner provided in the Indenture for amendments to the Indenture 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 2021 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(c).

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 2021 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 Indenture, 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 the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the 2021 Bond holders 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 2021 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 expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

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 2021 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.

Date: _____, 2021

CITY OF ELK GROVE

By: _____
Director of Finance and
Administrative Services

AGREED AND ACCEPTED:

NBS Government Finance Group,
as Dissemination Agent

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Elk Grove Finance Authority

Name of Issue: Elk Grove Finance Authority Special Tax Revenue Bonds,
Series 2021

Date of Issuance: _____, 2021

NOTICE IS HEREBY GIVEN that the City of Elk Grove (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate of the City related to the Bonds, dated as of _____, 2021. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT:

By: _____

Its: _____

APPENDIX G

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

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

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

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

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (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 maturity of the Securities in the aggregate principal amount of such maturity, 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 is rated “AA+” by Standard & Poor’s. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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 the Authority 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. Principal, redemption price and interest 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 the Authority or the Paying 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, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the 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.

\$ _____
**CITY OF ELK GROVE
COMMUNITY FACILITIES DISTRICT NO. 2005-1 (LAGUNA RIDGE)
SPECIAL TAX BONDS, SERIES 2021**

CFD BOND PURCHASE AGREEMENT

This CFD BOND PURCHASE AGREEMENT (this "Purchase Agreement"), dated as of _____ 1, 2021, is by and between the Elk Grove Finance Authority (the "Authority"), a joint powers authority organized and existing under the laws of the State of California, and the City of Elk Grove (the "City"), a general law city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California, for and on behalf of its Community Facilities District 2005-1 (Laguna Ridge) (the "CFD").

BACKGROUND:

WHEREAS, the Authority is a joint exercise of powers authority duly organized and existing under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations to provide financing or refinancing for public capital improvements of local agencies within the State of California; and

WHEREAS, the City is issuing its City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds, Series 2021 in the aggregate principal amount of \$ _____ (the "CFD Bonds") for the purpose of financing authorized improvements; and

WHEREAS, the Authority has authorized the issuance of its Special Tax Revenue Bonds, Series 2021 in the aggregate principal amount of \$ _____ (the "Authority Bonds"), pursuant to a Third Supplemental Indenture of Trust, dated as of _____ 1, 2021, amending and supplementing an Indenture of Trust dated as of August 1, 2016 (as so supplemented and previously supplemented, the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), and under the Bond Law for the purpose of providing the funds required to acquire the CFD Bonds; and

WHEREAS, the Authority and the City desire to enter into this Purchase Agreement providing for the purchase and sale of the CFD Bonds by the City to the Authority and containing the other agreements herein set forth.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Authority and the City agree as follows:

AGREEMENT:

1. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the City hereby commits to sell to the Authority and does hereby sell to the Authority, and the Authority hereby commits to purchase from the

City and does hereby purchase from the City with the proceeds of the Authority Bonds all of the CFD Bonds. The CFD Bonds will bear the annual interest rates and mature at the times set forth in Exhibit A attached hereto and hereby made a part hereof. The purchase price of the CFD Bonds is set forth below.

2. All terms not herein defined will have the meanings given such terms in the Indenture authorizing the issuance of the Authority Bonds.

3. The City confirms that there are no substantial conditions precedent to the issuance by the City and to the sale (as provided herein) and the delivery to the Authority of the CFD Bonds.

4. The parties hereto hereby specify _____, 2021, as the date of closing of the purchase of the CFD Bonds hereunder (the "Closing Date"). The CFD Bonds will be registered in the name of the Trustee, as assignee of the Authority. On the Closing Date, the City will issue and deliver the CFD Bonds to the Trustee upon payment by the Trustee of the purchase price of the CFD Bonds in the aggregate amount of \$_____ (being 100% of the aggregate principal amount thereof plus a net original issue premium of \$_____ and less an Underwriter's discount of \$_____), and reflecting a credit for costs of issuance paid by the Authority in connection with the Authority Bonds in the amount of \$_____. Said purchase price will be paid from the proceeds of sale of the Authority Bonds, and will be paid by the Trustee from the Purchase Fund established under the Indenture.

5. The CFD Bonds will be as described in the Official Statement dated as of the date hereof, relating to the Authority Bonds (the "Official Statement") and will be issued and secured under the provisions of the resolution adopted by the City on _____, 2021 (the "Resolution") and a Supplemental Agreement No. 3 to Fiscal Agent Agreement dated as of _____ 1, 2021, amended and supplementing a Fiscal Agent Agreement dated as of August 1, 2016 (as so supplemented and previously supplemented, the "Fiscal Agent Agreement"), by and between the City and U.S. Bank National Association, as fiscal agent. The CFD Bonds and interest thereon will be payable from Special Taxes levied and collected in accordance with the Resolution and the Fiscal Agent Agreement.

6. Any action under this Purchase Agreement taken by the Authority, including payment for and acceptance of the CFD Bonds, and delivery and execution of any receipt for the CFD Bonds and any other instruments in connection with the closing on the Closing Date, will be valid and sufficient for all purposes and binding upon the Authority, provided that any such action will not impose any obligation or liability upon the Authority other than as may arise as expressly set forth in this Purchase Agreement.

7. It is a condition to the City's sale and delivery of the CFD Bonds to the Authority, and to the Authority's purchase of the CFD Bonds and the obligations of the Authority to accept delivery of and to pay for the CFD Bonds, that the entire aggregate principal amount of the CFD Bonds authorized by the Resolution and the Fiscal Agent Agreement will be delivered by the City, and accepted and paid for by the Authority, on the Closing Date.

8. The City has furnished some, but not all, of the information contained in the Official Statement and hereby authorizes the use of that information by the Authority in connection with the public offering and sale of the Authority Bonds.

9. The City represents and warrants to the Authority that:

(a) The City is a general law city and municipal corporation organized and existing under the Constitution and laws of the State of California, and has, and on the Closing Date will have, full legal right, power and authority (i) to enter into this Purchase Agreement, the Continuing Disclosure Certificate relating to the Authority Bonds and the CFD Bonds (the "Continuing Disclosure Certificate") and the Fiscal Agent Agreement (collectively, the "City Documents"), (ii) to adopt the Resolution, (iii) to issue, sell and deliver the CFD Bonds to the Authority as provided herein, and (iv) to carry out and consummate the transactions contemplated by the Resolution, the City Documents and the Official Statement;

(b) By all necessary official action of the City, the City has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations contained in, the City Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the City Documents will constitute the legally valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally;

(c) The City has complied, and will at the Closing be in compliance in all respects, with the terms of the City Documents;

(d) The execution and delivery of City Documents and the CFD Bonds, the adoption of the Resolution and compliance with the provisions of each thereof, and the carrying out and consummation of the transactions contemplated by the Official Statement, will not conflict with or constitute a breach of or a default under any applicable law or administrative regulation of the State of California or the United States, or any applicable judgment, decree, agreement or other instrument to which the City is a party or is otherwise subject;

(e) To the knowledge of the City, at the time of the City's acceptance hereof and at all times subsequent thereto up to and including the Closing Date, with respect to information describing the City, the CFD, the City Documents and the Resolution and other resolutions relating to the CFD, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(f) Except as described in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending or, to the knowledge of the City, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the City or the titles of its members and officers to their respective offices, (ii) enjoin or restrain the issuance, sale and delivery of the CFD Bonds, the levy and receipt of the Special Taxes which secure the CFD Bonds, or the pledge thereof, (iii) in any way question or affect any of the rights, powers, duties or obligations of the City with respect to the moneys pledged or to be pledged to pay the principal of, premium, if any, or interest on the CFD Bonds, (iv) in any way question or affect any authority for the issuance of the CFD Bonds, or the validity or enforceability of the CFD Bonds, the Resolution or the City Documents, or (v)

in any way question or affect the City Documents or the transactions contemplated by the City Documents, the Official Statement, the Resolution, the other documents referred to in the Official Statement, or any other agreement or instrument to which the City is a party relating to the CFD Bonds;

(g) The City will furnish such information, execute such instruments and take such other action in cooperation with the Authority, as the Authority may reasonably request, to qualify the Authority Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Authority may designate, and will assist, if necessary therefor, in the continuance of such qualifications in effect as long as required for the distribution of the Authority Bonds; provided, however, that the City will not be required to qualify as a foreign corporation or to file any general consents to service of process under the laws of any state;

(h) The issuance and sale of the CFD Bonds is not subject to any transfer or other documentary stamp taxes of the State of California or any political subdivision thereof;

(i) The City has not failed to comply with a continuing disclosure undertaking pursuant to Rule 15c2-12 other than as disclosed in the Official Statement; and

(j) Any certificate signed by any official of the City authorized to do so will be deemed a representation and warranty by the City to the Authority as to the statements made therein.

10. Up to and including 25 days after the End of the Underwriting Period (as defined below), the City will advise the Authority promptly of any proposal to amend or supplement the Official Statement. The City will advise the Authority promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise materially affecting the use of the Official Statement in connection with the offering, sale or distribution of the Authority Bonds or the CFD Bonds. As used herein, the term "End of the Underwriting Period" means the later of such time as: (a) the Authority Bonds are delivered to the Original Purchaser; or (b) the Original Purchaser does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Authority Bonds for sale to the public. Unless the Authority or the Original Purchaser gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the City at or prior to the Closing Date and shall specify a date (other than the Closing Date) to be deemed the "End of the Underwriting Period."

11. At 8:00 a.m., Pacific Time, on the Closing Date, or at such other time or on such other date as is mutually agreed by the City and the Authority, (a) the City will deliver the CFD Bonds to the Trustee in definitive form, duly executed, together with the other documents hereinafter mentioned, (b) subject to the terms and conditions hereof, the Trustee solely from moneys held under the Indenture will accept such delivery and pay the purchase price of the CFD Bonds as referenced in paragraph 1 hereof by wire transfer or other funds which are good funds on the Closing Date, (c) the Trustee will deposit into the funds established under the Fiscal Agent Agreement the amounts described in the Fiscal Agent Agreement. Delivery and payment, as aforesaid, will be made at such place as will have been mutually agreed upon by the City, the Trustee and the Authority.

12. The Authority has entered into this Purchase Agreement in reliance upon the representations, warranties and agreements of the City contained herein and to be contained in the documents and instruments to be delivered on the Closing Date, and upon the performance by the City of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Authority's obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the CFD Bonds will be subject to the performance by the City of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, and will also be subject to the following conditions:

(a) The representations and warranties of the City contained herein will be true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) On the Closing Date, the Resolution and the City Documents will be in full force and effect, and will not have been amended, modified or supplemented, and the Official Statement will not have been amended, modified or supplemented, except in either case as may have been agreed to by both the Authority and the Original Purchaser;

(c) As of the Closing Date, all official action of the City relating to the CFD Bonds, including but not limited to the Resolution, will be in full force and effect, and there will have been taken all such actions as, in the opinion of Jones Hall, A Professional Law Corporation ("Bond Counsel"), will be necessary or appropriate in connection therewith, with the issuance of the Authority Bonds and the CFD Bonds, and with the transactions contemplated hereby, all as described in the Official Statement;

(d) The Authority will have the right to terminate the Authority's obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the CFD Bonds by notifying the City of its election to do so if, after the execution hereof and prior to the Closing: (i) either the marketability of the Authority Bonds or the market price of the Authority Bonds, in the opinion of the Authority, has been materially and adversely affected by any decision issued by a court of the United States (including the United States Tax Court) or of the State of California, by any ruling or regulation (final, temporary or proposed) issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State of California, or by a tentative decision with respect to legislation reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or the Senate of the Congress of the United States or either house of the Legislature of the State of California, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State of California by the Governor of the State of California in an executive communication, affecting the tax status of the Authority or the City, their property or income, their bonds (including the Authority Bonds) or the interest thereon, or any tax exemption granted or authorized by the Bond Law; (ii) the United States will have become engaged in: hostilities which have resulted in a declaration of war or national emergency, or there will have occurred any other outbreak of hostilities, or a local, national or international calamity or crisis, financial or otherwise, the effect of such outbreak, calamity or crisis being such as, in the reasonable opinion of the Authority, would affect materially and adversely the ability of the Authority to market the Authority Bonds (it being agreed by the Authority that there is no outbreak,

calamity or crisis of such a character as of the date hereof); (iii) there will have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by the United States, New York State or California State authorities; (iv) there will have occurred a withdrawal or downgrading of any rating assigned to any securities of the City by a national municipal bond rating agency; (v) any Federal or California court, authority or regulatory body will take action materially and adversely affecting the ability of a developer to proceed with the development as contemplated by the Official Statement; (vi) an event described in paragraph 12 hereof occurs which in the opinion of the Authority requires a supplement or amendment to the Official Statement, and such supplement or amendment is not agreed to by the City; and

(e) On or prior to the Closing Date, the Authority will have received each of the following documents:

(1) All documents and opinions required to be received by the Trustee prior to the application of proceeds of the Authority Bonds to the purchase of the CFD Bonds;

(2) Opinions, in form and substance satisfactory to the City and the Authority, dated as of the Closing Date, of Bond Counsel, approving, without qualification, the validity of the CFD Bonds;

(3) A letter of Bond Counsel, dated the date of the Closing and addressed to the Authority and the Original Purchaser, to the effect that the opinion referred to in the preceding subparagraph (2) may be relied upon by the Authority to the same extent as if such opinion were addressed to it;

(4) A supplemental opinion, dated the Closing Date and addressed to the City, the Authority and the Original Purchaser, of Bond Counsel to the effect that this Purchase Agreement has been duly authorized, executed and delivered by, and, assuming due authorization, execution and delivery by the Authority, constitutes a legal, valid and binding agreement of the City enforceable in accordance with its terms, except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought, and that the statements contained in the Official Statement (including the cover page and the Appendices thereto), insofar as such statements purport to summarize certain provisions of the CFD Bonds, the City Documents or the Resolution, accurately summarize the information presented therein;

(5) A certificate dated the Closing Date, addressed to the Authority and the Original Purchaser, signed by a City official having knowledge of the facts to the effect that:

(i) The representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;

(ii) Except as described in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending or threatened, wherein an unfavorable decision, ruling or finding would: (A) affect the creation, organization, existence or

powers of the City, or the titles of its members and officers to their respective offices, (B) enjoin or restrain the issuance, sale and delivery of the CFD Bonds, the levy or collection of the Special Taxes or any other moneys or property pledged or to be pledged under the Resolution or the Fiscal Agent Agreement, or the pledge thereof, (C) in any way question or affect any of the rights, powers, duties or obligations of the City with respect to the moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the CFD Bonds, (D) in any way question or affect any authority for the issuance of the CFD Bonds, or the validity or enforceability of the CFD Bonds, the Resolution or the City Documents, or (E) in any way question or affect this Purchase Agreement or the transactions contemplated by the City Documents, the Resolution, the Official Statement or the documents referred to in the Official Statement;

(iii) The City has complied with all agreements, covenants and arrangements, and satisfied all conditions, on its part to be complied with or satisfied on or prior to the Closing Date; and

(iv) To the best of its knowledge, no event affecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is necessary to disclose therein in order to make the statements not misleading in any respect;

(6) An opinion, dated the Closing Date and addressed to the City, the Authority and the Original Purchaser, of the City Attorney, to the effect that (A) the City Documents have been duly authorized, executed and delivered by, and, assuming due authorization, execution and delivery, constitute the legal, valid and binding agreement of the City enforceable in accordance with their terms, except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought, (B) the Resolution has been duly adopted, is in full force and effect and has not been modified, amended or rescinded, and (C) except as described in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending or threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the City or the CFD; (ii) enjoin or restrain the issuance, sale and delivery of the CFD Bonds, the levy and collection of the Special Taxes or the pledge of the Special Taxes and other amounts pledged or to be pledged under the Fiscal Agent Agreement or the pledge thereof; (iii) in any way question or affect any of the rights, powers, duties or obligations of the City with respect to the moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the CFD Bonds; (iv) in any way question or affect any authority for the issuance of the CFD Bonds, or the validity or enforceability of the CFD Bonds, the Resolution or the City Documents; (v) in any way question or affect this Purchase Agreement or the transactions contemplated by the City Documents, the Official Statement or the documents referred to in the Official Statement and (vi) the statements in the Official Statement relating to the City are true and accurate;

(7) Such additional legal opinions, certificates, instruments and documents as the Authority may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the City's representations and warranties contained herein and of the statements and information contained in the Official Statement;

(8) An executed copy of the Fiscal Agent Agreement, as supplemented; and

(9) The Resolution, certified by authorized officers as a true copy and/or as having been adopted or executed (as applicable), with only such amendments, modifications or supplements as may have been agreed to by the Authority and the Original Purchaser.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Agreement will be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Authority, but the approval of the Authority will not be unreasonably withheld. Receipt of, and payment for, the CFD Bonds will constitute evidence of the satisfactory nature of such as to the Authority. The performance of any and all obligations of the City hereunder and the performance of any and all conditions contained herein for the benefit of the Authority may be waived by the Authority in its sole discretion.

If the City will be unable to satisfy the conditions to the obligations of the Authority to purchase, accept delivery of and pay for the CFD Bonds contained in this Purchase Agreement, or if the obligations of the Authority to purchase, accept delivery of and pay for the CFD Bonds will be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement will terminate, and neither the Authority nor the City will be under further obligation hereunder, except that the respective obligations of the City and the Authority set forth in paragraphs 15 and 16 hereof will continue in full force and effect.

14. The Authority and the City will determine which portion of expenses incurred in connection with issuance of the Authority Bonds and the CFD Bonds will be paid by each respective entity, in such proportion as is in compliance with all applicable laws.

15. To the extent permitted by law, the City will indemnify and hold harmless the Authority and the Trustee, and their respective officers, directors, employees and agents, against any and all losses, claims, damages, liabilities, costs and expenses (including without limitation fees and disbursements of counsel and other expenses) incurred by them or any of them in connection with investigating or defending any loss, claim, damages, liability or any suit, action or proceeding, joint or several, to which they or any of them may become subject under the laws of the State of California or under federal tax law, insofar as such losses, claims, damages, liabilities, costs and expenses (or any suit, action or proceeding in respect thereof) arise out of or are based upon the issuance and sale of the CFD Bonds or any untrue statement or alleged untrue statement of a material fact contained in the Official Statement or in any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact relating to the City, the CFD or the CFD Bonds which is required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. This indemnity agreement will be in addition to any liability which the City or the CFD may otherwise have.

16. This Purchase Agreement is made solely for the benefit of the City and the Authority (including their successors and assigns), and no other person will acquire or have any right hereunder or by virtue hereof. All of the City's representations, warranties and agreements contained in this Purchase Agreement will remain operative and in full force and effect regardless of: (i) any investigations made by or on behalf of the Authority or (ii) delivery of and payment for the CFD Bonds pursuant to this Purchase Agreement. The agreements contained in this paragraph and in paragraph 15 will survive any termination of this Purchase Agreement.

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

18. In case any one or more of the provisions contained herein will for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision hereof.

19. The validity, interpretation and performance of this Purchase Agreement will be governed by the laws of the State of California.

IN WITNESS WHEREOF, the Authority and the City have caused this Purchase Agreement to be executed by their duly authorized officers all as of the date first above written.

ELK GROVE FINANCE AUTHORITY

By: _____
Matt Paulin
Treasurer/Controller

APPROVED AS TO FORM:

By: _____
Jonathan Hobbs
General Legal Counsel

CITY OF ELK GROVE, for and on behalf of its
COMMUNITY FACILITIES DISTRICT NO.
2005-1 (LAGUNA RIDGE)

By: _____
Matt Paulin
Finance Director

APPROVED AS TO FORM:

By: _____
Jonathan Hobbs
City Attorney

EXHIBIT A

Serial Bonds

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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Term Bonds

\$ _____ % Term Bond Due September 1, ____; Price: _____%; Yield: ____%

\$ _____ % Term Bond Due September 1, ____; Price: _____%; Yield: ____%

CERTIFICATION
ELK GROVE CITY COUNCIL RESOLUTION NO. 2021-285

STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO) ss
CITY OF ELK GROVE)

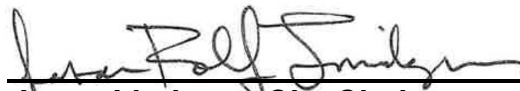
I, Jason Lindgren, City Clerk of the City of Elk Grove, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the City Council of the City of Elk Grove at a regular meeting of said Council held on September 22, 2021 by the following vote:

AYES: **COUNCILMEMBERS:** *Singh-Allen, Nguyen, Hume, Spease, Suen*

NOES: **COUNCILMEMBERS:** *None*

ABSTAIN: **COUNCILMEMBERS:** *None*

ABSENT: **COUNCILMEMBERS:** *None*



Jason Lindgren, City Clerk
City of Elk Grove, California