SESSION FOUR

Bond Issuance

Bond Issuance Process

May immediately follow CFD formation or occur much later

- **Re-engaging and expanding financing team**
  - Bond counsel, special tax consultant, and municipal advisor
  - Disclosure counsel, underwriter, fiscal agent or trustee, appraiser, absorption consultant (possibly)
  - Developer, developer’s counsel, developer’s consultant
- **Bond timing, capacity and credit considerations**
- **Documentation and approvals**
- **Bond sale and closing**

Bond Issuance Timing Considerations

- **Development momentum**
  - Status of bond-funded infrastructure and project reimbursement readiness
  - Proceeds used to acquire completed infrastructure
  - Credit quality and property values
  - Issuer policies and investor suitability
  - Bond market conditions and bond capacity
- **Federal tax law constraints**
  - "Reasonable expectations" of spending proceeds within 3 years

Bond Capacity Considerations

How much in project funds can a CFD support?

Determined at district formation

- **CFD Parameters**
  - Maximum bond authorization
  - Eligible projects
  - Maximum annual tax rates and annual escalator (if any)

Determined at bond issuance

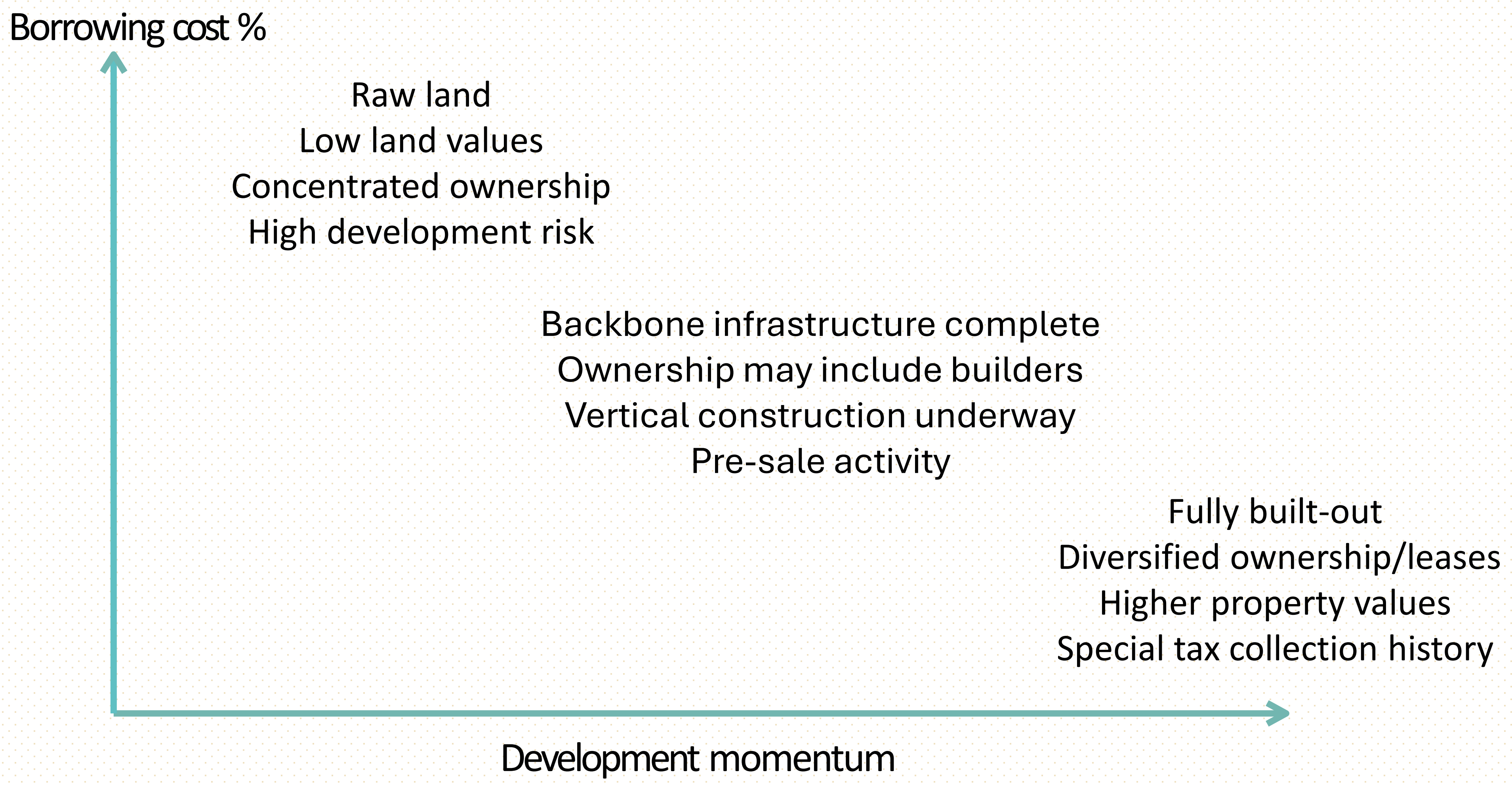
- **Value of land supporting debt**
  - Standard minimum aggregate value to debt ratio of 3-to-1
- **Maximum tax capacity and debt service coverage**
  - Based on maximum annual special tax revenues projected at build-out
  - Minimum coverage typically 110% annual debt service
  - Administrative expenses may be paid before or after debt service
- **Bond market conditions**
  - Lower interest rates = more bond proceeds within same revenues
  - Interest rates are driven by broad economic factors and specific credit quality

Key Credit Considerations

Most early stage land-secured bonds are sold as non-rated securities

Key Factors	Considerations
Issuer:	Reputation and experience
Local economy:	Employment options, real estate cycle, and sales activity
Property:	Location, attractiveness, environmental condition or hazards
Developer(s) strength:	Experience, financial resources, equity invested, and loans
Development plan:	Entitlements, development schedule, absorption schedule, and product mix
Development status:	Status of backbone and “in tract” infrastructure, land use maps, property ownership (developer, builder(s), land bank, homeowners), vertical construction, sales or leasing activity, and diversity of ownership
Product demand:	Demographics of competing projects
Special tax:	All-in tax burden on property, debt service coverage
Property values:	Value-to-lien
Legal structure:	Foreclosure provisions, reserve, and type of debt

Borrowing Cost and Development Status



Basic Bond Structure

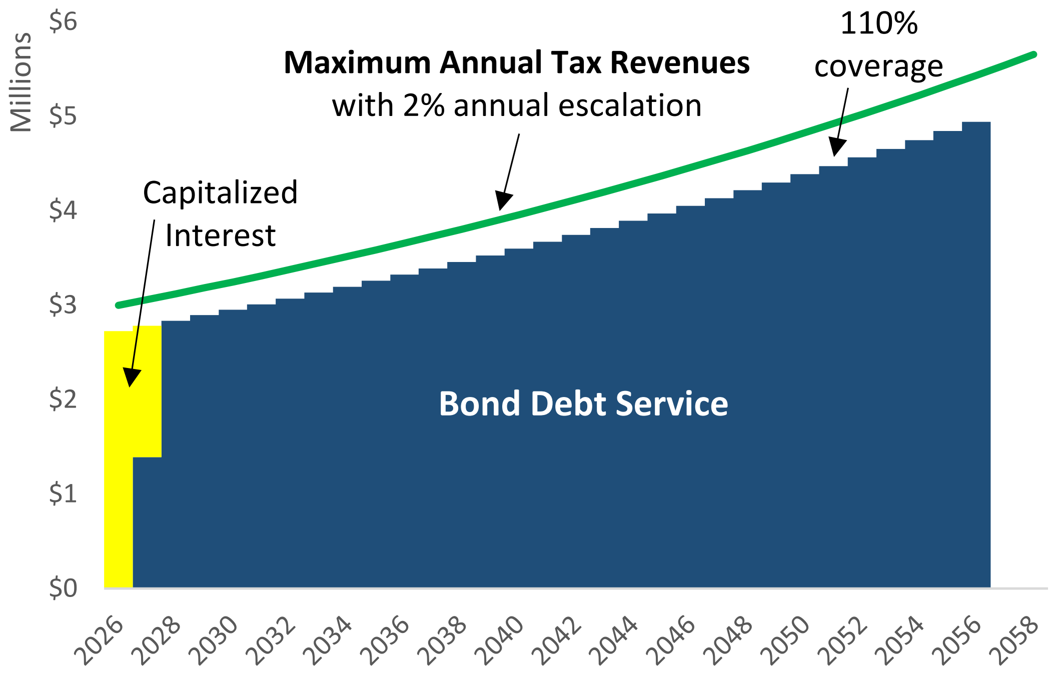
Bonds leverage maximum annual tax revenues
- At least 110% debt service coverage is typical
- Administrative expenses may be paid first or paid from coverage

Capitalized interest
- Needed if special tax not yet on the tax roll
- May be desired to enhance credit or cashflow

Reserve fund
- Usually least of (i) maximum annual debt service, (ii) 125% of average annual debt service, or (iii) 10% of par

Issuance costs
- Typically includes bond and disclosure counsel, special tax consultant, municipal advisor, appraiser, fiscal agent, printer, staff time, and other consultants
- Underwriter's discount typically includes management fee, sales commission, and expenses

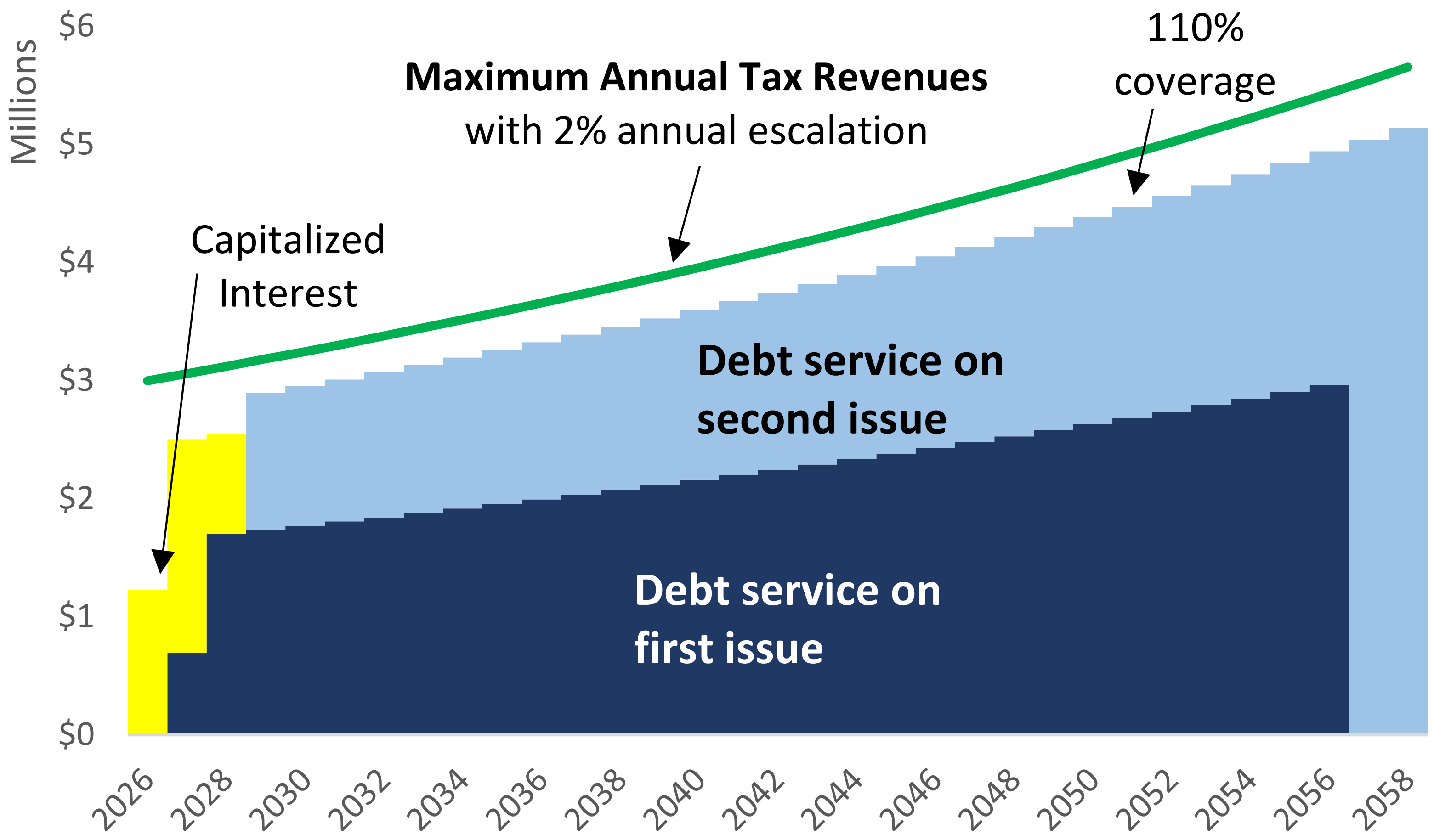
Project fund
- Bond proceeds less other costs



Phased Bond Issuance

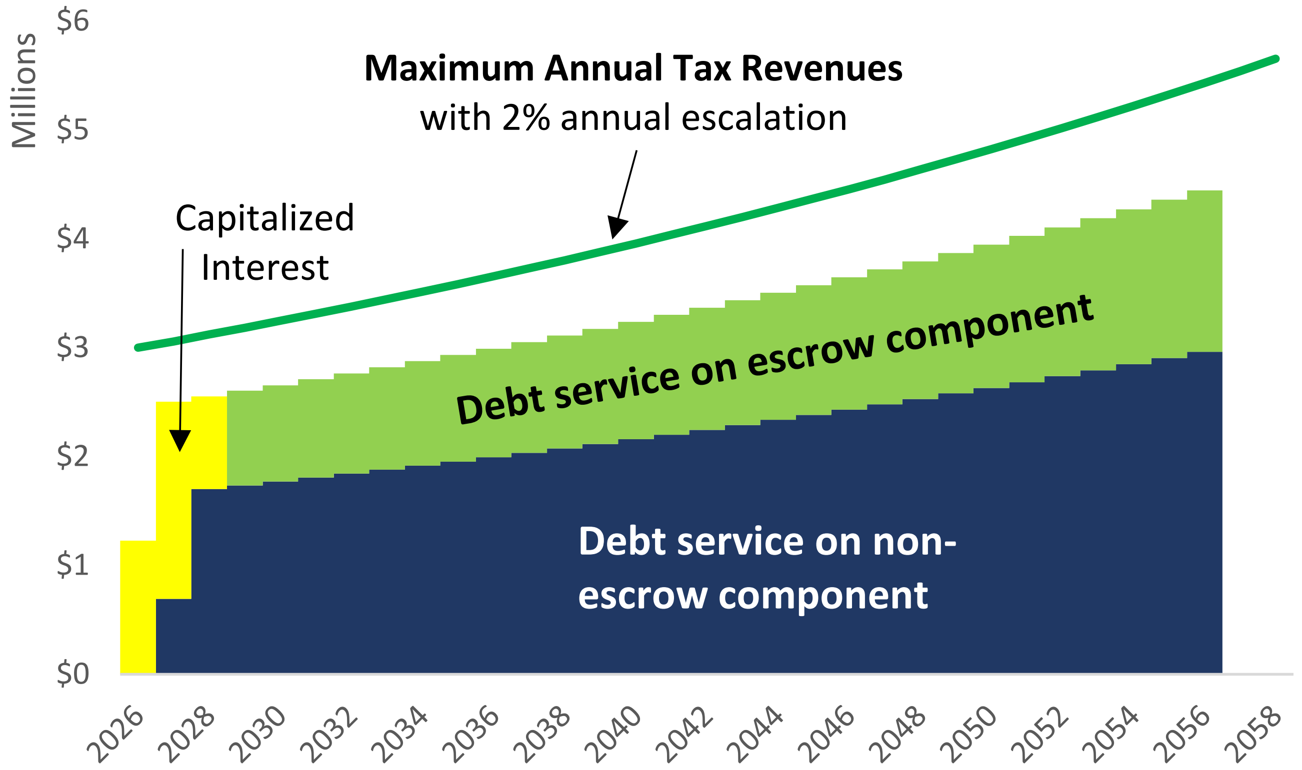
Bond sales may be phased over time

- Based on credit quality and/or readiness for proceeds
- "Additional bonds test" limits extent of future dilution for parity bonds



Bolstering Credit Quality - Escrow Bonds

- **Escrow bond proceeds held "in escrow" until release conditions met**
  - Proceeds invested to pay interest on escrowed bonds until release date
  - Can mitigate credit risks while avoiding time and effort of another bond sale
- **Escrow release conditions**
  - Development milestone or other measurable metric
    - Such as final map recordation or certain number of building permits pulled
  - Must have "reasonable expectations" to spend funds within 3 years
  - If condition isn't timely met, escrowed proceeds pay off escrow bonds



Determining Property Values

- **Issuer promises to pursue accelerated foreclosure if taxes aren't paid**
  - Value of property at a foreclosure sale is key to "land-secured" credit quality
- **Assessed value (AV) sometimes used**
  - Completed projects or modest debt
- **Appraisal often used to determine property value**
  - CDIAC appraisal standards
  - "Bulk sale" value of property recognizing the bond-funded improvements
  - Comparable sales usually used to establish retail price of end product, discount rate, and absorption affect value
  - An absorption report can inform expected timing of build out and sales
- **A "composite value" uses AV and appraised values**

Preparing a Land-secured Bond For Sale

- Determine property values and credit characteristics
- Draft legal and disclosure documents
- Seek rating (if appropriate)
- Conduct thorough due diligence
- Pre-market the bonds to potential investors
- Price and close the bonds

Basic Legal Documents

- **Resolutions**
  - Issuer approves financing terms and related financing documents
  - "Good faith estimates" of financing costs may be included (or in staff report)

- **Indenture, trust agreement, or fiscal agent agreement**
  - Details legal structure of security: payment dates, flow of funds, reserve fund (if any), redemption provisions, issuer covenants

- **Bond purchase contract**
  - Contract between underwriter and issuer signed on date of pricing
  - Specifies interest rates, principal amounts, underwriter's discount

Credit Tables

- **Incorporate information from special tax consultant, tax rolls, appraiser, developer, and underwriter**

- **Typically summarize:**
  - Special tax rates and expected special tax revenues
  - Development plan details – i.e. by village and/or product type
  - Home prices and sales activity or leasing activity
  - Current development status by land use category, property ownership
  - Value-to-lien ratios – in aggregate and by category and/or owner
  - Total tax burden
  - Historic tax collections and delinquencies

Developing the Official Statement

- **Preliminary Official Statement (POS)**
  - Primary marketing document sent to potential investors
  - Describes the issuer, project, legal security, potential risks
  - Includes form of Continuing Disclosure Agreements
  - May also include appraisal and/or tax increment estimates
  - Clear, thoughtful "story" supported by data facilitates broadest credit approvals

- **Final Official Statement**
  - Filled in after pricing with final details – coupons, yields, principal amounts, call features, CUSIPs
  - Describes any material changes not disclosed in POS

PRELIMINARY OFFICIAL STATEMENT DATED JULY 31, 2025

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

NEW ISSUE-FULL BOOK ENTRY | **NOT RATED**

In the opinion of Jones Hall LLP, San Mateo, California, as Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2025 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the 2025 Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$8,620,000*
COUNTY OF EL DORADO
COMMUNITY FACILITIES DISTRICT NO. 2024-1
(CARSON CREEK HERITAGE VILLAGE 11)
SPECIAL TAX BONDS SERIES 2025

Dated: Date of Delivery | **Due: September 1, as shown below**

The bonds captioned above (the "2025 Bonds") are being issued by the County of El Dorado (the "County"), by and through its Community Facilities District No. 2024-1 (Carson Creek Heritage Village 11) (the "District"). The 2025 Bonds are special tax obligations of the County, authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, et seq. (the "Act"), and will be issued pursuant to a Fiscal Agent Agreement dated as of August 1, 2025 (the "Fiscal Agent Agreement") by and between the County and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the "Fiscal Agent"). See "THE BONDS – Authority for Issuance." The 2025 Bonds are being issued to (i) finance certain capital improvements authorized for the District, (ii) establish a debt service reserve fund, and (iii) pay the costs of issuance of the 2025 Bonds. Interest on the 2025 Bonds is payable semiannually on March 1 and September 1 each year, commencing March 1, 2026.

The 2025 Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), and will be available to ultimate purchasers in the denomination of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. See "APPENDIX F – THE BOOK-ENTRY SYSTEM."

The 2025 Bonds are secured by and payable from a pledge of Special Tax Revenues (as defined herein) derived from Special Taxes (as defined herein) to be levied by the County on real property within the District, from the proceeds of any foreclosure actions brought following a delinquency in the payment of the Special Taxes, and from amounts held in certain funds under the Fiscal Agent Agreement, subject to the conditions of the Fiscal Agent Agreement, all as more fully described herein. Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within 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 a Special Tax even if financially able to do so. The 2025 Bonds are also secured by amounts in the debt service reserve fund established for the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Property subject to the Special Tax is being developed by Lennar Homes of California, LLC ("Lennar Homes") into 409 detached, age-restricted single-family residential homes across three product lines. Sales of homes are underway in the project, which is known as "Heritage Carson Creek" and is a continuation of Lennar Homes' nearby "Carson Creek" development that is sold-out. Lennar Homes is acquiring lots over time from an unaffiliated landbank (the "Land Bank") per a take-down schedule, as described herein. As of July 14, 2025, 156 of the 409 total planned homes in the District were completed, 87 of which had been conveyed to individual homeowners; an additional 87 homes were under construction and 29 homes were sold-but-not-yet closed to individual homeowners. As of that date, Lennar Homes owned 122 lots in various stages of development, including 69 completed homes, and the Land Bank owned the remaining 200 lots. See "THE DISTRICT" and "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT."

The 2025 Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Redemption."

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2025 BONDS, EXCEPT TO THE EXTENT DESCRIBED HEREIN. THE 2025 BONDS DO NOT CONSTITUTE A DEBT OF THE COUNTY WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL DEBT LIMITATION AND ARE PAYABLE SOLELY FROM THE SPECIAL TAX REVENUES AND OTHER FUNDS PLEDGED UNDER THE FISCAL AGENT AGREEMENT. THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING INFORMATION UNDER THE HEADING "SPECIAL RISK FACTORS," SHOULD BE READ IN ITS ENTIRETY.

This cover page contains certain information for general reference only. It is not a summary of all of the provisions of the 2025 Bonds. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "SPECIAL RISK FACTORS" herein for a discussion of the special risk factors that should be considered, in addition to the other matters and risk factors set forth herein, in evaluating the investment quality of the 2025 Bonds.

The 2025 Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall LLP, San Mateo, California, as Bond Counsel. Certain legal matters will also be passed on by Jones Hall LLP, as Disclosure Counsel, and Stradling, Yocca, Carlson & Rauth LLP, as counsel to the Underwriter. It is anticipated that the 2025 Bonds will be available for delivery through the facilities of DTC on or about August ____, 2025.

STIFEL

The date of this Official Statement is ________, 2025.

* Preliminary, subject to change.

Disclosure Standards

- **SEC seeks market transparency**

- **SEC doesn't *directly* regulate municipal issuers *<u>except</u>* for anti-fraud statutes**

- **Negligence standard applies**
  - Facts known or should have been known

Securities Exchange Act of 1934 Rule 10b-5:

"It shall be unlawful for any person. . .

(a) to employ any device, scheme or artifice to defraud,

(b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. . ."

=> Applies to any circumstance where a municipal bond issuer is "***speaking to the market***," including when filing annual Continuing Disclosure Reports or Event Notices.

Continuing Disclosure

- **SEC requires underwriter to secure continuing disclosure agreements**
  - Per SEC rule 15c2-12(b)(5)
  - Enables investors to monitor value of bonds over time
- **Usually annual or semi-annual reports**
  - Annual audited financial statements of issuer
  - Updates material information in the official statement, usually from tax rolls
  - Developer obligation may end when key development milestones are met
- **"Material events" must be reported within 10 days**
- **MSRB provides website for disclosure**
  - Https://emma.Msrb.Org/
  - Issuer may appoint a dissemination agent for assistance

Due Diligence Process

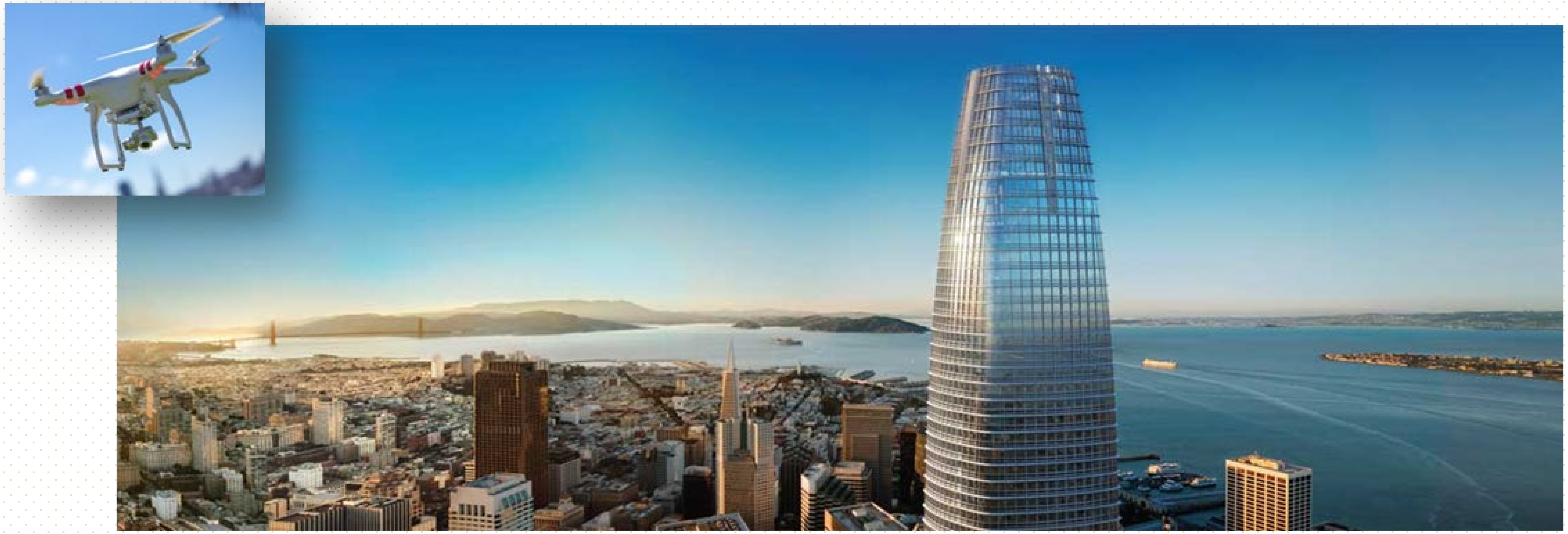
- **Completed before the POS is distributed**
  - Usually led by underwriter and underwriter's counsel
  - Ensures that the POS is complete, accurate and does not misstate or omit material information or mislead investors
  - Requires engagement by issuer, developer, consultants and other financing team members

- **The Official Statement is ultimately the *issuer's document***
  - Failure to adequately disclose all material facts has led to fines against bond issuers, charges against individual officials, fines against individuals, etcetera

Bond Marketing Process

- **Underwriter distributes POS to potential investors**
  - Follow up conversations to solicit interest

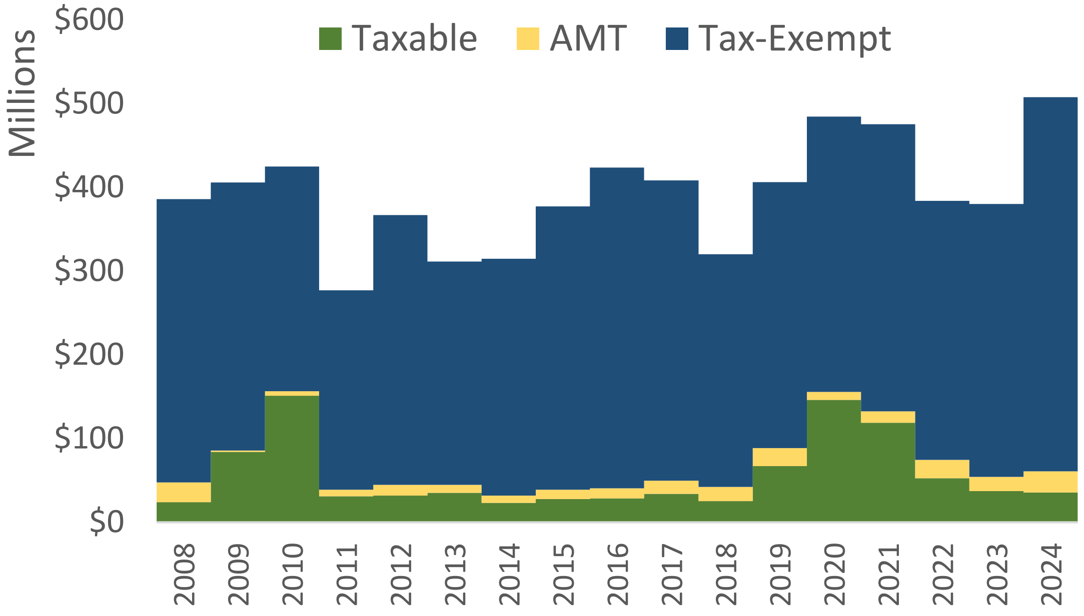
- **Supplemental marketing efforts**
  - Notice of upcoming sale on EMMA
  - In person site tours and/or "virtual" road show presentations, drone videos
  - Targeted advertisements (i.e. radio ads, retail mailers, etc.)



Municipal Bond Market

- **Fractured, "over-the-counter" market**
  - About 1 million different securities
  - About 50,000 different issuers
  - About 57,000 daily trades
- **Relatively small, less liquid market**
  - $4.2 trillion outstanding as of 12/31/24
    - ~ 15% of outstanding Treasury bonds
  - Average daily trading volume $14.5 billion
    - ~ 2% of Teasury daily trading volume
- **Record-setting bond issuance in 2024**
  - $508 billion
  - $447 billion or 88% tax-exempt

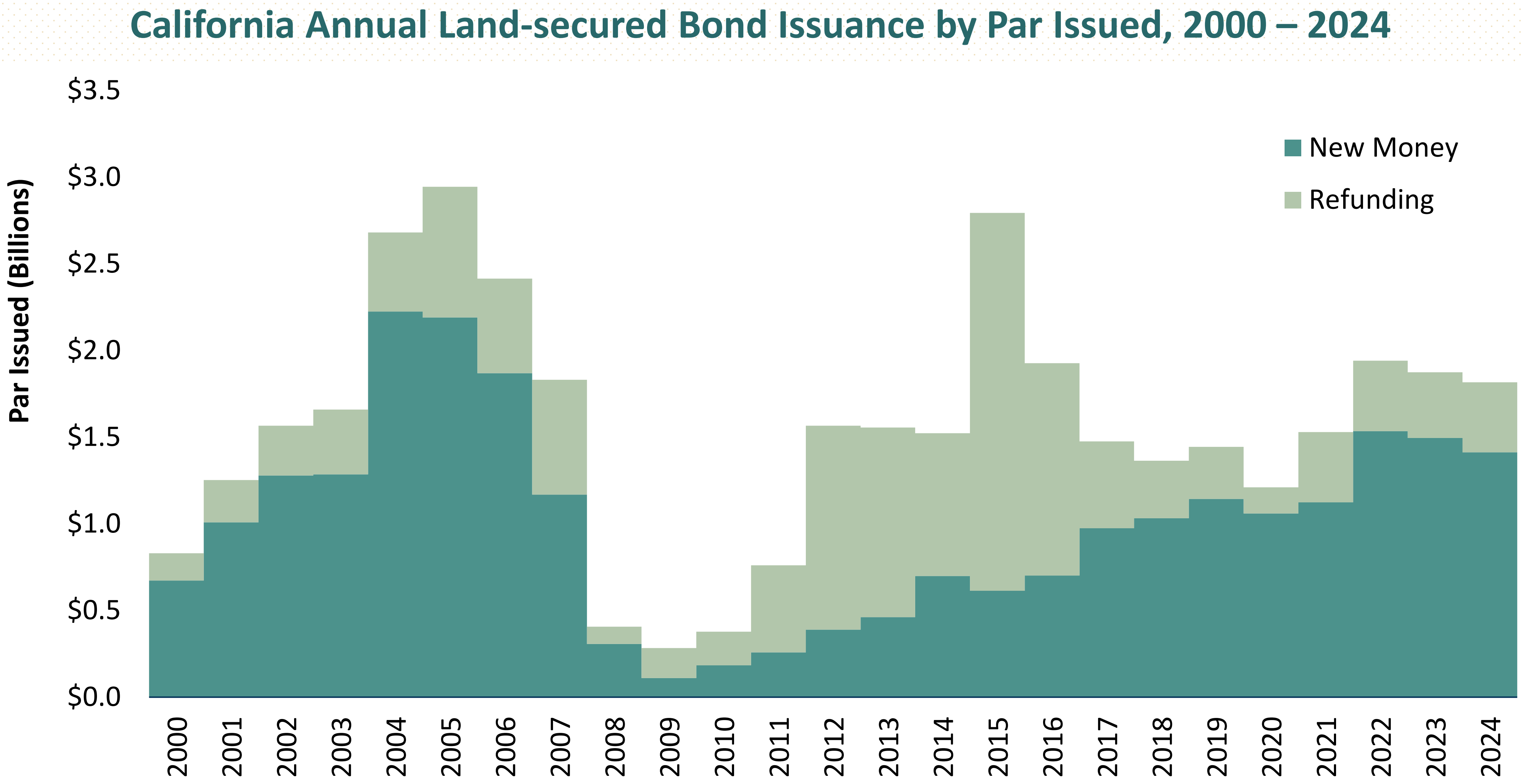
Annual Municipal Bond Issuance Since 2008*



*Excludes notes and short-term municipal debt instruments with less than 1 year to maturity

Sources: SIFMA, data as of 12/31/2024; Thompson Reuters

California Land-secured Bond Market



Marketing Land-secured Issues

- **Investor base for land-secured credits**
  - Subset of general municipal bond buyers seeking diversification and stability, fixed income stream, assets matching liabilities, relative value, tax advantages
  - More sensitive to supply/demand trends

- **Institutional investors**
  - Bond funds, money managers, commercial banks, bank trust departments, insurance companies, hedge funds
  - Generally prefer larger, more liquid bond issues
  - About 25 firms participate in sector, 3-5 are most active

- **Sophisticated "retail" investors**
  - High net-worth individuals, seeking stability, tax-free income, and yield
  - Focus on stronger "story" credits, nominal yields

Bond Pricing Basics

- **Bond structure**
  - Carves up borrowing to appeal to different investor interests across yield curve
- **Maturity**
  - Date(s) on which principal is repaid
- **Coupon**
  - Rate at which interest is repaid
  - Chosen to appeal to distinct categories of investors
- **Yield**
  - Determined by market conditions and credit quality
- **Price**
  - A function of coupon, yield, and maturity

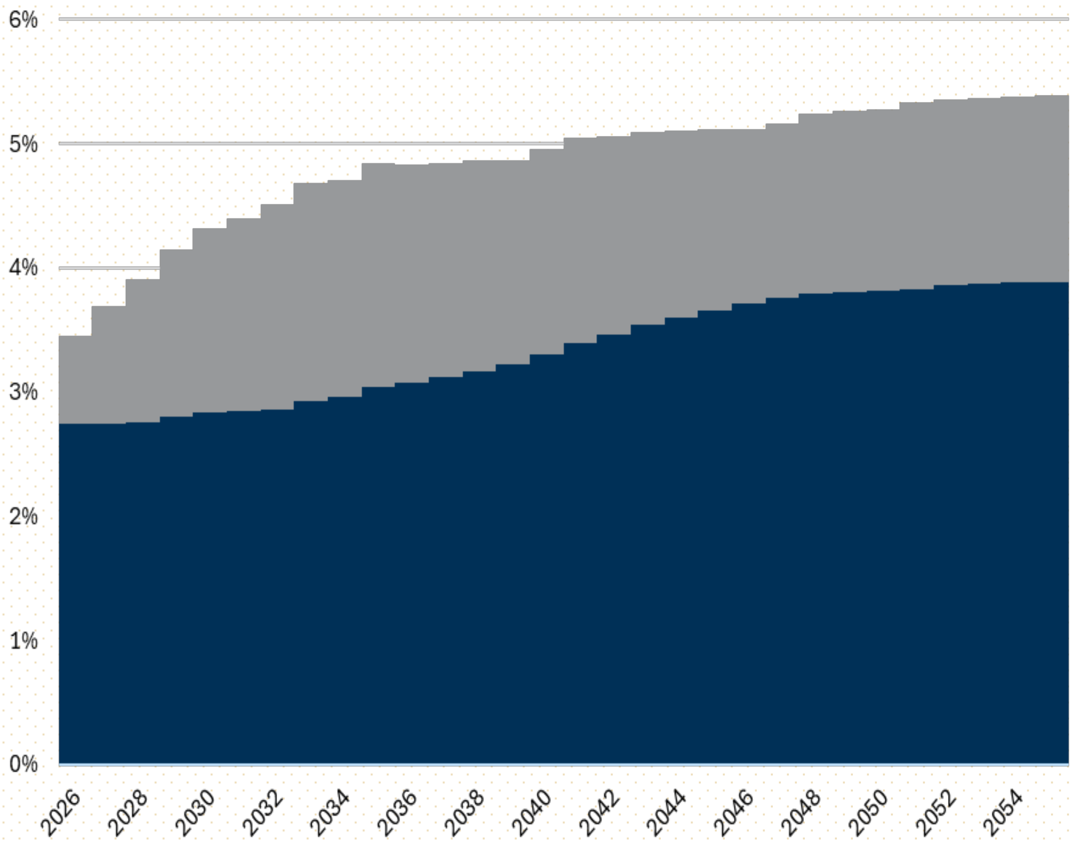
	Maturity	Amount	Coupon	Yield	Price
	9/1/26	$ 5,000	5.00%	2.90%	$ 102.077
	9/1/27	20,000	5.00%	2.95%	103.974
Serial	9/1/28	30,000	5.00%	3.13%	105.333
Bonds	9/1/29	40,000	5.00%	3.34%	106.183
	9/1/30	50,000	5.00%	3.56%	106.555
	9/1/31	65,000	5.00%	3.84%	106.173
	9/1/32	80,000	5.00%	4.01%	105.998
	9/1/33	95,000	5.00%	4.09%	106.162
	9/1/34	110,000	5.00%	4.26%	105.489
	9/1/35	125,000	5.00%	4.43%	104.568
	9/1/36	140,000	5.00%	4.61%	103.098
2040	9/1/37	160,000			
Term	9/1/38	180,000			
Bond	9/1/39	200,000			
	9/1/40	220,000	5.00%	5.02%	99.790
2045	9/1/41	245,000			
Term	9/1/42	270,000			
Bond	9/1/43	295,000			
	9/1/44	320,000			
	9/1/45	350,000	5.00%	5.16%	98.017
2050	9/1/46	290,000			
Term	9/1/47	325,000			
Bond	9/1/48	355,000			
	9/1/49	395,000			
	9/1/50	435,000	5.13%	5.23%	98.543
2055	9/1/51	570,000			
Term	9/1/52	615,000			
Bond	9/1/53	665,000			
	9/1/54	715,000			
	9/1/55	765,000	5.25%	5.28%	99.549
		$8,130,000			

Primarily retail investors

Primarily institutions, Some retail investors

Borrowing Costs for Land-secured Bonds

- **Municipal yields are typically quoted as a "spread" to a benchmark index**
  - AAA Municipal Market Data (MMD) index for tax-exempt debt, US Treasuries for taxable debt



What affects credit spreads?

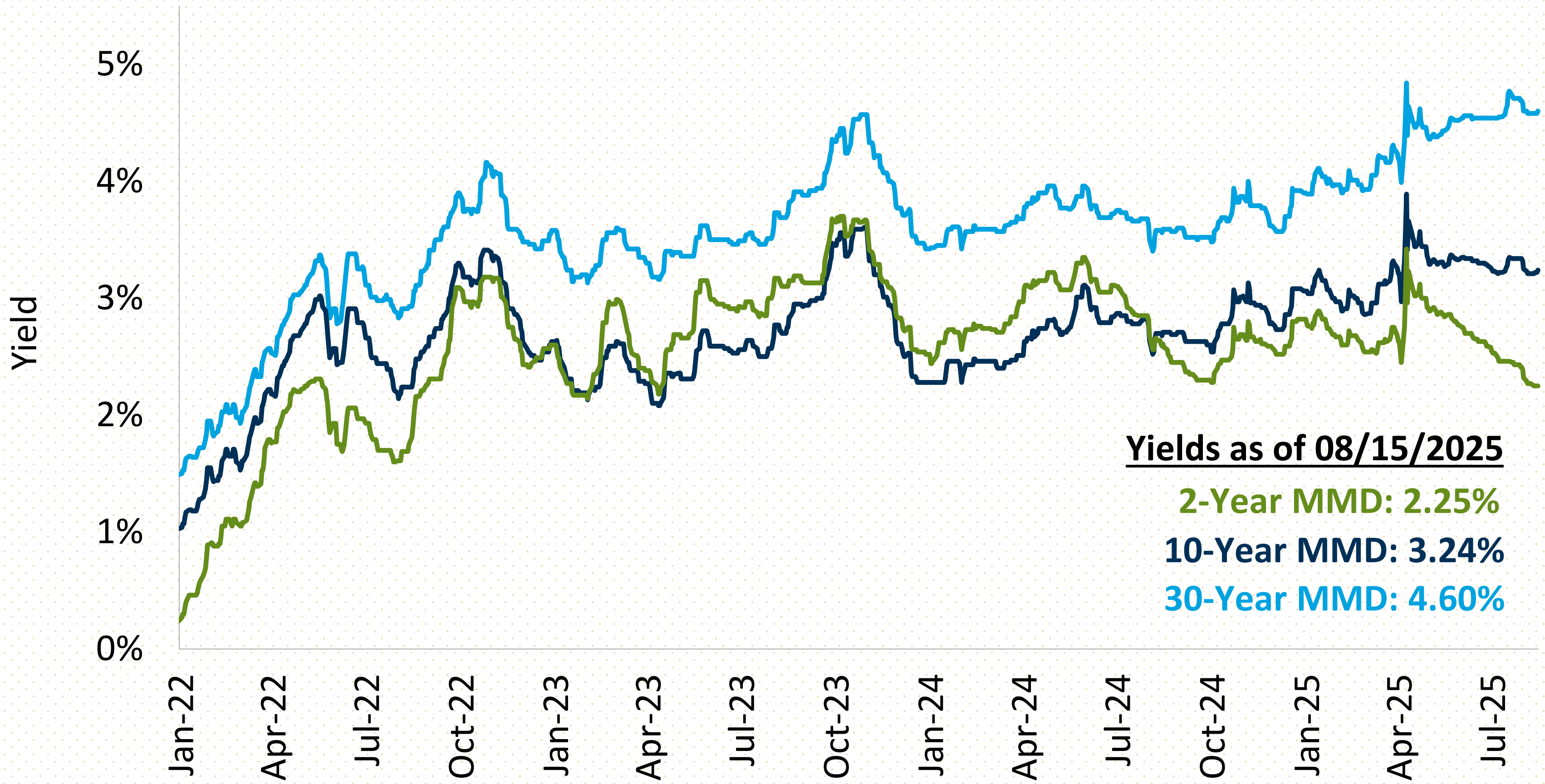
- Overall project appeal
- Development momentum
- Developer expertise
- Diversification at buildout
- Value-to-lien ratio
- Size of borrowing/liquidity
- High yield supply/demand
- *Ratings (if applicable)*

What affects benchmark yields?

- Level of general interest rates
- Expectations for future inflation
- Supply/demand dynamics

Recent Tax-Exempt Interest Rate Trends

AAA-Rated Municipal Market Data (MMD) Index Since 2022

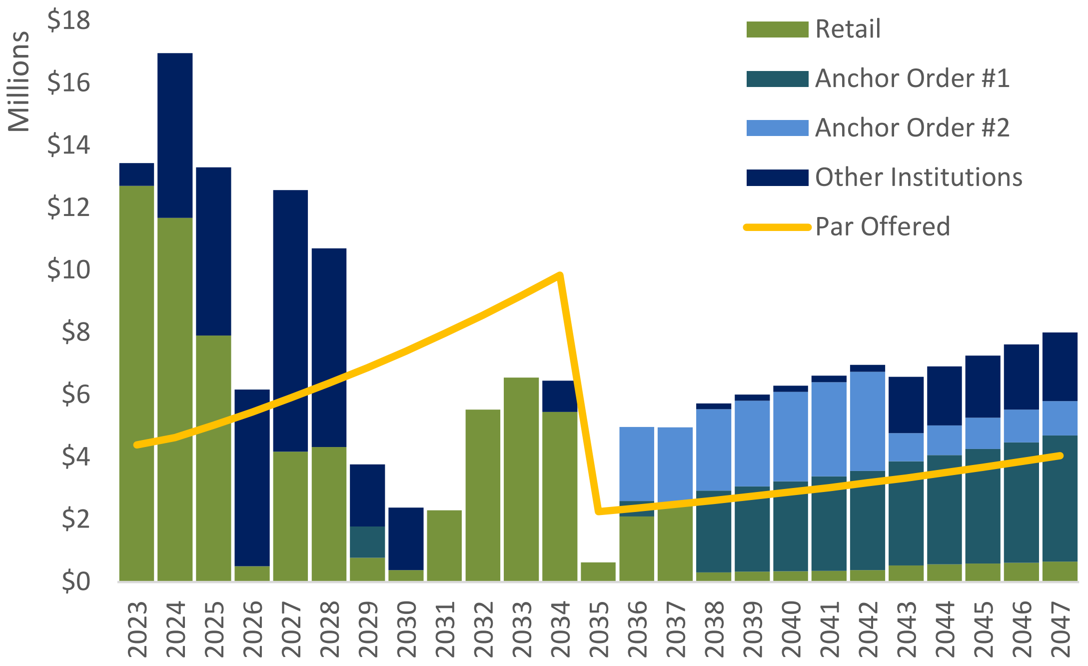


Sources: Thomson Reuters, As of August 15, 2025.

The Pricing Process

- **Pre-pricing:** Underwriter proposes coupons and yields based on market conditions, pricing "comparable," preliminary investor feedback
- **Pricing:** Investors place orders during order period after which underwriter may propose changes and then makes offer to underwrite at final coupons and yields

Illustrative Pricing Results: Sacramento County Metro Air Park CFD
$121 Million Special Tax Bonds, Series 2022



Retail Interest

- 220 individual orders, totaling $72 million
  - *Increases ability to use serial maturities*
  - *Provides pricing leverage with institutions*
  - *Enhances future liquidity*

Institutional Interest

- 8 institutions participated
- 2 "anchor orders"

Private Placement Alternatives

- **Distribution to smaller universe of buyers**

- **To commercial banks for cost, ease and timeliness**
  - Higher credit quality
  - Shorter tenor (generally < 10 years or < 20 years)
  - Smaller to moderate in size

- **To sophisticated institutional or individual investors for "suitability"**
  - Higher risk tolerance
  - Often larger denominations ($100,000 or $250,000)
  - Possible "big boy" letter

- **Consequences for interest rate and liquidity**

Regulatory Fine Print

Neither Fieldman, Rolapp & Associates nor Goodwin Consulting Group Inc. is recommending an action to a municipal entity or obligated person; Neither Fieldman, Rolapp & Associates nor Goodwin Consulting Group Inc. is acting as an advisor to a municipal entity or obligated person and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act to a municipal entity or obligated person with respect to the information and material contained in this communication; Fieldman, Rolapp & Associates and Goodwin Consulting Group Inc. are acting for their own interests; and the municipal entity or obligated person should discuss any information and material contained in this communication with any and all internal or external advisors and experts that a municipal entity or obligated person deems appropriate before acting on this information.

Regulatory *Really* Fine Print

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