

**COMMUNITY FACILITIES DISTRICT NO. 2016-2 OF THE
CITY OF LAKE ELSINORE (CANYON HILLS)
SUBORDINATE SPECIAL TAX BONDS, SERIES 2022
(THE “2022 BONDS”)**

**PROPOSED LENDING PARAMETERS
(AS OF APRIL 22, 2022)**

These proposed lending parameters are an expression of interest based on the mutual understanding of the financing request and terms and conditions, all of which are pending the Purchaser’s consideration, analysis and final credit approval. Any final financing commitments are subject to approval by appropriate administrative authorities of the Purchaser and other analysis we deem appropriate, with the results of such review and analysis being satisfactory to us in our sole discretion. The Purchaser is not obligated to provide this financing until such time as you are notified in writing by the Purchaser of the Purchaser’s commitment and you have executed mutually acceptable loan documents. No action, verbal remarks, or any other communication shall obligate the Purchaser to provide this financing until the Purchaser has issued a final, written commitment. The terms and conditions outlined below are not intended to be all-inclusive but rather set forth a framework for further discussions and are subject to change or addition.

Borrower:	Community Facilities District No. 2016-2 of the City of Lake Elsinore, (Canyon Hills) (the “Borrower” or the “District”)
City:	City of Lake Elsinore (the “City”)
City Council:	City Council of the City of Lake Elsinore (the “City Council”)
Purchaser:	Western Alliance Business Trust, a Delaware statutory trust (the “Purchaser”)
Tax Status:	Interest on the 2022 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income tax.
Purpose:	Proceeds from the 2022 Bonds are to be used to: <ol style="list-style-type: none">1) finance certain public improvements needed with respect to the development of property within the District;2) fund capitalized interest at amount to be determined prior to closing;3) fund a reserve account (the “Reserve Account”) at the reserve requirement of the 2022 Bonds; and4) pay the costs associated with the issuance of the 2022 Bonds.
Principal Amount:	Not to exceed \$1,750,000
Final Maturity Dates:	September 1, 2048
Interest Payment Dates:	Semi-annual interest payments on each March 1 and September 1 commencing September 1, 2022, computed on the basis of a 360-day year consisting of twelve 30-day months (the “Interest Payment Dates”).
Principal Payment Dates:	Annual principal payments on the 2022 Bonds on each September 1 commencing September 1, 2023 through September 1, 2048.

Interest Rate Pricing: The 2022 Bonds will be purchased at par at a fixed rate of interest through the Final Maturity Date based on the following formula:

77% of the sum of the 20-Year USD Swap Rate plus 3.45% (tax-exempt fixed rate).

The interest rate on the 2022 Bonds is **4.89%**. The interest rate will be held through Tuesday, May 31, 2022. See Appendix A herein.

2018 Bonds: Community Facilities District No. 2016-2 of the City of Lake Elsinore (Canyon Hills) Special Tax Bonds, Series 2018 (the “2018 Bonds”).

Security/Structure: The 2022 Bonds will be payable solely from, and secured by, a pledge of Net Taxes (which are Special Tax revenues remaining after the payment of the annual Administrative Expenses in an amount not to exceed the Administrative Expenses Cap (as defined in the Indenture)) after payment of the 2018 Bonds and from amounts held in the Special Tax Fund (other than amounts held in the Administrative Expenses Account therein). Special Tax revenues include the proceeds of the annual Special Tax levy received by the District, including any schedule payments and prepayments thereof, and the net proceeds of the redemption of delinquent Special Taxes or sale property as a result of the lien of delinquent Special Taxes to the amount of said lien and penalties and interest thereon; provided that any delinquent Special Tax sold to an independent third-party or to the City for 100% of the delinquent amount shall no longer be pledged under the Indenture to the payment of the 2018 Bonds and the 2022 Bonds.

The 2022 Bonds will be sized assuming Net Taxes will be sufficient to levy up to 109% of the debt service on the 2018 Bonds and the 2022 Bonds.

Reserve Requirement: In connection with the issuance of the 2022 Bonds, there shall be established a Reserve Account based on the lesser of the reasonably required reserve or replacement fund size limitation in accordance with Section 1.48-2(f)(2)(ii) of the Internal Revenue Code (the “Reserve Requirement”).

Additional Debt: Except for refunding purposes, the Borrower is not authorized to issue additional bonds based on Net Taxes levied in the District.

Redemption Provisions: **Optional Redemption.**
The 2022 Bonds may be redeemed at the option of the District from any source of funds on any Interest Payment Date on or after September 1, 2025, in whole or in part, from such maturities as are selected by the District and by lot within a maturity, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 2025 through March 1, 2026	103%
September 1, 2026 and March 1, 2027	102%
September 1, 2027 and March 1, 2028	101%
September 1, 2028 and any Interest Payment Date thereafter	100%

Mandatory Sinking Fund Redemption.

The 2022 Bonds will be subject to mandatory sinking payment redemption, in part, on September 1, 2048 and each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, and from sinking fund payments to be determined by the date of execution and delivery of the 2022 Bonds.

Special Mandatory Redemption from Prepayments.

The 2022 Bonds are not subject to extraordinary redemption until the 2018 Bonds are redeemed in whole. Thereafter, the extraordinary redemption provisions under the 2018 Bonds would be applied to the 2022 Loan.

Foreclosure Covenant:

The District covenants in the Indenture for the benefit of the Purchaser that it will: (i) commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied, and (iii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount on deposit in the Reserve Account is at least equal to the Reserve Requirement.

In no event shall such foreclosure actions exceed the time periods specified in Section 53356.1 of the Mello-Roos Act.

Events of Default:

Events of Default shall include those that are deemed standard and customary for transactions of this nature all of which shall be subject to satisfactory review by the Purchaser and the Purchaser's Counsel.

**Representations/
Warranties/Covenants:**

Legal documentation will contain customary affirmative and negative covenants as well as usual representations and warranties for like situated borrowers acceptable to the Purchaser and the Purchaser's Counsel.

Legal Opinion(s):

Opinions of Bond Counsel, among other things, as to

- 1) Interest on the 2022 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income tax;
- 2) the validity and enforceability of the 2022 Bonds and the pledge of the net special taxes being duly and validly authorized under the law;
- 3) the 2022 Bonds being exempt from registration pursuant to the Securities Act of 1933, as amended (the "1933 Act"), and the Indenture being exempt from qualification as to an indenture pursuant to the Trust Indenture Act of 1939, as amended; and
- 4) such other opinions as the Purchaser may require.

An opinion of the Counsel to the City shall also be provided in form and substance satisfactory to the Purchaser and the Purchaser's Counsel.

Conditions Precedent:

Prior to the purchase of the 2022 Bonds, the following conditions precedent shall have occurred, all of which shall be in form and substance satisfactory to the Purchaser and the Purchaser's Counsel:

- 1) satisfactory review by the Purchaser's Counsel of any outstanding agreements entered into by the Borrower which may impact the security for the 2022 Bonds or the obligations of the Borrower with respect to repayment the 2022 Bonds;
- 2) any authorizing resolution(s) of the Borrower as required for the issuance and repayment of the 2022 Bonds;
- 3) opinions as required by the Purchaser and the Purchaser's Counsel;
- 4) properly executed bond documents in form and substance satisfactory to the Purchaser and the Purchaser's counsel evidencing or supporting the repayment of the 2022 Bonds; and
- 5) additional conditions precedent that the Purchaser and the Purchaser's Counsel consider customary and reasonably appropriate for the proposed purchase of the 2022 Bonds.

Loan Treatment:

The Purchaser will book the 2022 Bonds as a loan, and, therefore, the 2022 Bonds will be purchased under the following conditions:

- 1) the 2022 Bonds shall not be registered or otherwise qualified for sale under the "Blue Sky" laws;
- 2) the Purchaser will hold the 2022 Bonds as a single debt instrument registered in the name of "WESTERN ALLIANCE BUSINESS TRUST, a Delaware statutory Trust";
- 3) no CUSIP numbers will be obtained for the 2022 Bonds pursuant to Municipal Securities Rulemaking Board Rule G-34(a)(i)(F) (See "Assignment and Participation" herein);
- 4) no official statement or similar offering document has been prepared in connection with the private placement of the 2022 Bonds;

- 5) the 2022 Bonds will be in certificated form, will not settle through the DTC or any similar repository and will not be in book entry form; and
- 6) the Purchaser will sign a letter of representations in a form acceptable to Purchaser's Counsel.

Origination Fee: None

Other Fees Due at Closing: The Borrower shall be obligated to pay all delivery costs, including legal fees of the Purchaser's Counsel and the CDIAC reporting fee. The Purchaser's Counsel fee shall be capped at \$8,500 for the 2022 Bonds.

Bond Counsel: Stradling Yocca Carlson & Rauth, a Professional Corporation / Newport Beach, California

Placement Agent: Stifel, Nicolaus & Company, Incorporated / Los Angeles, California

Municipal Advisor: Urban Futures, Inc. / Tustin, California

Trustee: Wilmington Trust, National Association / Costa Mesa, California (the "Trustee")

Purchaser's Counsel: Best, Best & Krieger LLP / Riverside, California (the "Purchaser's Counsel")

Estimated Closing Date: Mid-May 2022

No Fiduciary Relationship: Inasmuch as the 2022 Bonds represent a negotiated transaction, the Borrower understands, and hereby confirms, that the Purchaser is not acting as a fiduciary of the Borrower, but rather is acting solely in its capacity as a Purchaser, for its own account. The Borrower will acknowledge and agree that:

- 1) the transaction contemplated herein is an arm's length commercial transaction between the Borrower and the Purchaser and its affiliates;
- 2) in connection with such transaction, the Purchaser and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules");
- 3) the Purchaser and its affiliates are relying on the bank exemption in the Municipal Advisor Rules;
- 4) the Purchaser and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the Borrower with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto;
- 5) the Purchaser and its affiliates have financial and other interests that differ from those of the Borrower; and
- 6) the Borrower has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

Reporting Requirements:

No later than February 15 after the end of District fiscal year, the Purchaser shall receive from the Borrower the Annual Report and the content requirements for the Annual Report shall be pari passu with the 2018 Bonds.

Any additional information that the Purchaser may reasonably request.

The District shall furnish notice to the Purchaser of any occurrence of an event described in subsection (b)(5)(i)(C) of the Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, §240.15c2-12) in a timely manner but not in excess of ten business days after the occurrence of such event.

Assignment/Participation:

The Purchaser's intent is to book the 2022 Bonds as a loan and hold the 2022 Bonds to maturity or to the redemption dates; however, the Purchaser retains the right to assign or participate out in whole its interest in the 2022 Bonds and will request the Borrower to agree to such assignment or participation. The Purchaser acknowledges and agrees that the 2022 Bonds may only be transferred to a "Qualified Institutional Buyer" or an "Accredited Investor" within the meaning of the Securities Act of 1933, as amended.

Defined Terms:

All capitalized terms used herein and not defined shall have the meanings given them in the Bond Indenture (the "Indenture"), by and between the District and the Trustee.

APPENDIX A

**COMMUNITY FACILITIES DISTRICT NO. 2016-2 OF THE
CITY OF LAKE ELSINORE (CANYON HILLS)
SUBORDINATE SPECIAL TAX BONDS, SERIES 2022**

INTEREST RATE LOCK CALCULATION AS OF FRIDAY, APRIL 22, 2022

Western Alliance Bank and its affiliate Western Alliance Business Trust (the "Purchaser") are pleased to provide to the Community Facilities District No. 2016-2 of the City of Lake Elsinore (the "District") the following interest rate lock for the Subordinate Special Tax Bonds, Series 2022 (the "2022 Bonds"), subject to approval by the City Council of the City of Lake Elsinore, as legislative body of the District, the Purchaser's credit approval, additional due diligence and receipt and approval of all relevant documentation, for the purchase of the 2022 Bonds.

NOT TO EXCEED AGGREGATE COMMITMENT:	\$1,750,000.00
WEIGHTED AVERAGE MATURITY (ESTIMATED):	19.1 Years
ESTIMATED FUNDING DATE:	Thursday, May 19, 2022
20 YEAR SPOT USD INTEREST RATE SWAP RATE ⁽¹⁾	2.9046%
RATE LOCK SPREAD	0.15%
BANK SPREAD	3.30%
TAXABLE INTEREST RATE ⁽¹⁾	6.35%
TAX-EXEMPT MULTIPLIER ⁽²⁾	77%
TAX-EXEMPT INTEREST RATE ⁽³⁾	4.89%

(1) Bloomberg Finance L.P. - 20 Year Tenor Spot Interest Rate Swap Rate as of Friday, April 22, 2022, 15:47:18 EDT, rounded to the nearest one hundredth percentage.

(2) Based on a federal corporate tax rate of 21% and California income tax rate of 2%.

(3) The interest rate is rounded to the nearest one hundredth and will expire if the 2022 Bonds are not funded by Tuesday, May 31, 2022.

BLOOMBERG FINANCE L.P. SCREEN SHOT OF FORWARD CURVE USD SEMI-ANNUAL 30/360 SWAP RATES AS OF FRIDAY, APRIL 22, 2022, 15:47:18 EDT

US Dollar Swaps (30/360, S/A) (REF)					
Tenor	Spot	1 Mo (P)	2 Mo (P)	10/22/2022 (P)	
1 Mo	1.18416	1.22238	1.18179	2.82573	
2 Mo	1.20389	1.20203	1.64371	2.90598	
3 Mo	1.19731	1.51779	1.99618	2.98295	
6 Mo	1.82139	2.09450	2.37953	3.15625	
9 Mo	2.20037	2.44547	2.65164	3.29097	
1 Yr	2.47991	2.67255	2.87636	3.39241	
2 Yr	2.97787	3.06333	3.14600	3.33303	
3 Yr	3.05128	3.10578	3.15676	3.25929	
4 Yr	3.02845	3.06676	3.10433	3.17427	
5 Yr	2.99614	3.02732	3.05764	3.11527	
7 Yr	2.96690	2.99003	3.01224	3.05488	
9 Yr	2.95107	2.96997	2.98819	3.02443	
10 Yr	2.95128	2.96864	2.98529	3.01843	
12 Yr	2.95163	2.96646	2.98062	3.00863	
15 Yr	2.94700	2.95867	2.96986	2.99029	
20 Yr	2.90456	2.91286	2.92048	2.93193	
30 Yr	2.72780	2.73268	2.73702	2.74033	
50 Yr	2.40142	2.40406	2.40648	2.40550	