



FUNDAMENTALS OF  
LAND-SECURED  
FINANCING





**CALIFORNIA  
DEBT AND  
INVESTMENT  
ADVISORY  
COMMISSION**

The California Debt and Investment Advisory Commission (CDIAC) provides information, education, and technical assistance on debt issuance and public funds investments to local public agencies and other public finance professionals. CDIAC was created to serve as the state's clearinghouse for public debt issuance information and to assist state and local agencies with the monitoring, issuance, and management of public debt.

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**CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION**

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# ABOUT CDIAC

CDIAC provides information, education, and technical assistance on public debt and investments to local public agencies and other public finance professionals.

## THE COMMISSION:

- Maintains a comprehensive database on the issuance of all California debt by the State and local issuers. Interested parties may access this database at CDIAC's website.
  - Publishes *Debt Line*, a monthly online newsletter, which provides articles and lists all proposed and sold municipal financings.
  - Publishes an annual report which includes a summary of the previous years' activities, a calendar of issues, and a summary of debt issuance within California listed by issuer, purpose, and type of debt instrument.
  - Publishes the *California Debt Issuance Primer*, a comprehensive debt financing handbook covering topics such as types of debt financing instruments, key terms and concepts, and roles of principal players.
  - Publishes a summary of bond and tax measures considered by the voters at general and primary elections.
- Sponsors seminars, conferences, and webinars, such as *Municipal Debt Essentials*, *Municipal Disclosure*, *Land-secured Financing*, *Public Portfolio Management*, *The Bond Buyer Pre-Conference* and other current municipal debt topics for government officials. The Commission staff can arrange seminars in your area. Contact CDIAC at (916) 653-3269.
  - Provides technical assistance and debt issuance information to public agencies, as well as to all sectors of the municipal finance industry.
  - Conducts research studies and prepares issue briefs and reports on topics related to municipal debt issuance and public fund investment.

## CONTINUING EDUCATION CREDIT

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# CONTENTS

AGENDA . . . . .	i
SPEAKERS . . . . .	iii
A. POWER POINT SLIDES FOR PROGRAM	
1. Session I – Basic Structures of Assessment and Community Facilities Districts . . . . .	1
2. Session II – Pre-Formation Considerations . . . . .	5
3. Session III – District Formation Process . . . . .	8
4. Session IV – Project Implementation. . . . .	12
5. Session V – Bond Issuance . . . . .	14
6. Session VI – Administration of Liens and Bonds . . . . .	19
B. TOPICAL OUTLINE FOR PROGRAM . . . . .	
	23
C. SESSION I – BASIC STRUCTURES OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS	
1. CFDs vs. ADs . . . . .	29
D. SESSION II - PRE-FORMATION CONSIDERATIONS	
1. Policies & Procedures for CFDs (City of Chula Vista). . . . .	31
2. Special District Formation and Financing Policy (City of San Diego) . . . . .	52
3. Sample of Local Goals and Policies for Services Only . . . . .	66
4. Sample Deposit and Reimbursement Agreement (Romoland School District) . . . . .	68
5. Steps in Preparing for Kick-off Meeting (City of Sacramento) . . . . .	73
E. SESSION III - DISTRICT FORMATION PROCESS	
1. Flow Chart – CFD Formation . . . . .	81
2. Flow Chart – AD Formation . . . . .	82
3. Sample CFD Election Calendar – Registered Voter Election (Pacheco Valle CFD, City of Novato) . . . . .	83
4. Sample CFD Schedule of Transcript Documents – Formation (CFD No. 2005-2, Laurel Oaks, County of El Dorado). . . . .	84

5. Sample AD Schedule of Transcript Documents – Formation (AD No. 05-1, City in the Hills, City of Bakersfield) . . . . .	86
6. Sample Special Tax Formula – Facilities (CFD No. 14M, Eastern Urban Center/Millenia, City of Chula Vista) . . . . .	88
7. “About the [Assessment District] Engineer’s Report”. . . . .	99
8. Sample AD Engineer’s Report (Underground Utility AD No. 103, G Street/ Balboa Boulevard/Channel Road/Ocean Boulevard, City of Newport Beach) . . . .	114
9. Outline for Notice, Hearing and Assessment Ballot Procedures under Prop. 218 for ADs . . . . .	161
10. Sample AD Mailed Notice of Hearing, Assessment Ballot and “Reader-Friendly” Transmittal Letter (same AD as foregoing Item 8) . . . . .	163

F. SESSION IV - PROJECT IMPLEMENTATION

1. Sample Acquisition Agreement (CFD No. 2006-3, KB Home Coastal, City of Chino) . . . . .	173
2. Sample Joint Community Facilities Agreement (CFD No. 2014-1, Romoland School District) . . . . .	209

G. SESSION V - BOND ISSUANCE

1. CFD Financing Issues . . . . .	227
2. Sample CFD Schedule of Transcript Documents – Bond Issuance Sale and Delivery (CFD No. 06-2 Corona-Norco Unified School District) . . . . .	228
3. Sample AD Schedule of Transcript Documents – Bond Issuance Sale and Delivery (AD No. 05-1, City in the Hills, City of Bakersfield) . . . . .	233
4. Excerpts from Bond Indenture re Bond Issuance (CFD No. 06-2, Corona-Norco Unified School District) . . . . .	235
5. Excerpts from Official Statement (same CFD as foregoing Item 4) . . . . .	249

H. SESSION VI - ADMINISTRATION OF LIENS AND BONDS

1. Outline re Administration of AD Liens and Bonds . . . . .	287
2. Sample Mailed Notice to Pay Assessment – Prior to Bond Issuance (Underground Utility AD No. 103, G Street/Balboa Boulevard/ Channel Road/Ocean Boulevard, City of Newport Beach). . . . .	290
3. Sample Recorded Notice of Assessment (same AD as foregoing Item 2) . . . . .	291
4. Excerpts from Bond Indenture re Administration of Special Tax Proceeds and Bondholder Covenants (CFD No. 06-2, Corona-Norco Unified School District) . . .	300

5. Sample Delinquent Special Tax Reminder/Foreclosure Warning Notifications to Property Owners (County of Sacramento) . . . . .	333
6. Sample Delinquency Management Policy (Eastern Municipal Water District) . . . .	339
7. Sample Issuer Continuing Disclosure Certificate (CFD No. 06-2, Corona-Norco Unified School District) . . . . .	342
8. Sample Developer Continuing Disclosure Certificate (CFD No. 28, Jurupa Community Services District) . . . . .	352
9. Sample Administrative Disclosure Procedures (City of Chula Vista). . . . .	361
10. Sample Annual Report (CFD No. 2001-1, Improvement Area B, City of Chula Vista) . . . . .	366
11. Sample Foreclosure Analysis and Foreclosure Summary (same CFD as foregoing Item 10) . . . . .	391
12. Sample Notice of Special Tax – Recorded (CFD No. 14M, Eastern Urban Center/Millenia, City of Chula Vista) . . . . .	393





# AGENDA

8:00 AM REGISTRATION/DISTRIBUTION OF SEMINAR MATERIALS/BREAKFAST

8:30 AM SEMINAR WELCOME AND OPENING REMARKS

Mark Campbell, *Executive Director, California Debt and Investment Advisory Commission*

8:45 AM BASIC STRUCTURE OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS

This session provides background information on requirements, eligibility, exactions, benefit findings and “reasonableness” determinations of assessment district versus community facilities district financings.

9:45 AM PRE-FORMATION CONSIDERATIONS

This session reviews issuer considerations when choosing between special tax and assessment district financing for infrastructure. Speakers also discuss public works contracting versus project acquisition, assembling a resource team, and establishing a liaison with other local agencies and developers.

10:45 AM BREAK

11:00 AM DISTRICT FORMATION PROCESS

This session compares the steps involved in forming assessment and community facilities districts, including elections and balloting, levying assessments or special taxes, and financial reporting.

NOON LUNCHEON

1:00 PM PROJECT IMPLEMENTATION

This session reviews steps involved in implementing a project financed with community facilities district or assessment district bonds. Speakers cover considerations such as property acquisition, environmental clearances, and for developer deals, the topic of prevailing wages and the need for a written agreement between the local agency and the developer.

1:45 PM BOND ISSUANCE

This session reviews the mechanics of bond issuance. The speakers discuss the financing team, the structure of the financing, and the bond sale process, including whether the bonds should be sold through a negotiated or competitive process.

2:45 PM BREAK

3:00 PM ADMINISTRATION OF LIENS AND BONDS

This session discusses local agency responsibilities for the ongoing administration of community facilities district special taxes, special district assessments, and the bonds secured by both, as well as effective programs and strategies for managing delinquencies, including the expansion of collection efforts to respond to spiking delinquency rates where they occur.

4:00 PM CLOSING REMARKS

SPEAKERS

MELLO-ROOS FINANCING TEAM:

Maria Kachadoorian, *Director of Finance/Treasurer, City of Chula Vista*

Tim Seufert, *Managing Director, NBS*

Robert Whalen, *Shareholder, Stradling Yocca Carlson & Rauth*

ASSESSMENT DISTRICT FINANCING TEAM:

Dennis A. Anderson, *Director of Financial Engineering, Harris & Associates, Inc.*

David Bilby, *Senior Debt Analyst, City of Temecula*

Jim Fabian, *Principal, Fieldman, Rolapp & Associates, Inc.*

# SPEAKERS

## DENNIS A. ANDERSON

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Dennis Anderson is Director of Financial Engineering with Harris & Associates and has over 25 years of assessment and financial engineering experience consulting to cities, counties and special districts throughout the state of California. Mr. Anderson has assisted agencies with feasibility studies and the analysis of special benefit from various types of improvements in accordance with the requirements of Article XIIIID of the California State Constitution (Proposition 218) and the various assessment and special tax provisions within the California State Codes. He has prepared Engineer's Reports, Special Tax Rate and Method of Apportionments, Boundary Maps, and Assessment Diagrams and assisted with presentations to agency boards and property owners, preparation and mailing of notices and ballots, and ballot tabulation. He has also managed the annual administration of both bond and maintenance districts, including facility acquisition and reimbursement.

## DAVID BILBY

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David Bilby is Senior Debt Analyst for the City of Temecula and in over eight years with the City has administered a variety of projects and programs, including the Community Services District and the Business Improvements District. He also administers all debt issuances for the City, Temecula Community Services District, and Redevelopment Agency. In addition to serving as the Purchasing Manager, Mr. Bilby assists in the preparation of the City's operating and capital improvements budgets

and creates and maintains the City's cash flow schedules. Previously, he served as a grant administrator of Temecula's Community Development Block Grant program. Prior to his work with the City, Mr. Bilby worked as financial analyst with a local tax consulting firm and was a foreclosure supervisor for a large title company that serviced foreclosure files for a large national bank.

Mr. Bilby received a bachelor's degree in business administration with an emphasis in finance from San Diego State University and holds a master's degree in business administration with an emphasis in finance. In 2012, he earned the Certified Public Finance Officer designation from the Government Finance Officers Association.

## JAMES V. FABIAN

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Jim Fabian is a Principal of Fieldman, Rolapp & Associates. He is an expert in the formation of assessment, improvement, and community facilities districts and the financing of various types of public improvements. Mr. Fabian was a local government official for 15 years prior to joining Fieldman, Rolapp & Associates and has extensive experience with the operational considerations of local government and the administration of land-secured special districts.

Mr. Fabian is a member of the Committee on Assessments, Special Taxes & Other Financing Facilities (CASTOFF) and a member of the California Society of Municipal Finance Officers (CSMFO). He is licensed as an Investment Advisor Representative and holds the CIPFA designation as a Certified Independent Public Finance Advisor from the National Association of Investment Advisors.

Mr. Fabian earned both his undergraduate degree, *cum laude*, in political science and his graduate degree in public administration with an emphasis in local government from Kent State University in Kent, Ohio.

## MARIA KACHADOORIAN

*Director of Finance/Treasurer*

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Maria Kachadoorian is the Director of Finance/Treasurer for the City of Chula Vista and has over 20 years of professional experience in accounting, internal auditing, treasury management, and budgeting. As the Finance Director/Treasurer, Ms. Kachadoorian assists the City Council and the City Manager in maintaining public confidence in the fiscal integrity of the City by accounting for, safeguarding, investing and reporting on the City's resources in accordance with sound public financial management practices.

She earned a Bachelor of Science degree with an emphasis in accounting and a master's degree in public administration from San Diego State University. She is also a Certified Public Accountant. Ms. Kachadoorian was recently honored as "CFO of the Year" by the San Diego Business Journal for her leadership and contributions in getting the City through its most financially challenging years in its 100 year history.

## TIM SEUFERT

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Tim Seufert is a Managing Director with NBS and has over 15 years of experience working with public agencies all over California on special financing districts and other types of revenue mechanisms. He has addressed the California Society of Municipal Finance Officers (CSMFO), The League of California Cities, The California Special District Association (CSDA), and other working groups, and authored articles on this topic. Prior to working in local government finance, he worked for a decade in corporate finance and analysis. He holds a Master of Arts in public administration from San

Francisco State University as well as a Bachelor of Science degree from the University of Southern California in business finance and German language studies.

## ROBERT J. WHALEN

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Robert Whalen is a shareholder with Stradling Yocca Carlson & Rauth and is a member of the firm's board of directors. Mr. Whalen has been practicing exclusively in the public finance area for over 30 years and has extensive experience acting as bond counsel, disclosure counsel, and underwriter's counsel in connection with a broad range of municipal financings.

Mr. Whalen is a member of the National Association of Bond Lawyers and is a frequent speaker on municipal finance issues for the California Debt and Investment Advisory Commission, UCLA Extension Program, and other organizations. He also served for several years as a member of the CDIAC Technical Advisory Committee. In addition, Mr. Whalen has served as a member of the Board of Education of the Laguna Beach Unified School District and currently serves as a City Councilmember of the City of Laguna Beach.

After graduating from Harvard College in 1975, Mr. Whalen obtained his law degree from the Boalt Hall School of Law at the University of California, Berkeley in 1978.



**California Debt and Investment  
Advisory Commission**  
Fundamentals of Land Secured Financing  
April 25, 2014

*Introduction*

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**California Debt and Investment  
Advisory Commission**  
Fundamentals of Land Secured Financing  
April 25, 2014

*Session I*

*Basic Structures of Assessment  
and Community Facilities  
Districts*

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**History of Each in a Nutshell**

- Special Assessment Districts
  - Municipal Improvement Act of 1913
  - Used with the Improvement Bond Act of 1915
  - Other Acts normally used for maintenance
- Mello-Roos Community Facilities Districts
  - In 1978, Prop. 13 was approved by CA voters
  - In response, the Community Facilities Act of 1982 was adopted

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**California Statutes & Constitution**

- Assessment District (AD)
  - Primarily 1913 & 1915 Acts for capital projects
  - Primarily 1972 & 1982 Acts for maint./services
  - Article XIID of CA Constitution
  - Section 53753 of the Govt. Code
- Community Facilities District (CFD)
  - Mello-Roos Community Facilities Act of 1982
  - Articles XIII A & XIII C of CA Constitution
- Charter Cities can use legislative powers



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**Eligible Capital Facilities to Finance**

- Assessment District
  - Authorized public improvements
  - Must provide local, special benefits to property
- Community Facilities District
  - Public improvements with 5+ years useful life
  - Can finance facilities:
    - Owned/controlled by issuer and/or
    - Owned, operated and maintained by other public entities
      - JCFAs with other public agencies



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**AD vs. CFD**

- Assessment District
  - Sets a Fixed Lien for every parcel
  - Annual payment reduces lien
  - Term of payments = term of bonds
- Community Facilities District
  - Sets a Maximum Annual Special Tax Rate
  - Max. tax rate may escalate
  - Term of tax may outlive term of bonds
- Neither directly based on property value
  - (a.k.a. an *ad valorem* charge)



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**Special Benefits vs. Reasonableness**

- **Special Benefits - ADs**
  - Assessment based on the direct and special benefit each property receives from improvements
- **Reasonableness - CFDs**
  - Special tax is not a special assessment
  - May be based on any “reasonable” basis (except ad valorem), as determined by the legislative body



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**Usual Sequence of Events - ADs**

1. Local agency/property owner petition initiated
2. Legislative body commences assessment proceedings
3. Notices of hearing and assessment ballots mailed
4. Public Hearing
5. Assessment balloting and “majority protest”
6. Final actions taken by legislative body
7. End of cash collection / statute of limitations
8. Bonds issued
9. Project costs funded / reimbursed
10. Annual assessment installments levied



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**Usual Sequence of Events - CFDs**

1. Local agency/property owner petition initiated
2. Local Goals & Policies adopted
3. Legislative Body commences CFD proceedings
4. Public Hearing
5. Election
6. Final actions taken by Legislative Body
7. Bonds issued
8. Project costs funded / reimbursed
9. Annual special taxes levied



9

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### AD vs. CFD Comparison - Similarities

Issue	ADs	CFDs
Pay-as-you-go finance	1913 Act - Not common but possible 1972 Act – Permitted and fairly common	Permitted and fairly common
Pay-off or Prepayment of Lien	Automatically allowed by State statute	Allowed if included in RMA
Debt Service Structure	Almost universally level debt service	Usually level or escalating debt service
Maximum Residential Property Tax Burden as % of Sales Price	No State statutory limit. Standard is not to exceed 2%	No State statutory limit. Standard is not to exceed 2%

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### AD vs. CFD Comparison - Differences

Issue	ADs	CFDs
District Boundaries	1913 Act - Boundaries are generally fixed once assessment confirmed 1972 Act – Annexation permitted	May be expanded through future annexations
Land Use Changes	1913 Act - Lien apportionments cannot easily be modified 1972 Act – Annual assessment can adapt	Special taxes generally adapt to changes in land use
Assessment of Undeveloped Property	1913 Act - Assessments on undeveloped land is based on potential development 1972 Act – Annual assessments generally differ between undeveloped and developed parcels	Special taxes between undeveloped and developed land can differ

11

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### Major Factors Favoring an AD

- ADs are appropriate for:
  - Small, local infrastructure projects
  - Projects with multiple property owners
  - Large variable rate financing programs that anticipate multiple conversion of bonds to a fixed rate of interest over several years
  - Some maintenance programs and services

12

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## Major Factors Favoring a CFD

- CFDs are appropriate for:
  - General benefit “community facilities”
  - Projects with few property owners, or broad support
  - Projects requiring flexibility
    - Phased land development projects
    - Uncertainties about eventual land use
  - Projects needing targeted economic burden
    - Exempting publicly-owned parcels
    - Reducing burden on select categories of parcels/uses
  - Projects requiring funding for eligible services and maintenance & operation activities

13

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## California Debt and Investment Advisory Commission Fundamentals of Land Secured Financing April 25, 2014

### *Session II*

### *Pre-Formation Considerations*

14

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## Local Goals and Policies

- Legal Requirement for CFDs  
(Gov't code §53312.7)
- Good Idea for ADs
- Why important - to provide:
  - Guidance
  - Consistency
  - Assurances

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### **Key Issues to Cover in Policies**

- Facilities Priority & Eligibility
- Disclosure to:
  - Prospective Property Purchasers
  - Bond Buyers
  - Financial Markets
- Appraisal Criteria / Value-to-Lien
- Application Process
- Credit Quality Requirements / Criteria



16

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### **Acquisition vs. Construction**

- ACQUISITION:
  - Developer advances \$, builds improvements, and public agency "acquires" them
- CONSTRUCTION:
  - Public agency builds
- COMBINATION



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### **Selecting the Team**

- Public Agency should choose consultants
- Financial Advisor can help
- RFP Process / Consultant Pool
- Mello-Roos / Assessment District experience is a key



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### Consultant Roles

- Bond Counsel
  - Guidance & legal opinion
- Financial Advisor
  - Guidance & market knowledge
  - Fiduciary responsibility/obligation
- Special Tax Consultant
  - Tax Formula, Financing Plan &/or CFD Report
- Assessment Engineer
  - Benefit finding & Engineer's Report

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### Consultant Roles (cont.)

- Market Consultant
  - Price point analysis
  - Absorption study
  - Mortgage study/report
- Appraiser
  - Determines value of properties to be assessed / taxed

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### Important Considerations in Assembling Team

- Good communication among team members
- How to best facilitate meetings/calls
- Involve counsel - legal protection
- Understand structure and associated workload (you will have to live with these decisions)

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**Other Agencies/Utilities Coordination**

- Jurisdictional overlap
- Who will own and operate facilities?
- Joint Community Facilities Agreements required for CFDs
- Consent of legislative body required for CFDs and ADs

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**California Debt and Investment  
Advisory Commission  
Fundamentals of Land Secured Financing  
April 25, 2014**

***Session III***

***District Formation Process***

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**Formation Process**

- LET'S GET STARTED
  - *Petition*
- MULL IT OVER
  - *Resolution of Intention / Boundary Map*
  - *CFD Engineer's Report (including Rate & Method of Apportionment)*
  - *AD Engineer's Report (including Assessment Spread)*
- HASH IT OUT
  - *Public Hearing*
  - *AD ballot tabulation & CFD written protests*
- SEAL THE DEAL
  - *Resolution of Formation (CFD and AD)*
  - *CFD election*

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### CFD Special Election Process

- Conducted **after** Resolution of Formation
- This **IS** an election under the Elections Code
- Landowner vote by acreage if fewer than 12 registered voters
- 2/3 must vote “yes”  
(registered voters or acreage)
- Recordation of Notice of Special Tax Lien



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### Assessment Ballot Process

- Required by Proposition 218
- Mailed with Notice of Public Hearing
- This is **NOT** an election,  
**NOT** a secret ballot
- Ballots opened and tallied after hearing
- Weighted by assessment amount
- More “no” than “yes”, no assessment



26

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### Assessment Process After Formation

- Recordation of Notice of Assessment
- 30-Day Cash Collection Period
  - Mailed Notice to Pay Assessment
  - Cash payment discount
  - Paid / Unpaid List



27

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**CFD Special Tax Formulas:  
Undeveloped Property Special Tax**

- Applies to parcels that do not yet meet definition of “Developed Property”
- Typically charged on a per-acre basis
- Must provide coverage under worst-case scenario prior to full development of the project
- Should absorb variability in special tax levy

31

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**CFD Special Tax Formulas:  
Additional Items to Consider**

- Rate of Escalation (facilities vs. services)
- Order of Levy
- Backup Special Tax
- Cross-Collateralization
- Prepayment Formula

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**Engineer’s Report**

S&H Code §10204 (1913 Act)

- Plans & Specifications
- Estimate of Costs
- Assessment Diagram
- Assessment Methodology
- Assessment Roll
- Annual Administration Costs

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### **Construction or Acquisition ?**

- Construction Project:
  - Issuer constructs project
  - Bond proceeds pay costs as needed
- Acquisition Project:
  - Developer / Owner constructs improvements (must front the costs)
  - Issuer to “acquire” with bond proceeds



37

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### **Developer Constructs Improvements**

- Acquisition Agreement specifies how (construction and purchase processes)
  - Vertical vs. Horizontal
  - Completed Facility vs. Progress Payments
  - Other specifications and requirements
    - Competitive bidding
    - Prevailing wage
    - Inspection
    - Insurance
    - Local agency review of Plans & Specs



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### **Developer Constructs Improvements**

- Requirements for Developer to get paid:
  - Contracts, invoices & canceled checks
  - Evidence of transfer of title
  - Evidence of acceptance of improvements
  - Lien releases from contractor and subs
  - Amount within limits of Agreement



39

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**Issuer Constructs Improvements**

- Expand working group to include:
  - Public Works staff
  - Representatives from other local agencies
  - Design engineer / environmental consultant
  - Contract administrator / inspectors
  - Real property appraiser



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**Issuer Constructs Improvements**

- Project Design
- Property Acquisition
- Environmental Clearance
- Review and Approval of Plans & Specs
- Solicitation of Sealed Bids



41

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**California Debt and Investment  
Advisory Commission  
Fundamentals of Land Secured Financing  
April 25, 2014**

***Session V***

***Bond Issuance***



42

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**Bond or Debt Issuance**

- FINANCING TEAM
- OVERVIEW OF PROCESS
- UPFRONT CONSIDERATIONS/TIMING
- DISCLOSURE

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43

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**Expansion of Financing Team**

Existing Financing Team & Staff, plus...

- Appraiser
  - Estimates value of lien property
- Underwriter
  - Structures and markets the bonds
    - (if negotiated sale)
- Disclosure / Underwriter's Counsel
  - Prepares bond sale financing documents  
(Official Statement, bond purchase agreement, etc.)

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**Expansion of Financing Team (cont.)**

- Trustee / Fiscal Agent
  - Holds, invests and disburses funds at direction of issuer.
  - Has trust obligation to bond owners
- Special Tax Consultant or Assessment Engineer  
(for bond or debt support)
- District Administrator
  - Assists Issuer in administering AD/CFD  
(good practice to retain earlier in process)

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**Bond or Debt Issuance Process**

- Overview: How is it done?
  1. Financing team drafts legal and financing documents
  2. Bond Counsel prepares bond resolution
  3. Issuer approves financing documents
  4. Issuer sells bonds to underwriter
  5. Underwriter sells bonds to investors



46

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**Bond or Debt Issuance Process (Cont.)**

- Overview: How is it done?
  6. Issuer receives \$\$ in exchange for bonds
  7. Issuer disburses net proceeds used for:
    - a. Capital projects
    - b. Interest
    - c. Bond reserve, cost of issuance, other
  8. Annual special taxes / assessment installments levied and collected
  9. Bond owners paid (typically semiannually)



47

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**Bond or Debt Issuance Process (Cont.)**

- Issuer approves Resolution of Issuance
  - Parameters
  - Approval of Documents
  - Authorized Officers
- Typical final legal documents
  - Official Statement (preliminary)
  - Continuing Disclosure Agreement(s)
  - Bond Purchase Agreement or Notice of Sale
  - Bond Indenture or Fiscal Agent Agreement



48

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### Upfront Considerations / Timing

- Bond Sizing / Financial Feasibility
  - How much is needed now?
  - How many bonds can be supported?
    - Special tax revenue coverage
    - Impact on undeveloped property owners
    - Value-to-lien ratios



49

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### Upfront Considerations / Timing (cont.)

- Status and progress of development
- Placing annual levy on Property Tax Bills
  - Capitalized interest for initial period (“stub period”) or longer
- Status of infrastructure funded by CFD/AD
  - Need for funds to pay for or reimburse for facility costs – 3 year window
- Market Conditions – can the bonds be sold?
  - Credit Quality
  - Investor suitability



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### Upfront Considerations / Timing (cont.)

- Credit Quality / Market Issues
  - Market’s perception of credit quality of CFD/AD
  - Developer’s financial strength & ability to perform
  - Diversification of ownership / amount already developed
  - Land use type(s)
  - Value-to-lien ratios
  - Prevailing overall market conditions and market interest rates
  - Demand for land-secured debt
  - Overall perception of the real estate market



51

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## Initial Bond Disclosure

- Preliminary Official Statement
  - *No misstatement of a material fact*
  - *No omission of a material fact*
  
  - *Material = important to investor when making an informed investment decision*

52

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## Disclosing Information to Investors

- Official Statement includes:
  - Description of the Bonds
    - Authority for issuance
    - Debt service schedule
    - Redemption provisions
    - Sources and uses, etc.
  - Project Information (what is being financed)
  - Security for the Bonds
    - Special taxes / assessments
    - Land value estimates
    - Foreclosure provisions, etc.
    - Reserve fund
    - ability to issue additional debt
  - The CFD/AD Development Plan and Status
    - Project pro-forma
    - Developer information

53

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## Disclosing Info to Investors (cont.)

- Official Statement also includes:
  - Bondholder Risks
  - Special Tax Formula (RMA) / Assessment Spread (portions of Engr's Report)
  - Appraisal
  - Market Absorption Report
  - Summary of key legal documents
  - Continuing disclosure agreements

54

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**California Debt and Investment  
Advisory Commission**  
Fundamentals of Land Secured Financing  
April 25, 2014

*Session VI*

*Administration of Liens  
and Bonds*

55

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**Administration - Basic Steps**

- Know your CFD / AD
  - Indenture or Fiscal Agent Agreement
    - Payments to Bond Holders
  - Special Tax Formula (CFD)
    - Determine applicable special taxes (development status)
    - Allocate parcels to tax categories  
(record release of special tax lien for prepayments)
  - Engineer's Report (AD)
    - Debt service + administrative costs = Annual Payments  
(record release of assessment lien for prepayments)

56

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**Administration - Basic Steps**

- Manage the funds
  - Bond funds per indenture / trust agreement  
(flow of funds and reconcilements)
  - Permitted investments
  - Requisition of construction funds
- Meet administrative obligation
  - Annual disclosure requirements and deadlines
  - IRS arbitrage compliance
  - Levy preparation and submittal to County Auditor
- Customer Service

57

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**Other Administrative Items**

- Arbitrage rebate calculation
- Reconcile bank statements
- Disbursing / Investing Bond Proceeds
- Prepayment calculations
- Record release of special tax / assessment lien
- Reimbursement for facility construction



61

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**Consultants or Staff?**

- Staff's experience
- Evaluation of workloads
- Number of districts
- Complexity of districts
- Combined approach



62

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**California Debt and Investment  
Advisory Commission**  
Fundamentals of Land Secured Financing  
April 25, 2014



*Workshop Conclusion  
and Evaluation*

63

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# TOPICAL OUTLINE

## SESSION I: Basic Structures of Assessment and Community Facilities Districts

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1. History of Each in a Nutshell
2. The California Statutes and Related Articles of the California Constitution
  - a. ADs – primarily, 1913 Act and 1915 Act, together with Article XIID of the California Constitution and Section 53753 of the Government Code
  - b. CFDs – the Mello-Roos Act, together with Articles XIIEA and XIIEC of the California Constitution  
  
NOTE – Charter Cities can utilize their legislative powers with respect to “municipal affairs” (and many, if not most of them, have done so) to enact their own versions of these statutory schemes, with variations designed to suit their policies and preferences
3. Scope of Eligible Items to Finance (Local Benefit vs. Community Facilities)
4. The Contrasting Exactions Being Imposed – Fixed-Lien Assessment vs. Special Tax Obligation
5. Special Benefit (ADs) vs. Reasonableness (CFDs)

## SESSION II: Pre-Formation Considerations

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1. Why Do Either? Finding a Public Policy Justification
2. Adoption of Local Goals and Policies – Required for CFDs, Advisable for ADs
3. The Landowner/Developer District – Public Works Contracting vs. Acquisition
4. Local Agency Staffing Responsibilities
5. Assembling the Resource Team – the Assessment Engineer vs. the Special Tax Consultant
6. Establishing Liaison with Other Affected Local Agencies and Utility Companies

## SESSION III: The District Formation Process

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1. Items Needed Before You Initiate the Formation Process
2. Initiated With or Without Property Owner Petition
3. Procedural Steps Which ADs and CFDs Have in Common



- a. approve and record boundary map
- b. obtain any required consent for “extraterritorial” actions
- c. adopt resolution of intention
- d. submit report
- e. provide notice of hearing
- f. conduct hearing, determine if have majority protest
- g. if no majority protest, adopt concluding resolution
- h. establish agreements, as appropriate, with other Local Agencies, Utility Companies and the Landowner/Developer

#### 4. Some Procedural Differences

- a. the notice of hearing
  - i. AD – must mail (with assessment ballot) not less than 45 days prior to hearing; publication not required
  - ii. CFD – mailing is optional; must publish one time at least 7 days prior to hearing
- b. the report
  - i. AD – called the “Engineer’s Report,” it is the central legal document and is formally approved as part of formation
  - ii. CFD – called the “Hearing Report,” it is an informational document only, can be changed at will, and is not approved as part of the process

NOTE – For CFDs, the central legal document is the “Rate and Method of Apportionment” (the “RMA” or “Special Tax Formula”)

- c. measuring property owner sentiment
  - i. AD – the assessment ballot procedure
    - (1) required by Section 4 of Article XIID of the California Constitution (added by Prop. 218 in November, 1996), as supplemented by Section 53753 of the Government Code
    - (2) this is not an election, and therefore California elections laws do not apply
    - (3) the assessment ballot procedure is conducted concurrently with and as part of the formation process, with the assessment ballots mailed to the owner(s) of each parcel being assessed, along with the notice of hearing
    - (4) to be counted, must be completed and returned prior to the close of the hearing; contents to remain “concealed” until close of hearing
    - (5) following the close of the hearing, the ballots returned are opened and tallied and become “public records”
    - (6) “majority protest” exists if more “No” than “Yes”, with ballots weighted by amount of proposed assessment

- II. CFD – the special election procedure
  - (1) this is an election, subject to requirements of California elections laws (with special provisions for determining who are the “qualified electors”), including special provisions of the Mello-Roos Act which override general provisions of the California Elections Code
  - (2) the election is called by resolution following the hearing and (assuming no majority protest) adoption of the resolution of formation
    - (A) authorization at Section 53326(a) of the Government Code to schedule the mailed ballot election on any date, so long as it is at least 90 days and no more than 180 days following adoption of the resolution of formation (and subject to coordination with the election official who will supervise the election) - the provisions of Section 1500 of the Elections Code (which specify “established mailed ballot election dates”) do not apply
  - (3) generally, conducted as a mailed-ballot election
    - (A) authorization at Section 53326(d) of the Government Code to use mailed ballot election procedures, without having to satisfy the provisions of Section 4000 of the Elections Code (which specify conditions which normally must be specified in order to utilize mailed ballot election procedures)
  - (4) generally, 3 separate measures combined in one ballot
    - (A) authorization to levy the special tax per the approved RMA
    - (B) authorization to issue special tax bonds, subject to a specified maximum principal amount
    - (C) authorization of a separate “appropriations limit” for the CFD as a separate entity, per Article XIII B of the California Constitution
- d. providing for cash payment of exactions prior to bond issuance – required for ADs, not required and generally not done for CFDs

## 5. Recording the Liens

- a. ADs – the Assessment Diagram and the Notice of Assessment
- b. CFDs – the Notice of Special Tax Lien

## 6. Authorizing the Levy and Collection of the Exaction

- a. ADs – if 1915 Act bonds being issued, no action required by the Local Agency to authorize the levy and collection of assessment installments
- b. CFDs – the tax levy ordinance

## SESSION IV: Project Implementation

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- 1. Determining Whether the Project Will be a Public Works Project of the Local Agency or an Acquisition Project of the Landowner/Developer
- 2. Expanding the Working Group to Include Staff and Professionals Whose Focus is the Improvement Project Itself

- a. Public Works Staff
  - b. Representatives of Other Local Agencies, Utility Companies
  - c. Design Engineer, Environmental Consultant
  - d. Contract Administrator, Inspection Services
  - e. Real Property Appraiser
3. Property Acquisition (e.g., Right-of-Way or Easements), If Necessary
  4. Environmental Clearance
  5. Review, Approval of Project Plans and Specifications
  6. Solicitation of Sealed Bids and Applicability of Prevailing Wage Requirements

## SESSION V: Bond Issuance

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1. Expanding the Working Group to Include Staff and Professionals Whose Focus is the Debt Issuance and Administration
  - a. Other Local Agency Staff Members
  - b. Bond Underwriter (May be Selected for Negotiated Sale or Determined by Competitive Bidding) . .
  - c. Fiscal Agent or Trustee for the Bonds
  - d. Dissemination Agent (if different from Fiscal Agent, Trustee)
  - e. Real Estate Appraiser
  - f. Disclosure Counsel
  - g. Assessment or Special Tax Administrator

NOTE – Generally speaking, Limited Obligation Assessment Bonds and Special Tax Bonds are not rated and are not credit-enhanced.
2. Determining Whether Bonds Will Be Sold by Negotiation or by Competitive Sale
3. CDIAC Reports and IRS Form 8038-G Prior to and at Time of Issuance
4. Determining Whether Landowner/Developer is Going to be Required to Provide a Continuing Disclosure Certificate
5. General Considerations for Establishing Debt Issuance Structure
  - a. The 1-to-3 Lien-to-Value Limitation (the Principal Amount of Bonds Should Not Exceed One-Third of the Value of the Property Encumbered by the Assessment or Special Tax)
  - b. The General Requirement (Federal Tax Law) to Spend the Bond Proceeds Within 3 Years of Issuance (Except for Reserve Fund)

- c. “Financial Engineering” to Assure a Match Between Projected Revenue and Debt Service on the Bonds
6. Preparing and Obtaining Local Agency Approval of Financing Documents
    - a. Bond Resolution, Fiscal Agent Agreement, Indenture (Sometimes Called the Trust Agreement)
    - b. Bond Purchase Contract (Alternatively, the Notice of Sale if Selling the Bonds by Competitive Sale)
    - c. Preliminary Official Statement
    - d. Continuing Disclosure Certificate or Agreement
  7. Conducting the Bond Sale
  8. The Pre-Closing and the Closing
  9. Disbursing Bond Proceeds, Investing the Retained Bond Proceeds

## SESSION VI: Administration of Liens and Bonds

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1. Determining What Functions to Handle In-House With Local Agency Staff and What Functions to Farm Out to Service Providers
2. Lien Administration Considerations
  - a. Disclosure to Prospective Property Purchasers
  - b. Annexation – Permissible with CFDs but not ADs
  - c. Apportionment of Liens to Reflect Property Divisions – Special Procedure Required for ADs but Happens Automatically With CFDs
  - d. Calculating and Administering Property Owner Prepayments
    - I. ADs – prepayment is a property owner entitlement; the formula for calculating the prepayment amount is provided by statute
    - II. CFDs – permitting prepayment is a Local Agency option, not required; if permitted, the formula for calculating the prepayment amount needs to be set forth in the RMA
  - e. Scheduled Collections on the Property Tax Roll
    - I. ADs – installments consist of pro-rata portion of annual debt service on bonds plus authorized administrative expenses; no “coverage” permitted and no allowance for anticipated delinquencies permitted
    - II. CFDs – annual special tax calculated in accordance with RMA; limited “coverage” and allowance for anticipated delinquencies permitted
  - f. Administering the Funds Collected
    - I. the Flow of Funds established in the bond issuance document
    - II. providing for investment earnings

- g. Delinquency Management
  - I. the need for a policy
  - II. the foreclosure covenant
  - III. special rules for the bond default situation

### 3. Bond Administration Considerations

- a. Annual Report to NRMSIRs in Compliance with Continuing Disclosure Certificate; the new “Central Post Office” service for submission
- b. Disbursing and Investing Bond Proceeds – Governed by the Bond Issuance Documents
  - I. the requisition procedure
  - II. “Permitted Investments”
- c. Using Proceeds of Prepayments to Redeem Bonds in Advance of Maturity
- d. The Concept of “Bond Yield,” Monitoring Investment Earnings for “Arbitrage” and the Need to “Rebate” Some Arbitrage Earnings to the IRS
- e. Changes of Ownership in the Bonds – Governed by the Bond Issuance Document and Handled by Paying Agent, Fiscal Agent or Trustee

# Overview of Community Facilities Districts (“CFDs”) vs. Assessment Districts (“ADs”)

ISSUE	COMMUNITY FACILITIES	1913 – 1915 ACT ASSESSMENT'S DISTRICTS
<b>Eligible Assets</b>		
1	All public improvements with a useful life of five years or more.	Public improvements which provide local special benefit to parcels within an AD.
<b>Eligible Services</b>		
2	Authorized for certain types of public services, including police, fire, library, recreational, flood control and maintenance of parks, parkways and open space (certain services require registered voter approval).	Authorized only to fund operations and maintenance of facilities directly financed by an AD.
<b>Apportionment of Assessments/ Special Taxes</b>		
3	Special tax is not a special “assessment” and there is no requirement that the tax be apportioned on the basis of benefit to any property. However, a special tax levied pursuant to the Mello-Roos Act may be based on a benefit received by parcels of real property, the cost of making facilities or authorized services available to each parcel, or some other “reasonable” basis as determined by the legislative body.	No assessment may be imposed on any parcel that exceeds the reasonable cost of the proportional special benefit conferred on that parcel. Only special benefits are assessable, and an agency must separate the general benefits from the special benefits conferred on a parcel.
<b>Financing District Boundaries</b>		
4	May be expanded through future annexations to include other properties that might benefit from CFD facilities or services.	AD boundaries are generally fixed once assessments are confirmed.
<b>Formation Process</b>		
5	Notice, public hearing, majority protest process and 2/3 vote required. Landowner election if less than 12 registered voters or if a tax is not imposed on residential property.	Notice, public hearing, majority protest process. Majority protest exists if ballots submitted in opposition to the assessment exceed ballots submitted in favor. Ballots weighed according to proportional financial obligation of the affected property.
<b>Maximum Residential Property Tax as Percentage of Sales Price</b>		
6	No statutory limit, but generally limited by public agency policy to a percentage of projected (not actual) property values.	No statutory limit, based solely on special benefit.
<b>Homeowner Property Tax Bills</b>		
7	Special taxes can be levied each year up to maximum rates, regardless of outstanding debt service and maintenance cost requirements. The maximum special taxes for parcels used for private residential uses cannot be increase by more than 2% per year. In addition parcels used for private residential uses cannot be increased by more than 10% to cover delinquencies caused by others.	Assessments can only be levied for existing debt service, maintenance costs, and pre-approved administrative charges.

ISSUE	COMMUNITY FACILITIES	1913 – 1915 ACT ASSESSMENTS DISTRICTS
<b>Public Property</b>		
8	No special tax required, so generally not taxed.	Must be assessed based on special benefit, so it generally results in an upfront cash payment/contribution to offset any assessment levy.
<b>Land Use Changes</b>		
9	Special taxes are automatically apportioned based on a tax formula (referred to as a “Rate and Method of Apportionment”), which generally adapts to changes in land use that occur after formation of the CFD.	Assessment lien apportionments cannot easily be modified after formation of an AD, except for subdivision of existing parcels generally based on lot sizes or numbers of units in each subdivided lot.
<b>Cross Collateralization &amp; Debt Service Coverage</b>		
10	Parcels are generally cross collateralized, overall CFD provides 110% (or greater) debt service coverage. Therefore, delinquencies on certain parcels may require that special taxes be raised on other properties (up to maximums provided).	No cross collateralization of parcels, each parcel in AD limited to its proportional share of 100% debt service coverage.
<b>Pay-as-you-go financing of infrastructure</b>		
11	Yes.	No.
<b>Pay-off or Prepayment of Lien</b>		
12	Allowed if included in the Rate and Method of Apportionment, but require complicated formula to administer – usually not financially efficient.	Automatically allowed by State statute, simpler to administer than in CFD.
<b>Public Agency Financing Guidelines</b>		
13	Must be adopted by agency prior to initiation of proceedings to establish a CFD.	None required by law. Often imposed as policy matter.
<b>Acceptance by Public</b>		
14	Widespread use since 1996 (particularly by school districts and since Prop 218) and a strong economy have made CFDs more acceptable to homebuyers. CFDs historically had a poor reputation with many political bodies and homebuyers.	ADs are more politically acceptable in many communities.
<b>Assessment/ Taxation of Undeveloped Property</b>		
15	Special Taxes on undeveloped land can differ from Special Taxes on developed properties.	Assessments on undeveloped land are often based on their potential development, and are generally equivalent to assessments on similar properties in their “post development” state.
<b>Debt Service Structure</b>		
16	Usually either level debt service or increasing debt service of 2% per year.	Usually level debt service.

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**CITY OF CHULA VISTA**

**STATEMENT OF GOALS AND POLICIES**  
**REGARDING THE ESTABLISHMENT**  
**OF**  
**COMMUNITY FACILITIES DISTRICTS**

Approved by the City Council  
of the  
City of Chula Vista  
December 8, 1998

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**TABLE OF CONTENTS**

	Page
PURPOSE AND SCOPE .....	1
INTRODUCTORY STATEMENT .....	1
FINDING OF PUBLIC INTEREST OR BENEFIT .....	2
AUTHORIZED PUBLIC FACILITIES .....	3
PRIORITIZATION OF PUBLIC IMPROVEMENTS .....	5
AUTHORIZED PUBLIC SERVICES .....	5
INCIDENTAL COSTS .....	6
Eligible Incidental Costs .....	6
Ineligible Incidental Costs .....	7
REQUIRED VALUE-TO-DEBT RATIO .....	8
CRITERIA FOR APPRAISALS .....	9
Definition of Appraisal .....	9
Contents of the Appraisal .....	9
MAXIMUM AGGREGATE TAXES AND ASSESSMENTS .....	12
SPECIAL TAX REQUIREMENTS .....	12
TERMS AND CONDITIONS OF SPECIAL TAX BONDS .....	13
DISCHARGE OF SPECIAL TAX OBLIGATION .....	14
DISCLOSURE TO PROPERTY PURCHASERS IN DEVELOPMENT RELATED CFD'S .....	15
PREFORMATION COST DEPOSITS AND REIMBURSEMENTS .....	15
SELECTION OF CONSULTANTS .....	17
LAND USE APPROVALS .....	17
APPLICATION PROCEDURE FOR DEVELOPMENT RELATED CFD'S .....	17

**CITY OF CHULA VISTA**  
**STATEMENT OF GOALS AND POLICIES**  
**REGARDING THE ESTABLISHMENT**  
**OF**  
**COMMUNITY FACILITIES DISTRICTS**

**PURPOSE AND SCOPE**

The City Council of the City of Chula Vista (hereafter the "City Council") hereby establishes and states its goals and policies concerning the use of Chapter 2.5 of Part I of Division 2 of Title 5 of the Government Code of the State of California (hereafter the "Act") in providing adequate public infrastructure improvements and public services for the City of Chula Vista (the "City"). The following goals and policies shall apply to all community facilities districts hereafter formed or proposed to be formed by the City. Any policy or goal stated herein may be supplemented or amended by resolution of the City Council.

The purpose of this Statement of Goals and Policies is to provide the City staff, the residents of the City and the owners and developers of property located within the City with guidance in the application for and consideration of the establishment of community facilities districts within the City for the purpose of financing or assisting in financing the acquisition or construction of public infrastructure or the provision of authorized public services to benefit and serve either existing or new development or a combination thereof. The underlying principals behind this policy are the protection of the public interest, assuring fairness in the application of special taxes to current and future property owners, assuring full disclosure of the existence of any special tax liens, insuring the creditworthiness of any community facilities district special tax bonds, protecting the City's credit rating and financial position and assuring that applicants for all community facilities district proceedings other than City initiated proceedings pay all costs associated with the formation of any community facilities district.

The scope of this policy is limited to the proposed formation of community facilities districts for the limited purpose of financing or assisting in financing the acquisition or construction of public infrastructure and/or the provision of authorized public services.

**INTRODUCTORY STATEMENT**

The City will consider applications initiated by owners or developers of vacant property proposed to be developed, owners of property within existing developed areas or registered voters residing in existing developed areas or the City itself for the establishment of community facilities districts to finance authorized public improvements or to provide authorized public services which benefit or serve existing or new development or a combination thereof. A community facilities district or an improvement area within a community facilities district proposed to be established

to finance public improvements or authorized services to serve new development may be referred to as a "Development Related CFD."

Each application for the establishment of a community facilities district must comply with the applicable goals and policies contained herein unless the City Council expressly grants an exception to such policy or policies as they apply to a specific application.

### **FINDING OF PUBLIC INTEREST OR BENEFIT**

The City Council may authorize the initiation of proceedings to form a community facilities district to finance authorized public improvements or to provide authorized public services if the City Council determines that the public improvements to be financed or public services to be provided or, in the case of a Development Related CFD, the attributes of the new development will provide, in the opinion of the City Council, a public benefit to the community at large as well as the benefit to be derived by the properties within the community facilities district.

Examples of public benefit to the community at large may include, but are not limited to, the following:

1. Construction of a major public facility which meets a community need including, but not limited to, a major arterial which will provide a vital roadway facility to alleviate congestion, water storage facilities which will remedy inadequate fire flow, and storm drainage facilities which are a part of the storm drainage master plan.
2. Provision of public infrastructure sooner than would otherwise be required for a particular development project.
3. Construction of public infrastructure to serve commercial or industrial projects which will expand the City's employment and/or sales tax base.
4. Provision of maintenance or other authorized public services such as landscaping, lighting, storm drain, flood control or open space maintenance necessary to promote or maintain quality of life and public safety within existing or developing areas of the City.

## AUTHORIZED PUBLIC FACILITIES

Improvements proposed to be financed through a community facilities district must be public improvements which will be owned, operated or maintained by the City or another public agency or public utility or to which the City is authorized to contribute revenue. The types of improvements eligible to be financed must serve a whole neighborhood area or greater. Such improvements include:

A. Streets and highways satisfying one or more of the following criteria:

- (1) identified in the Circulation Element of the City as collectors or arterials;
- (2) no direct access by abutting properties; or
- (3) minimum daily traffic volume of 3,500 ADT.

B. Sewer lines or other sewer facilities serving a minimum of 500 single family dwellings or equivalent dwelling units or such other community as the Director of Public Works may determine to otherwise be consistent with the intent of these goals and policies to be located within authorized streets and highways or within other public rights-of-way shown on the master plan of sewer facilities.

C. Water mains with a minimum diameter of 10" or other water facilities to be located within authorized streets and highways or within other public rights-of-way shown on the master plan of water facilities.

D. Drainage facilities serving a minimum of 100 acres or such other community as the Director of Public Works may determine to otherwise be consistent with the intent of these goals and policies or draining an eligible street.

E. Landscaping and irrigation facilities meeting one of the following criteria:

- (1) Located within the right-of-way of a street or highway shown on the Circulation Element of the City's General Plan;
- (2) Located adjacent to an adopted scenic route; or
- (3) Located within dedicated open space.

F. Reclaimed water facilities serving an area which benefits the proposed community facilities district.

G. Dry utilities serving a minimum of 500 single family dwelling units or equivalent dwelling units or such other community as the Director of Public Works may determine to otherwise be consistent with the intent of these goals and policies; provided, however, the amount of special tax bond proceeds allocable to such dry utilities may not exceed that amount permitted under Federal tax law and regulations to ensure the tax exempt status of interest on the applicable special tax bonds.

H. Grading for eligible public streets; provided, however, grading for a Development Related CFD must meet one of the following criteria:

- (1) Grading within the vertical planes of the right-of-way;
- (2) Slopes to City-owned open space or open space easement areas; or
- (3) Offsite roadway grading.

If the cut and fill within (1) and (2) do not balance, the cost of excavating, hauling and compacting fill in the street is authorized to be financed. If there is excess material in the street right-of-way, only the cost of excavating and hauling to private property within the development project is eligible to be financed. The determination of balance will be made on a total eligible street grading basis, not on an individual street basis.

I. Such other improvements as may be authorized by law and which the City Council determines are consistent with the policies herein.

The City Council shall have the final determination as to the eligibility of any improvement for financing, as well as the prioritization of financing of such improvements. Generally, "in-tract" (e.g., local streets or utilities) improvements which serve residential development will not be considered eligible to be financed through a community facilities district unless requested by the owners or registered voters of an existing residential development to remedy a threat, found to exist by the City Council, to the public health or safety resulting from an existing deficiency in public improvements to serve such existing development.

Any public improvements proposed to be financed through a community facilities district must meet all design and construction requirements and standards as may be established by the City. Any public improvement, the construction of which is completed following the adoption of the resolution of formation of a community facilities district, proposed to be acquired by the City from the owner or developer of property within a Development Related CFD must be constructed as if such improvements had been constructed under the direction and supervision, or under the authority of, the City.

Public improvements proposed to be acquired from the proceeds of special tax bonds or special taxes shall not be acquired until all improvements for a particular Project (as defined below) are completed and accepted by the City and the Director of Public Works or his or her designee has certified the final cost of such improvements. For purposes of this paragraph, a "Project" shall be defined as all improvements within a particular street or easement including street improvements, sewer, drainage, utilities and grading and which are authorized to be acquired by the community facilities district pursuant to an acquisition and financing agreement by and between the City, acting on behalf of itself and the community facilities district, and the property owner or developer who is responsible for the construction of the public improvements (the "Acquisition/Financing Agreement"). If improvements within more than one (1) Project are authorized to be acquired through the community facilities district, then the improvements within each Project may be acquired separately as all improvements within such Project are completed and accepted by the City and the final costs certified. Each Project established for any community facilities district and all improvements included within each such project must be described in the Acquisition/Financing Agreement for such community facilities district. If the Acquisition/Financing Agreement has established more than one (1) Project for any community facilities district, the Acquisition/Financing Agreement may authorize the partial release of funds to pay for the acquisition of each Project when such Project is completed and accepted by the City.

The City Council may, in its sole discretion, elect to deviate from or waive the foregoing policy in its consideration of the approval of an Acquisition/Financing Agreement for a community facilities district to authorize the payment of the purchase price for each discrete component of a Project, i.e., an individual improvement within a Project such as a sewer line within a Project which also includes street, water and drainage improvements. In electing to deviate from or waive the foregoing policy, the City Council may condition the payment of the purchase price for discrete components as the City Council deems necessary to insure the financial integrity of the community facilities district financing.

### **PRIORITIZATION OF PUBLIC IMPROVEMENTS**

It is the policy of the City to give first priority to the provision of public improvements benefitting the City in any community facilities district established by the City. It is secondarily the policy of the City, in any community facilities district established by the City, to assist in the provision of other public improvements to be owned, operated or maintained by other public agencies or public utilities.

### **AUTHORIZED PUBLIC SERVICES**

Public services proposed to be financed through a community facilities district may include:

- A. Maintenance of parkways, medians and open space, including but not limited to, maintenance of walls, fences, trail systems, pedestrian access systems and other facilities within such open space, maintenance and preservation of habitat within

such open space, and biota and other forms of monitoring of plants, wildlife, use of wildlife corridors and habitat quality as a part of any such open space maintenance program.

- B. Maintenance of naturalized drainage and flood control facilities including, but not limited to, channels and detention and desiltation basins.
- C. Such other services as may be authorized by the Act or by ordinance of the City adopted pursuant to the charter authority of the City and which the City Council determines are consistent with the goals and policies herein and are in the best interest of the City and the residents and property owners within the community facilities district.

### INCIDENTAL COSTS

#### **Eligible Incidental Costs**

Eligible incidental costs which may be financed from the proceeds of special tax bonds issued for a Development Related CFD or the special tax levied within a Development Related CFD shall be limited to those incidental costs directly related to the improvements financed from the proceeds of such special tax bonds or special tax revenues and may include:

- 1. Usual and customary design and engineering costs not to exceed the following percentages:
  - a. Civil engineering - 7.5% of the cost of the improvements for which the engineering was performed.
  - b. Soils engineering - 15% of the cost of the applicable grading.
  - c. Landscape architecture - 10% of the cost of the applicable landscaping and irrigation.
  - d. Surveying and construction staking - 2% of the combined cost of the civil engineering improvements and grading for the applicable street and wet utilities.
  - e. Utility engineering/coordination - 3% of the cost of the applicable dry utilities.
- 2. Construction administration and supervision not to exceed, in aggregate, 1.75% of the total construction cost of the applicable public improvements.

3. Special engineering studies related to "collector" or "transmission" facilities. Eligibility of such studies must be reviewed and approved by the Public Works Director.

4. Plan check and inspection fees (less any refunds).

5. Capacity or connection fees related solely to the public improvements being acquired or constructed as permitted under the Act.

6. Capitalized interest on any community facilities district special tax bonds as authorized by the City Council pursuant to these goals and policies.

7. Costs of acquisition of off-site rights-of-way and/or easements including the following:

a. Appraisal costs, including title reports.

b. Costs of preparing acquisition plats.

c. Appraised value or actual cost of right-of-way or easement, whichever is less.

d. Legal fees and cost related to eminent domain proceedings approved by the City Attorney.

8. Reimbursement of funds advanced by the applicant to pay for (i) preformation costs and/or (ii) costs of issuance incurred by or on behalf of the City.

9. Costs of environmental review, permitting and mitigation limited to the specific public improvements proposed to be financed through the community facilities district.

Unless specified otherwise above, the City Manager, or his designee, shall review all incidental costs to insure that such costs are customary and reasonable.

### **Ineligible Incidental Costs**

The following costs are not eligible to be financed from the proceeds of community facilities district special tax bonds:

1. Development impact fees; provided, however, the City Council may, in its sole discretion, grant credit in an amount not to exceed the obligation for the payment of such fees if improvements which would otherwise be financed from the proceeds of such fees are financed from the proceeds of community facilities district special tax bonds.



2. Administrative or overhead expenses, financial or legal fees incurred by an applicant for the formation of a community facilities district. This limitation does not apply to amounts advanced by the applicant to the City pursuant to the provisions of this policy to pay for preformation costs incurred by the City. (See "Preformation Cost Deposits and Reimbursements" below.)

3. Land use planning and subdivision costs and environmental review costs related to such land use planning and subdivision.

4. Planning studies unless off-site.

5. Environmental impact reports unless off-site.

6. Construction loan interest.

7. Subdivision financial analysis.

8. Attorneys' fees related to the land use entitlement or subdivision process unless off-site.

9. On site right-of-way and easements.

10. Any compensation payable to the City as consideration for the City's agreement to provide the financing mechanism for the financing of the authorized improvements and eligible incidental expenses and to acquire the authorized improvements pursuant to the terms and conditions of an agreement with the City and the property owner or developer as appropriate.

11. Other overhead expenses incurred by the applicant.

### **REQUIRED VALUE-TO-DEBT RATIO**

It is the policy of the City that the value-to-debt ratio, i.e., the full cash value of the properties subject to the levy of special taxes, including the value of the improvements to be financed from the proceeds of the issue or series of special tax bonds for which the value-to-debt ratio is being computed, compared to the aggregate amount of the special tax lien proposed to be created plus any prior fixed assessment liens and/or special tax liens, for a community facilities district must be at least 4:1. The required value-to-debt ratio shall be determined with respect to all taxable property within the community facilities district in the aggregate and with respect to each development area for which no final subdivision map has been filed. A community facilities district with a value-to-debt ratio of less than 4:1 but equal to or greater than 3:1 may be approved, in the sole discretion of the City Council, upon a determination by the City Manager, after consultation with the Finance Director, the bond counsel, the underwriter and the financial advisor, that a value-to-debt ratio of less than 4:1 is financially prudent under the circumstances of the

particular community facilities district. In addition, the City Council may, in its sole discretion, accept a form or forms of credit enhancement such as a letter of credit, bond insurance or the escrow of bond proceeds to offset a deficiency in the required value-to-debt ratio as it applies to the taxable property within the community facilities district in the aggregate or with respect to any development area.

The value-to-debt ratio shall be determined based upon the full cash value of the properties subject to the levy of the special tax as shown on the ad valorem assessment roll or upon an appraisal of the properties proposed to be assessed; provided, however, the City Manager may require that the value-to-debt ratio be determined by an appraisal if, in his judgement, the assessed values of the properties proposed to be assessed do not reflect the current full cash value of such properties. The appraisal shall be coordinated by, done under the direction of, and addressed to the City. The appraisal shall be undertaken by a state certified real estate appraiser, as defined in Business and Professions Code Section 11340. The appraiser shall be selected and retained by the City or the City's financial advisor. The costs associated with the preparation of the appraisal report shall be paid by the applicant for the community facilities district, but shall be subject to possible reimbursement as provided for herein. The appraisal shall be conducted in accordance with assumptions and criteria established by the City, based upon generally accepted appraisal standards or state recommended standards for similar appraisals conducted for the same purpose.

The City reserves the right to require a market absorption study for any community facilities district proposed to include new development. In any such case the City shall retain, at the applicant's sole expense but subject to reimbursement as provided for herein, a consultant to prepare a report to verify or establish the projected market absorption for and the projected sales prices of the properties proposed to be included within the community facilities district. If a market absorption study is conducted, the appraiser shall utilize the conclusions of the market absorption study in conducting the appraisal of the properties within the proposed community facilities district or shall justify, to the satisfaction of the City Manager, why such conclusions were not utilized in conducting such appraisal.

## **CRITERIA FOR APPRAISALS**

### **Definition of Appraisal**

For purposes of these goals and policies, an appraisal shall mean a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by the presentation and analysis of relevant market information.

### **Contents of the Appraisal**

An appraisal should reflect nationally recognized appraisal standards, including, to the extent appropriate, the Uniform Standards of Professional Appraisal Practice. An appraisal must contain sufficient documentation, including valuation data and the appraiser's analysis of such data, to support the appraiser's opinion of value. At a minimum, the appraisal shall contain the following:

1. Purpose of the appraisal. This should include the reason for the appraisal, a definition of all values required and the property rights being appraised.
2. Area, City and Neighborhood Data. These data should include such information as directly affects the appraised property together with the appraiser's conclusions as to significant trends.
3. Property Data. This should include a detailed physical description of the property, its size, shape, soil conditions, topography, improvements, and other physical characteristics which affect the property being appraised. The availability, capacity of, and proximity to, utilities and other infrastructure should also be discussed.
4. Title Condition. The condition of title to the property appraised should be discussed based upon the appraiser's examination of a title report of the property appraised. The appraiser should analyze and discuss those title issues which are concluded to impact the value of the property being appraised.
5. Improvement Condition.
  - a. The appraiser shall value the property within the community facilities district on an "as-is" basis taking into consideration the value associated with the public improvements to be funded from the proceeds of the issue of bonds for which the appraisal is being undertaken. The property in the community facilities district shall be valued as if it were free and clear of any special taxes and assessments, if any, so that a proper comparison of value-to-debt can be determined. In determining his or her conclusion of value, the appraiser may consider the value of the property in the community facilities district under different market conditions. This may consist of valuing the property as if it were sold to a single purchaser in bulk or sold to several purchasers in portions or pieces.
  - b. Land parcels which have been developed with residences and subsequently sold should at a minimum indicate land parcel size, number of lots, density, number of plans, square footage, room counts, year construction was initiated, year of completion, and when sales were initiated.
  - c. Land parcels with residential product under construction or with standing inventory should be described as in a. above and include a summary of the stage of development regarding the number of units completed, number of models, status of

units under construction, finished lots and mass-graded or raw lots. In addition, a comment on the marketability of the units (architecture, size, etc.) is appropriate.

- d. Land parcels which have been developed with income-producing (or owner-occupied) commercial, industrial, apartments, offices, etc., should be described as follows:
- (i) Commercial-Retail - Land parcel size; basic construction type; typical tenant improvements (and who is responsible for their construction); leasable area, when construction was initiated; and date of completion.
  - (ii) Industrial - Land parcel size; basic construction type, whether single or multi tenant; typical office build-out as percentage of total area, when construction was initiated; and date of completion.
  - (iii) Apartments - Land parcel size; basic construction type; number of stories; number of units; unit mix; size; total rentable area, when construction was initiated; and date of completion.
  - (iv) Office - Land parcel size; basic construction type; typical tenant improvements/allowance; net rentable area, when construction was initiated; and date of completion.

6. General Plan Classification. Describe the General Plan classification of the subject and comparable properties.

7. Zoning. Describe the zoning for the subject and comparable properties. Note any discrepancy between General Plan classification and zoning. If rezoning is imminent, discuss further under Item 8 below.

8. Analysis of Highest and Best Use. The report should state and support the highest and best use to which a property can be put and recognize that land is appraised as though vacant and available for development to its highest and best use, and the improvements are based on their actual contribution to the site.

9. Statement of Value. The appraiser's opinion of the value of the specified property rights, prepared according to all relevant and reliable approaches to value consistent with commonly accepted professional appraisal practices. If a discounted cash flow analysis is used, it should be supported by at least one other valuation method such as sales comparison approach utilizing sales of properties that are in the same stage of development. If more than one valuation approach is used, the appraiser shall include an analysis and reconciliation of such approaches to support the appraiser's opinion of value.

10. Certification. Certification of appraiser and permission to reproduce and use the appraisal report as required for bond issuance.

### **MAXIMUM AGGREGATE TAXES AND ASSESSMENTS**

It is the policy of the City that the maximum annual special tax installment applicable to any parcel used for residential purposes shall not exceed one percent (1%) of the sale price of newly developed properties subject to the levy of the special tax (the "Newly Developed Properties") as of the date of the close of escrow of the initial sale of any residential dwelling unit to such residential home owner. As a distinct and separate requirement, the total of the following taxes, assessments described in 4. below and special taxes appearing on the property tax bill, shall not exceed two (2%) of such initial sales price of Newly Developed Properties:

1. Ad valorem property taxes.
2. Voter approved ad valorem property taxes in excess of one percent (1%) of the assessed value of the subject properties.
3. The maximum annual special taxes levied by the community facilities district under consideration and any other community facilities district or other public agency excepting therefrom special taxes levied by a community facilities district formed or under consideration for formation for the purpose of providing services such as open space maintenance, landscape maintenance and preserve maintenance.
4. The annual assessment installments, including any administrative surcharge, for any existing assessment district where such assessment installments are utilized to pay debt service on bonds issued for such assessment district. Annual assessment installments for maintenance and services shall not be included in the assessments calculated in determining the aggregate tax, assessment and special tax obligation for a parcel.

The applicant for the establishment of any Development Related CFD shall be required to enter into an agreement with the City or the community facilities district requiring the prepayment by the applicant of that portion of the special tax obligation applicable to any parcel used for residential purposes in order to reduce the annual maximum special tax obligation so that the maximum annual special tax installment shall not exceed 1% of the sales price for such parcel and the total taxes, assessments and special taxes does not exceed 2% of such sales price.

### **SPECIAL TAX REQUIREMENTS**

The rate and method of apportionment of the special tax for any community facilities district shall adhere to the following requirements:

1. The maximum special tax shall be adequate to include an amount necessary to pay for the expenses incurred by such community facilities district in the levy and collection of the special tax and the administration of the special tax bonds and the community facilities district.

2. The maximum projected annual special tax revenues must equal 110% of the projected annual gross debt service on any bonds of the community facilities district.

3. A backup special tax shall be required for any Development Related CFD to protect against changes in density resulting in the generation of insufficient special tax revenues to pay annual debt service and administrative expenses. The City Council may additionally or alternatively require that as a condition of approval of the downsizing of the development in a Development Related CFD at the request of the applicant or the applicant's successor-in-interest, the applicant or the applicant's successor-in-interest, as applicable, may be required to prepay such portion of the special tax obligation as may be necessary in the determination of the City to ensure that adequate debt service coverage exists with respect to any outstanding bonds or otherwise provides security in a form and amount deemed necessary by the City Council to provide for the payment of debt service on the bonds.

4. All developed and undeveloped property within any community facilities district which is not otherwise statutorily exempt from the levy of special taxes shall bear its appropriate share of the community facilities district's aggregate special tax obligation from the date of formation of the community facilities district consistent with the other goals and policies set forth herein.

5. A partial and/or total prepayment option shall be included in any rate and method of apportionment of special taxes to pay for public facilities. No prepayment shall be permitted of a special tax levied to finance authorized services or maintenance.

6. The maximum special tax to pay for public facilities shall be levied against any parcel used for private residential purposes in the first fiscal year following the fiscal year in which the building permit for the construction of a residential dwelling unit on such parcel is issued and such maximum special tax may not escalate after the first fiscal year in which such special tax is so levied.

7. The rate and method of apportionment of a special tax to pay for public facilities shall specify a fiscal year beyond which the special tax may not be levied on any parcel used for private residential purposes. A special tax to pay for public services or maintenance shall have no termination date unless established by the City Council.

#### **TERMS AND CONDITIONS OF SPECIAL TAX BONDS**

All terms and conditions of any special tax bonds issued by the City for any community facilities district, including, without limitation, the sizing, timing, term, interest rates, discount, redemption features, flow of funds, investment provisions and foreclosure covenants, shall be established by the City. Each special tax bond issue shall be structured to adequately protect bond owners and to avoid negatively impacting the bonding capacity or credit worthiness of the City. Unless otherwise approved by the City Council, the following shall serve as minimum bond requirements:

a. A reserve fund shall be established for each bond issue to be funded out of the bond proceeds in an amount equal to 10% of the original proceeds of the bonds or such lesser amount as may be required by federal tax law.

b. Interest shall be capitalized for a bond issue only so long as necessary to place the special tax installments on the assessment roll; provided, however, interest may be capitalized for a term to be established in the sole discretion of the City Council on a case-by-case basis, not to exceed an aggregate of 18 months, taking into consideration the value-to-debt ratio, the expected timing of initial residential occupancies, expected absorption and buildout of the project, the expected construction and completion schedule for the public improvements to be funded from the proceeds of the bond issue in question, the size of the bond issue, the development pro forma and the equity position of the applicant and such other factors as the City Council may deem relevant.

c. In instances where multiple series of bonds are to be issued, the City shall determine what improvements shall be financed from the proceeds of each series of bonds.

d. Neither the faith, credit or taxing power of the City shall be pledged to the payment of the bonds. The sole source of revenue for the payment of the bonds shall be the special taxes, capitalized interest, if any, and moneys on deposit in the reserve fund established for such bonds.

#### **DISCHARGE OF SPECIAL TAX OBLIGATION**

It is the policy of the City that the special tax obligation related to the financing of the acquisition or construction of public improvements may be prepaid and discharged in whole or in part at any time. The applicant for the formation of a Development Related CFD must provide notice and opportunity for the purchasers of property within such community facilities district to prepay the special tax obligation applicable to such property at the time of the close of escrow.

The applicant for the formation of a Development Related CFD must prepare and present a plan, satisfactory to the City Council, prior to the public hearing to consider the formation of such community facilities district describing how the prospective purchaser will be notified of the existence of the special tax lien and the options which the prospective purchaser has regarding the prepayment and discharge of the special tax obligation.

## **DISCLOSURE TO PROPERTY PURCHASERS IN DEVELOPMENT RELATED CFD'S**

The applicant for the formation of a Development Related CFD will be required to demonstrate to the satisfaction of the City Manager (when the term City Manager is used herein it shall mean the City Manager or his designee) that there will be full disclosure of the special tax obligation for such community facilities district and of any and all other special taxes or assessments on individual parcels to prospective purchasers or lessees of property within such community facilities district, including interim purchasers, merchant builders, residential homeowners and commercial or industrial purchasers or lessees.

Such notice must include all of the following in addition to such other provisions as may be required by the Act, the Municipal Code of the City or the applicant may deem necessary:

a. Provide for full disclosure of the existence of the special tax lien and any other assessment or special tax obligation applicable to the properties within the community facilities district (whether imposed by the City or any other public agency), including the principal amount of the special tax obligation and any other applicable assessment or special tax obligation, term of each of the assessment or special tax liens and the amount of the expected payments of the special taxes and the maximum authorized special tax.

b. Disclose the option to prepay the special tax to pay for public facilities or allow the special tax to pay for public facilities to be passed through to the purchaser of such property and the adjustment, if any, in the sales price of the homes or other property which will apply if the special tax lien is passed through. Provide the ability for the prospective purchaser to elect to exercise the option either to prepay the special tax obligation for facilities at the close of escrow or to have the special taxes included in the property taxes for the property. Such disclosure shall be placed in all sales brochures, all other on-site advertising and all purchase documents.

c. Specify in all disclosure documents the name, title, telephone number and address of a representative of the City as provided to the applicant who may be contacted by any prospective purchaser of property within the community facilities district for further information regarding the community facilities district and the special tax liens.

The applicant must agree to provide an original copy of all applicable disclosure documents to the City prior to initiating property sales.

## **PREFORMATION COST DEPOSITS AND REIMBURSEMENTS**

Except for those applications for community facilities districts where the City is the applicant, all City and consultant costs incurred in the evaluation of applications and the proceedings to form a community facilities district and issue special tax bonds therefor will be paid by the applicant by advance deposit with the City of moneys sufficient to pay all such costs.



Each application for the formation of a community facilities district shall be accompanied by an initial deposit in an amount to be determined by the City Manager to be adequate to fund the evaluation of the application and undertake the proceedings to form the community facilities district and issue the special tax bonds therefor. The City Manager may, in his or her sole discretion, permit an applicant to make periodic deposits to cover such expenses rather than a single lump sum deposit; provided, however, no preformation costs shall be incurred by the City in excess of the amount then on deposit for such purposes. If additional funds are required to pay required preformation costs, the City Manager may make written demand upon the applicant for such additional funds and the applicant shall deposit such additional funds with the City within five (5) working days of the date of receipt of such demand. Upon the depletion of the funds deposited by applicant for preformation costs, all proceedings shall be suspended until receipt by the City of such additional funds as the City Manager may demand.

The deposits shall be used by the City to pay for costs and expenses incurred by the City incident to the evaluation of the application and the proceedings for the formation of the community facilities district and the issuance of the special tax bonds therefor, including, but not limited to, legal, special tax consultant, engineering, appraisal, market absorption, financial advisor, administrative and staff costs and expenses, required notifications, printing and publication costs.

The City shall refund any unexpended portion of the deposits upon the occurrence of one of the following events:

- a. The formation of the community facilities district or the issuance of the special tax bonds;
- b. The formation of the community facilities district or the issuance of the special tax bonds is disapproved by the City Council;
- c. The proceedings for the formation of the community facilities district and the issuance of the special tax bonds are abandoned at the written request of the applicant; or
- d. The special tax bonds may not be issued and sold.

Except as otherwise provided herein, the applicant shall be entitled, at the option of the applicant, to reimbursement of or credit against special taxes for all amounts deposited with the City to pay for costs incident to the evaluation of the application and the proceedings for the formation of the community facilities district and the issuance of the special tax bonds therefor upon the formation of the community facilities district and the successful issuance and sale of the special tax bonds for the community facilities district. Any such reimbursement shall be payable solely from the proceeds of the special tax bonds.

The City shall not accrue or pay interest on any moneys deposited with the City.

## SELECTION OF CONSULTANTS

The City shall select and retain all consultants necessary for the evaluation of any application and the proceedings for the formation of a community facilities district and the issuance of the special tax bonds therefor, including, but not limited to, special tax consultant, bond counsel, financial advisor, underwriter, appraiser, and market absorption analyst after consultation with the applicant.

## LAND USE APPROVALS

Properties proposed to be included in a Development Related CFD must have received such discretionary land use approvals as may, in the determination of the City, be necessary to enable the City to adequately evaluate the community facilities district including the properties to be included and the improvements proposed to be financed. The City will issue bonds secured by the levy of special taxes within a Development Related CFD when (i) the properties included within such community facilities district have received those applicable discretionary land use approvals which would permit the development of such properties consistent with the assumptions utilized in the development of the rate and method of apportionment of the special taxes for such community facilities district and (ii) applicable environmental review has been completed.

It is the policy of the City Council in granting approval for development such as zoning, specific plan or subdivision approval to grant such approval as a part of the City's ongoing planning and land use approval process. In granting such approval, the City reserves such rights as may be permitted by law to modify such approvals in the future as the City Council determines the public health, safety, welfare and interest may require. Such approval when granted is subject to a condition that the construction of any part of the development does not, standing alone, grant any rights to complete the development of the remainder of such development. Construction of public improvements to serve undeveloped land financed through a community facilities district shall not vest any rights to the then existing land use approvals for the property assessed for such improvements or to any particular level, type or intensity of development or use. Applicants for a Development Related CFD must include an express acknowledgment of this policy and shall expressly waive on their behalf and on behalf of their successors and assigns any cause of action at law or in equity including, but not limited to, taking or damaging of property, for reassessment of property or denial of any right protected by USC Section 1983 which might be applicable to the properties to be assessed.

## APPLICATION PROCEDURE FOR DEVELOPMENT RELATED CFD'S

Any application for the establishment of a community facilities district shall contain such information and be submitted in such form as the City Manager may require. In addition to such information as the City Manager may require, each application must contain:

1. Proof of authorization to submit the application on behalf of the owner of the property for which the application is submitted if the applicant is not the owner of such property.
2. Evidence satisfactory to the City Manager that the applicant represents or has the consent of the owners of not less than 67%, by area, of the property proposed to be subject to the levy of the special tax.
3. For any Development Related CFD proposed to finance improvements to benefit new development, a business plan for the development of the property within the proposed community facilities district and such additional financial information as the City Manager may deem necessary to adequately review the financial feasibility of the community facilities district. For Development Related CFD's proposed to finance improvements to benefit new development, the applicant must demonstrate to the satisfaction of the City Manager the ability of the owner of the property proposed to be developed to pay the special tax installments for the community facilities district and any other assessments, special taxes and ad valorem taxes on such property until full build out of the property.

It is the intention of the City Council that applicants for a community facilities district have an early opportunity to have the application reviewed by City staff for compliance with this policy. In that regard, the City Council hereby directs the City Manager to create a community facilities district application review committee composed of the City Manager, City Attorney, Director of Public Works, City Engineer, Planning Director, Finance Director and such additional persons as the City Manager may deem necessary. The committee shall meet on request with the applicant for a community facilities district for the purpose of reviewing an application to form a community facilities district following the determination by the City Manager that the information contained in the application for such community facilities district complies with the requirements of this policy. Following the review of such an application, the committee shall prepare and submit a report to the City Council containing the findings and recommendations of the committee regarding the application.

Following completion of the committee report, the City Manager shall place the application on the City Council agenda for review. After review of the application and consideration of the committee report, the City Council shall determine whether or not to approve the initiation of proceedings to form the community facilities district. The decision of the City Council pertaining to the application shall be final.

The ability of a property owner or developer to obtain financing of public improvements from the proceeds of tax-exempt bonds provides substantial economic benefits to such owner or developer not the least of which may be the financing of such improvements at interest rates substantially lower than conventional financing interest rates, if such conventional financing is available, and/or the ability to obtain financing without providing equity compensation to the lender. In providing such financing for a Development Related CFD the City Council believes that the City is providing valuable consideration to the property owner or developer and should be

receive consideration in exchange. It is the goal of the City to insure that the City and the remainder of its residents, property owners and taxpayers are compensated for the consideration provided to the property owner or developer of a Development Related CFD and that such compensation should be one percent (1%) of the total authorized bonded indebtedness for such a community facilities district. Prior to the issuance of special tax bonds for any Development Related CFD, the applicant shall pay to the City the pro rata amount of any compensation payable to the City as consideration for the City's agreement to provide the financing mechanism for the financing of the authorized improvements and eligible incidental expenses and to acquire the authorized improvements pursuant to the terms and conditions of an agreement between the City and the property owner or developer as appropriate. For example, if the compensation payable to the City for such consideration is \$100,000 for a Development Related CFD where the total authorized bonded indebtedness is \$10,000,000 and the series of special tax bonds to be initially issued is \$5,000,000, the compensation payable to the City prior to the issuance of the initial series of bonds will be the principal amount of the initial bond issue (\$5,000,000) divided by the total amount of the authorized bonded indebtedness (\$10,000,000) multiplied by the total compensation for such Development Related CFD (\$100,000). In this example, the compensation payable prior to the issuance of the first series of bonds would be:

$$\frac{\$5,000,000}{\$10,000,000} \times \$100,000 = \$50,000.$$

## APPENDIX A – SPECIAL DISTRICT FORMATION AND FINANCING POLICY

### Overview

The following Special District Formation and Financing Policy is enacted to provide a uniform guideline for Community Facilities District (“CFD”) and 1913/1915 Act Assessment District formation and financing. A Special District is typically formed to provide funding for public infrastructure in connection with new development, but may also be formed to finance improvements pertaining to developed properties. Subject to voter approval and once a district is formed, special taxes or assessments may be levied upon properties within a district to directly pay for facilities, and, in certain cases, services. Special taxes or assessments may also be levied to repay bonds issued to finance public improvements.

The City expects that private developers should have primary responsibility for providing public infrastructure required in connection with new development. With this policy as a guideline, the City will continue to consider requests for Special District formation and debt issuance to finance such public infrastructure when the requests address an extraordinary public need or benefit. However, due to the significant burden placed on the City to provide these conduit financings, and in light of potential impacts to the City’s debt position, the Chief Financial Officer, working with the Debt Management Director, will consider each application for Special District debt issuance on a case by case basis, and may not proceed with such financing if it is determined that the financing could be detrimental to the debt position or best interests of the City. Whenever feasible, the City will consider authorizing qualified state joint powers authorities (JPAs) such as the California Statewide Communities Development Authority (CSCDA)<sup>1</sup> or the California Municipal Finance Authority (CMFA)<sup>2</sup> to provide conduit Special District formation and financing services and ongoing parcel administration for interested developers/property owners. In these cases, the developers/property owners and the JPA would still be required to adhere to the guidelines contained in the City’s Special District Formation and Financing Policy unless extraordinary circumstances exist and a waiver of specific guidelines contained in the policy is provided when the City Council approves the authorizing resolution. Further, the JPA is required to present an informational report to the City Council at least 30 days prior to a debt issuance on behalf of the district.

*This Special District Formation and Financing Policy is specific to Special Districts and supplemental to the City’s Debt Policy. As such, guidelines provided in the City’s Debt Policy would, in many cases, also be applicable to Special Districts. In addition, the City will adhere to all state and federal laws concerning the issuance of Special Districts related debt.*

The City’s Special District Formation and Financing Policy is specifically designed to:

- Establish parameters for the Special District formation and financing processes
- Assist concerned parties in following the City’s approach for forming districts and issuing any related debt
- Facilitate the actual formation and financing processes by establishing important policy guidance in advance
- Set forth the City’s Local Goals and Policies for CFD formation and financing, as required by Section 53312.7 of the California Government Code

<sup>1</sup> CSCDA is a joint powers authority created to enable local government and eligible private entities access to financing for public projects throughout the state.

<sup>2</sup>CMFA is a joint powers authority created to assist with the financing of economic development throughout the state.

## **A1 Background: Types of Special Districts**

This Special District Formation and Financing Policy is intended to provide a uniform guideline for Community Facilities District (“CFD”)<sup>3</sup> and 1913/1915 Act<sup>4</sup> Assessment District formation and financing. These Special Districts are primarily developer initiated, whereby a developer seeks a public financing mechanism to fund public infrastructure required of it by the City in connection with development permits or agreements, and/or tentative or subdivision maps. Special District formation may also be initiated by an established community.

It is important to note that the formation and debt issuance processes related to Special Districts may be considered as distinct activities. That is, districts may be established and the assessments or special taxes levied could pay directly for improvements, and in certain cases, services. Alternatively, associated bonds may be issued by such districts to finance improvements, in which case the debt service would be paid with assessment or special tax revenues.

### **A. Community Facilities District Financing – Mello-Roos Bonds**

The Mello-Roos Community Facilities Act of 1982 (the “Mello-Roos Act”) was enacted by the State to help growing areas finance certain essential public facilities that typically accompany major development projects. The Mello-Roos Act permits a public agency to create a defined area within its jurisdiction and, by a two-thirds majority vote of the registered voters within the district (or, if there are fewer than 12 registered voters, through a landowner vote), levy a special tax within the district to pay directly for public improvements or services, or pay debt service on bonds issued to finance improvements. CFD, or Mello-Roos, Bonds are not fiscal obligations of the City, and are limited obligations of the CFD, payable solely from special taxes levied upon property within the district. The special taxes are calculated and levied pursuant to a Rate and Method of Apportionment, or tax formula. Under the Mello-Roos Act, the formula must be reasonable.

Formation of a CFD may be initiated by the legislative body on its own or when the appropriate request or petition, as defined by the Mello-Roos Act, is filed with the City. Currently, there are no CFDs initiated by the City’s legislative body. At the discretion of the CFO, the City may choose to self-initiate a CFD, and may give priority to the provision of public facilities and/or services benefiting the City to any CFD established by the City.

The financed public facilities must ultimately be owned and operated by a public entity, such as the City, and may include, among other things, parks, libraries, police and fire facilities, roadways, and water and sewer infrastructure improvements that have a useful life of five years or more. In accordance with Section 53313 of the California Government Code, CFDs may also provide funds for certain public services, including police and fire

<sup>3</sup> The Mello-Roos Community Facilities Act of 1982 permits a public agency to levy a special tax within a defined area to finance certain essential facilities, or to pay for certain services, when specific voting requirements are met.

<sup>4</sup> An Assessment District may be formed pursuant to the Streets and Highways Code Municipal Improvement Act of 1913. The associated bond acts, also contained within the Streets and Highways Code, include the Improvement Bond Act of 1915 and the Refunding Act of 1984, which provide for the issuance of bonds under various assessment proceedings and the refunding of assessment bonds, respectively.

services, and recreation program services so long as they are in addition to, and do not supplant, services already provided within the territory.

**B. Assessment District Financing**

The Municipal Improvement Act of 1913 provides for a local agency to form an Assessment District to finance certain infrastructure, including roadways, water and sewer facilities, storm drains, and other improvements often required in connection with new development. Assessment Districts formed under this Act may also finance, but in very limited circumstances, maintenance services. Assessment Districts may also be formed to provide for, among other things, the undergrounding of overhead utility lines or the abatement of hazardous geological conditions, upon a successful petition signed by owners of property who want the improvement.

An Assessment District must include all properties that will benefit directly from the improvements to be constructed, and formation of the district requires an election in which at least 50% of property owners vote in favor of the district. If an Assessment District is formed, the City may levy assessments that can be utilized to directly finance the public improvements, or may be pledged to support debt service on bonds, which may be issued under the Improvement Bond Act of 1915. The assessments that are levied upon each parcel must be based upon the direct and special benefit received by the property.

**A2 Considerations for Authorization of Special District Financing**

The formation and financing processes related to Special Districts may be considered as two distinct processes. In order for a financing process to occur, a formation process is also necessary. However, a district could be formed without an associated bond financing. In this case, the special taxes or assessments that are levied would provide revenues to pay directly for public improvements, or, in certain cases, services (versus paying debt service on bonds issued to finance improvements). The following guidelines generally relate to the financing process for Special Districts.

**A. Credit Considerations**

It is the City's policy to exercise caution in approving requests for Special District financing and that each request be weighed in the context of the City's total infrastructure and financing needs. Although the rating agencies consider Special District financings as overlapping debt (as compared to direct debt), if, and to the extent, the City's overlapping debt burden is viewed as excessive, there could be an impact to the City's credit. Such an impact could increase the costs of all future City bond financings. In light of potential impacts to the City's debt position, the Chief Financial Officer will consider each application for Special District financing on a case by case basis, and may not recommend such financing if it is determined the financing could be detrimental to the City's overall debt position or the best interests of the City.

**B. Extraordinary Public Benefit**

With respect to CFD financing, the applicant should demonstrate that a proposed project will provide an extraordinary public benefit. This condition may be met if at least one of the following criteria is satisfied:



Regional Benefit – The improvements must be generally large in scope, and provide a community-wide or regional benefit. Examples of regional improvements are libraries, fire stations, and transportation improvements that result in a significant net improvement to the regional transportation system, and parks and recreational improvements of a unique or otherwise significant nature that are anticipated to serve residents from across the City.

Additional Public Benefits – The proposed improvements must provide some other extraordinary benefit which otherwise would not be realized through the normal subdivision process. Examples of this type of benefit would include: the provision of the proposed improvements in a more timely fashion; facilitating a project that multiple properties/developments are responsible for providing; facilitating a City adopted redevelopment project; the provision of environmental benefits; the provision of public infrastructure undertaken in connection with affordable housing; or a similar benefit that the City finds acceptable.

C. Competing Projects

The City's ability to provide the resources necessary to implement new Special District financings must be considered in the context of competing needs for general City and Water and Wastewater Utility debt issuances. Also, priority for Special District financing will generally be given to the projects that will confer the greater level of benefit to the City's residents.

It is the City's policy that bond financing will not generally be utilized in conjunction with the formation of smaller districts, defined as district projects totaling in the range of \$3.0 million - \$5.0 million and under. Such projects often benefit only a relatively small number of property owners. For projects under \$3.0 million to \$5.0 million, bond financing is not typically cost effective. Due to these factors, the allocation of limited staff resources would not generally be justified in relation to the City's other financing priorities. In these cases, an Assessment District may be formed, followed by a one-time enrollment of assessments to pay for the subject public facilities directly.

D. Administrative Considerations

Although Special District financings are not fiscal obligations of the City, the City is required to provide extensive on-going annual disclosure with respect to each Special District financing in conformance with federal securities laws, and must also perform extraordinary on-going administrative work. Such work includes the calculation, enrollment, and collection of special taxes and assessments each year, the monitoring of delinquency activity and conducting of foreclosure activities if certain delinquency thresholds are reached, the calculation and processing of pre-payments and subsequent updating of debt service schedules, and preparation of additional annual disclosure pursuant to State law. In its assessment of each application for Special District financing, consideration will also be given to the significant burden placed on the City's limited resources to administer these conduit financings for the term of the bonds.



E. Recommended Method of Special District Financing

The generally recommended method of Special District financing is CFDs due to the following factors:

Flexibility of Taxing Formula: CFD financing offers more flexibility with respect to the taxing formula as compared to Assessment District financing (e.g., publicly owned property, such as property owned by a school district or the City, can be exempted from the payment of special taxes, and low income housing can be assessed a nominal special tax thereby easing the burden on such properties).

Eligible Facilities: CFDs offer more flexibility than Assessment Districts with respect to the types of facilities and services that may be funded. In addition, eligible facilities under Assessment Districts are limited to facilities located within the district; this is not the case for CFDs.

Credit Strength: For a given project, CFD Bonds are perceived to be a stronger credit than Assessment District Bonds because the Mello-Roos Act permits greater than 100% debt service coverage and allows an administering agency to factor in a certain amount for delinquencies in the annual enrollment of special taxes. Comparatively, only 100% debt service coverage is permitted with respect to Assessment Districts and there is no allowance for delinquencies.

On-Going Costs: CFDs are less resource intensive than Assessment Districts to administer on a post debt issuance basis (e.g., for Assessment Districts, any changes in parcel configuration require a costly and time-intensive reapportionment process under the State law).

Unless circumstances warrant otherwise, it is the policy of the City to support CFD financing versus Assessment District financing for a given project. However, as noted above, in the case of districts that would finance smaller projects, such as those pertaining to established communities, an Assessment District may be more appropriate. In such cases, a one-time enrollment of assessments (versus a bond financing) may also be recommended.

**A3** Eligible Facilities and Priorities

A. Ownership and Useful Life of Proposed Facilities

The improvements eligible to be financed must be owned by a public agency or public utility, and must have a useful life of at least ten years. *Notwithstanding the foregoing, private renewable energy, energy efficiency, and water conservation improvements may also be financed as prescribed under the San Diego Municipal Code Division 26, Sections 61.2601 through 61.2619.*

B. Types of Eligible Facilities

The list of public facilities eligible to be financed by a CFD may include, but is not limited to the following: streets, highways, and bridges; water, sewer, and drainage facilities; parks; libraries; police and fire stations; traffic signals and street lighting; recreation

facilities; governmental facilities; flood control facilities; environmental mitigation measures; and public rights-of-way landscaping. *Notwithstanding the foregoing, private renewable energy, energy efficiency, and water conservation improvements may also be financed as prescribed under the San Diego Municipal Code Division 26, Sections 61.2601 through 61.2619.*

C. Priority of Facilities

In general, with respect to CFDs, none of the types of facilities listed under Section A3B will have priority over the others; however, when a developer submits an application to finance more than one eligible facility, the applicable City departments (e.g., the Library Department, the Park and Recreation Department, Engineering & Capital Projects, City Planning and Community Investment, etc.) will confer and determine the priority based on the estimated impacts (i.e., benefits conferred) of the eligible projects to the district and surrounding impacted communities.

D. Joint Communities Facilities Agreement(s)

Under Section 53316.2 of the California Government Code, a CFD may be formed to finance facilities owned or operated (or to fund services to be provided) by a public entity other than the agency that created the district, if a Joint Communities Facilities Agreement (JCFA) or a joint exercise of powers agreement is adopted. The City will not enter into a JCFA or joint exercise of powers agreement for a CFD proposed to be formed by another public agency unless:

- The proposed CFD complies with the provisions of this Special District Formation and Financing Policy with regard to Sections A5C, "Maximum Tax and Assessment Rates," Section A8C "Disclosure to Prospective Purchasers of Property," as well as any other provisions the Debt Management Director may deem applicable to the proposed CFD;
- The applicant/developer requesting CFD financing provides funds to reimburse City costs incurred to review and approve the JCFA.

All disclosures provided to prospective property owners within a CFD formed by another public agency in which the City has entered into a JCFA shall clearly specify that such public agency is solely responsible for the CFD, including formation of the CFD, the levy and administration of special taxes, and the bond financing.

E. Services

Consistent with recent trends in other municipalities across the State, the Chief Financial Officer, working with Debt Management, recommends that services be included among the list of authorized items to be financed through a new CFD. Under Section 53313 of the California Government Code, a CFD may finance any one or more of the following types of services so long as they are in addition to the services provided in the territory before the district was established and do not supplant services already available in such territory: police protection services; fire protection services; recreation program services; library

services; maintenance of parks, parkways, and open space; and flood and storm protection services.

In general, the City would expect that when a CFD provides for public facilities that require on-going City operations and/or maintenance (or when the impacts of the new development create other on-going service demands within the area), a mechanism would be established to off-set a portion of those associated costs through the CFD. Methods that could be employed may include: (1) the incorporation of some pre-determined amount into the special tax formula for services; or (2) a provision in the special tax formula that special taxes would be levied up to the maximum tax rates, with any amounts collected over and above the amount needed for debt service, replenishment of the Debt Service Reserve Fund, administrative costs, and any other periodic items required in connection with a bond issuance, to be allocated for services. The City will have complete discretion as to the method of incorporating a services component into the CFD, and would consult with its Bond Counsel and special tax consultant in developing the appropriate mechanism.

#### **A4 Credit Quality Requirements for Bond Issuances**

It is the objective of the City to minimize the credit risks associated with Special District bonds. To this end, the following policies are established:

##### **A. Value of Property**

Bonds shall be sold in connection with a district or improvement area only if the value of each individual parcel of real property that would be subject to the special tax or assessment is at least four times the share of the bond principal allocable to such parcel and the share of principal allocable from any other outstanding bonds that are secured by a special tax or special assessment levied on the parcel. On a case by case basis, the City reserves the right to require a higher value to lien ratio. In determining the value to lien ratio, either assessed values for individual properties may be obtained from the County of San Diego Assessor's Office or the City may utilize an appraisal prepared by an independent appraiser under contract to the City.

To meet this policy, property owners may elect to prepay special taxes to comply with this requirement. In certain circumstances, the City may allow property owners to meet this requirement through the provision of credit enhancements to the satisfaction of the City. Also, in certain circumstances, the City reserves the right to require the provision of credit enhancement to the satisfaction of the City. These enhancements may include letters of credit or other appropriate assurance.

##### **B. Debt Service Coverage for CFD Bonds**

The maximum tax rate adopted in each CFD must provide a minimum of 110% coverage of debt service (excluding earnings on a Debt Service Reserve Fund) in order to finance delinquencies out of special tax revenues.

C. Capitalized Interest

Generally, for Special District financings, a capitalized interest account would be established from bond proceeds if such proceeds are necessary to pay principal and interest on the bonds prior to the enrollment and receipt of the first year of special taxes and assessments for the district. A capitalized interest account should be established if it will improve the credit quality of the bonds and result in lower borrowing costs. In no event will the capitalized interest period exceed two years.

D. Debt Service Reserve Fund

A Debt Service Reserve Fund should be established for Special District financings. Generally, the Debt Service Reserve Fund for Special District financings should be the least of (i) maximum annual debt service on the bonds; (ii) 125% of average annual debt service on the bonds; or (iii) 10% of the original principal amount of the bonds.

E. Maturity Date

No bonds shall be issued with a maturity date greater than the expected useful life of the facilities or improvements being financed.

F. Acquisition Type Districts

Unless there are extraordinary circumstances, Special Districts will be formed as acquisition type districts whereby a developer will be reimbursed for projects only when discrete, useable facilities are deemed completed by the City, as opposed to merely completing a section of a facility. Acquisition type districts present stronger credit features, and better assure that the public facilities, which are ultimately paid for by assessment and special tax payers, are completed.

G. Third Party Guarantee of Special Tax and Assessment Payments During Project Development

The greatest exposure to default on Special District bonds is the period between the issuance of bonds and project stabilization. The risk of default is increased when only a single or a few property owners are responsible for the special assessment or special tax payments. While the City's credit is not pledged to support the bonds, a default on Special District bonds can negatively impact the investment community's perception of the City.

To minimize the risk of default, the City may require a third party guarantee for the annual special tax or assessment payments within a district while the project is being developed and until there is significant absorption of the new development. The need for, nature, and duration of any third party guarantees will be evaluated by the City and its Financing Team on a case by case basis. However, a third party guarantee, such as a letter of credit ("LOC"), would be specifically required of a property owner/developer in each year in which the property owner/developer owns or leases property within the district which is responsible for 20% or more of the special taxes or assessments levied to support the repayment of bonds; the LOC would provide for 100% of the of the special tax or assessment levy due in each applicable fiscal year for property owned or leased by such

property owner/developer. If required, the third party guarantee must be provided within five days of the Resolution of Issuance.

Third party guarantees may include letters of credit, surety bonds, or some other mechanism which assures payment of special taxes or assessments while the project is being developed. When LOCs are required, they must meet any City standards for LOCs that exist at the time the LOC is provided.

#### H. Foreclosure Covenants

Because Special District financings are generally solely secured by liens against property within the district, the investment market expects to see appropriate foreclosure covenants. Foreclosure covenants would compel the City to take action to file a foreclosure lawsuit against a parcel when certain delinquency thresholds are reached. For each financing, the Debt Management staff and its consultants will analyze key aspects of the district (e.g., number of parcels, special tax/assessment rates, and debt service) to structure foreclosure covenants in a manner that reduces the likelihood of a shortfall in special taxes/assessments to pay debt service. If a parcel reaches a foreclosure covenant threshold, the City would diligently proceed with the steps necessary to file a foreclosure lawsuit, as required under the applicable bond indenture.

### **A5 Tax and Assessment Allocation Formulas**

#### A. Calculation and Allocation of Special Taxes and Assessments

Special Assessments – By law, the amount of an assessment must directly reflect the benefit received from the improvement. Typically, this means the total cost of the project, including any financing costs, is spread to property owners based on the appropriate property-based measure of benefit. The City will hire an outside assessment engineer, which specializes in the area of calculation and allocation of special assessments, to develop the appropriate assessment spread methodology.

Special Taxes – Significant flexibility is allowed for structuring CFD special taxes because the law does not require a direct relationship between the tax and the benefit received. However, the Rate and Method of Apportionment of the special tax must be both reasonable and equitable in apportioning the costs of the public facilities and/or services to be financed to each of the taxable parcels within the boundaries of the proposed district. Exemptions to the payment of special taxes may be provided for parcels that are to be dedicated at a future date to public entities, held by a homeowners association, or designated as open space. Also, consideration should be made with respect to minimizing the special tax burden on any affordable units. Because the tax structure for CFDs can be very complicated, special tax consultants, who specialize in the development of Rates and Methods of Apportionment are required.



**B. Administrative Expenses**

The calculation of special taxes and assessments should also provide, whenever possible, for the full recovery of all administrative expenses and other periodic costs of the proposed district.

**C. Maximum Tax and Assessment Rates**

For districts involving bond financing, the City desires to establish a maximum level of taxes to limit the overlapping debt burden on any parcel. As such, the total taxes and assessments collected through the property tax bill should not exceed 1.80% of the expected assessed value of the parcel upon final sale of the property to end users.

**D. Special Tax Coverage and Maximum Tax Rates**

The maximum tax rate adopted in each CFD must provide a minimum of 110% coverage of debt service (excluding earnings on a reserve fund) in order to finance delinquencies out of tax revenues. An allowance for delinquent properties will be factored in when calculating the subsequent year's special tax (the special tax would still be levied against such delinquent parcels).

**E. Predictability of Special Tax Liabilities**

Special tax formulas should promote stable and predictable tax liabilities, particularly for residential properties. With the exception of a variation for administrative expenses, the annual special tax levy on each residential parcel developed to its final land use shall be approximately equal each year. In the event special tax payments are supporting the provision of services, rather than, or in addition to, capital expenditures, an appropriate escalation factor may be incorporated into the Rate and Method of Apportionment to provide for the impact of inflation to on-going service costs.

**F. Term of Special Tax**

The term of the special tax should be sufficiently in excess of the term of any bond issue which it supports to allow for delinquencies, refinancing, and/or acquisitions of pay-as-you go facilities. However, the Rate and Method of Apportionment should also specify that the levy of special taxes would cease once the bonds are repaid. The exception would be for any special taxes levied to provide for on-going services; in this case, the City may consider a special tax term in excess of the final maturity of any bonds issued to provide for the on-going services.

**A6 Appraisal Standards**

The City recognizes the California Debt and Investment Advisory Commission's Appraisal Standards for Land-Secured Financings (CDIAC Standards), released July 2004 (or any subsequently published update) as the basis for the conduct of appraisals performed in connection with Special District financings.

**A7 Sources of Payment for Special Districts Bonds**

As described above, Special District bonds are limited obligations of each district, payable from special taxes or assessments levied on property within the district. The bonds are not general or special obligations of the City and the City does not pledge its credit to payment of the bonds. The disclosure documents for each Special District bond offering will describe the sources of payment, and will include statements that the city is not pledging its credit to pay debt service on the bonds.

Although there is no legal requirement that the City step in to make payments from its general revenues in the event of a short-fall in special taxes or assessments due to delinquencies to pay debt service on Special District bonds, the City does have the discretion to do so. However, it will be the City’s policy that if there is such a short-fall, the City will not step in to make payments from its general revenues.

Refer to Section A5, H. – Foreclosure Covenants, for additional information.

**A8 Applicant/Developer Disclosure Requirements**

A. Initial Disclosure to Investors

The applicant/developer will be required, as requested by Debt Management and Bond Counsel, to supply any and all material needed from it to help ensure appropriate information is disclosed to prospective investors.

B. Developer Continuing Disclosure to Investors

The City shall use all reasonable means to ensure that an appropriate Developer Continuing Disclosure Agreement is executed at the time a financing is issued to ensure that the Developer and/or any affiliates, as applicable, which are material to the district are required to provide on-going disclosure to bond investors so long as they remain material.

C. Disclosure to Prospective Purchasers of Property

The developer will be required to provide a certification to the City that it will provide full disclosure of the special taxes or assessments to prospective purchasers of property it sells within the district, and in accordance with all applicable state and local laws.

**A9 Application and Administrative Procedures**

As stated above, it is the policy of the City to exercise caution in approving requests for Special District financing and that each request be weighed in the context of the City’s total infrastructure and financing needs. In light of potential impacts to the City’s debt position, the Chief Financial Officer, working with the Debt Management Director, will consider each application for Special District financing on a case by case basis, and may not recommend such financing if it determines a financing could be detrimental to its overall debt position or the best interests of the City. Among other things, the guidelines below will help interested applicants understand the process for submitting a request for Special District formation and--if applicable--financing. (Also see Overview Section above for information concerning the provision of conduit Special District Formation and financing services by qualified JPAs.)

A. Petition

Notwithstanding the minimum petition thresholds established under the State law<sup>5</sup>, the City requires that a preponderance of the affected property owners (75%) petition the City to form a Special District. The higher threshold is established due to the following factors: (1) significant City resources would be directed to the advance work to form the district, and it is prudent to have some assurance that formation of the district would be successful; and (2) a successful petition and subsequent ballot process in an established community (e.g., where there are residential property owners) could result in a significant lien on property whose owners voted against the proposed district.

B. Application Procedures

For developer initiated districts, an application may be obtained from, and filed with, the Department of Finance. The Department of Finance will review the application for completeness and, if necessary, request the applicant to provide further information. In consultation with any applicable departments (e.g., the City Attorney's Office, the City Planning and Community Investment Department, Engineering & Capital Projects, etc.) the Department of Finance will consider the public benefits offered by the proposed project in the context of these policies, and will make a recommendation on whether to authorize a feasibility study, pursuant to Section C, below.

C. Feasibility Study

For developer initiated districts, if authorized by the Chief Financial Officer, the City will hire an independent financial or feasibility consultant to perform a comprehensive project review and feasibility analysis of the proposed project that would ultimately provide for the payment of special taxes or assessments in connection with a bond financing. Such comprehensive review will include, but not be limited to, a review of the audited financial statements of all landowners who own more than 20% of the land contained within the proposed district in order to investigate the developer(s) financial strength and experience in large scale projects. In addition, the consultant will consider environmental requirements in connection with the development, and economic factors such as market absorption and how it relates to the project's overall feasibility. The consultant will also investigate and report on all liens against the property in question, the value to lien ratios, and other financial aspects of the project. For the Chief Financial Officer to consider a proposed financing, the study should conclude the project is feasible and could support the issuance of bonds, and that it is reasonable to proceed with formation of the district and the issuance of bonds.

D. Fees

It is the City's policy that all City and consultant costs incurred in the evaluation of applications for Special District formation and financing, as well as any and all costs

<sup>5</sup> Pursuant to Sections 53318 and 53319 of the California Government Code, proceedings to form a CFD may be commenced upon: (1) the written request of two members of the legislative body; (2) majority approval of the City Council; or (3) a petition signed by at least 10% of registered voters (or if fewer than 12 registered voters, by the owners of at least 10% of the land). Under the California Streets and Highway Code, district formation proceedings may be commenced if landowners of 60% of the land area file a petition in which such landowners waive the requirements of the Special Assessment Investigation, Limitation and Majority Protect Act of 1931.



incurred in forming the district and, if applicable, issuing bonds shall be paid by the applicant(s) by advance deposit increments or as otherwise agreed in writing by the City. Accordingly, fees will be collected pursuant to a Deposit and Reimbursement Agreement between the City and the applicant executed prior to the City beginning its project review. Some or all of these fees may be recoverable from bond proceeds when a financing is completed and any surplus fees would be refunded (notwithstanding the forgoing, consultant and legal costs of the developer or applicant are not eligible for reimbursement). Additionally, the costs associated with administering a district after its formation will be included in the annual special tax or assessment for the district.

E. Selection of Financial Consultants and Service Providers

The policies established in the City's Debt Policy for the solicitation and selection of professional services that are required to develop and implement the City's debt program shall apply with respect to Special District financings. In addition to the professional services outlined in the City's Debt Policy, there are consultants specific to Special District formation and financing that may be engaged, including an appraiser, a market absorption consultant, and a special tax consultant or assessment engineer.

**A10** *Timing*

If recommended by the Chief Financial Officer, and pursuant to the filing of an appropriate petition and application, and, if applicable, the completion of a Feasibility Study that concludes the project is feasible (all as set forth above in Sections A9 A, B, and C), the City will use its best efforts to form the district and, if a financing is contemplated, issue the bonds. However, the City will prioritize the formation and any financing activities as specified in Section A2 of this policy.

The City will not schedule any sale of Special District bonds so as to conflict with the sale of other securities issued for City purposes. In the event of any scheduling conflicts, the sale of bonds issued for City purposes will have priority.

**A11** *Policy Exceptions*

The City may find in limited and exceptional instances that a waiver to any of the above stated policies is reasonable.

CITY OF SAN DIEGO SPECIAL DISTRICTS FORMATION AND FINANCING POLICY

HISTORY:

Adopted by Resolution R-303153      11/16/2007  
Amended by Resolution R-304301      10/27/2008

PREVIOUSLY ADOPTED AS:

COUNCIL POLICY 800-03 - PUBLIC INFRASTRUCTURE FINANCING ASSESSMENT DISTRICTS AND COMMUNITY FACILITIES

HISTORY:

Adopted by Resolution R-183351      04/06/1965  
Amended by Resolution R-185734      12/14/1965  
Amended by Resolution R-188027      08/09/1966  
Amended by Resolution R-193345      04/04/1968  
Amended by Resolution R-212402      01/09/1975  
Amended by Resolution R-258118      03/21/1983  
Amended by Resolution R-274571      10/16/1989  
Repealed by Resolution R-303153      11/16/2007

County of \_\_\_\_\_

Local Goals and Policies Concerning  
Use of Mello-Roos Community Facilities Act of 1982  
for Services Only

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The Board of Supervisors (the "Board") of the County of \_\_\_\_\_ (the "County") hereby adopts the following in compliance with Sections 53312.7 and 53345.8 of the Mello-Roos Community Facilities Act of 1982 (the "Act"), but respecting the establishment of community facilities districts ("CFDs") for services only, without the issuance of bonds or any debt.

**A. General Policy Respecting Use of the Act for Services.**

As a matter of general policy, without adopting further goals and policies respecting the use of the Act for facilities, the County will utilize the Act, either on its own or in conjunction with other public agencies, only for the purposes of providing public services to the extent authorized under the Act. These may be services required as the result of new development or rehabilitation within the boundaries of a CFD, and approved by a vote of the landowners within the CFD; or any authorized public services approved by a vote of the registered voters residing within the CFD.

**B. Priorities for Use of Act.**

Reserving the right to make exceptions when circumstances warrant, the County establishes the following priority for use of the Act:

1. Fire protection and suppression services;
2. Maintenance of parks, parkways and open space;
3. Any other authorized services.

**C. Required Credit Quality.**

No debt issuance is contemplated under these Goals and Policies; therefore no statement of required credit quality is necessary.

**D. Disclosure to Property Purchasers.**

The Board finds that the statutory requirements of disclosure to property purchasers contained in the Act, most notably, but not limited to, Sections 53328.3, 53328.5 (including the referenced sections of the California Streets and Highways Code), 53340.2 and 53341.5 adequately address this need, and no additional procedures need be imposed by the County. The Board reserves the right to require additional disclosure procedures in any particular case.

**E. Requirements for Special Tax Formulas.**

Reserving the right to make exceptions when circumstances warrant, the proposed amount and apportionment of the special tax for each CFD shall seek to raise sufficient revenue to provide the prescribed portion of the cost and expense of providing the needed level of services within the CFD while taking into account the following:

1. There is a limited amount of special tax burden that can be placed upon new development. That limited capacity to carry special taxes may need to serve, in any particular instance, purposes other than County services. Other public agencies may have either services or facilities financing needs they wish to address through use of special taxes. The County will consider the desirable and maximum amounts of special tax to be levied against taxable parcels in setting its level of authorized special tax for services.
2. The rate and method of apportionment may provide for an annual increase in the maximum special tax. There is no statutory limit to the escalator when the tax is used only to provide services. The County will approve a stated-rate inflator of not to exceed [\_\_% or a specified index] per annum. The County may approve an indexed inflator that may, in any particular year, exceed [\_\_% or a specified index] provided it is tied to a widely recognized and appropriate inflation index.
3. The special tax shall be allocated and apportioned on the basis of reasonableness to all categories and classes of property within the CFD.
4. For new development, the total secured property tax bill on residential property, including the general *ad valorem* property tax and all special taxes, assessments and other charges collected on the bill, should not exceed 2% of the purchase price of the property.

**F. Appraisal Standards.**

No debt issuance is contemplated under these Goals and Policies; therefore no statement of appraisal standards is necessary.

## **DEPOSIT AND REIMBURSEMENT AGREEMENT**

THIS DEPOSIT AND REIMBURSEMENT AGREEMENT (the "Agreement") dated as of January 1, 2014 is entered into by and between the Romoland School District, a school district organized and existing under the laws and constitution of the State of California (the "School District"), and CADO Menifee, LLC, a California limited liability company (together with their successors and/or assigns, "Owner").

### ***RECITALS:***

A. The Owner owns approximately 33.75 acres of land within Assessor Parcel Nos. 330-190-002, through -005, 330-190-010 through -012 for which it plans the development of 122 single family residential units (the "Project"). The property within the Project is depicted in Exhibit A to this Agreement (the "Property").

B. The Owner desires to establish a mitigation program with the School District which will satisfy Owner's obligations to mitigate the impact of the development of the Project on public school facilities of the School District. To facilitate such a mitigation program, the Owner has requested that the School District include the Property within a community facilities district (a "District") established by the School District pursuant to the Mello-Roos Community Facilities Act of 1982 (Government Code Section 53311 et seq.) (the "Act") for the purpose of fully mitigating the impact of the development of the Property on public school facilities of the School District.

C. The School District and the Owner are desirous of entering into this Agreement in order to provide a mechanism by which the Owner may advance certain costs related an analysis of the propriety of the School District establishing a mitigation program for the Project and forming a new District to include the Property, for the purposes stated above, and, if a decision is made to include the Property within a District, the cost of formation of a District, and to provide that such District, if formed, will reimburse the Owner for the amounts advanced hereunder.

### **AGREEMENT**

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the parties hereto agree as follows:

1. Recitals. Each of the above recitals is incorporated herein and is true and correct.
2. Proposed Mitigation Agreement and Potential Formation of a District and Issuance of Bonds.

(a) At the request of Owner, the School District will undertake to analyze the appropriateness of forming a District to implement a mitigation program for the Project. The School District will retain, at Owner's expense, the necessary consultants to analyze the proposed formation of or annexation to a District and issuance of bonds, including an engineer, special tax consultant, financial advisor, bond counsel, market absorption consultant, appraiser and other consultants deemed necessary by the School District. In addition, School District staff time spent in connection

with this analysis and the formation of a District and the issuance of bonds shall be at Owner's expense.

(b) In order to begin the process of analyzing a mitigation program for the Project and the potential formation of a District, the Owner has advanced to the School District the sum of \$55,000. From time to time, Owner shall make additional advances to the School District within 15 days following receipt from the School District of a request, in writing, for an additional advance to cover the costs of analyzing a mitigation program and forming a District and/or issuing bonds, if needed. In the event that the Owner does not deliver the requested amount to the School District within such 15-day period, the School District will have no obligation to proceed with the analysis unless and until such additional advance is received. The Owner shall have the right to notify the School District at any time, in writing, of their intention to abandon the analysis and the District formation process or the issuance of bonds regarding the property owned by Owner. Upon receipt of such notice, the School District shall instruct its consultants to cease work in connection with the applicable property as soon as practicable. The Owner shall be responsible to pay all costs and expenses incurred by the School District or any School District consultant or advisor prior to the date on which the School District's consultants are notified of the Owner's notice of abandonment. Notwithstanding a decision of the Owner to abandon the analysis of a mitigation program and the formation of a District or the issuance of bonds, the School District may, in its sole discretion, elect to proceed with formation of the District and/or the issuance of bonds with funds other than those of the Owner; provided, however, that, in executing this Agreement, the Owner shall not be deemed to have waived his rights to object to the formation of a District or the issuance of bonds.

(c) The School District will provide to the Owner, on request, a summary of how the advances have been spent and the unexpended balance remaining. The amounts advanced by the Owner will be reimbursable to Owner, without interest, from the proceeds of bonds issued by the District when and if formed. In the event that bonds are not issued to provide a source of reimbursement to the Owner, the School District shall have no liability to the Owner to reimburse them for any of amounts previously advanced by the Owner and expended by the School District in accordance with this Agreement.

3. Reimbursement Procedure. The School District shall return any funds which have been advanced by the Owner which are not expended on the purposes set forth in Section 2 above. Such returned funds shall be without interest.

4. Abandonment of District Formation Process. The Owner understands that any formation of a District shall be in the sole discretion of the School District. No provision of this Agreement shall be construed as a promise, warranty or agreement by the School District to form a District or to issue any bonds. The School District shall have no liability to Owner for its decision not to form a District or issue bonds.

5. Indemnification and Hold Harmless. The Owner hereby agrees to assume the defense of, and indemnify and save harmless, the School District and each of its officers, directors, employees and agents, from and against all actions, damages, claims, losses or expenses of every type and description to which they may be subjected or put, by reason of, or arising out of any acts or omissions taken by Owner or any of its officers, employees, contractors or agents with respect to the formation of a District.

6. Notices. Any notice to be provided pursuant to this Agreement shall be delivered to the following addresses:

Owner: CADO Menifee, LLC  
1545 Faraday Avenue  
Carlsbad, CA 92008  
Attention: Alex Zikakis

School District: Romoland School District  
25900 Leon Road  
Homeland, CA 92548  
Attention: Assistant Superintendent, Business  
Services

Each party may change its address for delivery of notice by delivering written notice of such change of address to the other party.

7. Assignment. In the event the Owner assigns its respective interests in this Agreement, the Owner shall provide the School District written notice to the School District of such assignment within ten (10) business days of such assignment.

8. Severability. If any part of this Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent permitted by law.

9. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the matters provided for herein.

10. Amendments. This Agreement may be amended or modified only by written instrument signed by all parties.

11. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

12. Governing Law. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of California.

13. No Third Party Beneficiaries. No person or entity shall be deemed to be a third party beneficiary hereof, and nothing in this Agreement (either express or implied) is intended to confer upon any person or entity, other than the School District and the Owner, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

14. Singular and Plural; Gender. As used herein, the singular of any word includes the plural, and terms in the masculine gender shall include the feminine.

15. Termination. This Agreement shall terminate and be of no further force and effect on July 1, 2019 unless expressly amended by the parties; provided, however, that the Owner obligations under Section 5 shall survive the termination and the School District's obligation to provide reimbursement in accordance with Section 3 for expenses incurred prior to the termination date shall also survive termination.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

**ROMOLAND SCHOOL DISTRICT**

By: \_\_\_\_\_  
Superintendent

ATTEST:

\_\_\_\_\_  
Clerk of the Board of Trustees

**CADO MENIFEE, LLC,**  
a California limited liability company

By: CADO Garbani LLC,  
a California limited liability company,  
its Sole Member

By: CADO Management LLC,  
a Delaware limited liability company,  
its Managing Member

By: Zikakis Asset Management, LLC,  
a California limited liability company,  
its Sole Member

By: Capstone Asset Management, Inc.,  
a California corporation, its Sole  
Member

By: \_\_\_\_\_  
Name: Alex Zikakis  
Title: President



**EXHIBIT A**

**LEGAL DESCRIPTION OF PROPERTY**

Real property in the unincorporated area of the City of Menifee, County of Riverside, State of California, included within the following assessor parcels ("APN"):

330-190-002

330-190-003

330-190-004

330-190-005

330-190-010

330-190-011

330-190-012

## CITY OF SACRAMENTO

### CHECKLIST OF STEPS IN PREPARING FOR KICK-OFF MEETING FOR LAND-SECURED FINANCING

This outline is intended to walk you through the steps to prepare for a kick-off meeting for a land-secured financing with the City of Sacramento. These steps are not independent and are not entirely sequential, many will overlap each other. In addition, the very nature of land-secured financing is in a constant state of flux as property is developed, ownership changes, plans are modified, and values are different than expected. As a result, many of the expectations at the beginning of the process will continue to be refined throughout the life cycle of the financing process.

The description below of each step indicates the members of the team commonly responsible for completing the step by using the abbreviations described in the following table.

#### Responsible Team Member

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I	-	Issuer – City of Sacramento, Office of the City Treasurer
SD	-	Special Districts Division, Department of Public Works
RP	-	Real Property Division, Department of Public Works
CA	-	City Attorney
CE	-	City Department Expert
PL	-	City Planning Department
AD	-	Accounting Division
CC	-	City Clerk
FA	-	Financial Advisor
BC	-	Bond Counsel
UW	-	Underwriter
UC	-	Underwriter's Counsel
LD	-	Nongovernmental Borrower (Landowner/Developer)
T	-	Trustee/Fiscal Agent
RC	-	Rebate Compliance Consultant (Arbitrage)
IA	-	Investment Advisor

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While the Issuer is ultimately responsible for all steps, the assigned abbreviations provide an indication of the other parties that certain tasks are coordinated with or who may be asked to prepare documentation.

## CITY OF SACRAMENTO

### CHECKLIST OF STEPS IN PREPARING FOR KICK-OFF MEETING FOR LAND-SECURED FINANCING

#### Step 1

#### Feasibility of Financing (Time: one - four weeks)

Generally, a request for land-secured financing will be generated by a developer and come through Public Works, Special Districts Division. The Special Districts Division establishes, maintains, and prepares the annual engineer's report and levy for all of the special districts in the City. They work closely with the City Treasurer's Office for the establishment of the district and sale of the bonds, and with the Accounting Division for preparation of the annual levy to meet debt service needs.

A typical exception of this request process would be if a district is already formed and the financing is an additional series, in this case, the Treasurer's Office might be contacted directly by the developer.

---

□ **Has a request been made for a bond financing?**

NEW DISTRICT

- Has Landowner submitted application for the formation of a new district? (SD, NB)  
Has Landowner paid fees for new district? (SD, NB)

EXISTING DISTRICT

- Has Landowner submitted letter of request? (I, NB)

□ **Is request appropriate for land-secured financing?**

- Public Purpose (practical and legal) (I, BC)  
Is the type of project statutorily authorized? (I, BC)  
Improvement Act of 1913/15, Mello-Roos Community Facilities Act of 1982, etc.  
Is it consistent with financing practices of City? (I)

□ **Verify feasibility and timing of project**

EXISTING DISTRICT

- Is the new phase taxable under the Special Tax Formula? (I)  
What is the status of the proposed project development? (I, SD, PL)  
When is construction likely to take place? (I, NB, CE)  
Are there any known legal restrictions to development?

NEW DISTRICT

- What is the status of the proposed project development? (I, SD, PL)  
When is construction likely to take place? (I, CE, NB)  
Are there any known legal restrictions to development? (I, CA, NB)

## CITY OF SACRAMENTO

### CHECKLIST OF STEPS IN PREPARING FOR KICK-OFF MEETING FOR LAND-SECURED FINANCING

#### Step 2

#### Selection of Finance Team Members

(Time: one to three weeks)

Once it has been determined that a financing will go forward, it is necessary to select the appropriate team members. The Primer Steps provides an overview of considerations regarding the type of financing the anticipated size and marketing needs, etc. The steps outlined below provide additional information that focuses on the internal city processes of putting the team together.

- 
- **Determine positions necessary to be filled**
    - Underwriter – which firm is the most appropriate for the type of structure (I)
    - Underwriter Counsel (I, UW)
    - Bond Counsel (I)
    - City Attorney (CA)
    - Department Contacts (I, City)
      - (CFD is generally being coordinated with a specific department; the department contact is the expert who will verify cost submissions by the Developer for public infrastructure and ensure project meets City standards and regulations etc. – North Natomas is usually Utilities for drainage and on occasion might involve coordinating with Parks or Public Works)
    - Special District Staff (SD)
      - (For a new district, request come from assigned staff, existing will need to be confirmed)
    - City Real Property Agent (RP)
      - (op-conned by prior agreement with Real Estate)
    - Appraiser (I, RP)
      - (Per agreement – Real Property shall recommend and City Treasurer shall approve)
    - City Accounting (AD)
      - (Needed to review documents to ensure required general ledger accounts are established and are aware of reporting requirements, etc.)
    - City Clerk (CC)
      - (Receives council related documents, as well as process and closing memorandum to ensure proper posting, processing and execution of all legal documents. Does not review, comment, or edit any drafts. Works extensively with Special Districts and Bond Counsel on a new district formation. Additionally, the Clerk's Office needs to be aware of various dates such as pricing and closing and time needs to be scheduled on Clerk's calendar to execute all legal documents in order to close.)
    - Tax Consultant (I, SD)

(On new districts, Special Districts often selects consultant prior to City Treasurer involvement – need to verify contract and amount; on existing districts City Treasurer should select and contract with tax consultant.)

Developer and Representative (I, NB)

(Developer may have an attorney, field person or consultant that represents them – depending upon nature of financing, number and type of representative – use discretion in whether representative is active member of team, e.g. developer may sometimes use financial advisor outside the workings of team processes. Costs for the developer’s consultants, including engineers used for district purposes only are not covered through bond proceeds. )

Trustee

(Provides paying services, monitors bond covenants, bond calls, etc.) (I)

□ **Procedural alternatives for selecting each position**

Prepare and approve Consultant Services Agreement

Bond Counsel (I)

New District – taken to City Council with formation documents – coordinate with SD to attach to report.

Existing District – Additional series of bonds are included in the bond counsel agreement when district is formed and agreement for services is adopted.

Appraiser (I, RP)

(Scope of Services needs to be coordinated with Real Property Agent. Generally, amount is not significant to require council approval.)

Tax Consultant (I, SD)

New District – Generally prepared by Special Districts, coordinate to ensure scope of services includes needs of Treasurer with regards to preparation of tables and data for Official Statement and cash flow projections.

Existing District – Request and prepare Consultant Services Agreement. Previous RFP short-listed to four firms to choose from, therefore not required to get three bids, but must take any contracts to council which exceed the informal contract amount \$100,000.

Prepare required financial transactions

(MRR, PV, etc.) (I)

Confirm advanced payments for consultants by developer (I, NB, SD)

(Developer generally advances funds to pay for appraiser and tax consultant services. Payment for these services are not contingent upon the sale of the bonds, so developer’s are required to advance the funding.)

## CITY OF SACRAMENTO

### CHECKLIST OF STEPS IN PREPARING FOR KICK-OFF MEETING FOR LAND-SECURED FINANCING

#### Step 3

#### Due Diligence Questionnaire

(Time: three – six weeks)

In a land-secured financing the landowner/developer will complete an application process through the Special Districts Division requesting the formation of a special district and issuance of bonds. Although this application has basic information related to development of the district, additional, more detailed information is usually needed to perform a thorough due diligence evaluation on the part of the underwriter and City. This completed questionnaire is then used as an integral component of the disclosure process.

---

- **Prepare Land-owner Questionnaire**
  - Coordinate modifications to boilerplate to meet specifics of district (I, RP, UC)
  - Distribute to all landowners or designated representative with due date. (I)
  
- **Review and distribute**
  - Upon return review for completeness, follow-up inquiries as necessary (I)
  - Distribute completed copies (I)
    - Treasurer's Office – Original
    - Appraiser – Property info only
    - Underwriters Counsel – entire packet

## CITY OF SACRAMENTO

### CHECKLIST OF STEPS IN PREPARING FOR KICK-OFF MEETING FOR LAND-SECURED FINANCING

#### Step 4

#### Schedule Kick-off

(Time: one – three weeks)

When there is confidence that the financing is going to go forward and all materials are being returned in a timely manner it's time to schedule the kick-off meeting. The purpose of this meeting is to get all involved team members together to explain the nature of the project, define any unique features of the district, development, or property, discuss the roles and responsibilities of each team member, and ensure all time commitments can be met by all parties.

- 
- **Prepare Draft Schedule** (I, UW)
    - Verify appraisal dates  
(Properly spaced with sufficient review time built in?)
    - Verify formation schedule with Special District  
(Ensure agenda dates; verify required posting times are not violated.)
    - Verify meeting vs. phone conferences dates; phone conferences should be considered if necessary.
    - Verify times of meeting and any potential conflicts  
(Try to avoid council afternoons; kick-off generally two hours max others should be one hour.)
    - Verify sufficient time in schedule to meet dates.  
(Ensure not too tight or too much excess, no meetings or deadlines scheduled on City holiday - consultants may have different holidays.)
    - Verify availability of City Treasurer and Deputy City Treasurer  
(Ensure available for minimum of kick-off, marketing update, pricing, and closing.)
    - Review timing of pricing  
(Caution with holidays, other large similar competing bonds, etc.)
    - Notification Time  
(Ensure notification time is sufficient, may require calling participants. With large groups it's easier to schedule enough in advance and verify with key players – Underwriter, Bond Counsel, etc.)
    - Verify availability and reserve location of meeting  
(Prefer Treasurer's Office, but if group is rally large or a conflict exists try other downtown locations.)
  
  - **Prepare Agenda** (I, UW)
  
  - **Prepare Interested Parties List** (I, UW)
    - Review for appropriate inclusion
    - Designate parties to review and receive draft documents.

- **Prepare Sign-in Sheet** (I)
- **Arrange for refreshments if appropriate** (I)





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**LEGISLATIVE BODY  
COMMENCES PROCEEDINGS**

**PETITION INITIATED CFD**

- 1. 10% Landowners
- 2. 10% Registered voters
- 3. Payment of pre-formation costs (45 days for Agency to determine fee)

Within 90 days

**LOCAL AGENCY INITIATED CFD**

- 1. Written request of 2 members of legislative body, or
- 2. Majority approval of legislative body

- 1. Adopt Goals and Policies
- 2. Adopt resolutions to:
  - a. Approve boundaries
  - b. Designate name of CFD
  - c. Identify types of facilities & services
  - d. Declare intention to:
    - 1) Form CFD
    - 2) Levy special tax
    - 3) Issue bonds
  - e. Set time and place of public hearing
  - f. Establish voting procedures

- Prepare Report
- Public hearing held not less than 30 days or not more than 60 days from adoption of Resolution of Intention

- REQUIRED** -- Publish notice (not later than 7 days before Public Hearing)
- OPTION** -- Mailed notice

**Usual Sequence of Events  
for Mello Roos  
Community Facilities Districts**

(Commencing with Section 53311 of the Government Code)

**PUBLIC HEARING**

May be continued up to 30 days, or with finding up to 6 months.

- If no majority protest, resolutions adopted to form CFD\* by:
  - 1. Establishing boundaries
  - 2. Determining necessity to incur bonded indebtedness
  - 3. Authorizing levy of special tax
  - 4. Approving types of facilities and services
  - 5. Setting election
- If more than 50% of registered voters (at least 6), or if the owners of more than 50% of the land area protest, then CFD abandoned for one year. If majority protest only against specific facilities, services or special tax, only that facility, service or tax must be dropped.

\* Environmental review should be completed before formation of CFD

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- 1. Sell and deliver bonds and receive bond proceeds
- 2. Initiate construction or acquisition
- 3. Commence activities to administer debt, levy and collect special taxes and comply with continuing disclosure requirements

- 1. Record Notice of Special Tax Lien (within 15 days of a landowner election or 90 days of a registered voter election)
- 2. Initiate validation proceedings, if necessary
- 3. 30 day statute of limitations

**ACTIONS BY LEGISLATIVE BODY**

- 1. Certify election results
- 2. Enact ordinance to levy special tax
- 3. Authorize issuance of bonds
- 4. Approve Preliminary Official Statement and Continuing Disclosure Agreement

- GENERAL ELECTION or SPECIAL ELECTION**
- 90/180 days from Resolution of Formation (unless time period shortened by 100% of electors)

- 2/3 vote required (if less than 12 registered voters or if no tax on residential property -- landowner election)

**ELECTION**

- Voters consider:
  - 1. Levy of Special Tax
  - 2. Establish appropriations limit
  - 3. Authorize issuance of bonds

**BEGIN HERE**

**Property Owner  
Petition Initiated  
District**

Landowners of 60% of land area waive 1931 Act requirements

File petitions with Clerk/Secretary

**Actions by Legislative Body**

Adopt Resolutions:  
 1. Approving Boundary Map\*  
 2. Declaring Intention\* and directing preparation of 1913 Act Report

File 1913 Act Report

**Legislative Body Commences Assessment Proceedings**

Adopt Resolutions:  
 1. Preliminary approving Engineer's Report  
 2. Setting Public Hearing date  
 3. Calling for construction bids  
 4. Making appointments

**Local Agency Initiated District**

Adopt resolutions:  
 1. Approving Boundary Map\*  
 2. Declaring Intention\* and directing preparation of either:  
 a. 1931 Act Report  
 b. Combined 1931/1913 Act Report by simple majority of legislative body

File combined 1931/1913 Act Report

**Actions by Legislative Body**

1. Conduct 1931 Act Hearing  
 2. Proceed and direct preparation of 1913 Act Report if:  
 a. No Majority protest AND  
 b. Either adequate values or 4/5 vote  
 3. If not, then abandon

File 1913 Act Report

Within 15 days Boundary Map is filed in the Office of County Recorder

\*Timing of adoption of Boundary Map and Resolution of Intention varies

not sooner than 45 days from mailed notice and assessment ballots

**Public Hearing**

1. Present Engineer's Report  
 2. Receive testimony  
 3. If no majority protest, legislative body may adopt resolution confirming assessments\*\*

If ballots submitted in opposition to the assessment exceeded ballots submitted in favor, then majority protest. Ballots weighed according to proportional financial obligation of the affected property

\*\*Environmental review should be completed before formation of District

**Usual Sequence of Events for  
1913 Act Special Assessment  
District**

(Municipal improvement Act of 1913  
Commencing with Section 10000 of the Streets  
and Highways Code)

1. Sell & deliver bonds & receive bond proceeds  
 2. Initiate construction or acquisition  
 3. Commence activities to administer debt, levy and collect assessments and comply with continuing disclosure requirements

**End of Cash Collections/  
Statute of Limitations**

Legislative body:  
 1. Certifies paid and unpaid assessments  
 2. Authorizes issuance of bonds\*\*\*  
 3. Approves Preliminary Official Statement and Continuing Disclosure Agreement  
 4. Adopts resolution awarding the construction contract

\*\*\*1915 Act Bonds = Section 8500 *et. seq.*  
 1911 Act Bonds = Section 6400 *et. seq.*

Receive construction bids

Not less than 30 days after recordation of Diagram and Assessments with the Superintendent of Streets

1. Assessment Roll and Diagram recorded with Superintendent of Streets  
 2. Diagram and Notice of Assessment recorded with a County Recorder  
 3. Statement of Assessment mailed to property owners and published (once a week for two successive weeks at at least 5 days apart)

Specific requirements of Proposition #218 and S.B. 919

**PACHECO VALLE  
COMMUNITY FACILITIES DISTRICT**

**FORMATION SCHEDULE**

**Novato Council Meets Tuesdays at 6:30pm**

November 21, 2013	Final Resolution of Intention to Establish CFD, including Boundary Map and Rate and Method of Apportionment and Resolution of Intention to Incur Indebtedness due to Novato City Clerk
December 3, 2013	<b>Novato Council Meeting</b> – Consider Resolution of Intention, including Boundary Map and Rate and Method of Apportionment, consider Resolution to Incur Indebtedness
December 18, 2013	Boundary Map must be recorded on or before this date
December 19, 2013	Final Notices of Public Hearing delivered to Novato City Clerk
December 31, 2013	Notices of Public Hearing published on or prior to this date
January 2, 2014	Final Resolution of Formation, Resolution Calling the Election and Consolidation, Resolution Declaring the Necessity to Incur Indebtedness due to Novato City Clerk
January 7, 2014	<b>Novato Council Meeting</b> – Public Hearing, Consider Resolution of Formation, Resolution Declaring the Necessity to Incur Indebtedness and Resolution Calling the Election and Consolidation
January 10, 2014	Last Day to Submit Resolution Calling the Election and Consolidation (which reflects exact form of ballot wording) to the County for the April 8, 2014 Election
January 11, 2014 through January 20, 2014	10 day public examination period
January 15, 2014	Last day to withdraw a measure from the ballot
January 20, 2014	Last day to submit ballot arguments
January 21, 2014 through January 30, 2014	10 Day public examination period
January 27, 2014	Last day to submit rebuttal arguments
January 28, 2014 through February 6, 2014	10 Day public examination period
April 8, 2014	Election Day
If successful election, then:	
April 10, 2014	Final Resolution Declaring Election Results due to Novato City Clerk
April 22, 2014	<b>Novato Council Meeting</b> – Consider Resolution Declaring Election Results and First Reading of CFD Ordinance
April 23, 2014 through May 7, 2014	Notice of Special Tax Lien recorded
May 13, 2014	<b>Novato Council Meeting</b> – Adopt CFD Ordinance, adopt Resolution Authorizing Bond Issuance

COUNTY OF EL DORADO  
COMMUNITY FACILITIES DISTRICT NO. 2005-2  
(LAUREL OAKS)  
SPECIAL TAX BONDS, SERIES 2006

Schedule of Transcript Documents

Volume I – District Formation

1. Deposit and Reimbursement Agreement, dated as of March 1, 2005
2. Boundary Map, recorded July 22, 2005
3. Resolution No. 136-2005, Resolution Approving Boundary Map, adopted by the Board of Supervisors on May 24, 2005
4. Resolution No. 137-2005, Resolution of Intention, adopted by the Board of Supervisors on May 24, 2005
5. Resolution No. 138-2005, Resolution Declaring Intention to Incur Bonded Indebtedness, adopted by the Board of Supervisors on May 24, 2005
6. Hearing Report, dated June 16, 2005
7. Proof of Publication of Notice of Hearing, showing that the notice was published on June 17, 2005
8. Certificate re Registered Voters and Landowners, dated June 21, 2005, showing the sole landowner is Pulte Home Corporation, with 39.364 acres (the Hollow Oak LLC parcel, consisting of 0.644 acres, was deemed not a part of the CFD based on its having been irrevocably committed to use as a public road right-of-way)
9. Resolution No. 201-2005, Resolution of Formation, adopted by the Board of Supervisors on June 28, 2005
10. Resolution No. 202-2005, Resolution Deeming it Necessary to Incur Bonded Indebtedness, adopted by the Board of Supervisors on June 28, 2005
11. Resolution No. 203-2005, Resolution Calling Special Mailed-Ballot Election, adopted by the Board of Supervisors on June 28, 2005
12. Certificate of Clerk re Receipt of Property Owner Waiver and Consent Form and Ballot and Declaring Election Results, dated June 21, 2005, with (a) executed Waiver and Consent form and (b) executed Special Election Ballot from the sole landowner attached

13. Resolution No. 204-2005, Resolution Declaring Election Results, adopted by the Board of Supervisors on June 28, 2005
14. Notice of Special Tax Lien, recorded on November 10, 2005
15. Ordinance No. 4678, Ordinance Levying a Special Tax for the Fiscal Year 2005-2006 and Following Fiscal Years Solely Within and Relating to Community Facilities District No. 2005-2 (Laurel Oaks), passed and adopted by the Board of Supervisors on July 12, 2005
16. Proof of Publication of Ordinance No. 4678, showing that the ordinance was published on July 25, 2005
17. Acquisition and Disclosure Agreement with Pulte Home Corporation, with effective date of April 1, 2006

\$15,595,000  
CITY OF BAKERSFIELD  
ASSESSMENT DISTRICT NO. 05-1  
(CITY IN THE HILLS)  
LIMITED OBLIGATION IMPROVEMENT BONDS

SCHEDULE OF TRANSCRIPT DOCUMENTS

NO. DESCRIPTION OF DOCUMENT

DISTRICT FORMATION – VOLUME I

1. Petitions of Property Owners, together with Certificate Respecting Sufficiency of Petition
2. Resolution No. 110-05, Resolution Accepting Petition and Determining to Undertake Special Assessment Proceedings, adopted on May 25, 2005
3. Deposit and Reimbursement Agreement, dated May 11, 2005
4. Agreement for Legal Services, Agreement No. 05-188, approved May 25, 2005 (no resolution)
5. Boundary Map, recorded November 9, 2005
6. Resolution No. 109-05, Resolution Approving Boundary Map, adopted on May 25, 2005
7. Resolution of Intention No. 1384, adopted on May 25, 2005
8. Acquisition and Disclosure Agreement, Agreement No. 05-285, between the City and Mountain View Bravo, LLC, approved July 20, 2005:
9. Resolution No. 164-05, Resolution Approving Form and Substance of Acquisition and Disclosure Agreement and Authorizing Changes Thereto and Execution Thereof, adopted on July 20, 2005
10. Final Engineer's Report, dated and filed on October 25, 2005
11. Resolution No. 227-05, Resolution Preliminarily Approving Engineer's Report, Setting Date for Public Hearing of Protests, adopted on October 12, 2005
12. Notice of Public Hearing and Assessment Ballots, and Certificate of Mailing dated October 19, 2005
13. Completed Assessment Ballot and Completed Consent and Waiver Form from Mountain View Bravo, LLC

14. Signed Appointment of Representative Forms from (a) K. Hovnanian's Four Seasons at Bakersfield, LLC, (b) D.R. Horton Los Angeles Holding Company, Inc. and (c) Regent Land Investments, LLC, Each Appointing Mountain View Bravo, LLC, to Execute Ballot and Waiver/Consent Form
15. Resolution No. 249-05, Resolution Approving Final Engineer's Report, Levying Assessments, Ordering Improvements, and Authorizing and Directing Related Actions, adopted on November 9, 2005
16. Assessment Diagram, recorded on November 11, 2005
17. Notice of Assessment, recorded on November 11, 2005
18. Mailed Notice of Assessment and Bond Sale, together with Certificate of Mailing, showing mailing completed on December 13, 2005
19. Resolution No. 250-05, Resolution Determining Assessments Remaining Unpaid, adopted on November 9, 2005, with Certificate re Paid and Unpaid Assessments and Assessment Roll attached



**CITY OF CHULA VISTA  
COMMUNITY FACILITIES DISTRICT NO. 14M  
RATE AND METHOD OF APPORTIONMENT FOR  
IMPROVEMENT AREA NO. 1 AND IMPROVEMENT AREA NO. 2  
(Eastern Urban Center/Millenia)**

A Special Tax of Community Facilities District No. 14M (Eastern Urban Center/Millenia) of the City of Chula Vista ("CFD") shall be levied on all Taxable Property in the CFD and collected each Fiscal Year commencing in Fiscal Year 2014-2015 in an amount determined through the application of the rate and method of apportionment of the Special Tax set forth below. All such Taxable Property shall be taxed for the purposes, to the extent and in the manner herein provided.

**A. DEFINITIONS**

The terms hereinafter set forth have the following meanings:

**"A' Map"** shall mean a master final subdivision or parcel map, filed in accordance with the Subdivision Map Act (California Government Code Section 66410 et seq.) and the Chula Vista Municipal Code, which subdivides the land or a portion thereof shown on a tentative map into "super block" lots corresponding to units or phasing of combination of units as shown on such tentative map and which may further show open space lot dedications, backbone street dedications and utility easements required to serve such "super block" lots.

**"Acre or Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Subdivision Map, other final map, other parcel map, other condominium plan, or functionally equivalent map or instrument recorded in the Office of the County Recorder. In the event that parcel acreage information is not available from the sources previously listed, San Diego County GIS data may be utilized. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

**"Act"** means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

**"Administrative Expenses"** means the actual or estimated costs incurred by the City, acting for and on behalf of the CFD as the administrator thereof, to determine, levy and collect the Special Taxes within Improvement Area No. 1, including salaries of City employees and a proportionate amount of the City's general administrative overhead related thereto, and the fees of consultants and legal counsel providing services related to the administration of Improvement Area No. 1; the costs of collecting installments of the Special Taxes within Improvement Area No. 1; and any other costs required to administer Improvement Area No. 1 as determined by the City.

**“Apartment Property”** means a dwelling unit within a building comprised of attached residential units available for rental by the general public, not for sale to an end user, and under common management.

**"Approved Property"** means all Assessor’s Parcels of Taxable Property: (i) that are included in an ‘A’ Map, excluding lettered lots thereon, or a Final Subdivision Map, excluding lettered lots thereon, that were recorded prior to the March 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have not been issued a building permit prior to the March 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied.

**"Assessor's Parcel"** means a lot or parcel shown in an Assessor's Parcel Map with an assigned assessor's parcel number. If any parcel of Public Urban Parks Property is not shown on an Assessor’s Parcel Map or assigned an assessor’s parcel number, an Assessor’s Parcel of such property shall mean that property as shown on the instrument conveying the title of such property to the City.

**"Assessor's Parcel Map"** means an official map of the Assessor of the County designating parcels by assessor's parcel number.

**"CFD Administrator"** means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

**"CFD"** means Community Facilities District No. 14M (Eastern Urban Center/Millenia) of the City of Chula Vista.

**“CFD Boundary Map”** entitled “Proposed Boundaries of Community Facilities District No. 14M (Eastern Urban Center/Millenia), City of Chula Vista, County of San Diego, State of California” as recorded in the Office of the County Recorder of the County of San Diego on January 23, 2014 as Document No. 2014-0030558 at Page 39 of Book 44 of the Book of Maps of Assessment and Community Facilities Districts for such County.

**"City"** means the City of Chula Vista.

**"City Clerk"** means the City Clerk for the City of Chula Vista or his or her designee.

**"City Manager"** means the City Manager for the City of Chula Vista or his or her designee.

**“City Share”** means the City’s Share of the budgeted costs of the maintenance of the Public Urban Parks Property, as determined in accordance with the Eastern Urban Center Parks Agreement and Section E below.

**"Community Purpose Facility Property" or "CPF Property"** means all Assessors’ Parcels which are classified as community purpose facilities and meet the requirements of City of Chula Vista Ordinance No. 2452.

**"Council"** means the City Council of the City of Chula Vista, acting as the legislative body of the CFD.

**"County"** means the County of San Diego, California.

**"Developed Property"** means all Taxable Property for which a building permit was issued prior to the March 1st preceding the Fiscal Year in which the Special Tax is being levied.

**"Dwelling Unit"** means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental separate from adjacent residential dwelling units.

**"Eastern Urban Center Parks Agreement"** means that certain Agreement Regarding Construction of Parks in a Portion of Otay Ranch Eastern Urban Center made and entered into as of the 15th day of September, 2009 by and between the City and McMillin Otay Ranch LLC, as recorded on October 28, 2009 with the San Diego County Recorder's Office, Document Number 2009-0599389, or as otherwise modified and agreed upon by all parties thereto.

**"Final Subdivision Map"** means a subdivision of property creating buildable lots by recordation of a final subdivision map or parcel map pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.), or recordation of a condominium plan pursuant to California Civil Code 1352, that creates individual lots for which building permits may be issued without further subdivision and is recorded prior to March 1 preceding the Fiscal Year in which the Special Tax is being levied.

**"Fiscal Year"** means the period starting July 1 and ending on the following June 30.

**"Improvement Area No. 1"** means all property within the boundaries of such improvement area as shown on the CFD Boundary Map.

**"Improvement Area No. 1 Operating Fund"** means a fund that shall be maintained for the CFD for each Fiscal Year to pay for the authorized maintenance services for Improvement Area No. 1 as described in the CFD special tax report and Administrative Expenses.

**"Improvement Area No. 1 Operating Fund Requirement"** means, for any Fiscal Year, an amount equal to the budgeted costs for Improvement Area No. 1. The budgeted costs for Improvement Area No. 1 shall equal (i) the greater of (A) 50% of the budgeted costs for maintenance of the Public Urban Parks Property and (B) 100% of such budgeted costs minus the City Share; plus (ii) the budget costs of landscape maintenance, street frontage maintenance, bio-retention maintenance, storm water maintenance, and the maintenance, repair and replacement of the facilities and improvements, other than the Public Urban Parks Property, which have been accepted and or maintained by the CFD during the current Fiscal Year; plus (iii) the budgeted Administrative Expenses for the current Fiscal Year in which Special Taxes are levied.

**"Improvement Area No. 1 Reserve Fund"** means a fund that shall be maintained for the CFD for Improvement Area No. 1 for each Fiscal Year to provide necessary cash flow for the first six months of each Fiscal Year, reserve capital to cover monitoring, maintenance and repair cost overruns and delinquencies in the payment of Special Taxes within Improvement Area No. 1 and a reasonable buffer to prevent large variations in annual Special Tax levies within Improvement Area No. 1.

**"Improvement Area No. 1 Reserve Fund Requirement"** means an amount equal to up to 100% of the Improvement Area No. 1 Operating Fund Requirement for any Fiscal Year.

**"Improvement Area No. 1 Special Tax Requirement"** means that amount required in any Fiscal Year for the CFD to: (i) pay the Improvement Area No. 1 Operating Fund Requirement; (ii) pay any amounts required to establish or replenish the Improvement Area No. 1 Reserve Fund to the Improvement Area No. 1 Reserve Fund Requirement; (iii) pay for reasonably anticipated delinquent Special Taxes within Improvement Area No. 1 based on the delinquency rate for Special Taxes levied in the previous Fiscal Year within Improvement Area No. 1; less (b) a credit for funds available to reduce the annual Special Tax levy, including the excess, if any, in the Improvement Area No. 1 Reserve Fund above the Improvement Area No. 1 Reserve Fund Requirement and any amount remaining in the Improvement Area No. 1 Operating Fund that is available to pay the Improvement Area No. 1 Operating Fund Requirement in such Fiscal Year.

**"Improvement Area No. 2"** means all property within the district boundaries that is owned by the City and classified as Public Urban Parks Property.

**"Improvement Area No. 2 Operating Fund"** means a fund that shall be maintained for the CFD for each Fiscal Year to pay for the authorized maintenance services for Improvement Area No. 2 as described in the CFD special tax report.

**"Improvement Area No. 2 Operating Fund Requirement"** means, for any Fiscal Year, an amount equal to the City Share.

**"Improvement Area No. 2 Special Tax Requirement"** means that amount required in any Fiscal Year for the CFD to pay the Improvement Area No. 2 Operating Fund Requirement less a credit for funds, if any, available to reduce the annual Special Tax levy within Improvement Area No. 2 and any amount remaining in the Improvement Area No. 2 Operating Fund that is available to pay the Improvement Area No. 2 Operating Fund Requirement in such Fiscal Year.

**"Land Use Class"** means any of the classes listed in Table 1.

**"Maximum Special Tax"** means the maximum Special Tax, determined in accordance with Section C below, that may be levied in any Fiscal Year on any Assessor's Parcel of Taxable Property.

**"Mixed Use Property"** means all Assessor's Parcels that have been classified by the City to allow both Residential Property and Non-Residential Property uses on each such Assessor's Parcel. For an Assessor's Parcel of Mixed Use Property, only the Residential Land Use Class thereon is subject to taxation pursuant to the provisions of Section C.

**"Multi-Family Property"** means all Assessor's Parcels of Developed Property for which a building permit has been issued for a residential structure consisting of two or more residential dwelling units that share common walls, including, but not limited to, duplexes, triplexes, townhomes, and condominiums.

**"Non-Residential Property"** means all Assessor's Parcels of Developed Property for which a building permit(s) has been issued for a structure or structures for non-residential use.

**"Ordinance"** means the Chula Vista Community Facilities District Ordinance, being Ordinance No. 2730 enacted on April 28, 1998, as modified and supplemented by Ordinance No. 3293, enacted on December 17, 2013.

**"Property Owner Association Property"** means any property within the CFD boundaries that is owned by, or irrevocably dedicated as indicated in an instrument recorded with the County Recorder to, a property owner association, including any master or sub-association.

**"Proportionately"** means in a manner such that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Taxable Property within each Land Use Class.

**"Public Property"** means any property within the CFD boundaries that has provided proof to the City prior to March 1st preceding the Fiscal Year in which the Special Tax is being levied, that it is expected to be used for any public purpose and is owned by or dedicated to the federal government, the State, the County, the City or any other public agency, excluding Public Urban Parks Property.

**"Public Urban Parks"** means those parks to which the City accepts title pursuant to the Eastern Urban Center Parks Agreement.

**"Public Urban Parks Property"** means all Assessor's Parcels that are owned by the City and upon which the Public Urban Parks are located or to be located.

**"Residential Property"** means all Assessor's Parcels of Developed Property classified as Apartment Property or Multi-Family Property for which a building permit(s) has been issued for purposes of constructing one or more residential dwelling units.

**"Special Tax"** means the Special Tax levied pursuant to the provisions of sections D and E below in each Fiscal Year on each Assessor's Parcel of Developed Property, Approved Property, and Undeveloped Property in Improvement Area No. 1 to fund the Improvement Area No. 1 Special Tax Requirement and the Public Urban Parks Property to fund the Improvement Area No. 2 Special Tax Requirement.

**"State"** means the State of California.

**"Taxable Property"** means, as to Improvement Area No. 1, all of the Assessor's Parcels within the boundaries of Improvement Area No. 1 that are not exempt from the Special Tax pursuant to law or as defined below under Tax-Exempt Property and, as to Improvement Area No. 2, all Assessor's Parcels of Public Urban Parks Property.

**"Tax-Exempt Property"** means an Assessor's Parcel not subject to the Special Tax. Tax-Exempt Property includes: (i) Public Property, or (ii) Property Owner Association Property excluding Taxable Property Owner Association Property, or (iii) Assessor's Parcels of Taxable CPF Property that is owned by a non-profit organization and has provided proof to the City prior to the March 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied of the organization's non-profit status, or (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement.

**"Taxable Property Owner Association Property"** means all Association Property which is not exempt from the Special Tax pursuant to Section F below.

**"Undeveloped Property"** means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Approved Property or Taxable Property Owner Association Property.

**B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year using the definitions above, all Taxable Property within the CFD shall be (a) categorized as being located in either Improvement Area No. 1 or Improvement Area No. 2; (b) classified as Developed Property, Public Urban Parks Property, Approved Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable CPF Property, and (c) subject to the levy of Special Taxes pursuant to Sections D and E below.

Developed Property shall be further assigned to a Land Use Class as specified in Table 1. The Land Use Class of each Assessor's Parcel of Residential Property or Mixed Use Property shall be determined based on the records of the San Diego County Assessor, or other such information provided by the City. Assessor's Parcels of CPF Property not classified as exempt in accordance with Section F below shall be taxed as Non-Residential Property when such Assessor's Parcel is classified as Developed Property. If the Assessor's Parcel is undeveloped it shall be classified as Undeveloped Property.

**C. MAXIMUM SPECIAL TAX RATE**

**1. Improvement Area No. 1**

a. Developed Property

**TABLE 1  
Maximum Special Tax for Developed Property  
Community Facilities District No. 14M  
within Improvement Area No. 1**

<b>Land Use Class</b>	<b>Description</b>	<b>Maximum Special Tax</b>
1	Apartment Property	\$189.00 per Dwelling Unit
2	Multi-Family Property	\$252.00 per Dwelling Unit
3	Non-Residential Property	\$1,259.00 per Acre

Multiple Land Use Classes

In some instances an Assessor’s Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax that may be levied on an Assessor’s Parcel shall only be levied on the Residential Property Land Use Class located on that Assessor Parcel(s).

Sample Maximum Special Tax Calculation for Mixed Use (Non-Residential Property and Apartment Property)

Under the proposed example, assume that Assessor’s Parcel Number 1 is classified as a Mixed Use Property. Assessor’s Parcel Number 1 is a 2 Acre parcel that contains 10,000 square feet of retail shops and Apartment Property with 10 residential dwelling units. The following table shows what the expected annual Maximum Special Tax would be for Assessor’s Parcel Number 1.

<b>Assessor Parcel No.</b>	<b>Parcel Acreage</b>	<b>No. of Residential Dwelling Units</b>	<b>Non-Residential Property Maximum Special Tax</b>	<b>Residential Property Maximum Special Tax</b>	<b>Total Annual Maximum Special Tax</b>
1	2.00	10	\$0.00	\$1,890.00	\$1,890.00

(1) The Maximum Special Tax is based upon the initial Maximum Special Tax rates as defined in Table 1.

- b. Approved Property, Undeveloped Property and Taxable Property Owner Association Property within Improvement Area No. 1

The Maximum Special Tax for Approved Property, Undeveloped Property and Taxable Property Owner Association Property shall be \$4,359.00 per Acre.

**2. Improvement Area No. 2**

- a. Public Urban Parks Property

**TABLE 2  
Maximum Special Tax for Public Urban Parks Property  
Community Facilities District No. 14M  
within Improvement Area No. 2**

Land Use Class	Description	Maximum Special Tax
1	Public Urban Parks Property	\$33,049.00 per Acre

**3. Annual Escalation of Maximum Special Tax**

The Maximum Special Tax for Improvement Area No. 1 and Improvement Area No. 2 as shown in Tables 1 and 2 above that may be levied on each Assessor's Parcel in the CFD shall be adjusted each Fiscal Year beginning in Fiscal Year 2014-15 and thereafter by a factor equal to the greater of, the positive percentage change in the San Diego Metropolitan Area All Urban Consumer Price Index (All Items) from the base date of June 1, 2013 through June 1 of the prior Fiscal Year, or 0%, provided the Maximum Special Tax shall never be less than the amounts shown in Tables 1 and 2, respectively.

**D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR IMPROVEMENT AREA NO. 1**

Commencing with Fiscal Year 2014-15, and for each following Fiscal Year, the Council shall levy the Special Tax in Improvement Area No. 1 at the rates established pursuant to steps 1 through 4 below so that the amount of the Special Tax levied equals the Improvement Area No. 1 Special Tax Requirement. The Special Tax in Improvement Area No. 1 shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property within Improvement Area No. 1 up to 100% of the applicable Maximum Special Tax;



Second: If additional monies are needed to satisfy the Improvement Area No. 1 Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax for Approved Property;

Third: If additional monies are needed to satisfy the Improvement Area No. 1 Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Fourth: If additional moneys are needed to satisfy the Improvement Area No. 1 Special Tax Requirement after the first three steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property at up to 100% of the Maximum Special Tax for Taxable Property Owner Association Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Multi-Family Property or Apartment Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent annually up to the Maximum Special Tax as a consequence of delinquency or default by the owner of any other Assessor's Parcel within Improvement Area No. 1.

**E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR IMPROVEMENT AREA NO. 2**

Commencing with Fiscal Year 2014-15, and for each following Fiscal Year, the Council shall levy the Special Tax Proportionately on all Public Urban Parks Property within Improvement Area No. 2 up to 100% of the Maximum Special Tax as necessary to fully fund the Improvement Area No. 2 Special Tax Requirement.

For the purposes of determining the Improvement Area No. 1 Operating Fund Requirement and the Improvement Area No. 2 Operating Fund Requirement, the City Share shall be the lesser of the amount determined in Step One and Step Two below.

Step One: The City shall calculate the amount equal to 50% of the budgeted costs for maintenance of the Public Urban Parks Property that has been accepted and or maintained by the CFD during the current fiscal year, for the current fiscal year in which the Special Taxes are being levied, and for Public Urban Parks Property that the City anticipates accepting during the upcoming Fiscal Year.

Step Two: As outlined in Section 5.1(a) of the Eastern Urban Center Parks Agreement, each Fiscal Year, after the Council adopts the City's annual operating budget, the City shall calculate the City's total annual public park maintenance cost included in the budget. The City shall also calculate the acreage of public parks that are maintained and

owned by the City and included in the budget (including the Public Urban Parks Property for which the City has accepted title). The total annual cost shall be divided by the total park acreage to determine the City's average annual park maintenance cost per acre for that Fiscal Year. This amount shall be multiplied by 21.51 acres and then multiplied by a fraction, the numerator of which is the acreage of the Public Urban Parks Property for which the City has accepted title and for which the City is currently assessing a Special Tax in anticipation of acceptance by the City and the denominator of which is 10.60 acres. If the amount calculated pursuant to this Step Two is lower than the amount calculated under Step One above, it shall be the City Share unless the City Manager, at his or her own sole discretion, elects to use the higher amount as the City Share in order to maintain the fifty/fifty (50-50) split of maintenance costs as outlined in Section 5.1(a) of the Eastern Urban Parks Agreement.

**F. EXEMPTIONS**

The CFD Administrator shall classify as Tax-Exempt Property (i) Assessor's Parcels defined as Public Property, (ii) Assessor's Parcels defined as CPF Property that are owned by a non-profit organization which provides proof to the City prior to March 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied of the organization's non-profit status, and (iii) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement.

The CFD Administrator shall classify as Tax-Exempt Property within Improvement Area No. 1 those Assessor's Parcels defined as Property Owner's Association Property provided that no such classification would reduce the sum of all Taxable Property within Improvement Area No. 1 to less than 130.39 Acres. Assessor's Parcels defined as Property Owner Association Property and CPF Property that cannot be classified as Tax-Exempt Property will be classified as Taxable Property Owner Association Property and shall be taxed as part of the fourth step in Section D.

The CFD Administrator will assign tax-exempt status in the chronological order in which property becomes exempt Public Property or CPF Property or Tax-Exempt Property Owner Association Property. However, should an Assessor's Parcel no longer be classified as Public Property or CPF Property or Tax-Exempt Property Owner Association Property, its tax-exempt status will be revoked.

Taxable Property Owner Association Property that is not exempt from the Special Tax under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fourth step in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Property Owner Association Property and Taxable CPF Property. There shall be no Tax-Exempt Property within Improvement Area No. 2.

**G. APPEALS**

Any landowner or resident who pays the Special Tax and believes that the amount of the Special Tax levied on their Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error. If following such consultation, the CFD Administrator determines that an error has occurred; the CFD Administrator may amend the amount of the Special Tax levied on such Assessor's Parcel. If following such consultation and action, if any by the CFD Administrator, the landowner or resident believes such error still exists; such person may file a written notice with the City Clerk of the City appealing the amount of the Special Tax levied on such Assessor's Parcel. Upon the receipt of any such notice, the City Clerk shall forward a copy of such notice to the City Manager who shall establish as part of the proceedings and administration of the CFD, a special three-member Review/Appeal Committee. The Review/Appeal Committee may establish such procedures, as it deems necessary to undertake the review of any such appeal. The Review/Appeal Committee shall interpret this Rate and Method of Apportionment and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals, as herein specified. The decision of the Review/Appeal Committee shall be final and binding as to all persons.

**H. MANNER OF COLLECTION**

Special Taxes levied in Improvement Area No. 1 pursuant to Section D above shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that the CFD Administrator may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet the financial obligations of the CFD or as otherwise determined appropriate by the CFD Administrator. Special Taxes levied in Improvement Area No. 2 pursuant to Section E above shall be collected by direct billing by the CFD Administrator, such Special Taxes to be due and payable and shall become delinquent at the same time as Special Taxes levied within Improvement Area No. 1.

**I. TERM OF SPECIAL TAX**

Taxable Property in Improvement Area No. 1 and Improvement Area No. 2 of the CFD shall remain subject to the Special Tax in perpetuity or until the Council takes appropriate actions to terminate the Special Tax in both Improvement Areas pursuant to the Act.

## About the Engineer's Report

- ◆ Key information document
- ◆ Most important exhibit in a dispute
- ◆ Must comply with procedural act and Prop. 218
- ◆ Must be prepared by a Registered Prof. Engineer
- ◆ Important Content:
  - Special benefits should be clearly defined
  - General benefits should be discussed
    - and defined as clearly as possible
  - Assessment spread should be laid out in detail
  - Special treatment of public parcels should be discussed

## Engineer's Report Contents (Capital Projects)

### ◆ Per §10204 of the S&H Code (the 1913 Act)

- Plans & Specifications (project description)
- Estimate of Cost of Construction
- Assessment Diagram
- Assessment Methodology
- Assessment Roll
- Annual Admin Costs

### ◆ Per §2960 of the S&H Code, the 1931 Debt Limitation Act

- Total principal amount of Unpaid Assessments on parcels
- Total True Value of parcels
- Total Value / Lien  $\geq 2$

UC Davis Extension - Special Assessment Proceedings - Sept. 25 & 26, 2008

## Engineer's Report Contents (M&O)

### ◆ Per §22567 of the S&H Code (the 1972 Act)

- ▶ Plans & Specifications (project description)
- ▶ Estimate of Cost (annual costs)
- ▶ Assessment Diagram
- ▶ Assessment Methodology
- ▶ Assessment Roll

### ◆ Per §54716 of the Gov't Code (the 1982 Act)

- ▶ Description of the Services
- ▶ Description of the lots/parcels subject to Assessment
- ▶ Assessment Methodology
- ▶ Assessment Roll

## Proposition 218 (Approved Nov. 1996)

- ◆ Registered Professional Engineer to prepare Engineer's Report
  
- ◆ Benefit Nexus Requirements
  - General benefits to be separated from special benefits
  - Only special benefits may be assessed
  
- ◆ Burden of Proof
  - Shifted to the public agency

UC Davis Extension - Special Assessment Proceedings - Sept. 25 & 26, 2008

## Proposition 218 (continued)

### ◆ Public Property Inclusion

- ▶ No longer "exempt" by definition
- ▶ If they benefit, they must be taken into consideration
- ▶ "Clear and convincing evidence" for finding no benefit
- ▶ How to pay for public parcel benefit
  - No enforcement mechanism for collection
- ▶ Public Agencies get to vote if their property is assessed



## July 2008 California Supreme Court Ruling

- ◆ "General Benefit" more defined
  - General enhancement of property value (Prop. 218)
  - Inside and outside AD boundary
  
- ◆ If all properties benefit, is it special?
  - Agency-wide AD (city, county, special district)
  - Boundary defined by benefits
  
- ◆ "People" benefits vs. "Property" benefits

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## Special vs. General Benefit

- ◆ Streets
  - local vs. arterial
- ◆ Sewer, Water, Drainage
  - oversized facilities?
- ◆ Flood Control
  - regional facility?
- ◆ Traffic Signals
  - 3-way? 4-way? Arterial?
- ◆ Parks / Parklands
  - proximity issues?
  - "people" benefits?
- ◆ Utility Undergrounding
  - Pedestrian safety?
- ◆ Off-site Improvements
  - needs careful review
- ◆ Conditions of Approval
  - development will not occur unless things are done
  - powerful benefit statement
    - other benefits may also exist

## Annual Administration Costs

◆ 1913 Act allows the collection of an annual amount for administration

◆ Maximum \$ amount per parcel

(\$500 per parcel),

(5% of original lien)

◆ Financing the annual administration can get very expensive

(\$10,000 x 30 yrs = \$300,000)

◆ Annual Escalator may be applied to the per parcel amount

(CPI ?)

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## Planning for Future Cost Increases

### ◆ Maintenance District

- Annual escalation of assessment rate
- By formula or on an index
  - Consumer Price Index (CPI)
  - Engineering News Record (ENR) construction cost index
  - Straight percentage (like 2%)
  - Combination (CPI + 3%)

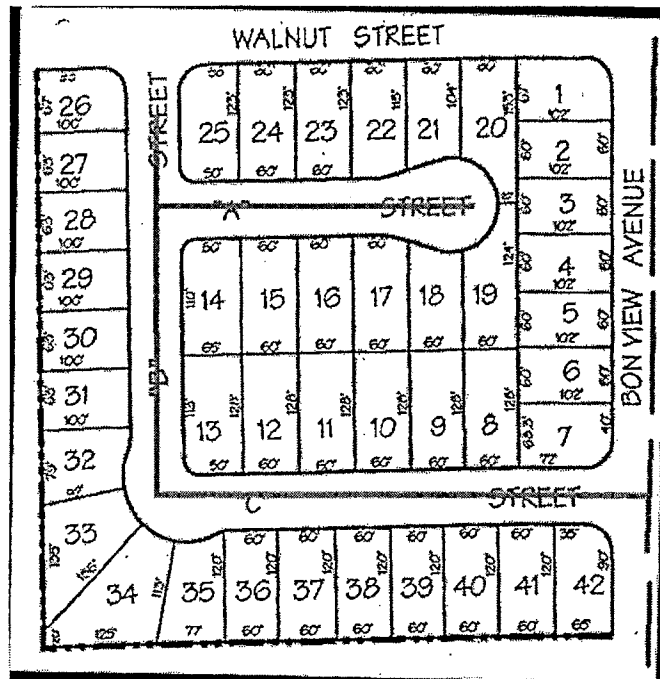
### ◆ Gov't Code Section 53750(h)

- When increased amount is result of pre-218 provisions
- When increased amount is attributable to certain changes

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## Getting Started (Improvement Assessment):

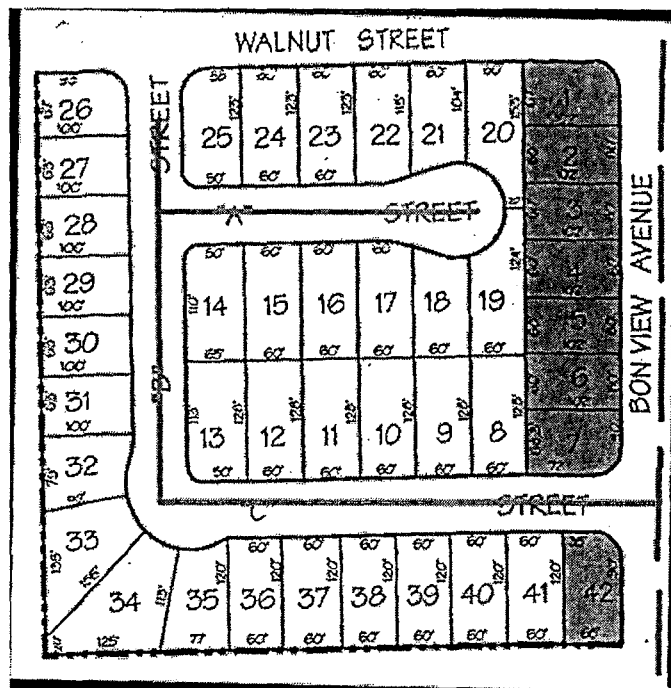
- ◆ Identify the project(s) to be funded



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## Getting Started with the Engineer's Report:

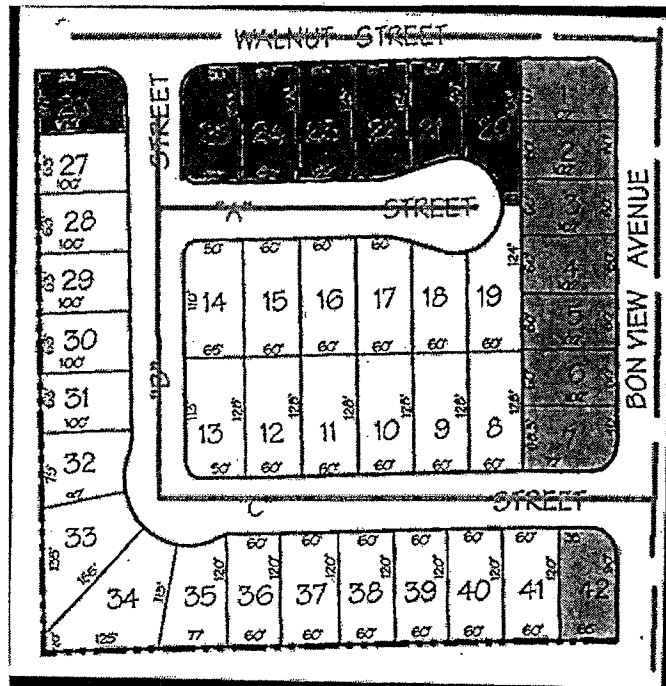
- ◆ Identify the project(s) to be funded
- ◆ Determine who benefits from the improvements



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## Look at the Whole Picture

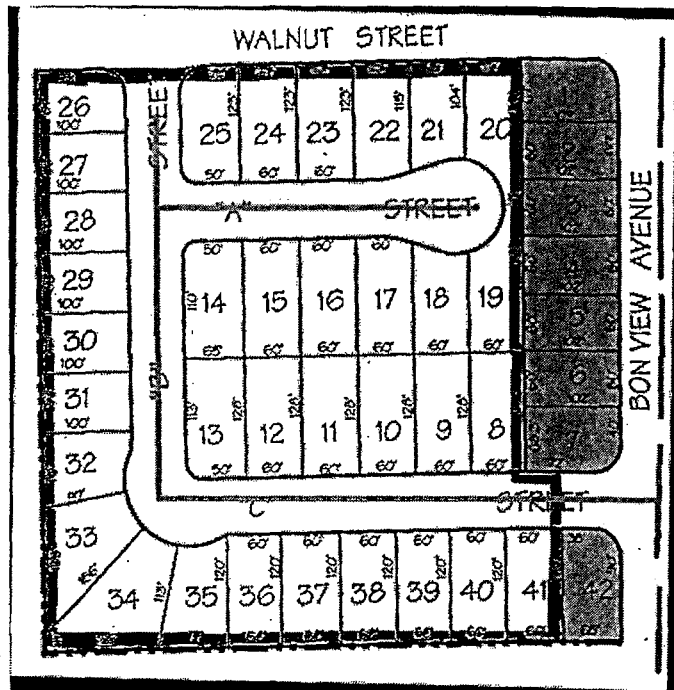
◆ Who else may or may not benefit?



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## Look at the Whole Picture

- ◆ Who else may or may not benefit?
- ◆ Look at physical constraints
- ◆ Draw your boundary



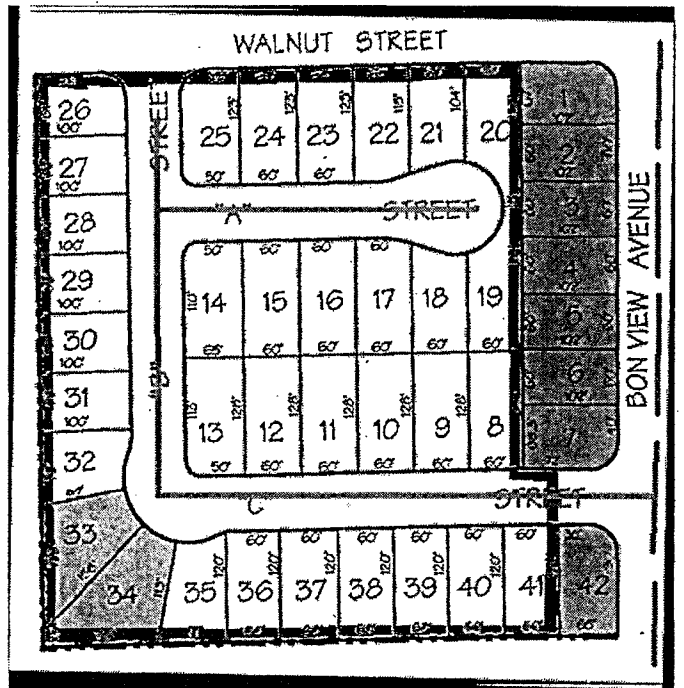
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## Spreading the Benefit

### ◆ Method of spread / benefit formula

- Identify benefits
  - Special and general
- Quantify benefits



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## Large O&M Processes

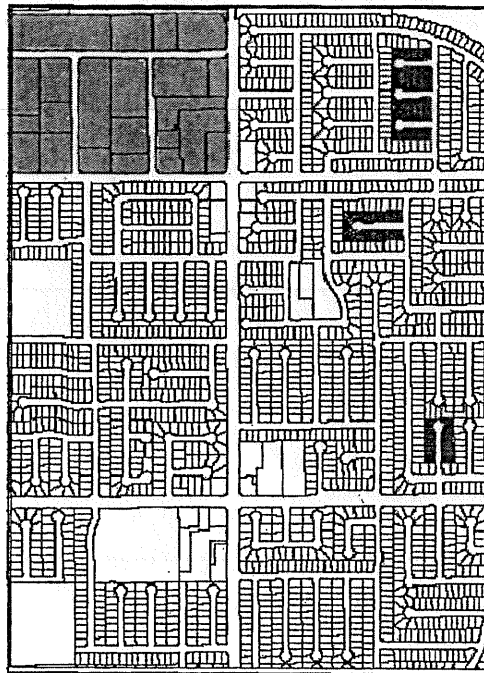
### ◆ Building the database

- County Assessor's data
  - ◆ Assessor's Parcel Number
  - ◆ Land uses
  - ◆ Confirm with field review (public property)

### ◆ Benefit Determination

### ◆ Benefit Formula

- Equivalent Dwelling Units
- Benefit factors



UC Davis Extension - Special Assessment Proceedings - Sept. 25 & 26, 2008



# Final Engineer's Report

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for

## Underground Utility Assessment District No. 103 (G St / E Balboa Blvd / Channel Rd / Ocean Blvd)

Prepared under the provisions of the  
Municipal Improvement Act of 1913

For the

**City of Newport Beach**  
County of Orange, California

July 28, 2009

## TABLE OF CONTENTS

	Page
<b>Introduction and Certifications</b> .....	1
<b>PART I Plans and Specifications</b> .....	4
<b>PART II Cost Estimate</b> .....	5
<b>PART III Assessment Roll and Method of Assessment Spread</b> .....	6
Table 1 – Assessment Roll.....	8
Debt Limit Valuation .....	17
Exhibit 1 – Method and Formula of Assessment Spread.....	18
<b>PART IV Annual Administrative Assessment</b> .....	24
<b>PART V Diagram of Assessment District</b> .....	25
<b>PART VI Description of Facilities</b> .....	32
Right-of-Way Certificate .....	33
Certification of Completion of Environmental Proceedings .....	34
<b>APPENDIX</b>	
A. Excerpts from Assessment District No. 64	
B. Assessment Calculations	

**AGENCY: CITY OF NEWPORT BEACH**

**PROJECT: ASSESSMENT DISTRICT NO. 103**

**TO: CITY COUNCIL**

**ENGINEER'S "REPORT" PURSUANT TO THE  
PROVISIONS OF SECTIONS 2961 AND 10204  
OF THE STREETS AND HIGHWAYS CODE**

The purposes of this Assessment District is to provide financing to underground power, telephone and cable facilities in the area generally bounded by G Street / East Balboa Boulevard / Channel Road / Ocean Boulevard. The proposed underground utility improvements will provide conversion to an upgraded utility system and will enhance neighborhood aesthetics, safety and reliability.

The construction of these improvements will conform to existing City of Newport Beach, Southern California Edison, AT&T and Time Warner Cable standards. By virtue of such improvements, the proposed improvements are of special and direct benefit to these properties.

Pursuant to the provisions of Article XIID of the State Constitution, Part 7.5 of the "Special Assessment Investigation, Limitation and Majority Protest Act of 1931", being Division 4 of the Streets and Highways Code of the State of California, and the "Municipal Improvement Act of 1913", being Division 12 of said Code, and the Resolution of Intention, adopted by the City Council of the CITY OF NEWPORT BEACH, State of California, in connection with the proceedings for Assessment District No. 103 (hereinafter referred to as the "Assessment District"), I, Joan E. Cox, P.E., a Registered Professional Engineer and authorized representative of Harris & Associates, the duly appointed Engineer of Work, herewith submits the "Report" for the Assessment District, consisting of six (6) parts as stated below.

**PART I**

This part contains the plans and specifications which describe the general nature, location and extent for the proposed improvements to be constructed, and are filed herewith and made a part hereof. Said plans and specifications are on file in the Office of the Superintendent of Streets.

**PART II**

This part contains an estimate of the cost of the proposed improvements, including capitalized interest, if any, incidental costs and expenses in connection therewith as set forth herein and attached hereto.

**PART III**

This part consists of the following information:

- A. A proposed assessment of the total amount of the costs and expenses of the proposed improvements upon the several subdivisions of land within the Assessment District, in proportion to the special benefits to be received by such subdivisions from said improvements, which is set forth upon the assessment roll filed herewith and made a part hereof.

- B. The total amount, as near as may be determined, of the total principal sum of all unpaid special assessments and special assessments required or proposed to be levied under any completed or pending assessment proceedings, other than that contemplated for the Assessment District, which would require an investigation and report under the "Special Assessment Investigation, Limitation and Majority Protest Act of 1931" against the total area proposed to be assessed.
- C. The total true value, determined from the latest Assessor's roll, of the parcels of land and improvements which are proposed to be assessed.

#### PART IV

This part contains the proposed maximum annual administrative assessment to be levied upon each subdivision or parcel of land within the Assessment District to pay the costs incurred by the CITY OF NEWPORT BEACH, and not otherwise reimbursed, resulting from the administration and collection of assessments, from the administration and registration of any associated bonds and reserve or other related funds, or both.

#### PART V

This part contains a map showing the boundaries of the Assessment District, and a diagram showing the Assessment District, the boundaries and the dimensions of the subdivisions of land within said Assessment District, as the same existed at the time of the passage of the Resolution of Intention. The Boundary Map and Assessment Diagram are filed herewith and made a part hereof, and part of the assessment.

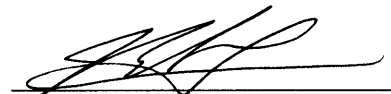
#### PART VI

This part shall consist of the following information:

- A. Description of facilities
- B. Right-of-Way Certificate
- C. Environmental Certificate

This report is submitted on July 8, 2009.

HARRIS & ASSOCIATES



JOAN E. COX, P.E.  
R.C.E. No. 41965  
ENGINEER OF WORK  
CITY OF NEWPORT BEACH  
STATE OF CALIFORNIA

Preliminary approval by the CITY COUNCIL of the CITY OF NEWPORT BEACH, CALIFORNIA, on the \_\_\_\_ day of \_\_\_\_\_, 2009.

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CITY CLERK  
CITY OF NEWPORT BEACH  
STATE OF CALIFORNIA

Final approval by the CITY COUNCIL of the CITY OF NEWPORT BEACH, CALIFORNIA, on the \_\_\_\_ day of \_\_\_\_\_, 2009.

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CITY CLERK  
CITY OF NEWPORT BEACH  
STATE OF CALIFORNIA

## Part I Plans and Specifications

The plans and specifications to construct the utility undergrounding improvements, and any ancillary improvements thereof, for the area generally described as Assessment District No. 103, G Street / East Balboa Boulevard / Channel Road / Ocean Boulevard, describe the general nature, location and extent of the improvements for this Assessment District are referenced herein and incorporated as if attached and a part of this Report.

Said Plans and Specifications for the improvements are on file in the office of the Superintendent of Streets.



## Part II Cost Estimate

	Estimated Costs	
	Preliminary	Confirmed
<b>DESIGN &amp; CONSTRUCTION COSTS*</b>		
Electrical Costs (Southern California Edison)		
Electrical Construction Costs	\$3,053,100	\$3,053,100
Construction Contingency (~10%)	\$305,310	\$305,310
Edison Design Engineering	\$135,800	\$135,800
	\$3,494,210	\$3,494,210
Telephone Costs (AT&T)		
Telephone Construction Costs	\$992,998	\$992,998
Construction Contingency (~10%)	\$99,300	\$99,300
AT&T Design Engineering	\$102,000	\$102,000
	\$1,194,298	\$1,194,298
Street / Alley Rehabilitation	\$1,000,000	\$1,000,000
Construction Contingency (~7.5%)	\$75,000	\$75,000
	\$1,075,000	\$1,075,000
Estimated Utility Contribution for Equivalent Overhead System	-\$678,621	-\$678,621
<b>Total Design &amp; Construction Costs:</b>	<b>\$5,084,887</b>	<b>\$5,084,887</b>
Less deduct from contingency:		-\$19,744
<b>Modified Total Design &amp; Construction Costs:</b>		<b>\$5,065,143</b>
<b>INCIDENTAL EXPENSES</b>		
Assessment Engineering	\$64,000	\$64,000
Contract Inspection	\$75,000	\$75,000
Disclosure Counsel	\$20,000	\$20,000
City Administration	\$100,000	\$100,000
Financial Advisor	\$15,000	\$15,000
Filing Fees	\$5,000	\$5,000
Bond Counsel	\$25,000	\$25,000
Paying Agent	\$3,000	\$3,000
Dissemination Agent	\$3,000	\$3,000
Financial Printing, Registration and Servicing	\$10,000	\$10,000
Incidental Contingencies	\$28,113	\$28,113
<b>Total Incidental Expenses:</b>	<b>\$348,113</b>	<b>\$348,113</b>
Less deduct from contingency:		-\$1,352
<b>Modified Total Incidental Expenses:</b>		<b>\$346,761</b>
<b>Total Construction and Incidental Expenses:</b>	<b>\$5,433,000</b>	<b>\$5,411,904</b>
<b>FINANCING COSTS</b>		
Underwriter's Discount	1.25%     \$78,000	\$77,759
Bond Reserve / Credit Enhancement	6.00%     \$375,000	\$373,396
Funded Interest @ 12 months @ 5.75%	\$359,000	\$357,693
<b>Total Financial Costs:</b>	<b>\$812,000</b>	<b>\$808,848</b>
<b>TOTAL AMOUNT TO ASSESSMENT:</b>	<b>\$6,245,000</b>	<b>\$6,220,752</b>

\* Time Warner Cable is required to pay for undergrounding through the Franchise Agreement with the City.

### Part III Assessment Roll and Method of Assessment Spread

WHEREAS, on June 9, 2009 the City Council of the CITY OF NEWPORT BEACH, State of California, did, pursuant to the provisions of the 1913 Act "Municipal Improvement Act of 1913", being Division 12 of the Streets and Highways Code, of the State of California, adopt its Resolution of Intention No. 2009-36, for the installation and construction of certain public improvements, together with appurtenances and appurtenant work in connection therewith, in a special assessment district known and designated as ASSESSMENT DISTRICT NO. 103 (hereinafter referred to as the "Assessment District"); and

WHEREAS, said Resolution of Intention, as required by law, did direct the Engineer of Work to make and file a "Report", consisting of the following as required by Section 10204 of the Act:

- a. Plans
- b. Specifications
- c. Cost Estimates
- d. Assessment Diagram showing the Assessment District and the subdivisions of land therein;
- e. A proposed assessment of the costs and expenses of the works of improvement levied upon the parcels within the boundaries of the Assessment District;
- f. The proposed maximum annual assessment to be levied upon each subdivision or parcel of land within the Assessment District to pay the costs incurred by the City and not otherwise reimbursed resulting from the administration and collection of assessments or from the administration and registration of any associated bonds and reserve or other related funds.

For particulars, reference is made to the Resolution of Intention as previously adopted.

NOW, THEREFORE, I, Joan E. Cox, the authorized representative of HARRIS & ASSOCIATES, pursuant to Article XIID of the California Constitution and the "Municipal Improvement Act of 1913", do hereby submit the following:

1. Pursuant to the provisions of law and the Resolution of Intention, I have assessed the costs and expenses of the works of improvement to be performed in the Assessment District upon the parcels of land in the Assessment District specially benefited thereby in direct proportion and relation to the special benefits to be received by each of said parcels. For particulars as to the identification of said parcels, reference is made to the Assessment Diagram, a copy of which is attached hereto and incorporated herein.
2. As required by law, a Diagram is hereto attached, showing the Assessment District, as well as the boundaries and dimensions of the respective parcels and subdivisions of land within said District as the same existed at the time of the passage of said Resolution of Intention, each of which subdivisions of land or parcels or lots respectively have been given a separate number upon said Diagram and in said Assessment Roll.

3. The subdivisions and parcels of land the numbers therein as shown on the respective Assessment Diagram as attached hereto correspond with the numbers as appearing on the Assessment Roll as contained herein.
4. NOTICE IS HEREBY GIVEN that bonds will be issued in accordance with Division 10 of the Streets and Highways Code of the State of California (the "Improvement Bond Act of 1915"), to represent all unpaid assessments, which bonds shall be issued in one or more series, each with a term not to exceed the legal maximum term as authorized by law, THIRTY-NINE (39) YEARS from the 2nd day of September next succeeding twelve (12) months from their date. Said bonds shall bear interest at a rate not to exceed the current legal maximum rate of 12% per annum.

The bonds may be issued in more than one series, depending upon duration of the improvement work and related considerations.

5. By virtue of the authority contained in said "Municipal Improvement Act of 1913", and by further direction and order of the legislative body, I hereby recommend the following Assessment to cover the costs and expenses of the works of improvement for the Assessment District based on the costs and expenses as set forth below:

	<b>As Preliminarily Approved</b>	<b>As Confirmed</b>
Estimated Cost of Construction:	\$5,084,887	\$5,065,143
Estimated Incidental Expenses:	\$348,113	\$346,761
Estimated Financial Costs:	\$812,000	\$808,848
<b>Estimated Total to Assessment:</b>	<b>\$6,245,000</b>	<b>\$6,220,752</b>

For particulars as to the individual assessments and their descriptions, reference is made to Table 1 (Assessment Roll) attached hereto.

6. The Method of Spread of Assessment is as set forth in the exhibit identified as Part III (Exhibit 1), which is attached hereto, referenced and so incorporated.

**Table 1**  
**Assessment Roll**

<b>Asmt No.</b>	<b>Assessor's Parcel Number</b>	<b>Total True Value</b>	<b>Existing Liens</b>	<b>Assessments as Preliminarily Approved</b>	<b>Assessments as Confirmed and Recorded</b>	<b>Value to Lien Ratio</b>
1	048-201-47	\$2,235,837	\$0	\$23,842.59	\$23,749.81	94
2	048-201-46	\$1,012,999	\$0	\$19,406.75	\$19,331.24	52
3	048-201-41	\$89,231	\$0	\$16,079.89	\$16,017.32	6
4	048-201-40	\$339,123	\$0	\$16,079.89	\$16,017.32	21
5	048-201-39	\$919,017	\$0	\$16,079.89	\$16,017.32	57
6	048-201-38	\$465,839	\$0	\$16,079.89	\$16,017.32	29
7	048-201-37	\$1,485,691	\$0	\$15,525.41	\$15,464.99	96
8	048-201-52	\$1,810,164	\$0	\$31,050.81	\$30,929.98	59
9	048-201-34	\$1,555,500	\$0	\$15,525.41	\$15,464.99	101
10	048-201-33	\$848,343	\$0	\$14,970.93	\$14,912.67	57
11	048-201-32	\$67,780	\$0	\$14,970.93	\$14,912.67	5
12	048-201-31	\$959,294	\$0	\$14,970.93	\$14,912.67	64
13	048-201-30	\$398,460	\$0	\$14,970.93	\$14,912.67	27
14	048-201-29	\$774,349	\$0	\$14,970.93	\$14,912.67	52
15	048-201-44	\$440,076	\$0	\$14,970.93	\$14,912.67	30
16	048-201-45	\$127,651	\$0	\$28,832.89	\$28,720.70	4
17	048-201-26	\$632,569	\$0	\$14,416.44	\$14,360.34	44
18	048-201-25	\$392,199	\$0	\$14,416.44	\$14,360.34	27
19	048-201-24	\$330,838	\$0	\$14,416.44	\$14,360.34	23
20	048-201-23	\$275,419	\$0	\$16,634.36	\$16,569.64	17
21	048-201-22	\$663,824	\$0	\$18,297.80	\$18,226.60	36
22	048-201-48	\$1,157,771	\$0	\$16,079.89	\$16,017.32	72
23	048-201-51	\$972,728	\$0	\$15,525.41	\$15,464.99	63
24	048-201-50	\$289,255	\$0	\$15,525.41	\$15,464.99	19
25	048-201-02	\$89,231	\$0	\$13,861.97	\$13,808.03	6
26	048-201-03	\$94,130	\$0	\$13,861.97	\$13,808.03	7
27	048-201-04	\$674,814	\$0	\$13,861.97	\$13,808.03	49
28	048-201-05	\$1,011,926	\$0	\$13,861.97	\$13,808.03	73
29	048-201-06	\$265,579	\$0	\$13,861.97	\$13,808.03	19
30	048-201-07	\$785,777	\$0	\$13,861.97	\$13,808.03	57
31	048-201-08	\$73,089	\$0	\$13,861.97	\$13,808.03	5
32	048-201-09	\$819,088	\$0	\$13,861.97	\$13,808.03	59
33	048-201-10	\$829,636	\$0	\$13,861.97	\$13,808.03	60
34	048-201-11	\$636,170	\$0	\$13,861.97	\$13,808.03	46
35	048-201-12	\$311,052	\$0	\$13,861.97	\$13,808.03	23
36	048-201-13	\$344,459	\$0	\$13,861.97	\$13,808.03	25
37	048-201-14	\$743,973	\$0	\$13,861.97	\$13,808.03	54
38	048-201-15	\$1,043,551	\$0	\$13,861.97	\$13,808.03	76
39	048-201-16	\$657,439	\$0	\$13,861.97	\$13,808.03	48
40	048-201-17	\$592,362	\$0	\$13,861.97	\$13,808.03	43
41	048-201-18	\$490,361	\$0	\$13,861.97	\$13,808.03	36
42	048-201-19	\$70,817	\$0	\$13,861.97	\$13,808.03	5
43	048-201-20	\$450,486	\$0	\$13,861.97	\$13,808.03	33
44	048-201-21	\$83,646	\$0	\$17,188.84	\$17,121.95	5
45	048-192-01	\$290,094	\$0	\$26,614.98	\$26,511.41	11

Asmt No.	Assessor's Parcel Number	Total True Value	Existing Liens	Assessments as Preliminarily Approved	Assessments as Confirmed and Recorded	Value to Lien Ratio
46	048-192-02	\$99,716	\$0	\$19,406.75	\$19,331.24	5
47	048-192-03	\$414,955	\$0	\$39,922.48	\$39,767.12	10
48	048-192-04	\$2,086,920	\$0	\$22,179.15	\$22,092.84	94
49	048-192-05	\$1,043,551	\$0	\$22,179.15	\$22,092.84	47
50	048-192-06	\$1,135,938	\$0	\$23,288.10	\$23,197.48	49
51	048-192-07	\$157,661	\$0	\$23,842.59	\$23,749.81	7
52	048-192-08	\$835,469	\$0	\$24,951.55	\$24,854.45	34
53	048-192-09	\$1,816,379	\$0	\$56,002.34	\$55,784.05	33
54	048-191-19	\$241,339	\$0	\$6,282.24	\$6,257.80	39
55	048-191-02	\$502,585	\$0	\$15,248.16	\$15,188.83	33
56	048-191-03	\$509,983	\$0	\$16,079.89	\$16,017.32	32
57	048-191-04	\$819,088	\$0	\$14,970.93	\$14,912.67	55
58	048-191-05	\$96,721	\$0	\$14,970.93	\$14,912.67	6
59	048-191-06	\$1,499,400	\$0	\$14,416.44	\$14,360.34	104
60	048-191-07	\$431,053	\$0	\$14,970.93	\$14,912.67	29
61	048-191-08	\$216,526	\$0	\$14,416.44	\$14,360.34	15
62	048-191-09	\$964,808	\$0	\$14,970.93	\$14,912.67	65
63	048-191-10	\$557,978	\$0	\$16,079.89	\$16,017.32	35
64	048-191-11	\$113,100	\$0	\$17,743.32	\$17,674.27	6
65	930-504-15	\$741,170	\$0	\$9,426.14	\$9,389.46	79
66	930-504-16	\$770,744	\$0	\$9,426.14	\$9,389.46	82
67	930-504-17	\$1,109,500	\$0	\$9,426.14	\$9,389.46	118
68	930-504-18	\$770,744	\$0	\$9,426.14	\$9,389.46	82
69	048-191-14	\$1,045,302	\$0	\$18,297.80	\$18,226.60	57
70	048-191-15	\$2,347,989	\$0	\$16,634.36	\$16,569.64	142
71	048-191-16	\$877,242	\$0	\$18,297.80	\$18,226.60	48
72	048-221-01	\$1,680,823	\$0	\$18,852.28	\$18,778.92	90
73	048-221-02	\$86,471	\$0	\$14,416.44	\$14,360.34	6
74	048-221-03	\$338,112	\$0	\$14,416.44	\$14,360.34	24
75	048-221-28	\$152,829	\$0	\$29,387.37	\$29,273.02	5
76	048-221-06	\$78,674	\$0	\$14,416.44	\$14,360.34	5
77	048-221-29	\$111,092	\$0	\$21,624.68	\$21,540.53	5
78	048-221-24	\$3,125,000	\$0	\$21,624.68	\$21,540.53	145
79	048-221-10	\$402,816	\$0	\$14,416.44	\$14,360.34	28
80	048-221-11	\$1,689,074	\$0	\$14,416.44	\$14,360.34	118
81	048-221-12	\$332,946	\$0	\$14,416.44	\$14,360.34	23
82	048-221-13	\$85,991	\$0	\$14,416.44	\$14,360.34	6
83	048-221-14	\$535,537	\$0	\$16,634.36	\$16,569.64	32
84	048-221-34	\$702,153	\$0	\$16,634.36	\$16,569.64	42
85	048-221-35	\$6,783,079	\$0	\$13,307.49	\$13,255.71	512
86	048-221-22	\$86,381	\$0	\$13,861.97	\$13,808.03	6
87	048-221-21	\$111,781	\$0	\$13,861.97	\$13,808.03	8
88	048-221-20	\$601,376	\$0	\$13,861.97	\$13,808.03	44
89	048-221-19	\$1,180,926	\$0	\$13,861.97	\$13,808.03	86
90	048-221-18	\$362,788	\$0	\$13,861.97	\$13,808.03	26
91	048-221-33	\$818,369	\$0	\$13,861.97	\$13,808.03	59
92	048-221-32	\$1,985,000	\$0	\$13,861.97	\$13,808.03	144

Asmt No.	Assessor's Parcel Number	Total True Value	Existing Liens	Assessments as Preliminarily Approved	Assessments as Confirmed and Recorded	Value to Lien Ratio
93	048-221-31	\$1,853,000	\$0	\$13,861.97	\$13,808.03	134
94	048-221-30	\$170,629	\$0	\$13,861.97	\$13,808.03	12
95	048-221-26	\$443,754	\$0	\$13,861.97	\$13,808.03	32
96	048-221-27	\$116,067	\$0	\$13,307.49	\$13,255.71	9
97	048-220-01	N/A	\$0	\$0.00	\$0.00	N/A
98	048-222-01	\$2,406,000	\$0	\$13,307.49	\$13,255.71	182
99	048-222-02	\$193,322	\$0	\$13,861.97	\$13,808.03	14
100	048-222-03	\$648,681	\$0	\$13,861.97	\$13,808.03	47
101	048-222-04	\$2,142,000	\$0	\$13,861.97	\$13,808.03	155
102	048-222-05	\$1,679,000	\$0	\$13,861.97	\$13,808.03	122
103	048-222-06	\$579,914	\$0	\$13,861.97	\$13,808.03	42
104	048-222-07	\$200,011	\$0	\$13,861.97	\$13,808.03	14
105	048-222-08	\$861,199	\$0	\$13,861.97	\$13,808.03	62
106	048-222-09	\$904,937	\$0	\$13,861.97	\$13,808.03	66
107	048-222-10	\$776,464	\$0	\$13,861.97	\$13,808.03	56
108	048-222-11	\$180,236	\$0	\$13,861.97	\$13,808.03	13
109	048-222-32	\$164,489	\$0	\$13,861.97	\$13,808.03	12
110	048-222-33	\$510,117	\$0	\$13,861.97	\$13,808.03	37
111	048-222-34	\$376,834	\$0	\$14,416.44	\$14,360.34	26
112	048-222-35	\$1,050,561	\$0	\$14,970.93	\$14,912.67	70
113	048-222-27	\$106,490	\$0	\$15,525.41	\$15,464.99	7
114	048-222-26	\$865,309	\$0	\$14,416.44	\$14,360.34	60
115	048-222-25	\$138,161	\$0	\$14,970.93	\$14,912.67	9
116	048-222-24	\$1,490,130	\$0	\$15,525.41	\$15,464.99	96
117	048-222-23	\$84,613	\$0	\$16,079.89	\$16,017.32	5
118	048-222-22	\$237,769	\$0	\$16,634.36	\$16,569.64	14
119	048-222-21	\$87,094	\$0	\$17,188.84	\$17,121.95	5
120	048-222-20	\$90,608	\$0	\$17,188.84	\$17,121.95	5
121	048-222-19	\$83,092	\$0	\$17,743.32	\$17,674.27	5
122	048-222-31	\$1,826,214	\$0	\$18,297.80	\$18,226.60	100
123	048-222-30	\$171,808	\$0	\$18,297.80	\$18,226.60	9
124	048-222-28	\$94,820	\$0	\$18,852.28	\$18,778.92	5
125	048-222-29	\$686,340	\$0	\$18,852.28	\$18,778.92	37
126	048-222-16	\$752,117	\$0	\$17,188.84	\$17,121.95	44
127	048-222-37	\$1,850,000	\$0	\$17,188.84	\$17,121.95	108
128	048-222-36	\$646,894	\$0	\$18,297.80	\$18,226.60	35
129	048-211-36	\$860,389	\$0	\$14,970.93	\$14,912.67	58
130	048-211-35	\$674,344	\$0	\$13,861.97	\$13,808.03	49
131	048-211-34	\$877,242	\$0	\$13,861.97	\$13,808.03	64
132	048-211-02	\$75,222	\$0	\$13,861.97	\$13,808.03	5
133	048-211-03	\$1,212,902	\$0	\$13,861.97	\$13,808.03	88
134	048-211-37	\$422,649	\$0	\$13,861.97	\$13,808.03	31
135	048-211-38	\$3,001,500	\$0	\$13,861.97	\$13,808.03	217
136	048-211-05	\$94,542	\$0	\$13,861.97	\$13,808.03	7
137	048-211-06	\$80,609	\$0	\$13,861.97	\$13,808.03	6
138	048-211-27	\$857,212	\$0	\$13,861.97	\$13,808.03	62

Asmt No.	Assessor's Parcel Number	Total True Value	Existing Liens	Assessments as Preliminarily Approved	Assessments as Confirmed and Recorded	Value to Lien Ratio
139	048-211-28	\$81,919	\$0	\$13,861.97	\$13,808.03	6
140	048-211-08	\$1,732,266	\$0	\$13,861.97	\$13,808.03	125
141	048-211-09	\$418,094	\$0	\$13,861.97	\$13,808.03	30
142	048-211-10	\$728,909	\$0	\$13,861.97	\$13,808.03	53
143	048-211-11	\$514,578	\$0	\$13,861.97	\$13,808.03	37
144	048-211-12	\$1,565,326	\$0	\$13,307.49	\$13,255.71	118
145	048-211-39	\$1,819,000	\$0	\$16,634.36	\$16,569.64	110
146	048-211-40	\$459,369	\$0	\$14,416.44	\$14,360.34	32
147	048-211-23	\$1,560,600	\$0	\$14,416.44	\$14,360.34	109
148	048-211-22	\$549,744	\$0	\$14,416.44	\$14,360.34	38
149	048-211-21	\$1,379,570	\$0	\$14,416.44	\$14,360.34	96
150	048-211-20	\$954,279	\$0	\$14,416.44	\$14,360.34	66
151	048-211-19	\$89,167	\$0	\$14,416.44	\$14,360.34	6
152	048-211-18	\$213,926	\$0	\$14,416.44	\$14,360.34	15
153	048-211-17	\$142,317	\$0	\$14,416.44	\$14,360.34	10
154	048-211-30	\$317,114	\$0	\$14,416.44	\$14,360.34	22
155	048-211-32	\$112,552	\$0	\$14,416.44	\$14,360.34	8
156	048-211-31	\$394,187	\$0	\$14,416.44	\$14,360.34	27
157	048-211-25	\$675,841	\$0	\$14,416.44	\$14,360.34	47
158	048-211-15	\$1,480,385	\$0	\$14,416.44	\$14,360.34	103
159	048-211-14	\$1,826,214	\$0	\$14,416.44	\$14,360.34	127
160	048-211-13	\$1,826,214	\$0	\$16,634.36	\$16,569.64	110
161	048-261-30	\$2,001,415	\$0	\$17,743.32	\$17,674.27	113
162	048-261-29	\$85,648	\$0	\$14,416.44	\$14,360.34	6
163	048-261-28	\$440,871	\$0	\$14,416.44	\$14,360.34	31
164	048-261-33	\$892,805	\$0	\$14,416.44	\$14,360.34	62
165	048-261-34	\$106,753	\$0	\$14,416.44	\$14,360.34	7
166	048-261-31	\$1,653,959	\$0	\$14,416.44	\$14,360.34	115
167	048-261-32	\$378,558	\$0	\$14,416.44	\$14,360.34	26
168	048-261-25	\$88,820	\$0	\$14,416.44	\$14,360.34	6
169	048-261-24	\$1,144,344	\$0	\$14,416.44	\$14,360.34	80
170	048-261-23	\$166,009	\$0	\$14,416.44	\$14,360.34	12
171	048-261-22	\$84,959	\$0	\$14,416.44	\$14,360.34	6
172	048-261-21	\$367,135	\$0	\$14,416.44	\$14,360.34	26
173	048-261-20	\$1,800,000	\$0	\$14,416.44	\$14,360.34	125
174	048-261-19	\$1,826,214	\$0	\$14,416.44	\$14,360.34	127
175	048-261-18	\$1,836,000	\$0	\$14,416.44	\$14,360.34	128
176	048-261-17	\$192,831	\$0	\$17,743.32	\$17,674.27	11
177	048-261-01	\$753,270	\$0	\$16,634.36	\$16,569.64	45
178	048-261-02	\$127,786	\$0	\$11,644.06	\$11,598.74	11
179	048-261-03	\$1,095,098	\$0	\$11,644.06	\$11,598.74	94
180	048-261-04	\$2,050,000	\$0	\$11,644.06	\$11,598.74	177
181	048-261-05	\$887,204	\$0	\$11,644.06	\$11,598.74	76
182	048-261-06	\$2,395,000	\$0	\$11,644.06	\$11,598.74	206
183	048-261-07	\$76,744	\$0	\$11,644.06	\$11,598.74	7
184	048-261-08	\$602,681	\$0	\$17,743.32	\$17,674.27	34

Asmt No.	Assessor's Parcel Number	Total True Value	Existing Liens	Assessments as Preliminarily Approved	Assessments as Confirmed and Recorded	Value to Lien Ratio
185	048-261-09	\$847,147	\$0	\$17,188.84	\$17,121.95	49
186	048-261-35	\$416,927	\$0	\$11,644.06	\$11,598.74	36
187	048-261-36	\$133,098	\$0	\$11,644.06	\$11,598.74	11
188	048-261-11	\$431,551	\$0	\$11,644.06	\$11,598.74	37
189	048-261-12	\$401,098	\$0	\$11,644.06	\$11,598.74	35
190	048-261-13	\$834,521	\$0	\$11,644.06	\$11,598.74	72
191	048-261-14	\$2,734,000	\$0	\$11,644.06	\$11,598.74	236
192	048-261-15	\$783,068	\$0	\$11,644.06	\$11,598.74	68
193	048-261-16	\$83,188	\$0	\$16,634.36	\$16,569.64	5
194	048-252-12	\$1,292,154	\$0	\$33,268.72	\$33,139.26	39
195	048-252-11	\$3,130,652	\$0	\$13,307.49	\$13,255.71	236
196	048-252-10	\$150,136	\$0	\$12,753.02	\$12,703.39	12
197	048-252-15	\$190,670	\$0	\$38,813.52	\$38,662.47	5
198	048-252-14	\$424,023	\$0	\$11,644.06	\$11,598.74	37
199	048-252-13	\$73,019	\$0	\$11,644.06	\$11,598.74	6
200	048-252-19	\$74,400	\$0	\$7,762.70	\$7,732.49	10
201	048-252-18	\$74,611	\$0	\$7,762.70	\$7,732.49	10
202	048-252-05	\$101,859	\$0	\$15,525.41	\$15,464.99	7
203	048-252-21	\$743,973	\$0	\$9,980.62	\$9,941.78	75
204	048-252-20	\$1,955,952	\$0	\$11,644.06	\$11,598.74	169
205	048-252-03	\$95,785	\$0	\$17,743.32	\$17,674.27	5
206	048-252-02	\$69,847	\$0	\$11,644.06	\$11,598.74	6
207	048-252-17	\$1,778,000	\$0	\$14,416.44	\$14,360.34	124
208	048-252-16	\$827,929	\$0	\$14,416.44	\$14,360.34	58
209	048-251-21	\$99,093	\$0	\$27,723.94	\$27,616.05	4
210	048-251-22	\$84,471	\$0	\$22,179.15	\$22,092.84	4
211	048-251-23	\$377,757	\$0	\$22,179.15	\$22,092.84	17
212	048-251-24	\$467,118	\$0	\$22,179.15	\$22,092.84	21
213	048-251-25	\$1,294,673	\$0	\$22,179.15	\$22,092.84	59
214	048-251-26	\$2,043,887	\$0	\$22,179.15	\$22,092.84	93
215	048-251-27	\$2,247,000	\$0	\$22,179.15	\$22,092.84	102
216	048-251-28	\$92,401	\$0	\$22,179.15	\$22,092.84	4
217	048-251-29	\$80,195	\$0	\$22,179.15	\$22,092.84	4
218	048-251-30	\$694,533	\$0	\$22,179.15	\$22,092.84	31
219	048-251-31	\$386,456	\$0	\$22,179.15	\$22,092.84	17
220	048-251-32	\$1,026,555	\$0	\$22,179.15	\$22,092.84	46
221	048-251-33	\$80,743	\$0	\$22,179.15	\$22,092.84	4
222	048-251-07	\$186,148	\$0	\$22,179.15	\$22,092.84	8
223	048-251-06	\$256,533	\$0	\$28,184.16	\$28,074.49	9
224	048-251-37	\$1,716,922	\$0	\$32,159.76	\$32,034.62	54
225	048-251-38	\$1,273,106	\$0	\$28,832.89	\$28,720.70	44
226	048-251-34	\$419,569	\$0	\$27,723.94	\$27,616.05	15
227	048-251-35	\$599,027	\$0	\$27,723.94	\$27,616.05	22
228	048-251-14	\$477,870	\$0	\$22,179.15	\$22,092.84	22
229	048-251-15	\$108,334	\$0	\$22,179.15	\$22,092.84	5
230	048-251-16	\$763,463	\$0	\$22,179.15	\$22,092.84	35



Asmt No.	Assessor's Parcel Number	Total True Value	Existing Liens	Assessments as Preliminarily Approved	Assessments as Confirmed and Recorded	Value to Lien Ratio
231	048-251-17	\$190,275	\$0	\$22,179.15	\$22,092.84	9
232	048-251-18	\$194,204	\$0	\$22,179.15	\$22,092.84	9
233	048-251-19	\$820,237	\$0	\$22,179.15	\$22,092.84	37
234	048-251-20	\$1,427,241	\$0	\$22,179.15	\$22,092.84	65
235	048-251-02	\$527,244	\$0	\$22,179.15	\$22,092.84	24
236	048-251-03	\$129,966	\$0	\$22,179.15	\$22,092.84	6
237	048-251-04	\$957,220	\$0	\$22,179.15	\$22,092.84	43
238	048-251-05	\$96,330	\$0	\$24,025.56	\$23,932.07	4
239	048-272-28	\$1,984,458	\$0	\$17,743.32	\$17,674.27	112
240	048-272-29	\$1,114,952	\$0	\$17,743.32	\$17,674.27	63
241	048-272-20	\$966,435	\$0	\$15,525.41	\$15,464.99	62
242	048-272-19	\$2,084,613	\$0	\$15,525.41	\$15,464.99	135
243	048-272-31	\$568,930	\$0	\$15,525.41	\$15,464.99	37
244	048-272-30	\$1,284,165	\$0	\$15,525.41	\$15,464.99	83
245	048-272-04	\$108,820	\$0	\$15,525.41	\$15,464.99	7
246	048-272-05	\$557,395	\$0	\$15,525.41	\$15,464.99	36
247	048-272-24	\$905,653	\$0	\$15,525.41	\$15,464.99	59
248	048-272-32	\$612,046	\$0	\$15,525.41	\$15,464.99	40
249	048-272-33	\$416,928	\$0	\$15,525.41	\$15,464.99	27
250	048-272-22	\$455,419	\$0	\$15,525.41	\$15,464.99	29
251	048-272-26	\$527,023	\$0	\$15,525.41	\$15,464.99	34
252	048-272-27	\$90,540	\$0	\$15,525.41	\$15,464.99	6
253	048-272-21	\$1,105,601	\$0	\$52,121.00	\$51,918.18	21
254	048-272-09	\$495,528	\$0	\$13,861.97	\$13,808.03	36
255	048-272-10	\$1,590,180	\$0	\$13,861.97	\$13,808.03	115
256	048-272-11	\$111,027	\$0	\$13,861.97	\$13,808.03	8
257	048-272-12	\$1,098,275	\$0	\$13,307.49	\$13,255.71	83
258	048-272-18	\$758,935	\$0	\$16,079.89	\$16,017.32	47
259	048-272-17	\$1,129,444	\$0	\$13,861.97	\$13,808.03	82
260	048-272-16	\$1,053,116	\$0	\$13,861.97	\$13,808.03	76
261	048-272-15	\$499,909	\$0	\$13,861.97	\$13,808.03	36
262	048-272-14	\$1,567,038	\$0	\$13,861.97	\$13,808.03	113
263	048-272-13	\$148,139	\$0	\$14,970.93	\$14,912.67	10
264	048-271-30	\$760,092	\$0	\$15,525.41	\$15,464.99	49
265	048-271-29	\$1,357,284	\$0	\$15,525.41	\$15,464.99	88
266	048-271-17	\$527,343	\$0	\$13,861.97	\$13,808.03	38
267	048-271-28	\$184,631	\$0	\$17,188.84	\$17,121.95	11
268	048-271-26	\$90,750	\$0	\$17,188.84	\$17,121.95	5
269	048-271-25	\$168,835	\$0	\$17,188.84	\$17,121.95	10
270	048-271-27	\$167,460	\$0	\$17,188.84	\$17,121.95	10
271	048-271-14	\$423,837	\$0	\$13,861.97	\$13,808.03	31
272	048-271-13	\$94,681	\$0	\$13,861.97	\$13,808.03	7
273	048-271-21	\$3,008,994	\$0	\$20,515.72	\$20,435.88	147
274	048-271-23	\$771,481	\$0	\$12,753.02	\$12,703.39	61
275	048-271-31	\$380,588	\$0	\$14,787.95	\$14,730.40	26
276	048-271-19	\$484,534	\$0	\$15,525.41	\$15,464.99	31

Asmt No.	Assessor's Parcel Number	Total True Value	Existing Liens	Assessments as Preliminarily Approved	Assessments as Confirmed and Recorded	Value to Lien Ratio
277	048-271-01	\$445,916	\$0	\$14,970.93	\$14,912.67	30
278	048-271-02	\$152,273	\$0	\$27,169.46	\$27,063.73	6
279	048-271-03	\$71,712	\$0	\$13,861.97	\$13,808.03	5
280	048-271-32	\$425,881	\$0	\$13,861.97	\$13,808.03	31
281	048-271-33	\$1,237,895	\$0	\$13,861.97	\$13,808.03	90
282	048-271-05	\$2,354,289	\$0	\$13,861.97	\$13,808.03	171
283	048-271-06	\$972,514	\$0	\$27,169.46	\$27,063.73	36
284	048-271-07	\$2,580,224	\$0	\$26,060.50	\$25,959.09	99
285	048-271-08	\$350,784	\$0	\$12,753.02	\$12,703.39	28
286	048-271-09	\$1,346,138	\$0	\$6,653.75	\$6,627.85	203
287	048-302-01	\$238,455	\$0	\$18,297.80	\$18,226.60	13
288	048-302-02	\$757,406	\$0	\$16,634.36	\$16,569.64	46
289	048-302-03	\$914,679	\$0	\$16,634.36	\$16,569.64	55
290	048-302-04	\$722,259	\$0	\$16,634.36	\$16,569.64	44
291	048-302-05	\$132,684	\$0	\$16,634.36	\$16,569.64	8
292	048-302-06	\$105,991	\$0	\$16,634.36	\$16,569.64	6
293	048-302-07	\$126,413	\$0	\$16,634.36	\$16,569.64	8
294	048-302-08	\$2,465,000	\$0	\$16,634.36	\$16,569.64	149
295	048-302-09	\$877,501	\$0	\$16,634.36	\$16,569.64	53
296	048-302-10	\$817,519	\$0	\$16,634.36	\$16,569.64	49
297	048-302-11	\$129,861	\$0	\$18,297.80	\$18,226.60	7
298	048-302-17	\$712,867	\$0	\$22,179.15	\$22,092.84	32
299	048-302-16	\$145,469	\$0	\$18,297.80	\$18,226.60	8
300	048-302-15	\$120,682	\$0	\$18,297.80	\$18,226.60	7
301	048-302-14	\$550,044	\$0	\$18,297.80	\$18,226.60	30
302	048-302-13	\$322,904	\$0	\$18,297.80	\$18,226.60	18
303	048-302-12	\$227,908	\$0	\$21,070.19	\$20,988.20	11
304	048-290-01	N/A	\$0	\$0.00	\$0.00	N/A
305	048-291-01	\$871,988	\$0	\$13,307.49	\$13,255.71	66
306	048-291-02	\$171,163	\$0	\$13,307.49	\$13,255.71	13
307	048-291-22	\$1,349,631	\$0	\$13,307.49	\$13,255.71	102
308	048-291-23	\$2,340,900	\$0	\$13,861.97	\$13,808.03	170
309	048-291-20	\$575,452	\$0	\$19,961.23	\$19,883.55	29
310	048-291-26	\$997,268	\$0	\$13,861.97	\$13,861.97	72
311	048-291-19	\$1,227,595	\$0	\$13,307.49	\$13,255.71	93
312	048-291-18	\$104,681	\$0	\$13,861.97	\$13,808.03	8
313	048-291-17	\$559,071	\$0	\$13,861.97	\$13,808.03	40
314	048-291-24	\$1,975,865	\$0	\$13,861.97	\$13,808.03	143
315	048-291-25	\$105,849	\$0	\$13,861.97	\$13,808.03	8
316	048-291-15	\$138,002	\$0	\$13,861.97	\$13,808.03	10
317	048-291-14	\$505,665	\$0	\$13,861.97	\$13,808.03	37
318	048-291-13	\$1,167,027	\$0	\$13,861.97	\$13,808.03	85
319	048-291-12	\$94,332	\$0	\$16,079.89	\$16,017.32	6
320	048-291-06	\$2,846,000	\$0	\$16,634.36	\$16,569.64	172
321	048-291-07	\$2,436,525	\$0	\$15,525.41	\$15,464.99	158
322	048-291-08	\$1,364,761	\$0	\$15,525.41	\$15,464.99	88

Asmt No.	Assessor's Parcel Number	Total True Value	Existing Liens	Assessments as Preliminarily Approved	Assessments as Confirmed and Recorded	Value to Lien Ratio
323	048-291-09	\$525,399	\$0	\$15,525.41	\$15,464.99	34
324	048-291-10	\$1,114,061	\$0	\$15,525.41	\$15,464.99	72
325	048-291-11	\$2,500,000	\$0	\$9,148.90	\$9,113.30	274
326	048-292-28	\$505,120	\$0	\$16,079.89	\$16,017.32	32
327	048-292-29	\$1,924,740	\$0	\$13,861.97	\$13,808.03	139
328	048-292-02	\$1,196,981	\$0	\$13,861.97	\$13,808.03	87
329	048-292-03	\$727,807	\$0	\$13,861.97	\$13,808.03	53
330	048-292-04	\$716,117	\$0	\$13,861.97	\$13,808.03	52
331	048-292-05	\$1,750,000	\$0	\$13,861.97	\$13,808.03	127
332	048-292-06	\$137,932	\$0	\$13,861.97	\$13,808.03	10
333	048-292-07	\$1,586,610	\$0	\$13,861.97	\$13,808.03	115
334	048-292-27	\$89,164	\$0	\$14,970.93	\$14,912.67	6
335	048-292-26	\$727,613	\$0	\$14,970.93	\$14,912.67	49
336	048-292-32	\$82,121	\$0	\$14,970.93	\$14,912.67	6
337	048-292-33	\$575,461	\$0	\$14,970.93	\$14,912.67	39
338	048-292-10	\$185,324	\$0	\$16,634.36	\$16,569.64	11
339	048-292-25	\$2,105,000	\$0	\$14,416.44	\$14,360.34	147
340	048-292-24	\$868,494	\$0	\$13,861.97	\$13,808.03	63
341	048-292-23	\$672,882	\$0	\$13,861.97	\$13,808.03	49
342	048-292-22	\$88,676	\$0	\$13,861.97	\$13,808.03	6
343	048-292-21	\$982,907	\$0	\$13,861.97	\$13,808.03	71
344	048-292-20	\$98,475	\$0	\$13,861.97	\$13,808.03	7
345	048-292-19	\$514,846	\$0	\$11,644.06	\$11,598.74	44
346	048-292-18	\$431,376	\$0	\$11,644.06	\$11,598.74	37
347	048-292-17	\$95,169	\$0	\$11,644.06	\$11,598.74	8
348	048-292-35	\$564,217	\$0	\$11,644.06	\$11,598.74	49
349	048-292-34	\$1,068,457	\$0	\$13,861.97	\$13,808.03	77
350	048-292-15	\$351,436	\$0	\$12,753.02	\$12,703.39	28
351	048-292-14	\$162,762	\$0	\$12,753.02	\$12,703.39	13
352	048-292-13	\$197,001	\$0	\$12,753.02	\$12,703.39	16
353	048-292-12	\$162,559	\$0	\$12,753.02	\$12,703.39	13
354	048-292-11	\$1,263,768	\$0	\$12,015.55	\$11,968.79	106
355	048-281-01	\$122,735	\$0	\$16,634.36	\$16,569.64	7
356	048-281-02	\$765,067	\$0	\$13,861.97	\$13,808.03	55
357	048-281-03	\$2,075,598	\$0	\$13,861.97	\$13,808.03	150
358	048-281-04	\$490,708	\$0	\$13,861.97	\$13,808.03	36
359	048-281-05	\$1,677,769	\$0	\$13,861.97	\$13,808.03	122
360	048-281-06	\$329,284	\$0	\$13,861.97	\$13,808.03	24
361	048-281-31	\$118,675	\$0	\$12,198.53	\$12,151.06	10
362	048-281-36	\$87,026	\$0	\$14,970.93	\$14,912.67	6
363	048-281-35	\$219,398	\$0	\$14,416.44	\$14,360.34	15
364	048-281-09	\$203,064	\$0	\$14,416.44	\$14,360.34	14
365	048-281-10	\$94,334	\$0	\$14,416.44	\$14,360.34	7
366	048-281-11	\$992,191	\$0	\$14,416.44	\$14,360.34	69
367	048-281-12	\$960,218	\$0	\$14,416.44	\$14,360.34	67
368	048-281-13	\$80,952	\$0	\$14,416.44	\$14,360.34	6

<b>Asmt No.</b>	<b>Assessor's Parcel Number</b>	<b>Total True Value</b>	<b>Existing Liens</b>	<b>Assessments as Preliminarily Approved</b>	<b>Assessments as Confirmed and Recorded</b>	<b>Value to Lien Ratio</b>
369	048-281-37	\$477,515	\$0	\$16,634.36	\$16,569.64	29
370	048-281-38	\$714,053	\$0	\$17,188.84	\$17,121.95	42
371	048-281-30	\$1,063,688	\$0	\$17,743.32	\$17,674.27	60
372	048-281-29	\$146,961	\$0	\$14,416.44	\$14,360.34	10
373	048-281-28	\$1,768,680	\$0	\$14,416.44	\$14,360.34	123
374	048-281-27	\$286,911	\$0	\$14,416.44	\$14,360.34	20
375	048-281-26	\$163,041	\$0	\$14,416.44	\$14,360.34	11
376	048-281-25	\$2,184,840	\$0	\$14,416.44	\$14,360.34	152
377	048-281-24	\$1,023,469	\$0	\$14,416.44	\$14,360.34	71
378	048-281-39	\$780,653	\$0	\$18,297.80	\$18,226.60	43
379	048-281-21	\$103,028	\$0	\$18,297.80	\$18,226.60	6
380	048-281-20	\$1,135,719	\$0	\$17,188.84	\$17,121.95	66
381	048-281-19	\$2,468,400	\$0	\$26,060.50	\$25,959.09	95
382	048-281-18	\$715,083	\$0	\$23,842.59	\$23,749.81	30
383	048-281-33	\$1,071,606	\$0	\$16,634.36	\$16,569.64	65
384	048-281-34	\$159,178	\$0	\$19,961.23	\$19,883.55	8
385	048-281-16	\$138,345	\$0	\$21,070.19	\$20,988.20	7
386	048-281-15	\$3,425,000	\$0	\$24,951.55	\$24,854.45	138
		\$298,153,641	\$0	\$6,245,000.00	\$6,220,752.00	48

**Table 2**  
**Debt Limit Valuation**

A. ESTIMATED BALANCE TO ASSESSMENT	\$6,220,752
B. UNPAID SPECIAL ASSESSMENTS	\$0 *
TOTAL A & B	\$6,220,752
C. TRUE VALUE OF PARCELS	\$298,153,641 **
AVERAGE VALUE TO LIEN RATIO	48 :1

\* Unpaid Special Assessments shall consist of the total principal sum of all unpaid special assessments previously levied or proposed to be levied other than in the instant proceedings.

\*\* True Value of Parcels means the total value of the land and improvements as estimated and shown on the last equalized roll of the County or as otherwise reasonably calculated.

This report does not represent a recommendation of parcel value, economic viability or financial feasibility, as that is not the responsibility of the Assessment Engineer.

CERTIFICATION

I, the undersigned Assessment Engineer, do hereby certify that (i) the total amount of the principal sum of the special assessments proposed to be levied, together with the principal amount of previously levied special assessments, as set forth above, do not exceed one-half (1/2) the total true value of the parcels proposed to be assessed, and (ii) the amount proposed to be assessed upon any parcel does not exceed one-half of the true value of the parcel.

EXECUTED on July 8, 2009.

HARRIS & ASSOCIATES



JOAN E. COX, P.E.  
R.C.E. No. 41965  
ASSESSMENT ENGINEER  
CITY OF NEWPORT BEACH  
COUNTY OF ORANGE, STATE OF CALIFORNIA

## Exhibit 1 Method and Formula of Assessment Spread

Since the improvements are to be funded by the levying of assessments, the "Municipal Improvement Act of 1913" and Article XIID of the State Constitution require that assessments must be based on the special benefit that the properties receive from the works of improvement. In addition, Section 4 of Article XIID of the State Constitution requires that a parcel's assessment may not exceed the reasonable cost of the proportional special benefit conferred on that parcel. Section 4 provides that only special benefits are assessable and the local agency levying the assessment must separate the general benefits from the special benefits. It also provides that parcels within a district that are owned or used by any public agency, the State of California, or the United States shall not be exempt from assessment unless the agency can demonstrate by clear and convincing evidence that those publicly owned parcels in fact receive no special benefit. Neither the Act nor the State Constitution specifies the method or formula that should be used to apportion the costs to properties in any special assessment district proceedings.

The responsibility for recommending an apportionment of the costs to properties which specially benefit from the improvements rests with the Assessment Engineer, who is appointed for the purpose of making an analysis of the facts and determining the correct apportionment of the assessment obligation. In order to apportion the assessments to each parcel in direct proportion with the special benefit which it will receive from the improvements, an analysis has been completed and is used as the basis for apportioning costs to each property within the Assessment District.

Based upon an analysis of the special benefit to be received by each parcel from the construction of the works of improvement, the Assessment Engineer recommends the apportionment of costs as outlined below. The final authority and action rests with the City Council after hearing all testimony and evidence presented at a public hearing, and tabulating the assessment ballots previously mailed to all record owners of property within the Assessment District. Upon the conclusion of the public hearing, the City Council must make the final determination whether or not the assessment spread has been made in direct proportion to the special benefits received by each parcel within the Assessment District. Ballot tabulation will be done at that time and, if a majority of the returned ballots weighted by assessment amount are not in opposition to the Assessment District, the City Council may form the Assessment District.

The following sections set forth the methodology used to apportion the costs of the improvements to each parcel.

### **SPECIAL BENEFITS**

In further making the analysis, it is necessary that the properties receive a special benefit distinguished from general benefits conferred on real property located in the District or to the public at large.

The purpose of this Assessment District is to provide the financing to underground existing overhead electrical, telephone and cable facilities as well as rehabilitate the affected portions of streets and alleys within the District. These facilities are the direct source of service to the properties within the Assessment District.

The proposed replacement of existing overhead utility facilities (power, telephone and cable facilities) with underground facilities and removal of the existing utility poles and the overhead wires will provide a special benefit to the parcels connected to and adjacent to, or in near proximity of, the facilities as follows:

- **Improved Aesthetics Benefit.** This benefit relates to the improved aesthetics of the streetscape due to the removal of overhead wires and utility poles. The removal of guy wires and other support structures related to the overhead facilities are included in the definition of improved aesthetics. Properties that are adjacent to, or in proximity of, overhead facilities receive an aesthetic benefit.
- **Additional Safety Benefit.** This benefit relates to the additional safety of having the overhead distribution wires placed underground and having the power poles removed, which eliminates the threat of downed utility lines and poles due to wind, rain and other unforeseeable events. Falling facilities can lead to personal injuries and damage to structures, including fire. Properties immediately adjacent to the facilities usually have a greater risk. Furthermore, in compact communities like Balboa Peninsula, the negative effects of falling lines and poles are more widespread including blocked roadways and alleys, and property damage due to impact. Properties that are adjacent to, or in proximity of, overhead facilities receive a safety benefit.
- **Connection Benefit.** This benefit relates to the enhanced reliability of service from the utilities being underground, due to having all new wires and equipment and having that equipment underground, which reduces the threat of service interruption from downed lines. When compared to overhead systems, fewer outages occur due to various acts of nature, traffic collisions and obstructions (such as trees). Properties that are connected to, or have the ability to connect to, the facilities proposed to be undergrounded receive a connection benefit.

By virtue of such special benefits, the proposed improvements will provide a higher level of service, increase the desirability of the properties and will specifically enhance the values of the properties within the Assessment District. Therefore, the proposed improvements are of direct and special benefit to these properties.

## GENERAL BENEFITS

Section 4 of Article XIID requires that the general benefits imparted by the utility undergrounding project be separated from the special benefits and that only the special benefit portion of the costs of the project be assessed against those parcels which are identified as receiving special benefits. Separating the general from the special benefits requires an examination of the facts and circumstances of the project and the property being assessed.

In this particular assessment district, the streets and alleys along which the existing overhead utility facilities are being undergrounded function as local and collector streets. No roadways are designated as an arterial, a major arterial or a scenic corridor in the Transportation Element of the City's General Plan. Furthermore, the City has an established network of arterial streets which appear to function as intended to provide for the movement of traffic around and through the community at large without the need to utilize local collector streets for such purposes. Under these circumstances, any use of the streets within the assessment district as "through" streets is incidental.

With the exception of the City park properties, the properties situated within the assessment district are zoned exclusively as residential. Under this circumstance, the impacts, both visual and safety, are largely isolated to those properties (and the persons who inhabit them) which front on these local

streets and alleys, with only incidental impacts on those who visit homes within the assessment district or who pass through the assessment district on trips originating outside the boundary and having a destination outside the boundary.

Based on these facts and circumstances, any general benefits to the property within the assessment district in general, to the surrounding community and to the public at large from the project of undergrounding these local overhead utility facilities on the local streets and alleys, such as to the general public visiting in cars, on bikes or on foot, are incidental and do not exceed five percent (5%) of the estimated project costs. Therefore, only the net amount of \$5,475,332 of the estimated project construction costs is considered the special benefit portion of the construction costs. This general benefit portion of the cost is more than offset by the 13+% utility company contribution.

## **METHODOLOGY**

Based upon the findings described above, the special benefit received by the properties within the boundaries of the Assessment District is the conversion from an overhead to an underground utility system resulting in additional safety, enhanced reliability, and improved aesthetics to the adjacent properties.

Based on these conditions, it is our conclusion that the improvements specially benefit all assessed properties in the Assessment District.

To establish the benefit to the individual parcels within the Assessment District, the highest and best use of each property is considered. For example, a vacant property is considered developed to its highest potential and connected to the system.

The more a property is developed, the more it benefits from the proposed improvements. Most of properties within this Assessment District are zoned residential and some have one or two dwelling units on them. There is a direct correlation between the size of a property and the extent to which a property may develop. Because parcel size is one of the main limiting factors for what can be built on a property, or the extent the property is developed, the size of each parcel is used as the base unit for measuring benefit.

The area of each property has been rounded to the nearest 100 square feet (sf), which accounts for any minor area calculation inconsistencies.

Consideration was given to reducing the amount of area assigned to parcels based upon the building setbacks applicable to each parcel. Due to the combined factors of (a) significant variations in the setback requirements, including front, side and rear setbacks, (b) availability of future variances from currently applicable setback requirements as well as existing variances already in place, and (c) significant variations in the ratios between building size and lot size, it was concluded that adjustments to parcel areas on account of setback requirements would not improve upon the assessment methodology. Accordingly, no reductions have been made to parcel area based upon applicable setback requirements.

The area of a condominium is calculated by taking the area of the base parcel and dividing by the number of condominiums.

The special benefits from the undergrounding of overhead utilities are categorized into the three (3) distinct benefits identified above. All parcels within the District, except for the few exceptions



identified below, receive 3 of the 3 benefits (which is a factor of 1). Therefore, their rounded parcel areas are multiplied by 1 to calculate the "Assessed Parcel Area" on which costs are apportioned.

Note: In 1995, Assessment Nos. 291, 292, 293, 294, 295, 296 and 297 were included in Assessment District No. 64. These properties were previously assessed for their improved view of Newport Harbor due to the wires and poles being removed adjacent to the City park across Balboa Boulevard / Channel Road. These properties were *not* assessed for improved neighborhood aesthetics, improved safety or connection benefits associated from the previous undergrounding of the overhead utilities, and were specifically given a credit, that was applied to their calculated assessment amount, to make sure they were not doubly assessed for the future undergrounding of the poles and wires serving their properties (reference is made to pages 8 and 9 of Final Engineer's Report, dated June 1, 1995, which are provided in Appendix A). Therefore, these properties receive full benefits from this proposed undergrounding and are not considered to be assessed twice for the same benefits.

### **Exceptions**

The following are parcels whose benefits do not fit the above methodology, as explained below.

1. Assessment Nos. 55, 223, 238, 275 and 354. The poles, wires and guy wires to be undergrounded are in close proximity to these lots, although not directly adjacent; therefore, these properties are assigned 1/2 Aesthetic Benefits. However, because the poles and wires are close enough to encroach on the property should they fall, these properties are considered to receive full Safety Benefits. Therefore, these parcels receive 2-1/2 of 3 benefits and their rounded property area is multiplied by a factor of 5/6.
2. Assessment No. 54 and 286. The poles, wires and guy wires to be undergrounded are not in close proximity to these properties and do not provide significant aesthetic benefits to these properties, nor would they encroach upon these properties should they fall. Therefore, these properties are assigned 0 Aesthetic Benefits and 0 Safety Benefits. Therefore, these parcels receive 1 of 3 benefits and their rounded property area is multiplied by a factor of 1/3.
3. Assessment No. 325. The poles, wires and guy wires to be undergrounded are in close proximity to this parcel, although not directly adjacent; therefore, this property is assigned 1/2 Aesthetic Benefits. Excluding guy wires, which are support structures to the overhead facilities and poles, the poles and wires to be undergrounded are not in close proximity to this property, and would not encroach upon this property should they fall; therefore, this property is assigned 0 Safety Benefits. Therefore, this parcel receives 1-1/2 of 3 benefits and its rounded property area is multiplied by a factor of 1/2.
4. Assessment Nos. 97, 304 and the park property adjacent to Assessment No. 54. These properties are small neighborhood pocket-parks with no potential for development that are not in close proximity to the poles and wires proposed to be undergrounded, nor are they connected to the system to be undergrounded. Therefore, these properties are assigned 0 Aesthetic Benefits, 0 Safety Benefits and 0 Connection Benefits.

5. Assessment No. 310. This parcel's preliminary assessment was calculated based on an incorrect lot area, which is less than what it actually should be. Spreading the assessments based on the correct lot area causes all other parcels to realize a 0.39% reduction in their assessment amounts, and the resultant \$24,248 has been deducted proportionally from the construction and incidental contingencies and the financing costs, as can be seen in the cost estimate. Because no parcel's assessment may be increased above what it was noticed, Assessment No. 310's assessment remains at the amount that was shown in the Preliminary Engineer's Report. Therefore, neither Assessment No. 310 nor any other parcel within the Assessment District is paying more than its proportional share of the special benefits attributable to it from the improvements being constructed by this Assessment District.

### ASSESSMENT APPORTIONMENT

Each parcel will be apportioned its fair share of the construction costs based on the Assessed Parcel Area calculated for each property.

Incidental Expenses and Financial Costs have been assessed to the entire Assessment District on a prorata basis relative to the total construction cost allocations.

The individual assessment calculations are provided in Appendix B. For particulars to the Assessment Roll, reference is made to Table 1 in Part III of this report.

In conclusion, it is my opinion that the assessments for the referenced Assessment District have been spread in direct accordance with the special benefits that each parcel receives from the works of improvement.

DATED: July 8, 2009

HARRIS & ASSOCIATES



A handwritten signature in black ink, appearing to be "Joan E. Cox", written over a horizontal line.

JOAN E COX, P.E.  
R.C.E. No. 41965  
ASSESSMENT ENGINEER  
CITY OF NEWPORT BEACH  
COUNTY OF ORANGE,  
STATE OF CALIFORNIA

I, \_\_\_\_\_, as CITY CLERK of the CITY OF NEWPORT BEACH, CALIFORNIA do hereby certify that the foregoing Assessment, together with the Diagram attached thereto, was filed in my office on the \_\_\_\_ day of \_\_\_\_\_, 2009.

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CITY CLERK  
CITY OF NEWPORT BEACH  
STATE OF CALIFORNIA

I, \_\_\_\_\_, as CITY CLERK of the CITY OF NEWPORT BEACH, CALIFORNIA do hereby certify that the foregoing Assessment, together with the Diagram attached thereto, was preliminarily approved by the City Council of the CITY OF NEWPORT BEACH, CALIFORNIA, on the \_\_\_\_ day of \_\_\_\_\_, 2009.

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CITY CLERK  
CITY OF NEWPORT BEACH  
STATE OF CALIFORNIA

I, \_\_\_\_\_, as CITY CLERK of the CITY OF NEWPORT BEACH, CALIFORNIA do hereby certify that the foregoing Assessment, together with the Diagram attached thereto, was approved and confirmed by the City Council of said City on the \_\_\_\_ day of \_\_\_\_\_, 2009.

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CITY CLERK  
CITY OF NEWPORT BEACH  
STATE OF CALIFORNIA

I, \_\_\_\_\_, as SUPERINTENDENT OF STREETS of the CITY OF NEWPORT BEACH, CALIFORNIA do hereby certify that the foregoing Assessment, together with the Diagram attached thereto, was recorded in my office on the \_\_\_\_ day of \_\_\_\_\_, 2009.

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SUPERINTENDENT OF STREETS  
CITY OF NEWPORT BEACH  
STATE OF CALIFORNIA

## Part IV Annual Administrative Assessment

A proposed maximum annual administrative assessment shall be levied on each parcel of land and subdivision of land within the Assessment District to pay for necessary costs and expenses incurred by the CITY OF NEWPORT BEACH, and not otherwise reimbursed, resulting from the administration and collection of assessments, from the administration or registration of any bonds and reserve or other related funds, or both. The maximum assessment is authorized pursuant to the provisions of Section 10204(f) of the Streets and Highways Code and shall not exceed fifty dollars (\$50) per parcel per year, subject to an annual increase based on the Consumer Price Index (CPI), during the preceding year ending in January, for all Urban Consumers in the Los Angeles, Riverside, and Orange County areas. The exact amount of the administration charge will be established each year by the Superintendent of Streets.

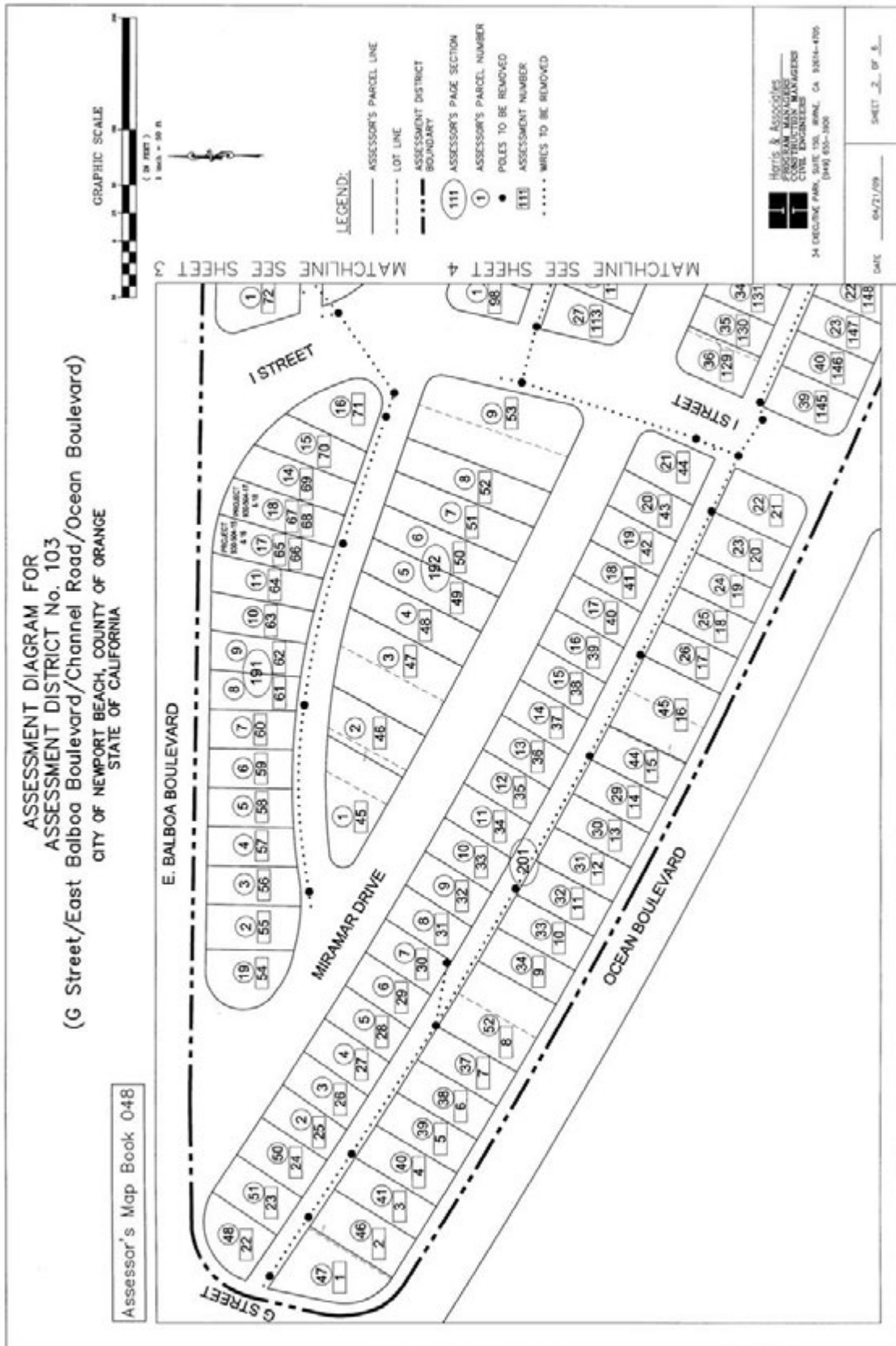
The annual administrative assessment will be collected in the same manner and in the same installments as the assessment levied to pay for the cost of the works of improvement.

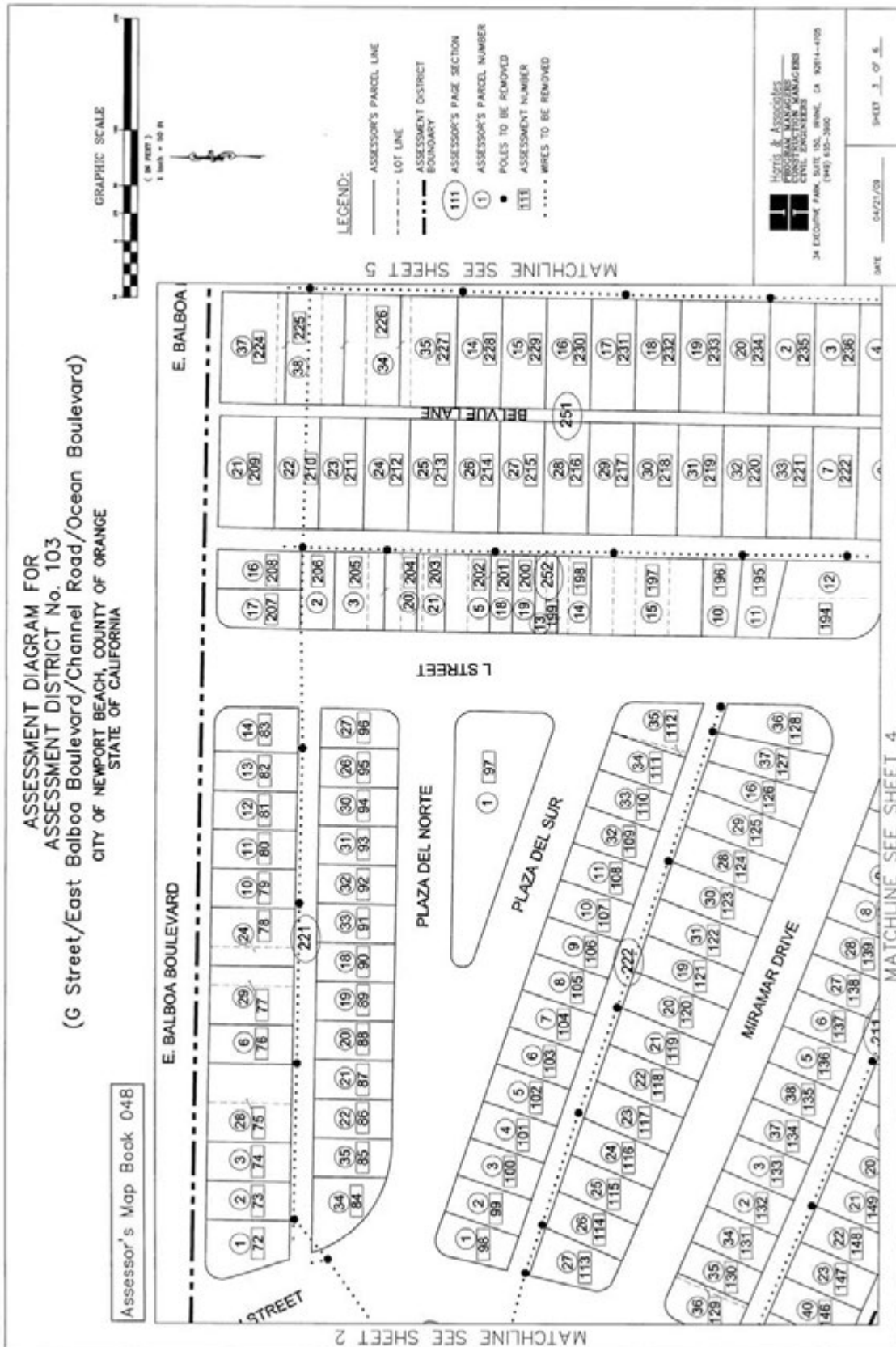
## Part V Diagram of Assessment

A reduced copy of the Assessment Diagram is attached hereto. Full-sized copies of the Boundary Map and Assessment Diagram are on file in the Office of the City Clerk, of the City of Newport Beach.

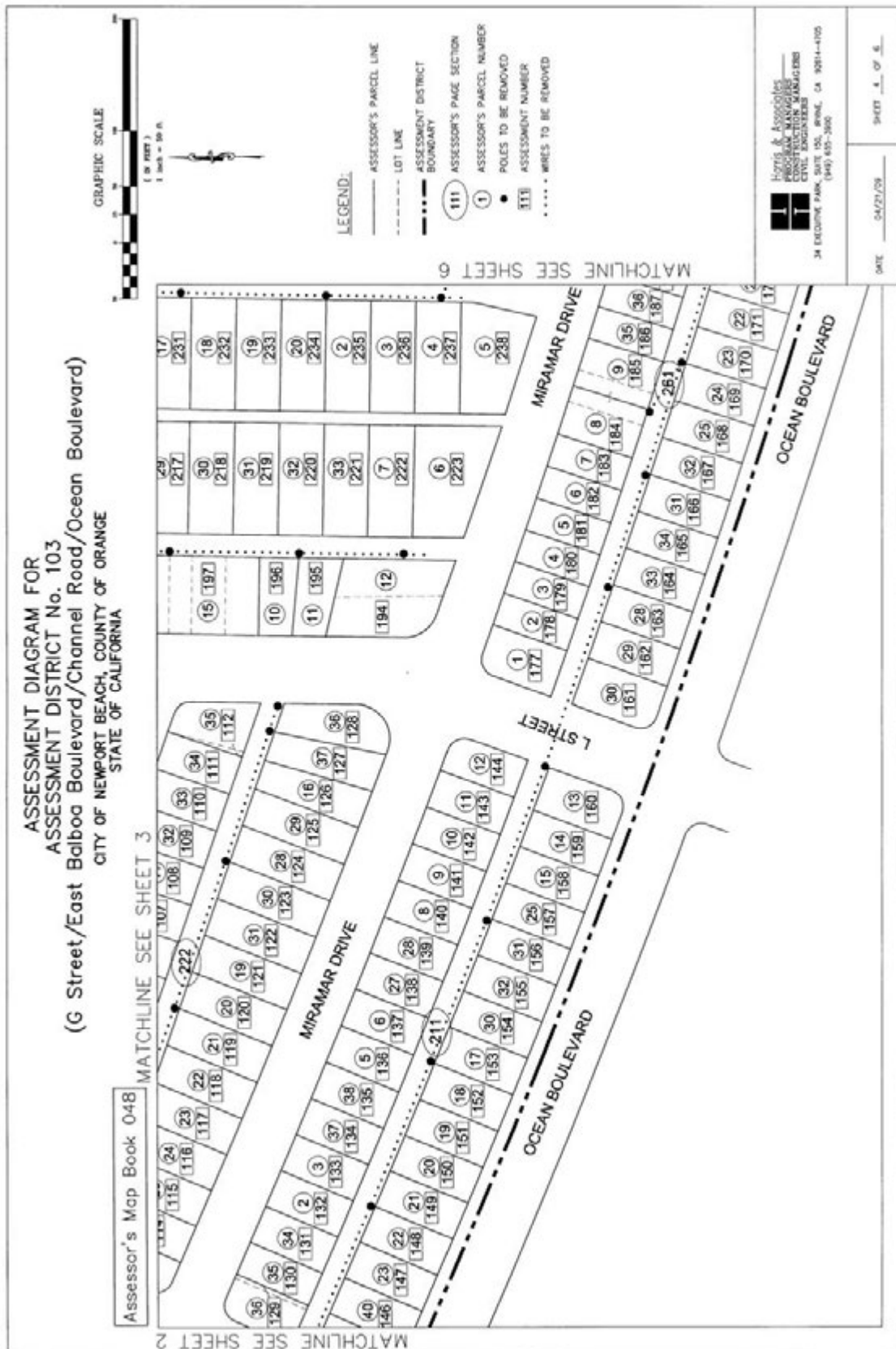
As required by the Act, the Assessment Diagram shows the exterior boundaries of the Assessment District and the assessment number assigned to each parcel of land corresponding to its number as it appears in the Assessment Roll contained in Part III Table 1. The Assessor's Parcel Number is also shown for each parcel as they existed at the time of the passage of the Resolution of Intention and reference is hereby made to the Assessor's Parcel Maps of the County of Orange for the boundaries and dimensions of each parcel of land.

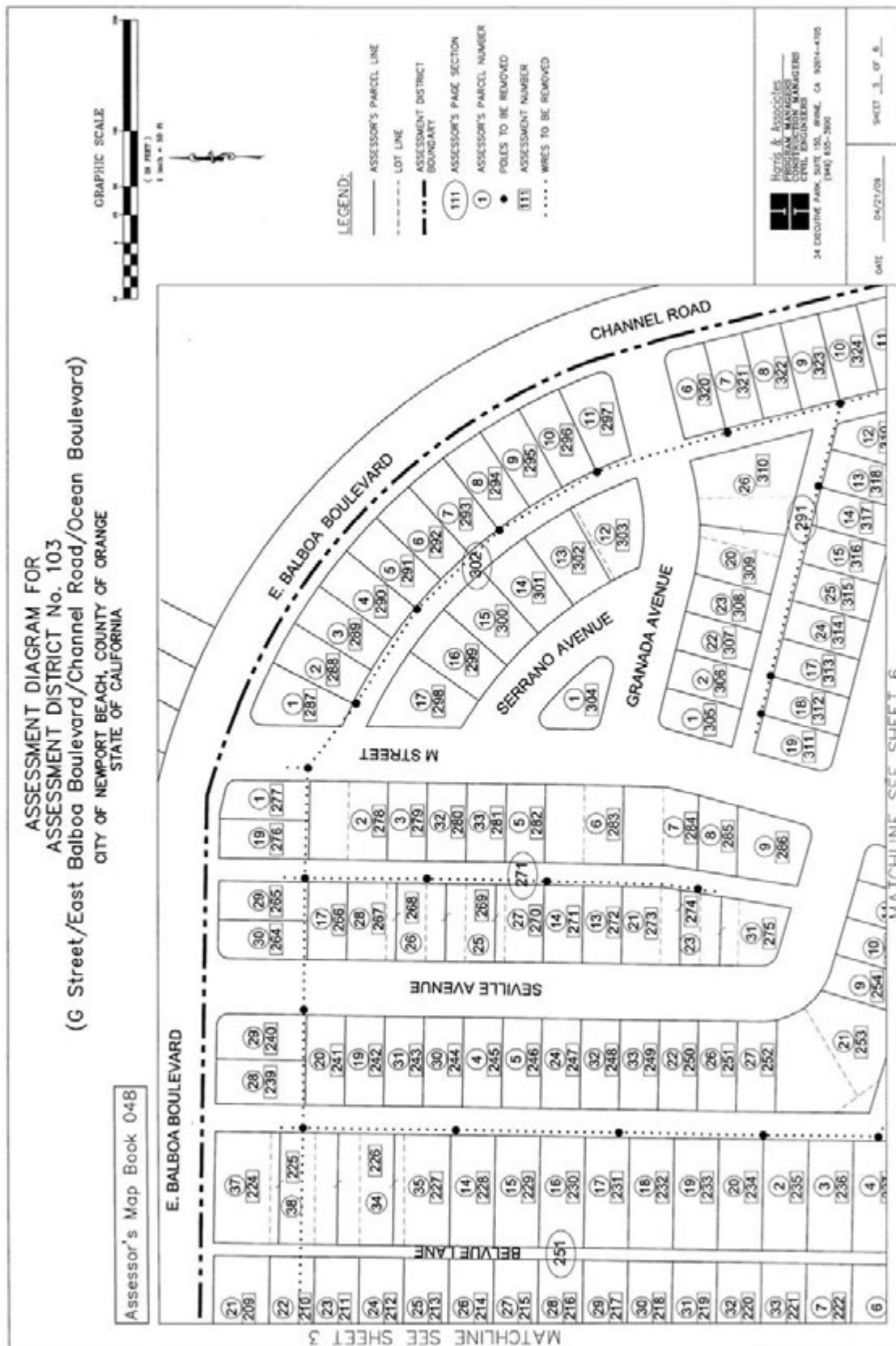


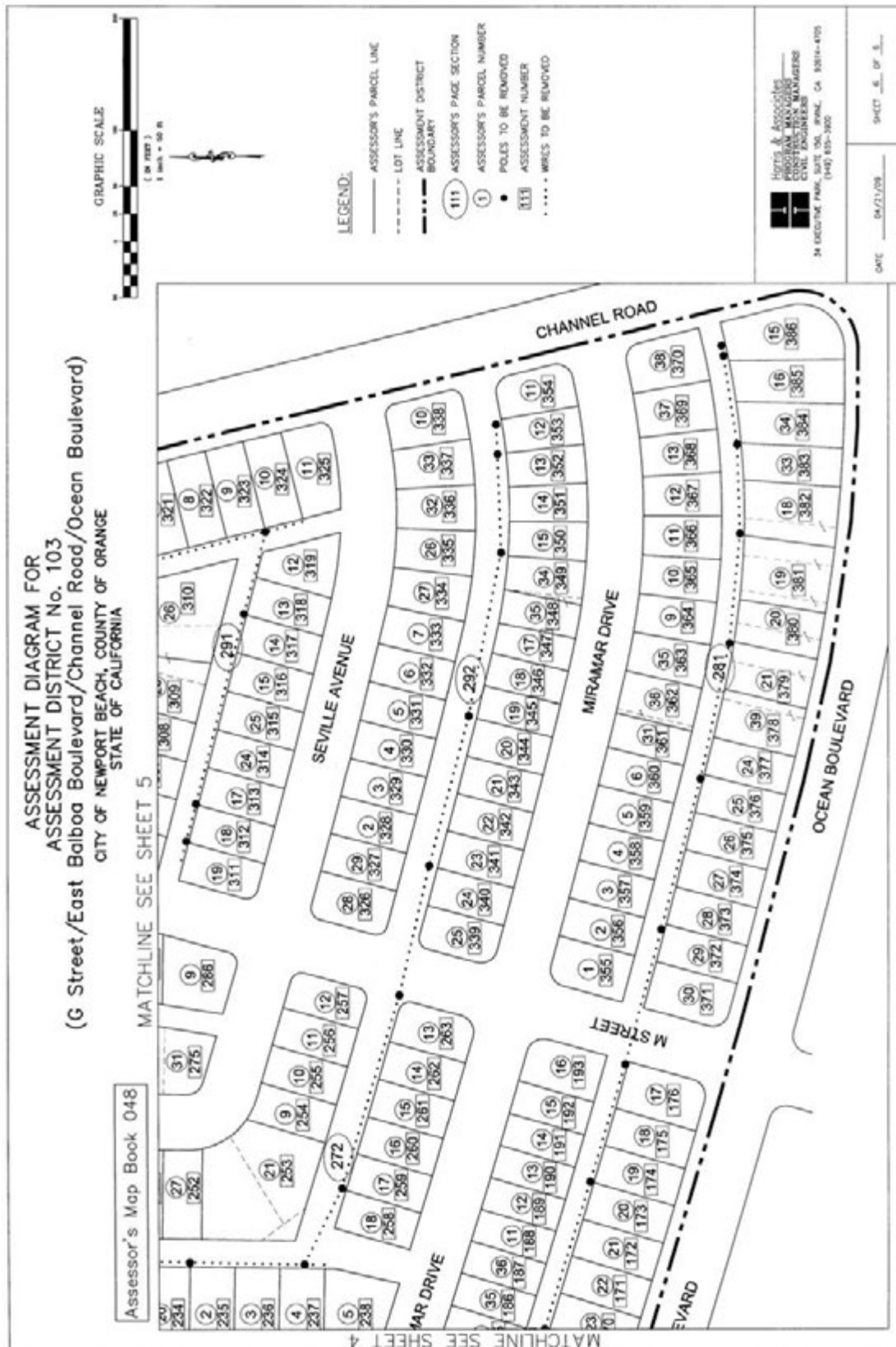












## Part VI Description of Facilities

Section 10100 of the Act provides for the legislative body of any municipality to finance certain capital facilities and services within or along its streets or any public way or easement. The following is a list of proposed improvements as allowed under the Act to be installed, or improved under the provisions of the Act, including the acquisition of required right-of-way and/or property. For the general location of the improvements to be constructed referenced is hereby made to the Plans and Specifications described in Part I of this report.

The following improvements are proposed to be constructed and installed in the general location referred to as Assessment District No. 103.

1. Removal of existing utility poles.
2. Removal of overhead resident service drops.
3. Construction of mainline underground power, telephone and cable conduit, with appurtenant manholes and pullboxes.
4. Construction of service conduit and appurtenances.

The improvements have been designed by the Southern California Edison Company, AT&T and Time Warner Cable. The City of Newport Beach will inspect the work to ensure conformance to City standards and specifications where applicable.

The City will also construct additional pavement rehabilitation as needed for the project.

Once completed, the underground facilities will become the property and responsibility of Southern California Edison Company, AT&T, and Time Warner Cable.

Each owner of property located within the Assessment District will be responsible for arranging for and paying for work on his or her property necessary to connect facilities constructed by the public utilities in the public streets and alleys to the points of connection on the private property. Conversion of individual service connections on private property is not included in the work done by the Assessment District.

The estimated time for completion of the undergrounding of the utilities is 36 months after the sale of bonds. Property owners will be required to provide necessary underground connections within 120 days of the completion of the underground facilities.

Failure to convert individual service connections on private property may result in a recommendation to the City Council that the public utilities be directed to discontinue service to that property pursuant to Section 15.32 of the Municipal Code. Overhead facilities cannot be removed until all overhead service has been discontinued.

## Right-of-Way Certificate

**STATE OF CALIFORNIA  
COUNTY OF ORANGE  
CITY OF NEWPORT BEACH**

The undersigned hereby CERTIFIES UNDER PENALTY OF PERJURY that the following is all true and correct.

That at all time herein mentioned, the undersigned was, and now is, the authorized representative of the duly appointed SUPERINTENDENT OF STREETS of the CITY OF NEWPORT BEACH, CALIFORNIA.

That there have now been instituted proceedings under the provisions of Article XIID of the California Constitution, and the "Municipal Improvements Act of 1913," being Division 12 of the Streets and Highways Code of the State of California, for the construction of certain public improvements in a special assessment district known and designated as ASSESSMENT DISTRICT NO. 103 (hereinafter referred to as the "Assessment District").

**THE UNDERSIGNED STATES AND CERTIFIES AS FOLLOWS:**

It is acknowledged that the proposed Works of Improvement must be located within public rights-of-way, land, or easements owned by or licensed to the CITY OF NEWPORT BEACH, County of Orange, State of California, at the time of the construction of the Works of Improvement, and the undersigned hereby further certifies that all rights-of-way necessary for the Works of Improvements will be obtained and in possession of the City, County, or State prior to construction by the CITY OF NEWPORT BEACH.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 2009, at CITY OF NEWPORT BEACH, California.

SUPERINTENDENT OF STREETS  
CITY OF NEWPORT BEACH  
State of California

By: \_\_\_\_\_  
Stephen Badum, PE

## Certificate of Completion of Environmental Proceedings

**STATE OF CALIFORNIA  
COUNTY OF ORANGE  
CITY OF NEWPORT BEACH**

The undersigned, under penalty of perjury, CERTIFIES as follows:

1. That I am the person who authorized to prepare and process all environmental documentation as needed as it relates to the formation of the special Assessment District being formed pursuant to the provisions of the "Municipal Improvement Act of 1913" being Division 12 of the Streets and Highways Code of the State of California, said special Assessment District known and designated as ASSESSMENT DISTRICT NO. 103 (hereinafter referred to as the "Assessment District").

2. The specific environmental proceedings relating to this Assessment District that have been completed are as follows:

CEQA compliance review:

The proposed project is Categorically Exempt (Class 2) from the provisions of CEQA (replacement or reconstructions).

3. I do hereby certify that all environmental evaluation proceedings necessary for the formation of the Assessment District have been completed to my satisfaction, and that no further environmental proceedings are necessary.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 2009, at CITY OF NEWPORT BEACH, California.

By: \_\_\_\_\_  
Stephen Badum, PE  
CITY OF NEWPORT BEACH  
STATE OF CALIFORNIA

Excerpts from  
Assessment District No. 64  
Final Engineer's Report  
dated June 1, 1995

improvements will provide a higher level of service to each individual property, and as the aesthetic environment surrounding each property will improve, it is our recommendation that benefit be spread on a per parcel basis.

The properties in the District are separated into two types of benefit categories:

1. Properties receiving service and which are directly adjacent to the poles, guide-lines and overhead facilities which are proposed to be removed.
2. Properties located on the south-west side of Channel Road, directly across Channel Road from the public beaches, and identified on the Assessment Diagram as Assessment No.s 9 through 15 and No. 36 (APN 048-302-05 through 11 and APN 048-282-19). These properties are not served by the facilities proposed to be underground; however, these properties will receive an extraordinary increase in property value resulting from the removal of overhead electrical and communication facilities from between the fronts of the properties and the view of Newport Harbor.

Properties not located directly adjacent to the facilities to be underground and not directly across from the public beach receive only incidental benefit from the improvements, and are therefore not included in the District.

As discussed above, all properties in the District are zoned residential. We have therefore spread the assessment on a per parcel basis to each parcel in the District.

- An exception to this is Assessment No. 1 (APN 048-240-37) which previously underground the utilities along the property as a requirement of development. There is currently a power pole at the southeast corner of the property and a guide-line which extends approximately 11.5 feet in front of the property. Both of these would be removed as part of the District improvements. The undergrounding would affect 11.5 feet of the 83.5 feet of property frontage, or 13.48% of the frontage; therefore, the assessment for this property will be 13.48% of a standard parcel's assessment.
- In Category No. 2, the "view" parcels described above, a credit has been applied to each parcel to account for the future undergrounding of these parcels' utilities. These parcels are not having their utilities underground at this time, but they clearly receive a benefit based on view enhancement. Therefore, these parcels are given a credit which represents an estimate of the cost to underground their utility services in a future undergrounding assessment district. The credit has been calculated as follows:

The utility undergrounding construction cost for the proposed Assessment District (as provided by Southern California Edison Company and Pacific Bell Telephone Company) is divided by the total length of the undergrounding. This provides an average cost per foot of undergrounding.

$$\$236,170 \div 1,752 \text{ ft} = \$134.800 \text{ per ft}$$



This average cost per foot of undergrounding is then multiplied by the affective length of the future undergrounding for the Category No. 2 parcels, which calculates an estimated cost for the future undergrounding of utilities serving those parcels.

$$\$134.800 \text{ per ft} \times 295.75 \text{ ft} = \$39,867.10$$

The utilities which serve the view parcels are located in an alley, in back of the parcels, and also serve parcels located on the other side of the alley which would benefit from the future undergrounding; therefore, the estimated future undergrounding cost is divided in half and then apportioned as a credit, on a per parcel basis, to the Category No. 2 parcels.

$$(\$39,867.10 \div 2) \div 8 \text{ parcels} = \$2,491.70 \text{ credit per parcel}$$

The public beaches, Assessment No. 8 (APN 048-301-07) and No. 34 (APN 048-292-11), being City property, will not receive an assessment. However, the City is making a 50% contribution for the cost of the utility undergrounding adjacent to the two public beach parcels.

Incidental and Financial Costs have been assessed on a prorata basis relative to the construction cost allocation.

For particulars as to the assessment roll, reference is made to Exhibit II, in the Appendix.


A detailed itemization of improvement costs may be found in Part II of this report.

In conclusion, it is my opinion that the assessments for the referenced Assessment District have been spread in direct accordance with the benefits that each parcel receives from the works of improvement.

DATED: January 26, 1995.

BSI CONSULTANTS, INC.

By: \_\_\_\_\_

  
JEFFREY M. COOPER, P.E.  
R.C.E. No. 31572  
ASSESSMENT ENGINEER  
CITY OF NEWPORT BEACH  
STATE OF CALIFORNIA

MODIFICATIONS TO THE  
METHOD AND FORMULA OF ASSESSMENT SPREAD

Based on input from the first public hearing, modifications to the method and formula of assessment spread are provided as follows:

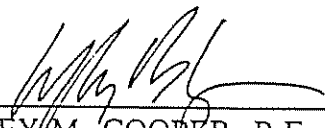
- Three properties have already had their telephone lines underground. These specifically are Assessment No.s 1, 2 and 3 (APN 048-240-37, 048-301-11 and 048-301-10). Therefore, these parcels are given a 20% credit on their total assessment, as the cost of undergrounding the telephone facilities is approximately 20% of the total construction cost.
- The utility pole located adjacent to Assessment Parcel No. 35 (APN 048-292-11) was originally proposed to be removed. The Edison Company has been directed to leave this pole in place, thereby eliminating the benefit to this property. Therefore, the assessment on this property has been reduced to \$0.00.

In conclusion, it is my opinion that the assessments for the referenced Assessment District have been spread in direct accordance with the benefits that each parcel receives from the works of improvement.

DATED: June 1, 1995.

BSI CONSULTANTS, INC.

By: \_\_\_\_\_

  
JEFFREY M. COOPER, P.E.  
R.C.E. No. 31572  
ASSESSMENT ENGINEER  
CITY OF NEWPORT BEACH  
STATE OF CALIFORNIA

Appendix B - Assessment Calculations

Property Address	Assessor's		Parcel		Assessed		Total			Confirmed
	Asmt No.	Parcel Number	Size (sf) Rounded	Benefit Factor	Parcel Area	Construction Costs	Incidental Expenses	Financial Costs	Total Assessment	
1500 E OCEAN BLVD	1	048-201-47	4,300	1	4,300	\$19,337.88	\$1,323.88	\$3,088.05	\$23,749.81	
1504 E OCEAN BLVD	2	048-201-46	3,500	1	3,500	\$15,740.14	\$1,077.57	\$2,513.53	\$19,331.24	
1508 E OCEAN BLVD	3	048-201-41	2,900	1	2,900	\$13,041.83	\$892.85	\$2,082.64	\$16,017.32	
1512 E OCEAN BLVD	4	048-201-40	2,900	1	2,900	\$13,041.83	\$892.85	\$2,082.64	\$16,017.32	
1516 E OCEAN BLVD	5	048-201-39	2,900	1	2,900	\$13,041.83	\$892.85	\$2,082.64	\$16,017.32	
1520 E OCEAN BLVD	6	048-201-38	2,900	1	2,900	\$13,041.83	\$892.85	\$2,082.64	\$16,017.32	
1526 E OCEAN BLVD	7	048-201-37	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99	
1530 E OCEAN BLVD	8	048-201-52	5,600	1	5,600	\$25,184.22	\$1,724.12	\$4,021.64	\$30,929.98	
1536 E OCEAN BLVD	9	048-201-34	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99	
1540 E OCEAN BLVD	10	048-201-33	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
1544 E OCEAN BLVD	11	048-201-32	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
1548 E OCEAN BLVD	12	048-201-31	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
1552 E OCEAN BLVD	13	048-201-30	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
1556 E OCEAN BLVD	14	048-201-29	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
1560 E OCEAN BLVD	15	048-201-44	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
1564 E OCEAN BLVD	16	048-201-45	5,200	1	5,200	\$23,385.35	\$1,600.97	\$3,734.38	\$28,720.70	
1574 E OCEAN BLVD	17	048-201-26	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1576 E OCEAN BLVD	18	048-201-25	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1580 E OCEAN BLVD	19	048-201-24	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1584 E OCEAN BLVD	20	048-201-23	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
1588 E OCEAN BLVD	21	048-201-22	3,300	1	3,300	\$14,840.70	\$1,016.00	\$2,369.90	\$18,226.60	
1501 MIRAMAR DR	22	048-201-48	2,900	1	2,900	\$13,041.83	\$892.85	\$2,082.64	\$16,017.32	
1505 MIRAMAR DR	23	048-201-51	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99	
1511 MIRAMAR DR	24	048-201-50	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99	
1513 MIRAMAR DR	25	048-201-02	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1517 MIRAMAR DR	26	048-201-03	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1521 MIRAMAR DR	27	048-201-04	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1525 MIRAMAR DR	28	048-201-05	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1529 MIRAMAR DR	29	048-201-06	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1533 MIRAMAR DR	30	048-201-07	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1537 MIRAMAR DR	31	048-201-08	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1541 MIRAMAR DR	32	048-201-09	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1547 MIRAMAR DR	33	048-201-10	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1551 MIRAMAR DR	34	048-201-11	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1553 MIRAMAR DR	35	048-201-12	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1557 MIRAMAR DR	36	048-201-13	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1561 MIRAMAR DR	37	048-201-14	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1565 MIRAMAR DR	38	048-201-15	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1569 MIRAMAR DR	39	048-201-16	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1573 MIRAMAR DR	40	048-201-17	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1577 MIRAMAR DR	41	048-201-18	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1581 MIRAMAR DR	42	048-201-19	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1585 MIRAMAR DR	43	048-201-20	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1589 MIRAMAR DR	44	048-201-21	3,100	1	3,100	\$13,941.26	\$954.42	\$2,226.27	\$17,121.95	
1512 MIRAMAR DR	45	048-192-01	4,800	1	4,800	\$21,586.47	\$1,477.82	\$3,447.12	\$26,511.41	
1520 MIRAMAR DR	46	048-192-02	3,500	1	3,500	\$15,740.14	\$1,077.57	\$2,513.53	\$19,331.24	
1530 MIRAMAR DR	47	048-192-03	7,200	1	7,200	\$32,379.71	\$2,216.73	\$5,170.68	\$39,767.12	
1532 MIRAMAR DR	48	048-192-04	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
1536 MIRAMAR DR	49	048-192-05	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
1540 MIRAMAR DR	50	048-192-06	4,200	1	4,200	\$18,888.16	\$1,293.09	\$3,016.23	\$23,197.48	
1544 MIRAMAR DR	51	048-192-07	4,300	1	4,300	\$19,337.88	\$1,323.88	\$3,088.05	\$23,749.81	
1550 MIRAMAR DR	52	048-192-08	4,500	1	4,500	\$20,237.32	\$1,385.45	\$3,231.68	\$24,854.45	
1552 MIRAMAR DR	53	048-192-09	10,100	1	10,100	\$45,421.62	\$3,109.26	\$7,253.17	\$55,784.05	
1501 E BALBOA BLVD	54	048-191-19	3,400	0.33	1,133	\$5,095.31	\$348.83	\$813.66	\$6,257.80	
1505 E BALBOA BLVD	55	048-191-02	3,300	0.83	2,750	\$12,367.25	\$846.67	\$1,974.91	\$15,188.83	
1509 E BALBOA BLVD	56	048-191-03	2,900	1	2,900	\$13,041.83	\$892.85	\$2,082.64	\$16,017.32	
1515 E BALBOA BLVD	57	048-191-04	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
1517 E BALBOA BLVD	58	048-191-05	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	

Appendix B - Assessment Calculations

Property Address	Assessor's		Parcel		Assessed		Total			Confirmed
	Asmt No.	Parcel Number	Size (sf) Rounded	Benefit Factor	Parcel Area	Construction Costs	Incidental Expenses	Financial Costs	Total Assessment	
1603 E BALBOA BLVD	59	048-191-06	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1605 E BALBOA BLVD	60	048-191-07	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
1609 E BALBOA BLVD	61	048-191-08	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1613 E BALBOA BLVD	62	048-191-09	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
1617 E BALBOA BLVD	63	048-191-10	2,900	1	2,900	\$13,041.83	\$892.85	\$2,082.64	\$16,017.32	
1621 E BALBOA BLVD	64	048-191-11	3,200	1	3,200	\$14,390.98	\$985.21	\$2,298.08	\$17,674.27	
1625 E BALBOA BLVD	65	930-504-15	1,700	1	1,700	\$7,645.21	\$523.39	\$1,220.86	\$9,389.46	
1627 E BALBOA BLVD	66	930-504-16	1,700	1	1,700	\$7,645.21	\$523.39	\$1,220.86	\$9,389.46	
1629 E BALBOA BLVD	67	930-504-17	1,700	1	1,700	\$7,645.21	\$523.39	\$1,220.86	\$9,389.46	
1631 E BALBOA BLVD	68	930-504-18	1,700	1	1,700	\$7,645.21	\$523.39	\$1,220.86	\$9,389.46	
1633 E BALBOA BLVD	69	048-191-14	3,300	1	3,300	\$14,840.70	\$1,016.00	\$2,369.90	\$18,226.60	
1637 E BALBOA BLVD	70	048-191-15	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
1641 E BALBOA BLVD	71	048-191-16	3,300	1	3,300	\$14,840.70	\$1,016.00	\$2,369.90	\$18,226.60	
1701 E BALBOA BLVD	72	048-221-01	3,400	1	3,400	\$15,290.42	\$1,046.79	\$2,441.71	\$18,778.92	
1705 E BALBOA BLVD	73	048-221-02	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1709 E BALBOA BLVD	74	048-221-03	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1717 E BALBOA BLVD	75	048-221-28	5,300	1	5,300	\$23,835.06	\$1,631.76	\$3,806.20	\$29,273.02	
1801 E BALBOA BLVD	76	048-221-06	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1805 E BALBOA BLVD	77	048-221-29	3,900	1	3,900	\$17,539.01	\$1,200.73	\$2,800.79	\$21,540.53	
1813 E BALBOA BLVD	78	048-221-24	3,900	1	3,900	\$17,539.01	\$1,200.73	\$2,800.79	\$21,540.53	
1817 E BALBOA BLVD	79	048-221-10	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1821 E BALBOA BLVD	80	048-221-11	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1903 E BALBOA BLVD	81	048-221-12	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1905 E BALBOA BLVD	82	048-221-13	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1911 E BALBOA BLVD	83	048-221-14	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
1704 PLAZA DEL NORTE	84	048-221-34	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
1706 PLAZA DEL NORTE	85	048-221-35	2,400	1	2,400	\$10,793.24	\$738.91	\$1,723.56	\$13,255.71	
1710 PLAZA DEL NORTE	86	048-221-22	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1714 PLAZA DEL NORTE	87	048-221-21	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1718 PLAZA DEL NORTE	88	048-221-20	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1724 PLAZA DEL NORTE	89	048-221-19	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1726 PLAZA DEL NORTE CIR	90	048-221-18	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1730 PLAZA DEL NORTE	91	048-221-33	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1734 PLAZA DEL NORTE	92	048-221-32	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1740 PLAZA DEL NORTE	93	048-221-31	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1744 PLAZA DEL NORTE	94	048-221-30	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1748 PLAZA DEL NORTE	95	048-221-26	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1752 PLAZA DEL NORTE	96	048-221-27	2,400	1	2,400	\$10,793.24	\$738.91	\$1,723.56	\$13,255.71	
City Median Park	97	048-220-01	12,500	0	0	\$0.00	\$0.00	\$0.00	\$0.00	
1703 PLAZA DEL SUR	98	048-222-01	2,400	1	2,400	\$10,793.24	\$738.91	\$1,723.56	\$13,255.71	
1707 PLAZA DEL SUR	99	048-222-02	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1711 PLAZA DEL SUR	100	048-222-03	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1715 PLAZA DEL SUR	101	048-222-04	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1719 PLAZA DEL SUR	102	048-222-05	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1723 PLAZA DEL SUR	103	048-222-06	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1725 PLAZA DEL SUR	104	048-222-07	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1731 PLAZA DEL SUR	105	048-222-08	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1735 PLAZA DEL SUR	106	048-222-09	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1737 PLAZA DEL SUR	107	048-222-10	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1741 PLAZA DEL SUR	108	048-222-11	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1747 PLAZA DEL SUR	109	048-222-32	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1751 PLAZA DEL SUR	110	048-222-33	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1753 PLAZA DEL SUR	111	048-222-34	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1755 PLAZA DEL SUR	112	048-222-35	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
1700 MIRAMAR DR	113	048-222-27	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99	
1706 MIRAMAR DR	114	048-222-26	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1710 MIRAMAR DR	115	048-222-25	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
1714 MIRAMAR DR	116	048-222-24	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99	

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Property Address	Assessor's		Parcel		Assessed		Total			Confirmed
	Asmt No.	Parcel Number	Size (sf) Rounded	Benefit Factor	Parcel Area	Construction Costs	Incidental Expenses	Financial Costs	Total Assessment	
1718 MIRAMAR DR	117	048-222-23	2,900	1	2,900	\$13,041.83	\$892.85	\$2,082.64	\$16,017.32	
1722 MIRAMAR DR	118	048-222-22	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
1726 MIRAMAR DR	119	048-222-21	3,100	1	3,100	\$13,941.26	\$954.42	\$2,226.27	\$17,121.95	
1730 MIRAMAR DR	120	048-222-20	3,100	1	3,100	\$13,941.26	\$954.42	\$2,226.27	\$17,121.95	
1734 MIRAMAR DR	121	048-222-19	3,200	1	3,200	\$14,390.98	\$985.21	\$2,298.08	\$17,674.27	
1738 MIRAMAR DR	122	048-222-31	3,300	1	3,300	\$14,840.70	\$1,016.00	\$2,369.90	\$18,226.60	
1742 MIRAMAR DR	123	048-222-30	3,300	1	3,300	\$14,840.70	\$1,016.00	\$2,369.90	\$18,226.60	
1744 MIRAMAR DR	124	048-222-28	3,400	1	3,400	\$15,290.42	\$1,046.79	\$2,441.71	\$18,778.92	
1750 MIRAMAR DR	125	048-222-29	3,400	1	3,400	\$15,290.42	\$1,046.79	\$2,441.71	\$18,778.92	
1752 MIRAMAR DR	126	048-222-16	3,100	1	3,100	\$13,941.26	\$954.42	\$2,226.27	\$17,121.95	
1756 MIRAMAR DR	127	048-222-37	3,100	1	3,100	\$13,941.26	\$954.42	\$2,226.27	\$17,121.95	
1764 MIRAMAR DR	128	048-222-36	3,300	1	3,300	\$14,840.70	\$1,016.00	\$2,369.90	\$18,226.60	
1701 MIRAMAR DR	129	048-211-36	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
1707 MIRAMAR DR	130	048-211-35	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1711 MIRAMAR DR	131	048-211-34	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1713 MIRAMAR DR	132	048-211-02	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1717 MIRAMAR DR	133	048-211-03	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1721 MIRAMAR DR	134	048-211-37	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1723 MIRAMAR DR	135	048-211-38	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1731 MIRAMAR DR	136	048-211-05	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1733 MIRAMAR DR	137	048-211-06	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1739 MIRAMAR DR	138	048-211-27	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1743 MIRAMAR DR	139	048-211-28	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1747 MIRAMAR DR	140	048-211-08	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1751 MIRAMAR DR	141	048-211-09	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1755 MIRAMAR DR	142	048-211-10	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1759 MIRAMAR DR	143	048-211-11	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
1761 MIRAMAR DR	144	048-211-12	2,400	1	2,400	\$10,793.24	\$738.91	\$1,723.56	\$13,255.71	
1700 E OCEAN BLVD	145	048-211-39	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
1706 E OCEAN BLVD	146	048-211-40	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1708 E OCEAN BLVD	147	048-211-23	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1714 E OCEAN BLVD	148	048-211-22	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1718 E OCEAN BLVD	149	048-211-21	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1720 E OCEAN BLVD	150	048-211-20	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1726 E OCEAN BLVD	151	048-211-19	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1730 E OCEAN BLVD	152	048-211-18	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1732 E OCEAN BLVD	153	048-211-17	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1738 E OCEAN BLVD	154	048-211-30	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1740 E OCEAN BLVD	155	048-211-32	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1746 E OCEAN BLVD	156	048-211-31	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1750 E OCEAN BLVD	157	048-211-25	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1754 E OCEAN BLVD	158	048-211-15	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1756 E OCEAN BLVD	159	048-211-14	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
1760 E OCEAN BLVD	160	048-211-13	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
2000 E OCEAN BLVD	161	048-261-30	3,200	1	3,200	\$14,390.98	\$985.21	\$2,298.08	\$17,674.27	
2004 E OCEAN BLVD	162	048-261-29	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2008 E OCEAN BLVD	163	048-261-28	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2012 E OCEAN BLVD	164	048-261-33	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2016 E OCEAN BLVD	165	048-261-34	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2020 E OCEAN BLVD	166	048-261-31	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2024 E OCEAN BLVD	167	048-261-32	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2028 E OCEAN BLVD	168	048-261-25	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2032 E OCEAN BLVD	169	048-261-24	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2036 E OCEAN BLVD	170	048-261-23	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2040 E OCEAN BLVD	171	048-261-22	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2044 E OCEAN BLVD	172	048-261-21	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2050 E OCEAN BLVD	173	048-261-20	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2052 E OCEAN BLVD	174	048-261-19	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	

Appendix B - Assessment Calculations

Property Address	Assessor's		Parcel		Assessed		Total			Confirmed
	Asmt No.	Parcel Number	Size (sf) Rounded	Benefit Factor	Parcel Area	Construction Costs	Incidental Expenses	Financial Costs	Total Assessment	
2056 E OCEAN BLVD	175	048-261-18	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2060 E OCEAN BLVD	176	048-261-17	3,200	1	3,200	\$14,390.98	\$985.21	\$2,298.08	\$17,674.27	
2001 MIRAMAR DR	177	048-261-01	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
2005 MIRAMAR DR	178	048-261-02	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2007 MIRAMAR DR	179	048-261-03	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2009 MIRAMAR DR	180	048-261-04	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2011 MIRAMAR DR	181	048-261-05	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2013 MIRAMAR DR	182	048-261-06	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2015 MIRAMAR DR	183	048-261-07	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2017 MIRAMAR DR	184	048-261-08	3,200	1	3,200	\$14,390.98	\$985.21	\$2,298.08	\$17,674.27	
2021 MIRAMAR DR	185	048-261-09	3,100	1	3,100	\$13,941.26	\$954.42	\$2,226.27	\$17,121.95	
2023 MIRAMAR DR	186	048-261-35	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2025 MIRAMAR DR	187	048-261-36	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2027 MIRAMAR DR	188	048-261-11	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2029 MIRAMAR DR	189	048-261-12	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2031 MIRAMAR DR	190	048-261-13	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2033 MIRAMAR DR	191	048-261-14	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2035 MIRAMAR DR	192	048-261-15	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2037 MIRAMAR DR	193	048-261-16	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
2000 MIRAMAR DR	194	048-252-12	6,000	1	6,000	\$26,983.09	\$1,847.27	\$4,308.90	\$33,139.26	
306 L ST	195	048-252-11	2,400	1	2,400	\$10,793.24	\$738.91	\$1,723.56	\$13,255.71	
308 L ST	196	048-252-10	2,300	1	2,300	\$10,343.52	\$708.12	\$1,651.75	\$12,703.39	
314 L ST	197	048-252-15	7,000	1	7,000	\$31,480.27	\$2,155.15	\$5,027.05	\$38,662.47	
318 L ST	198	048-252-14	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
322 L ST	199	048-252-13	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
324 L ST	200	048-252-19	1,400	1	1,400	\$6,296.05	\$431.03	\$1,005.41	\$7,732.49	
326 L ST	201	048-252-18	1,400	1	1,400	\$6,296.05	\$431.03	\$1,005.41	\$7,732.49	
330 L ST	202	048-252-05	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99	
332 L ST	203	048-252-21	1,800	1	1,800	\$8,094.93	\$554.18	\$1,292.67	\$9,941.78	
334 L ST	204	048-252-20	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
338 L ST	205	048-252-03	3,200	1	3,200	\$14,390.98	\$985.21	\$2,298.08	\$17,674.27	
340 L ST	206	048-252-02	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2001 E BALBOA BLVD	207	048-252-17	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2005 E BALBOA BLVD	208	048-252-16	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
429 BELVUE LN	209	048-251-21	5,000	1	5,000	\$22,485.91	\$1,539.39	\$3,590.75	\$27,616.05	
427 BELVUE LN	210	048-251-22	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
425 BELVUE LN	211	048-251-23	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
423 BELVUE LN	212	048-251-24	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
421 BELVUE LN	213	048-251-25	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
419 BELVUE LN	214	048-251-26	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
417 BELVUE LN	215	048-251-27	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
415 BELVUE LN	216	048-251-28	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
413 BELVUE LN	217	048-251-29	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
411 BELVUE LN	218	048-251-30	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
409 BELVUE LN	219	048-251-31	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
407 BELVUE LN	220	048-251-32	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
405 BELVUE LN	221	048-251-33	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
403 BELVUE LN	222	048-251-07	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
401 BELVUE LN	223	048-251-06	6,100	0.83	5,083	\$22,859.18	\$1,564.95	\$3,650.36	\$28,074.49	
450 BELVUE LN	224	048-251-37	5,800	1	5,800	\$26,083.65	\$1,785.70	\$4,165.27	\$32,034.62	
426 BELVUE LN	225	048-251-38	5,200	1	5,200	\$23,385.35	\$1,600.97	\$3,734.38	\$28,720.70	
424 BELVUE LN	226	048-251-34	5,000	1	5,000	\$22,485.91	\$1,539.39	\$3,590.75	\$27,616.05	
422 BELVUE LN	227	048-251-35	5,000	1	5,000	\$22,485.91	\$1,539.39	\$3,590.75	\$27,616.05	
420 BELVUE LN	228	048-251-14	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
418 BELVUE LN	229	048-251-15	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
416 BELVUE LN	230	048-251-16	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
414 BELVUE LN	231	048-251-17	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
412 BELVUE LN	232	048-251-18	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	

Appendix B - Assessment Calculations

Property Address	Assessor's		Parcel Size (sf) Rounded	Benefit Factor	Assessed Parcel Area	Total			Confirmed Total Assessment
	Asmt No.	Parcel Number				Construction Costs	Incidental Expenses	Financial Costs	
410 BELVUE LN	233	048-251-19	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84
408 BELVUE LN	234	048-251-20	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84
406 BELVUE LN	235	048-251-02	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84
404 BELVUE LN	236	048-251-03	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84
402 BELVUE LN	237	048-251-04	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84
400 BELVUE LN	238	048-251-05	5,200	0.83	4,333	\$19,486.29	\$1,334.04	\$3,111.74	\$23,932.07
2025 E BALBOA BLVD	239	048-272-28	3,200	1	3,200	\$14,390.98	\$985.21	\$2,298.08	\$17,674.27
2031 E BALBOA BLVD	240	048-272-29	3,200	1	3,200	\$14,390.98	\$985.21	\$2,298.08	\$17,674.27
445 SEVILLE AVE	241	048-272-20	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99
441 SEVILLE AVE	242	048-272-19	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99
437 SEVILLE AVE	243	048-272-31	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99
433 SEVILLE AVE	244	048-272-30	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99
429 SEVILLE AVE	245	048-272-04	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99
425 SEVILLE AVE	246	048-272-05	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99
421 SEVILLE AVE	247	048-272-24	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99
417 SEVILLE AVE	248	048-272-32	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99
413 SEVILLE AVE	249	048-272-33	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99
409 SEVILLE AVE	250	048-272-22	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99
405 SEVILLE AVE	251	048-272-26	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99
401 SEVILLE AVE	252	048-272-27	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99
399 SEVILLE AVE	253	048-272-21	9,400	1	9,400	\$42,273.51	\$2,894.06	\$6,750.61	\$51,918.18
2033 SEVILLE ST	254	048-272-09	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03
2037 SEVILLE AVE	255	048-272-10	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03
2039 SEVILLE AVE	256	048-272-11	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03
2043 SEVILLE AVE	257	048-272-12	2,400	1	2,400	\$10,793.24	\$738.91	\$1,723.56	\$13,255.71
2022 MIRAMAR DR	258	048-272-18	2,900	1	2,900	\$13,041.83	\$892.85	\$2,082.64	\$16,017.32
2026 MIRAMAR DR	259	048-272-17	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03
2032 MIRAMAR DR	260	048-272-16	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03
2034 MIRAMAR DR	261	048-272-15	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03
2038 MIRAMAR DR	262	048-272-14	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03
2042 MIRAMAR DR	263	048-272-13	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67
448 SEVILLE AVE	264	048-271-30	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99
2037 E BALBOA BLVD	265	048-271-29	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99
444 SEVILLE AVE	266	048-271-17	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03
440 SEVILLE AVE	267	048-271-28	3,100	1	3,100	\$13,941.26	\$954.42	\$2,226.27	\$17,121.95
436 SEVILLE AVE	268	048-271-26	3,100	1	3,100	\$13,941.26	\$954.42	\$2,226.27	\$17,121.95
432 SEVILLE AVE	269	048-271-25	3,100	1	3,100	\$13,941.26	\$954.42	\$2,226.27	\$17,121.95
424 SEVILLE AVE	270	048-271-27	3,100	1	3,100	\$13,941.26	\$954.42	\$2,226.27	\$17,121.95
420 SEVILLE AVE	271	048-271-14	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03
416 SEVILLE AVE	272	048-271-13	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03
412 SEVILLE AVE	273	048-271-21	3,700	1	3,700	\$16,639.57	\$1,139.15	\$2,657.16	\$20,435.88
408 SEVILLE AVE	274	048-271-23	2,300	1	2,300	\$10,343.52	\$708.12	\$1,651.75	\$12,703.39
402 SEVILLE AVE	275	048-271-31	3,200	0.83	2,667	\$11,993.98	\$821.11	\$1,915.31	\$14,730.40
2041 E BALBOA BLVD	276	048-271-19	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99
449 M ST	277	048-271-01	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67
445 M ST	278	048-271-02	4,900	1	4,900	\$22,036.19	\$1,508.60	\$3,518.94	\$27,063.73
441 M ST	279	048-271-03	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03
433 M ST	280	048-271-32	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03
429 M ST	281	048-271-33	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03
425 M ST	282	048-271-05	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03
421 M ST	283	048-271-06	4,900	1	4,900	\$22,036.19	\$1,508.60	\$3,518.94	\$27,063.73
409 M ST	284	048-271-07	4,700	1	4,700	\$21,136.75	\$1,447.03	\$3,375.31	\$25,959.09
405 M ST	285	048-271-08	2,300	1	2,300	\$10,343.52	\$708.12	\$1,651.75	\$12,703.39
2046 SEVILLE AVE	286	048-271-09	3,600	0.33	1,200	\$5,396.62	\$369.45	\$861.78	\$6,627.85
2101 E BALBOA BLVD	287	048-302-01	3,300	1	3,300	\$14,840.70	\$1,016.00	\$2,369.90	\$18,226.60
2105 E BALBOA BLVD	288	048-302-02	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64
2109 E BALBOA BLVD	289	048-302-03	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64
2115 E BALBOA BLVD	290	048-302-04	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64

Appendix B - Assessment Calculations

Property Address	Assessor's		Parcel		Assessed		Total			Confirmed
	Asmt No.	Parcel Number	Size (sf) Rounded	Benefit Factor	Parcel Area	Construction Costs	Incidental Expenses	Financial Costs	Total Assessment	
2117 E BALBOA BLVD	291	048-302-05	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
2123 E BALBOA BLVD	292	048-302-06	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
2125 E BALBOA BLVD	293	048-302-07	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
2129 E BALBOA BLVD	294	048-302-08	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
2133 CHANNEL RD	295	048-302-09	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
2137 CHANNEL RD	296	048-302-10	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
2140 GRANADA AVE	297	048-302-11	3,300	1	3,300	\$14,840.70	\$1,016.00	\$2,369.90	\$18,226.60	
2100 SERRANO AVE	298	048-302-17	4,000	1	4,000	\$17,988.73	\$1,231.51	\$2,872.60	\$22,092.84	
2102 SERRANO AVE	299	048-302-16	3,300	1	3,300	\$14,840.70	\$1,016.00	\$2,369.90	\$18,226.60	
2106 SERRANO AVE	300	048-302-15	3,300	1	3,300	\$14,840.70	\$1,016.00	\$2,369.90	\$18,226.60	
2110 SERRANO AVE	301	048-302-14	3,300	1	3,300	\$14,840.70	\$1,016.00	\$2,369.90	\$18,226.60	
2114 SERRANO AVE	302	048-302-13	3,300	1	3,300	\$14,840.70	\$1,016.00	\$2,369.90	\$18,226.60	
2118 SERRANO AVE	303	048-302-12	3,800	1	3,800	\$17,089.29	\$1,169.94	\$2,728.97	\$20,988.20	
City Median Park	304	048-290-01	2,600	0	0	\$0.00	\$0.00	\$0.00	\$0.00	
2101 GRANADA AVE	305	048-291-01	2,400	1	2,400	\$10,793.24	\$738.91	\$1,723.56	\$13,255.71	
2103 GRANADA AVE	306	048-291-02	2,400	1	2,400	\$10,793.24	\$738.91	\$1,723.56	\$13,255.71	
2107 GRANADA AVE	307	048-291-22	2,400	1	2,400	\$10,793.24	\$738.91	\$1,723.56	\$13,255.71	
2111 GRANADA AVE	308	048-291-23	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2117 GRANADA AVE	309	048-291-20	3,600	1	3,600	\$16,189.85	\$1,108.36	\$2,585.34	\$19,883.55	
2123 GRANADA AVE	310	048-291-26	6,900	1	6,900	\$11,286.88	\$772.70	\$1,802.39	\$13,861.97	
2100 SEVILLE AVE	311	048-291-19	2,400	1	2,400	\$10,793.24	\$738.91	\$1,723.56	\$13,255.71	
2104 SEVILLE AVE	312	048-291-18	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2110 SEVILLE AVE	313	048-291-17	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2112 SEVILLE AVE	314	048-291-24	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2118 SEVILLE AVE	315	048-291-25	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2120 SEVILLE AVE	316	048-291-15	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2124 SEVILLE AVE	317	048-291-14	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2128 SEVILLE AVE	318	048-291-13	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2132 SEVILLE AVE	319	048-291-12	2,900	1	2,900	\$13,041.83	\$892.85	\$2,082.64	\$16,017.32	
2201 CHANNEL RD	320	048-291-06	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
2205 CHANNEL RD	321	048-291-07	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99	
2209 CHANNEL RD	322	048-291-08	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99	
2213 CHANNEL RD	323	048-291-09	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99	
2217 CHANNEL RD	324	048-291-10	2,800	1	2,800	\$12,592.11	\$862.06	\$2,010.82	\$15,464.99	
2219 CHANNEL RD	325	048-291-11	3,300	0.50	1,650	\$7,420.35	\$508.00	\$1,184.95	\$9,113.30	
2101 SEVILLE AVE	326	048-292-28	2,900	1	2,900	\$13,041.83	\$892.85	\$2,082.64	\$16,017.32	
2105 SEVILLE AVE	327	048-292-29	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2109 SEVILLE AVE	328	048-292-02	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2113 SEVILLE AVE	329	048-292-03	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2117 SEVILLE AVE	330	048-292-04	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2121 SEVILLE AVE	331	048-292-05	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2127 SEVILLE AVE	332	048-292-06	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2129 SEVILLE AVE	333	048-292-07	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2133 SEVILLE AVE	334	048-292-27	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
2137 SEVILLE AVE	335	048-292-26	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
2141 SEVILLE AVE	336	048-292-32	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
2145 SEVILLE AVE	337	048-292-33	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
2149 SEVILLE AVE	338	048-292-10	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
2100 MIRAMAR DR	339	048-292-25	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2104 MIRAMAR DR	340	048-292-24	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2108 MIRAMAR DR	341	048-292-23	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2112 MIRAMAR DR	342	048-292-22	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2116 MIRAMAR DR	343	048-292-21	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2120 MIRAMAR DR	344	048-292-20	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2124 MIRAMAR DR	345	048-292-19	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2126 MIRAMAR DR	346	048-292-18	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2128 MIRAMAR DR	347	048-292-17	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	
2130 MIRAMAR DR	348	048-292-35	2,100	1	2,100	\$9,444.08	\$646.54	\$1,508.12	\$11,598.74	



Appendix B - Assessment Calculations

Property Address	Assessor's Parcel		Parcel Size (sf) Rounded	Benefit Factor	Assessed		Total			Confirmed Total Assessment
	Asmt No.	Parcel Number			Parcel Area	Construction Costs	Incidental Expenses	Financial Costs		
2134 MIRAMAR DR	349	048-292-34	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2136 MIRAMAR DR	350	048-292-15	2,300	1	2,300	\$10,343.52	\$708.12	\$1,651.75	\$12,703.39	
2142 MIRAMAR DR	351	048-292-14	2,300	1	2,300	\$10,343.52	\$708.12	\$1,651.75	\$12,703.39	
2146 MIRAMAR DR	352	048-292-13	2,300	1	2,300	\$10,343.52	\$708.12	\$1,651.75	\$12,703.39	
2150 MIRAMAR DR	353	048-292-12	2,300	1	2,300	\$10,343.52	\$708.12	\$1,651.75	\$12,703.39	
2265 CHANNEL RD	354	048-292-11	2,600	0.83	2,167	\$9,745.39	\$667.17	\$1,556.23	\$11,968.79	
2101 MIRAMAR DR	355	048-281-01	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
2105 MIRAMAR DR	356	048-281-02	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2109 MIRAMAR DR	357	048-281-03	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2113 MIRAMAR DR	358	048-281-04	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2117 MIRAMAR DR	359	048-281-05	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2121 MIRAMAR DR	360	048-281-06	2,500	1	2,500	\$11,242.95	\$769.70	\$1,795.38	\$13,808.03	
2125 MIRAMAR DR	361	048-281-31	2,200	1	2,200	\$9,893.80	\$677.33	\$1,579.93	\$12,151.06	
2129 MIRAMAR DR	362	048-281-36	2,700	1	2,700	\$12,142.39	\$831.27	\$1,939.01	\$14,912.67	
2133 MIRAMAR DR	363	048-281-35	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2137 MIRAMAR DR	364	048-281-09	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2141 MIRAMAR DR	365	048-281-10	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2145 MIRAMAR DR	366	048-281-11	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2149 MIRAMAR DR	367	048-281-12	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2155 MIRAMAR DR	368	048-281-13	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2157 MIRAMAR DR	369	048-281-37	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
2161 MIRAMAR DR	370	048-281-38	3,100	1	3,100	\$13,941.26	\$954.42	\$2,226.27	\$17,121.95	
2100 E OCEAN BLVD	371	048-281-30	3,200	1	3,200	\$14,390.98	\$985.21	\$2,298.08	\$17,674.27	
2104 E OCEAN BLVD	372	048-281-29	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2110 E OCEAN BLVD	373	048-281-28	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2112 E OCEAN BLVD	374	048-281-27	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2118 E OCEAN BLVD	375	048-281-26	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2120 E OCEAN BLVD	376	048-281-25	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2124 E OCEAN BLVD	377	048-281-24	2,600	1	2,600	\$11,692.67	\$800.48	\$1,867.19	\$14,360.34	
2128 E OCEAN BLVD	378	048-281-39	3,300	1	3,300	\$14,840.70	\$1,016.00	\$2,369.90	\$18,226.60	
2132 E OCEAN BLVD	379	048-281-21	3,300	1	3,300	\$14,840.70	\$1,016.00	\$2,369.90	\$18,226.60	
2140 E OCEAN BLVD	380	048-281-20	3,100	1	3,100	\$13,941.26	\$954.42	\$2,226.27	\$17,121.95	
2144 E OCEAN BLVD	381	048-281-19	4,700	1	4,700	\$21,136.75	\$1,447.03	\$3,375.31	\$25,959.09	
2152 E OCEAN BLVD	382	048-281-18	4,300	1	4,300	\$19,337.88	\$1,323.88	\$3,088.05	\$23,749.81	
2156 E OCEAN BLVD	383	048-281-33	3,000	1	3,000	\$13,491.55	\$923.64	\$2,154.45	\$16,569.64	
2160 E OCEAN BLVD	384	048-281-34	3,600	1	3,600	\$16,189.85	\$1,108.36	\$2,585.34	\$19,883.55	
2164 E OCEAN BLVD	385	048-281-16	3,800	1	3,800	\$17,089.29	\$1,169.94	\$2,728.97	\$20,988.20	
2291 CHANNEL RD	386	048-281-15	4,500	1	4,500	\$20,237.32	\$1,385.45	\$3,231.68	\$24,854.45	
					1,130,683	\$5,065,143.00	\$346,761.00	\$808,848.00	\$6,220,752.00	

## Outline for Notice, Hearing and Assessment Ballot Procedures

### Under Proposition 218 for Assessment Districts

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1. Hearing on the engineer's report must be preceded by at least 45 days mailed notice to the affected property owners, and the mailed notice must include:
  - a. The total amount proposed to be assessed, and the amount to be assessed to the specific parcel
  - b. The duration of payments
  - c. The reason for the assessment and the basis upon which the amount was calculated
  - d. The date time and place of the public hearing
  - e. A summary of the procedures for completion, return and tabulation of the assessment ballots, the central feature of the protest procedures mandated by Prop. 218
  - f. A statement that the assessment shall not be imposed if the assessment ballots submitted in opposition to the assessment exceed those submitted in favor, with each ballot weighted according to the amount of the proposed assessment on the parcel to which the ballot pertains
2. Mailed notice must be accompanied by the assessment ballot, and the assessment ballot must include:
  - a. The address to which the completed ballot may be returned, whether by mail or in person
  - b. Identification of the parcel to which the ballot pertains or a place where the property owner can identify the parcel
  - c. Identification of the property owner or a place where the owner can indicate his or her name, together with a signature line where the ballot can be signed prior to being returned
  - d. A place where the property owner can mark the ballot to indicate either support for or opposition to the proposed assessment
3. On the face of the envelope mailed to the property owner, in which the notice and ballot are enclosed, there shall appear in substantially the following form in no smaller than 16-point bold type: "OFFICIAL BALLOT ENCLOSED." An agency may additionally place the phrase "OFFICIAL BALLOT ENCLOSED" on the face of the envelope mailed to the property owner, in which the notice and ballot are enclosed, in a language or languages other than English.
4. The assessment ballot must be "in a form that conceals its contents once it is sealed by the person submitting the ballot" and " must remain sealed until the tabulation of ballots"

5. Ballots must be tabulated by “an impartial person designated by the agency who does not have a vested interest in the outcome of the proposed assessment”, which may include the “clerk of the agency” (i.e., City Clerk, Clerk of the Board of Supervisors, or District Secretary of the special district). If ballots are tabulated by any other the ballots shall be unsealed and tabulated in public view at the conclusion of the hearing so as to permit all interested persons to meaningfully monitor the accuracy of the tabulation process.
6. Use of punchcard or bar-coded ballots is expressly permitted
7. Marked and signed ballots must be returned to the local agency in some manner which assures receipt prior to the close of the public hearing; providing the property owners with a return envelope is optional; if return envelopes are utilized, local agency should provide clear statement of deadline for receipt of marked and signed ballots
8. Ballot previously filed may be changes or withdrawn prior to the conclusion of the public hearing
9. At conclusion of the public hearing (including continuations, if any), ballots are tabulated, using weighted tabulation by assessment amount; if conflicting ballots from co-owners of a parcel, allocate weight in accordance with proportionality of ownership interests
10. Majority protest exists if ballots in opposition exceed ballot is support, and the proposed assessment cannot be imposed if majority protest – no override permitted
11. Compliance with notice/ballot/hearing provision of Section 53753 dispenses with need to comply with corresponding provisions of underlying statutory scheme, whether or not in conflict
12. During and after the tabulation, the assessment ballots and the information used to determine the weight of each ballot shall be treated as disclosable public records, as defined in Section 6252, and equally available for inspection by the proponents and the opponents of the proposed assessment. The ballots shall be preserved for a minimum of two years, after which they may be destroyed

<<Asmt No.>>

**Assessment Ballot Enclosed**

**Do Not Open**

**until after the Public Hearing  
(Assessment District No. 103)**

Place  
stamp  
here

**CITY CLERK  
CITY OF NEWPORT BEACH  
3300 NEWPORT BLVD  
NEWPORT BEACH, CA 92663-3884**



# CITY OF NEWPORT BEACH

## PUBLIC WORKS DEPARTMENT

Stephen G. Badum, Director

June 12, 2009

Re: City of Newport Beach  
Proposed Assessment District No. 103

Dear Property Owner:

The City Council of the City of Newport Beach has initiated proceedings to consider the formation of an assessment district, designated as Assessment District No. 103 (the "Assessment District") to finance the conversion of the overhead electrical and communication facilities to underground locations, together with appurtenant work in connection therewith, which improvements will specially benefit the properties within the boundaries of the proposed Assessment District. The City Council will also consider designating the Assessment District area an underground utilities district pursuant to Chapter 15.32 of the Code of Ordinances of the City of Newport Beach.

The City Council has scheduled a public hearing to receive testimony either in favor of or in opposition to the proposed Assessment and the designation of the Assessment District area as an underground utilities district. The public hearing will be held at the City Council Chambers, 3300 Newport Boulevard, Newport Beach, California, on the following date and at the following time:

**Public Hearing: July 28, 2009 at 7:00 p.m.**

Enclosed with this letter you will find a copy of the formal legal notice for this public hearing. This notice contains important information regarding the rights of the record owners of property within the proposed Assessment District to be heard regarding the formation of the proposed Assessment District. **It is recommended that you read this letter and the notice carefully.**

The record owners of property subject to the imposition of an assessment also have the right to express their support of or opposition to the proposed assessment through an assessment ballot procedure. In order to comply with this assessment ballot procedure, an assessment ballot and other materials are being sent to you as one of the record owners within the Assessment District to give you the opportunity to submit your ballot on the proposed assessment. The Assessment Ballot, which is the yellow piece of paper with your name and address on it, shows the maximum assessment amount proposed for your property.

***One of the most important documents in this material is the Assessment Ballot. It must be marked, signed and returned by mail or in person no later than the close of the public hearing on Tuesday, July 28, 2009 to be counted.*** (Please see the enclosed documentation for where and when to return your Assessment Ballot.)

The City will be authorized to form the Assessment District and impose the assessments only if a simple majority or more of the assessment ballots submitted are in favor of the levy of the assessments. The Assessment Ballots will be weighted based upon the amount of the assessment proposed to be levied against individual parcels. ***Therefore, whether you are in favor of or in opposition to the Assessment District, it is important that all record owners complete and submit their Assessment Ballots to the City so that your support of or opposition to the Assessment District will be tabulated.***

(over)

- d. a place where the property owner can mark the ballot to indicate either support for or opposition to the proposed assessment
3. the assessment ballot must be "in a form that conceals its contents once it is sealed by the person submitting the ballot" and "must remain sealed until the tabulation of ballots"
4. ballots must be tabulated by "an impartial person designated by the agency who does not have a vested interest in the outcome of the proposed assessment", which may include the "clerk of the agency" (i.e., City Clerk, Clerk of the Board of Supervisors, or District Secretary of the special district)
5. use of punchcard or bar-coded ballots is expressly permitted
6. marked and signed ballots must be returned to the local agency in some manner which assures receipt prior to the close of the hearing; providing the property owners with a return envelope is optional; if return envelopes are utilized, local agency should provide clear statement of deadline for receipt of marked and signed ballots
7. ballot previously filed may be changed or withdrawn prior to conclusion of hearing
8. at conclusion of hearing (including continuations, if any), ballots tabulated, using weighted tabulation by amount of assessment; if conflicting ballots from co-owners of a parcel, allocate weight in accordance with proportionality of ownership interests
9. majority protest exists if ballots in opposition exceed ballots in support, and proposed assessment cannot be imposed if majority protest - no override permitted
10. compliance with notice/ballot/hearing provisions of Section 53753 dispenses with need to comply with corresponding provisions of underlying statutory scheme, whether or not in conflict

**Notice to Property Owners and Assessment Ballot  
for the proposed City of Newport Beach  
Assessment District No. 103**

**I. Notice**

This notice informs you, as a record owner of property within the proposed Assessment District, that on June 9, 2009, the City Council of the City of Newport Beach adopted a Resolution of Intention in which it declared its intention to form Assessment District No. 103 and has scheduled a Public Hearing concerning the proposed Assessment District.

The Public Hearing will be held during a regular meeting of the City of Newport Beach City Council on

**July 28, 2009, at 7:00 p.m.**

or as soon thereafter as the matter may be heard, in the City Council Chambers located at 3300 Newport Blvd., Newport Beach, California. All interested persons are invited to attend the Public Hearing and express opinions on the matter of the proposed Assessment.

Persons who wish to submit an assessment ballot should mail or personally deliver it to the address shown below and in accordance with the directions provided on the back of the ballot shown as: "Summary of Assessment Ballot Procedures."

- **Mail Delivery:** If by mail, place the ballot in the mail in sufficient time to be received no later than July 28, 2009. If your ballot is not received by this time, the ballot will not be counted. Please mail the ballot to the City Clerk at 3300 Newport Boulevard, Newport Beach, CA 92663-3884.  
*Please note that postmarks will not be accepted.*
- **Personal Delivery:** The ballot can be delivered to the City Clerk on or before the close of the Public Hearing on July 28, 2009. Please deliver the ballot to the City Clerk at 3300 Newport Boulevard, Newport Beach, California.

**II. Assessment Information**

1. **Name of Assessment:** Assessment District No. 103
2. **The Total Proposed Assessment for the Whole Assessment District:** \$6,245,000.
3. **Your Proposed Total Assessment:** The proposed maximum assessment on your property is shown on the enclosed yellow ballot.  
The proposed assessment upon each parcel also includes an amount to pay the annual administrative costs of the Assessment District incurred by the City and not otherwise reimbursed. The maximum annual assessment for administrative costs shall not exceed \$50 per parcel, subject to an annual increase based on the increase in the Consumer Price Index. Approval of the Assessment District by the ballot procedure will also approve the administrative cost assessment.
4. **Duration of the Proposed Assessment:** If the assessments are confirmed, you will be given a separate notice that you have the option to pay all or part of the assessment in cash for at least 30 days. This will allow you to save certain bond costs and clear the property of the assessment without any interest or penalty. If left unpaid, the assessments will continue to be collected in annual installments against the properties in the Assessment District on the property tax bills as long as needed to pay installments of principal and interest on the proposed assessment bonds, but not to exceed 15 years.

The proceedings for the formation of the Assessment District, the levy of assessments, and the designation of the Assessment District area as an underground utilities district are being undertaken pursuant to the "Municipal Improvement Act of 1913" (Division 12 of the California Streets and Highways Code), Article XIII D of the Constitution of the State of California, and the Proposition 218 Omnibus Implementation Act (section 53750 et seq. of the California Government Code) and ordinances of the City of Newport Beach. The bonds to be issued will represent unpaid assessments in accordance with the "Improvement Bond Act of 1915" (Division 10 of the California Streets and Highways Code). The assessments will be collected in installments over time. If the City Council approves the formation of the Assessment District and the levy of assessments, a thirty (30) day cash collection period will follow, and, thereafter, bonds will be issued to represent the unpaid assessments. The interest rate on the bonds, not to exceed 12% per annum, shall be determined at the time of their sale.

5. **Reason for the Assessment:** The City of Newport Beach is proposing to levy assessments for the conversion of existing overhead electrical and communication facilities to underground locations within the Balboa Peninsula Point area generally bounded by G Street / East Balboa Boulevard / Channel Road / Ocean Boulevard, together with appurtenances and appurtenant work thereto, all to serve and specially benefit the properties within Assessment District No. 103.
6. **Calculation of the Assessment:** The assessment is proposed on all parcels that receive direct and special benefit from the undergrounding of overhead utilities.

The amount of each proposed assessment was calculated based upon the proportional special benefit received by each parcel to be assessed. The exact method and formula of spreading the assessment is set forth in the Assessment Engineer's Report for the Assessment District, a copy of which is on file with the City Clerk, available for inspection, and on the City's website at [www.city.newport-beach.ca.us/Pubworks/Assessment%20Districts/AD\\_103.htm](http://www.city.newport-beach.ca.us/Pubworks/Assessment%20Districts/AD_103.htm)



Enclosed in this package you will find the following documents to give you, as the record owner of property subject to a possible assessment, the opportunity to submit an Assessment Ballot regarding this proposed assessment:

1. Notice of Public Hearing
2. Official Assessment Ballot  
(the yellow piece of paper with your name and address on it)
3. Instructions regarding submission of Assessment Ballots
4. Self-addressed Return Envelope

In order for your assessment ballot to be tabulated, it must be completed as described on the official ballot and received either by mail or in person by the City Clerk, at any time prior to the conclusion of the Public Hearing to be held on July 28, 2009:

- **Mail Delivery:** If by mail, place the ballot in the mail in sufficient time to be received no later than July 28, 2009. If your ballot is not received by this time, the ballot will not be counted. Please mail the ballot to the City Clerk at 3300 Newport Boulevard, Newport Beach, CA 92663-3884. *Please note that postmarks will not be accepted.*
- **Personal Delivery:** The ballot can be delivered to the City Clerk at any time up to the close of the Public Hearing on July 28, 2009. Please deliver the ballot to the City Clerk at 3300 Newport Boulevard, Newport Beach, California.

The Public Works Department and the public utilities companies have scheduled an informal public information meeting at which time plans will be made available and detailed questions may be asked about the project in general or about your specific property. This informal public information meeting will be held at the City Council Chambers, 3300 Newport Boulevard, Newport Beach, California the following date and at the following time:

**Informal Public Information Meeting:                      Tuesday, June 30, 2009, at 6:30 p.m.**

If you have questions regarding this information, please call Iris Lee, Senior Civil Engineer, at (949) 644-3323 Monday through Friday, between 8:00 a.m. and 5:00 p.m.

You may also email your questions to [ILee@city.newport-beach.ca.us](mailto:ILee@city.newport-beach.ca.us).

For more information, please see the City's website at:

**[www.city.newport-beach.ca.us/Pubworks/Assessment%20Districts/AD\\_103.htm](http://www.city.newport-beach.ca.us/Pubworks/Assessment%20Districts/AD_103.htm)**

Also, to get up-to-date information emailed to you, you can sign up for Assessment District "e-select" at the City's website at [www.city.newport-beach.ca.us](http://www.city.newport-beach.ca.us).

Thank you for your consideration of this issue.



The proposed replacement of existing overhead utility facilities (power, telephone and cable facilities) with underground facilities and removal of the existing wood poles and the overhead wires will provide a special benefit to the parcels connected to and adjacent to the facilities as follows:

- **Improved Aesthetics Benefit.** This benefit relates to the improved aesthetics of the streetscape due to the removal of overhead wires and utility poles. The removal of guy wires and other support structures related to the overhead facilities are included in the definition of improved aesthetics. Properties that are adjacent to, or in proximity of, overhead facilities receive an aesthetic benefit.
- **Additional Safety Benefit.** This benefit relates to the additional safety of having the overhead distribution wires placed underground and having the power poles removed, which eliminates the threat of downed utility lines and poles due to wind, rain and other unforeseeable events. Falling facilities can lead to personal injuries and damage to structures, including fire. Properties immediately adjacent to the facilities usually have a greater risk. Furthermore, in compact communities like Balboa Peninsula, the negative effects of falling lines and poles are more widespread including blocked roadways and alleys, and property damage due to impact. Properties that are adjacent to, or in proximity of, overhead facilities receive a safety benefit.
- **Connection Benefit.** This benefit relates to the enhanced reliability of service from the utilities being underground, due to having all new wires and equipment and having that equipment underground, which reduces the threat of service interruption from downed lines. When compared to overhead systems, fewer outages occur due to various acts of nature, traffic collisions and obstructions (such as trees). Properties that are connected to, or have the ability to connect to, the facilities proposed to be undergrounded receive a connection benefit.

#### **Methodology**

Based upon the findings described above, the special benefit received by the properties within the boundaries of the Assessment District is the conversion from an overhead to an underground utility system resulting in additional safety, enhanced reliability, and improved aesthetics to the adjacent properties.

Based on these conditions, it is our conclusion that the improvements specially benefit all assessed properties in the Assessment District.

To establish the benefit to the individual parcels within the Assessment District, the highest and best use of each property is considered. For example, a vacant property is considered developed to its highest potential and connected to the system.

The more a property is developed, the more it benefits from the proposed improvements. Most of properties within this Assessment District are zoned residential and some have one or two dwelling units on them. There is a direct correlation between the size of a property and the extent to which a property may develop. Because parcel size is one of the main limiting factors for what can be built on a property, or the extent the property is developed, the size of each parcel is used as the base unit for measuring benefit.

The area of each property has been rounded to the nearest 100 square feet (sf), which accounts for any minor area calculation inconsistencies.

The area of a condominium is calculated by taking the area of the base parcel and dividing by the number of condominiums.

The special benefits from the undergrounding of overhead utilities are categorized into the three (3) distinct benefits identified above. All parcels within the District, except for the few exceptions identified below, receive 3 of the 3 benefits (which is a factor of 1). Therefore, their rounded parcel areas are multiplied by 1 to calculate the "Assessed Parcel Area" on which costs are apportioned.

**Note:** In 1995, Assessment Nos. 291, 292, 293, 294, 295, 296 and 297 were included in Assessment District No. 64. These properties were previously assessed for their improved view of Newport Harbor due to the wires and poles being removed adjacent to the City park across East Balboa Boulevard / Channel Road. These properties were not assessed for improved neighborhood aesthetics, improved safety or connection benefits associated from the previous undergrounding of the overhead utilities, and were specifically given a credit, that was applied as a discount to their calculated assessment amount, to make sure they were not doubly assessed for the future undergrounding of the poles and wires serving their properties (reference is made to pages 8 and 9 of Final Engineer's Report, dated June 1, 1995). Therefore, these properties receive full benefits from this proposed undergrounding and are not considered to be assessed twice for the same benefits.

### Exceptions

The following are parcels whose benefits do not fit the above methodology, as explained below:

1. Assessment Nos. 55, 223, 238, 275 and 354. The poles, wires and guy wires to be undergrounded are in close proximity to these lots, although not directly adjacent; therefore, these properties are assigned 1/2 Aesthetic Benefits. However, because the poles and wires are close enough to encroach on the property should they fall, these properties are considered to receive full Safety Benefits. Therefore, these parcels receive 2-1/2 of 3 benefits and their rounded property area is multiplied by a factor of 5/6.
2. Assessment Nos. 54 and 286. The poles, wires and guy wires to be undergrounded are not in close proximity to these properties and do not provide significant aesthetic benefits to these properties, nor would they encroach upon these properties should they fall. Therefore, these properties are assigned 0 Aesthetic Benefits and 0 Safety Benefits. Therefore, these parcels receive 1 of 3 benefits and their rounded property area is multiplied by a factor of 1/3.
3. Assessment No. 325. The poles, wires and guy wires to be undergrounded are in close proximity to this parcel, although not directly adjacent; therefore, this property is assigned 1/2 Aesthetic Benefits. Excluding guy wires, which are support structures to the overhead facilities and poles, the poles and wires to be undergrounded are not in close proximity to this property, and would not encroach upon this property should they fall; therefore, this property is assigned 0 Safety Benefits. Therefore, this parcel receives 1-1/2 of 3 benefits and its rounded property area is multiplied by a factor of 1/2.
4. Assessment Nos. 97, 304 and the park property adjacent to Assessment No. 54. These properties are small neighborhood pocket-parks with no potential for development that are not in close proximity to the poles and wires proposed to be undergrounded, nor are they connected to the system to be undergrounded. Therefore, these properties are assigned 0 Aesthetic Benefits, 0 Safety Benefits and 0 Connection Benefits .

Each parcel will be apportioned its fair share of the construction costs based on the Benefit Units assigned to it. Incidental Expenses and Financial Costs have been assessed to the entire Assessment District on a prorate basis relative to the total construction cost allocations.

The assessment shown on the ballot is the maximum amount that can be assessed. The assessment may be reduced by the bond issuance amount of approximately 13% if the property owner decides to prepay the assessment prior to the bond sale.

7. **Assessment Balloting Results:** Assessment ballots are weighted proportionally by each parcel's proposed assessment amount. If a majority of the weighted ballots returned oppose the Assessment District, then a majority protest exists and the assessment will not be imposed and the utility undergrounding will not occur. If a majority protest does not exist, then the Assessment District may be established, and the assessment amount shown on the enclosed ballot may be imposed.

### **III. Underground Utility District**

At the public hearing, the City will also consider whether or not to designate the area of the proposed Assessment District as an underground utilities district pursuant to Chapter 15.32 of the Code of Ordinances of the City of Newport Beach. In general, designation of the area as an underground utilities district would require that utility companies and property owners place utility lines and connections underground. ***Each owner of property located within the assessment district would be responsible for arranging for, and paying for, the work on his or her property necessary to connect facilities constructed by the public utilities on public rights-of-way to the points of connection on their private property.*** The cost of the conversion of the individual service connections on private property is not included in the work to be financed through the assessment district. Failure to convert individual service connections on private property may result in a fine, an assessment for the conversion cost, or loss of service.

### **IV. Questions Regarding These Proceedings**

If you have any questions about the proposed Assessment or this process, please call Iris Lee at (949) 644-3323, Monday through Friday, 8:00 a.m. – 5:00 p.m. Questions may also be e-mailed to [ILee@city.newport-beach.ca.us](mailto:ILee@city.newport-beach.ca.us).

City Clerk  
City of Newport Beach  
3300 Newport Blvd.  
Newport Beach, CA 92663-3884

**OFFICIAL ASSESSMENT BALLOT**  
City of Newport Beach  
Assessment District No. 103

«OWNER»  
«MSTREET»  
«MCITYSTZIP»

Assessment Number: «ASMT\_NO»  
Assessor's Parcel Number: «APN»  
Parcel Address: «SADD»  
The proposed Maximum Assessment: «MAX\_ASMT»

The person completing and submitting this assessment ballot must be the record owner of the property identified above or the representative of the record owner of such property who is legally authorized to complete and submit this ballot for and on behalf of the record owner. Please see "Summary of Assessment Balloting Procedures" on the back of this ballot for assistance in filling out the ballot. If there are two or more property owners, only one needs to sign and return the ballot.

**Assessment Ballots Received without a signature will not be counted.**

Upon completion, fold the assessment ballot, place it in the return envelope and seal the envelope. Mail or deliver the assessment ballot to the address shown on the return envelope pursuant to the instructions on the back of this ballot.

**Please see the "Summary of Assessment Ballot Procedures" on the back of this sheet.**

For additional information about Assessment District No. 103, please see the enclosed legal notice.

**This is not a bill.**

✂ Please cut along this line, fold the ballot, seal in the provided envelope, and return to the City Clerk ✂

**PROPERTY OWNER ASSESSMENT BALLOT**

Assessment Number: «ASMT\_NO»  
Assessor's Parcel Number: «APN»  
Owner Name: «OWNER»  
Maximum Assessment for this Parcel: «MAX\_ASMT»

- Yes, I am **IN FAVOR** of Assessment District No. 103 and the levying of the Proposed Assessment and the annual administrative cost assessment
- No, I am **OPPOSED** to Assessment District No. 103 and the levying of the Proposed Assessment and the annual administrative cost assessment



***The undersigned certifies under penalty of perjury that the undersigned is entitled to complete and submit this assessment ballot.***

**BALLOT**

Signature of person completing assessment ballot

Print name of person completing assessment ballot

## SUMMARY OF ASSESSMENT BALLOT PROCEDURES

If you are the owner of the property described on the enclosed ballot, or the authorized representative of the record owner, you may submit the enclosed ballot to the City to support or oppose the Assessment District. Please follow the instructions below to complete and return your ballot.

1. Mark "yes" or "no" on the enclosed ballot in favor or against the proposed Assessment District by placing an "X" in the corresponding box.
2. Mark and sign your ballot. (Assessment Ballots received without a signature will not be counted.)
3. Fold your ballot and place it into the provided return envelope, and seal the envelope.
4. Mail or personally deliver your ballot to the City Clerk of the City of Newport Beach, 3300 Newport Blvd., Newport Beach, CA 92663-3884. The City **must** receive mailed assessment ballots by July 28, 2009. **Postmarks will not be accepted.**
5. Assessment Ballots must be received by the City Clerk prior to the close of the Public Hearing concerning the proposed Assessment District on Tuesday, July 28, 2009, at the Newport Beach City Hall Council Chambers. Any ballots received after the close of the Public Hearing cannot legally be counted.
6. Following the close of the Public Hearing, the City Clerk or designee will open and tabulate the assessment ballots received. The ballots are weighted by the proposed assessment amount for each property.
7. The Assessment District may be confirmed unless a majority protest exists. A majority protest exists if, upon the close of the July 28, 2009 Public Hearing, the monetary value of the ballots submitted in opposition to the Assessment District exceeds the monetary value of the ballots submitted in favor of the Assessment District.
8. If a majority protest exists based upon the value of the ballots received by the City Clerk, prior to the close of the July 28, 2009 Public Hearing, the Assessment District will not occur.
9. Once opened for tabulation following the close of the public hearing, your assessment ballot is a public record and is subject to public disclosure.

*The information in this notice and the accompanying materials were compiled and are distributed at public expense by the City of Newport Beach in compliance with Proposition 218. This information is presented in the public interest. It is not intended to influence or attempt to influence the actions of the property owners to mark "yes" or "no" on the enclosed ballot.*



**ACQUISITION AGREEMENT**

by and between

**CITY OF CHINO**

and

**KB Home Coastal, Inc.**

Dated as of March 1, 2013

Relating to:

**CITY OF CHINO**

**COMMUNITY FACILITIES DISTRICT NO. 2006-3 OF THE CITY OF CHINO**



THIS ACQUISITION AGREEMENT (the “Acquisition Agreement”), dated as of March 1, 2013, is by and between the CITY OF CHINO, a municipal corporation and a political subdivision of the State of California (the “City”), acting for and on behalf of itself and Community Facilities District No. 2006-3 of the City of Chino (the “District”), and KB Home Coastal, Inc. (the “Developer”).

## **ARTICLE I DEFINITIONS**

### Section 1.1 Definitions.

The following terms shall have the meanings ascribed to them in this Section 1.1 for purposes of this Acquisition Agreement. Unless otherwise indicated, any other terms, capitalized or not, when used herein shall have the meanings ascribed to them in the Fiscal Agent Agreement (as hereinafter defined).

“Acceptable Title” means title to land or interest therein, in form acceptable to the Director, free and clear of all liens, taxes, assessments, leases, easements and encumbrances, whether or not recorded, but subject to any exceptions determined by the Director as not interfering with the actual or intended use of the land or interest therein. Notwithstanding the foregoing, an irrevocable offer of dedication may constitute land with an “Acceptable Title” if: (i) such offer is necessary to satisfy a condition to a tentative or final parcel map, (ii) such offer is in a form acceptable to the Director, (iii) the Director has no reason to believe that such offer of dedication will not be accepted by the applicable public agency, and (iv) the Developer commits in writing not to allow any liens to be imposed on such property prior to its acceptance.

“Acceptance Date” means the date the City Council (or other public entity which is to own a Facility) takes final action to accept dedication of or transfer of title to a Facility.

“Acquisition Agreement” means this Acquisition Agreement, together with any Supplement hereto.

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

“Actual Cost” means the substantiated cost of a Facility or a Discrete Component, which costs may include: (i) the costs incurred by the Developer for the construction of such Facility or Discrete Component, (ii) the costs incurred by the Developer in preparing the Plans for such Facility or Discrete Component and the related costs of environmental evaluations of the Facility or Discrete Component, (iii) the fees paid to governmental agencies or utilities for obtaining permits, licenses or other governmental approvals for such Facility or Discrete Component, (iv) professional costs incurred by the Developer or the City associated with such Facility or Discrete Component, such as engineering, legal, accounting, inspection, construction staking, materials testing and similar professional services; and (v) the costs directly related to the construction and/or acquisition of a Facility or Discrete Component, such as costs of payment, performance and/or maintenance bonds, and insurance costs (including costs of any title insurance required hereunder).

“Affiliate” means any entity with respect to which fifty percent (50%) or more of the ownership or voting power is held individually or collectively by any of the Developer and any other entity owned, controlled or under common ownership or control by or with, as applicable, the Developer, and includes all general partners of any entity which is a partnership. Control shall mean ownership of fifty percent (50%) or more of the voting power of or ownership interest in the respective entity.

“Bonds” means the bonds designated “Community Facilities District No. 2006-3 of the City of Chino Special Tax Bonds”, to be issued by the District pursuant to the Act in one or more series.

“Budgeted Cost” means the estimated cost of a Facility or Discrete Component as shown on Exhibit B hereto.

“City” means the City of Chino, a municipal corporation and a political subdivision of the State.

“County” means the County of San Bernardino, California.

“Developer” means KB Home Coastal, Inc. and its successors and assigns to the extent permitted under Section 10.7 hereof.

“DIFs” means those development impact fees imposed on development within the District, as specified in Exhibit B hereto.

“Director” means the Director of Public Works of the City, or his written designee acting as such under this Acquisition Agreement.

“Discrete Component” means a component of a Facility that the Director has agreed can be separately identified, inspected and completed, and be the subject of a Payment Request hereunder. The Discrete Components are shown on Exhibit B hereto.

“District” means the Community Facilities District No. 2006-3 of the City of Chino, created by the City under the Act.

“Facilities” means the public and other facilities described in Exhibit A hereto which are to be acquired with the proceeds of the Bonds.

“Fiscal Agent” means a financial institution in its capacity as fiscal agent under the Fiscal Agent Agreement, or any successor thereto acting as fiscal agent under the Fiscal Agent Agreement.

“Fiscal Agent Agreement” means the agreement by that name between the City and the Fiscal Agent, providing for, among other matters, the issuance of the Bonds and the establishment of the Improvement Fund, as it may be amended from time to time.

“Improvement Fund” means the Acquisition and Improvement Fund established by the Fiscal Agent.



“Payment Request” means a document, substantially in the form of Exhibit D-hereto, to be used by the Developer in requesting payment of a Purchase Price.

“Plans” means the plans, specifications, schedules and related construction contracts for the Facilities and/or any Discrete Components thereof approved pursuant to the applicable standards of the City or other entity that will own, operate or maintain the Facilities when completed and acquired.

“Purchase Price” means the amount paid by the City for a Facility and/or any Discrete Components thereof determined in accordance with Article V hereof, being an amount equal to the Actual Cost of such Facility or Discrete Component, but subject to the limitations and reductions provided for in Article V.

“Supplement” means a written document amending, supplementing or otherwise modifying this Acquisition Agreement and any exhibit hereto, including any amendments to the list of Discrete Components in Exhibit B, and/or the addition to Exhibit B of additional Facilities (and Discrete Components) to be financed with the proceeds of the Bonds deposited in the Improvement Fund eligible to be financed by the District.

## **ARTICLE II RECITALS**

### **Section 2.1    The District.**

The City Council of the City has established the District under the Act for the financing of, among other things, the acquisition, construction and installation of public facilities identified in the proceedings to form the District, which include the Facilities listed in Exhibit A hereto and the facilities authorized to be financed with the DIFs.

### **Section 2.2    The Development.**

The Developer is developing all of the developable land within the District with 177 dwelling units in a development commonly known as “Meridian at the Preserve.”

### **Section 2.3    The Facilities.**

The Facilities are within or in the vicinity of the District, and the City and the Developer will benefit from a coordinated plan of design, engineering and construction of the Facilities and the development of the land. The Developer acknowledges that the inclusion of Facilities in Exhibit A hereto in no way, in itself, obligates the City to issue any Bonds to acquire the Facilities from the Developer or implies that the City has in any way engaged the Developer to construct the Facilities. The facilities which are eligible for acquisition by the City from the Developer under this Acquisition Agreement are only the Facilities listed in Exhibit A hereto, as such Exhibit may be amended and/or supplemented by any Supplement.

Section 2.4 The Financing.

The Developer and the City wish to finance the DIFs and the acquisition of the Facilities and the payment therefor by entering into this Acquisition Agreement for the acquisition of the Facilities and payment for Discrete Components thereof as shown in Exhibit B hereto (as it may be amended and supplemented by any Supplement) with the proceeds of the Bonds on deposit in the Improvement Fund.

Section 2.5 The Bonds.

The City may proceed with the authorization and issuance of the Bonds in one or more series under the Act and the Fiscal Agent Agreement, the proceeds of which Bonds shall be used, in part, to finance the DIFs and acquisition of all or a portion of the Facilities. The execution by the City of this Acquisition Agreement in no way obligates the City to issue any Bonds, or to acquire any Facilities or finance any fees with proceeds of any Bonds issued, except the Facilities and DIFs listed in Exhibit A and Exhibit B hereto which are to be acquired or financed subject to the terms and conditions set forth in this Agreement.

Section 2.6 No Advantage to City Construction.

The City, by its approval of this Acquisition Agreement, has determined that it will obtain no advantage from undertaking the construction by the City directly of the Facilities, and that the provisions of this Acquisition Agreement require that the Facilities be constructed by the Developer as if they had been constructed under the direction and supervision of the City. The Developer hereby represents that it has experience in the supervision of the construction of improvements of the character of the Facilities.

Section 2.7 Agreements.

In consideration of the mutual promises and covenants set forth herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City and the Developer agree that the foregoing recitals, as applicable to each, are true and correct and further make the agreements set forth herein.

**ARTICLE III  
FUNDING**

Section 3.1 City Proceeding.

Upon the written request of the Developer, the Developer and the City staff shall meet regarding the amount, timing and other material aspects of each series of the Bonds. The legal proceedings for the issuance of the Bonds and the series, principal amounts, rates, terms, conditions and timing of the sale of the Bonds shall be in all respects be solely determined by the City Council of the City, acting as the governing body of the District, in its sole discretion; provided that, subject to satisfaction of the applicable City financing policies, sound municipal financing practices and the requirements of this Acquisition Agreement, the City shall use reasonable efforts to issue and sell the Bonds in one or more series in an amount sufficient to fund the Facilities and DIFs in accordance with this Acquisition Agreement and the Developer's

schedule for development of its property within the District. The authorized aggregate principal amount of the Bonds is \$8,500,000 and the currently estimated principal amount of the Bonds is \$6,000,000.

### Section 3.2 Bonds.

The City, in connection with this Acquisition Agreement, is proceeding with the issuance and delivery of the Bonds for the District. The City shall not be obligated to finance any DIFs or pay the Purchase Price of the Facilities or any Discrete Components thereof except from amounts on deposit in the Improvement Fund on or after the closing date of the Bonds. The City makes no warranty, express or implied, that the proceeds of the Bonds deposited and held in the Improvement Fund, including any investment earnings thereon deposited to the Improvement Fund, will be sufficient for payment of the DIFs or the Purchase Price of all of the Facilities.

### Section 3.3 Bond Proceeds.

The proceeds of the Bonds shall be deposited, held, invested, reinvested and disbursed as provided in the Fiscal Agent Agreement. A portion of the proceeds of the Bonds will be set aside under the Fiscal Agent Agreement in the Improvement Fund. Moneys in the Improvement Fund shall be withdrawn therefrom in accordance with the provisions of the Fiscal Agent Agreement and the applicable provisions hereof for payment of all or a portion of the DIFs and the costs of construction and/or acquisition of the Facilities (including payment of the Purchase Price of Discrete Components thereof), all as herein provided.

The Developer acknowledges that any lack of availability of amounts in the Improvement Fund to pay the Purchase Price of Facilities or any Discrete Components thereof and/or the DIFs shall in no way diminish any obligation of the Developer with respect to the construction of or contributions for public facilities and mitigation measures required by this Acquisition Agreement or any subdivision, development or other agreement to which the Developer is a party, or any governmental approval to which the Developer or any land within the District is subject.

### Section 3.4 Disclosure of Special Tax.

Copies of the executed “Notices of Special Tax” required by California Government Code Section 53341.5 provided to the purchaser of real property within the District shall be provided to the Finance Director. The Finance Director’s receipt of such “Notices of Special Tax” shall not be construed as City or District approval of the form of Notice or in any way make the City or District liable for deficiencies in such “Notice of Special Tax.”

Prior to the Bonds being issued, the Developer will be required to provide all information regarding the development of its property, including the financing plan for such development, which is necessary to ensure that the official statement for such Bonds complies with the requirements of all applicable federal and state securities laws, including without limitation Rule 15c2-12 and Rule 10(b)-5 of the Securities and Exchange Commission (the “Commission”). Moreover, each property owner which is responsible for twenty percent (20%) or more of the maximum special tax within the District at the time the Bonds are issued (each a “Major Landowner”) will be required to enter into a continuing disclosure agreement to provide such

continuing disclosure pertaining to the development of the land owned by such Major Landowner in the District as necessary to assist the underwriter of the Bonds in complying with the continuing disclosure requirements of Rule 15c2-12 of the Commission.

## **ARTICLE IV CONSTRUCTION OF FACILITIES**

### Section 4.1 Plans.

To the extent that it has not already done so, the Developer shall cause Plans to be prepared for the Facilities. The Developer shall obtain the City's written approval of the Plans in accordance with applicable ordinances and regulations of the City and/or the public entity that will own and operate the Facilities. Copies of all Plans shall be provided by the Developer to the Director upon request therefor, and, in any event, a written assignment of the Plans for any Facility shall be provided to the City prior to its acceptance of the Facility and as built drawings shall be provided to the City within 60 days of such acceptance.

### Section 4.2 Duty of Developer to Construct.

All Facilities and Discrete Components thereof to be acquired hereunder specified in Exhibit B hereto, as amended from time to time, shall be constructed at the direction of the Developer in accordance with the approved Plans following the solicitation of competitive bids as provided in Section 4.3 hereof. The Developer shall employ at all times adequate staff or consultants with the requisite experience necessary to bid, administer and coordinate all work related to the design, engineering, acquisition, construction and installation of the Facilities to be acquired by the City from the Developer hereunder.

The Developer shall be obligated: (i) to cause the construction and cause conveyance to the City (or other applicable governmental agency) of all Facilities and Discrete Components thereof listed in Exhibit B hereto, and (ii) to use its own funds to pay all costs thereof in excess of the Purchase Prices thereof to be paid hereunder, if any.

Except as set forth in the following paragraph, the Developer shall not be relieved of its obligation to cause the construction of each Facility and Discrete Component thereof listed in Exhibit B hereto and convey each such Facility and Discrete Component to the City in accordance with the terms, hereof, even if, (i) because of the limitations imposed by Section 5.6 hereof, the Purchase Price for such Discrete Component or Facility is less than the Actual Cost, or cost to the Developer, of such Discrete Component or Facility, or (ii) there are no funds or insufficient funds in the Improvement Fund to pay the Purchase Prices thereof, and, in any event, this Acquisition Agreement shall not affect any obligation of any owner of land in the District under any agreement or any governmental approval to which any land within the District is subject, with respect to the public improvements required in connection with the development of the land within the District. Such obligation of the Developer to construct and convey such Facilities, and pay the costs thereof in excess of available monies in the Improvement Fund, shall be an obligation of the Developer as a party to this Acquisition Agreement.

#### Section 4.3 Relationship to Public Works.

This Acquisition Agreement is for the acquisition by the City of the Facilities and payment for Discrete Components thereof listed in Exhibit B hereto from moneys in the Improvement Fund and is not intended to be a public works contract. The City and the Developer agree that the Developer shall publicly and competitively bid pursuant to the applicable provisions of the Public Contracts Code and award all contracts for the construction of the Facilities and the Discrete Components thereof listed in Exhibit B hereto and that this Acquisition Agreement is necessary to assure the timely and satisfactory completion of the Facilities.

Notwithstanding the foregoing, the Developer shall competitively bid and award all contracts for construction of the Facilities listed in Exhibit B hereto, as amended from time to time, and materials related thereto by means of a competitive bid process acceptable to the Director. The Developer shall establish a list of written criteria acceptable to the Director (including experience, ability to perform on schedule and financial ability) to determine qualified contractors for any contract. Formal bids need be requested from only those entities on the list of qualified contractors determined by such criteria; and if no such list is established for any specific Facility or Discrete Component thereof; the Developer shall endeavor to obtain at least three bids for such Facility or Discrete Component thereof by means of a bidding process acceptable to the Director. Bids for each Discrete Component shall be submitted in sealed envelopes to the Developer prior to the time and date prescribed for bid opening. The Developer shall open the bids immediately following the submittal deadline. The Director or his designee may be present at all bid openings and may direct that all bids be submitted to him. Upon written request of the Director, the Developer shall provide an analysis of bids for construction and materials for the Facilities, constructed or to be constructed by or under the supervision of the Developer. The Developer shall award each bid to the lowest responsible bidder.

From time to time at the request of the Director, the Developer shall meet and confer with City staff, consultants and contractors regarding matters arising hereunder with respect to the Facilities, Discrete Components and the progress in constructing and acquiring the same, and as to any other matter related to the Facilities or this Acquisition Agreement. The Developer shall advise the Director in advance of any coordination and scheduling meetings to be held with contractors relating to the Facilities, in the ordinary course of performance of an individual contract. The Director or the Director's designated representative shall have the right to be present at such meetings, and to meet and confer with individual contractors if deemed advisable by the Director to resolve disputes and/or ensure the proper completion of the Facilities.

#### Section 4.4 Independent Contractor.

In performing this Acquisition Agreement, the Developer is an independent contractor and not the agent or employee of the City. The City shall not be responsible for making any payments to any contractor, subcontractor, agent, consultant, employee or supplier of the Developer.

Section 4.5 Performance and Payment Bonds.

The Developer agrees to comply with all applicable performance and mechanics and materialmen bonding requirements of the City (and other applicable public entities and/or public utilities) with respect to the construction of the Facilities, as requested by the City.

Section 4.6 Contracts and Change Orders.

The Developer shall be responsible for entering into all contracts and any supplemental agreements (commonly referred to as “change orders”) required for the construction of the Facilities listed in Exhibit B hereto, as amended from time to time, and all such contracts and change orders shall be submitted to the Director. Prior approval of change orders by the Director shall only be required for such change orders which in any way materially alter the quality or character of the subject Facilities, or which involve an amount equal to the greater of ten percent (10%) of the amount of the bid for the Facility involved or \$25,000. The City expects that such change orders needing prior approval by the Director will be approved or denied (any such denial to be in writing, stating the reasons for denial and the actions, if any, that can be taken to obtain later approval) within ten (10) business days of receipt by the Director thereof. Any change order approved by the Director of a supplemental agreement shall in no way affect the Budgeted Costs listed in Exhibit B for any related Facility or Discrete Component, but to the extent that it increases the Actual Cost of a Facility or Discrete Component, such increased cost may be payable as part of the Purchase Price of the related Facility or Discrete Component as provided in Section 5.6(a) hereof.

Section 4.7 Time for Completion.

The Developer agrees that this Acquisition Agreement is for the benefit of the City and the Developer and, therefore, the Developer represents that it expects to complete the Facilities and to have requested payment for the Facilities under this Acquisition Agreement within eighteen (18) calendar months from the date of the closing of the Bonds. Any failure to complete the Facilities within said time period shall not, however, in itself, constitute a breach by the Developer of the terms of this Acquisition Agreement.

The Developer agrees to use its good faith efforts to complete all Facilities within eighteen (18) calendar months from the date of closing of the Bonds.

**ARTICLE V  
ACQUISITION AND PAYMENT**

Section 5.1 Inspection.

No payment hereunder shall be made by the City to the Developer for a Facility or Discrete Component thereof until the Facility or Discrete Component thereof has been inspected and found to be completed in accordance with the approved Plans by the City or other applicable public entity or utility. The City shall make or cause to be made periodic site inspections of the Facilities to be acquired hereunder on a timely basis; provided that in no event shall the City incur any liability for any delay in the inspection of any Facilities or Discrete Components. For Facilities to be acquired by other public entities or utilities, the Developer shall be responsible

for obtaining such inspections and providing written evidence thereof to the Director. The Developer agrees to pay all inspection, permit and other similar fees of the City applicable to construction of the Facilities.

#### Section 5.2 Agreement to Sell and Acquire Facilities.

The Developer hereby agrees to sell the Facilities and Discrete Component listed in Exhibit B hereto to the City (or other applicable public agency that will own such Facility and Discrete Component), and the City hereby agrees to use amounts in the Improvement Fund to pay the Purchase Prices thereof to the Developer, subject to the terms and conditions hereof. The City shall not be obligated to acquire any Facility or Discrete Component until the Facility or Discrete Component is completed and the Acceptance Date for such Facility has occurred; provided that the City has agreed hereunder to make payments to the Developer for certain Discrete Components of Facilities as shown in Exhibit B hereto, as it may be supplemented by any Supplement. The Developer acknowledges that the Discrete Components have been identified for payment purposes only, and that the City (or other applicable public agency that will own a Facility) shall not accept a Facility of which a Discrete Component is a part until the entire Facility has been completed. The City acknowledges that the Discrete Components do not have to be accepted by the City (or other applicable public agency that will own a Facility) as a condition precedent to the payment of the Purchase Price therefor, but any such payment shall not be made until the Discrete Component has been completed in accordance with the Plans therefor, as determined by the Director. In any event, the City shall not be obligated to pay the Purchase Price for any Facility or Discrete Component except from the moneys in the Improvement Fund.

#### Section 5.3 Payment Requests.

In order to receive the Purchase Price for a completed Facility or Discrete Component, inspection thereof under Section 5.1 shall have been made and the Developer shall deliver to the Director: (i) a Payment Request in the form of Exhibit D hereto for such Facility or Discrete Component, together with all attachments and exhibits required by Exhibit D and this Section 5.3 to be included therewith (including, but not limited to Attachments 1 and 2 to Exhibit D), and (ii) if payment is requested for a completed Facility, (a) if the property on which the Facility is located is not owned by the City (or other applicable public agency that will own the Facility) at the time of the request, a copy of the recorded documents conveying to the City (or other applicable public agency that will own the Facility) Acceptable Title to the real property on, in or over which such Facility is located, as described in Section 6.1 hereof, (b) a copy of the recorded notice of completion of such Facility (if applicable), (c) to the extent paid for with the proceeds of the Bonds, an assignment to the District of any reimbursements that may be payable with respect to the Facility, such as public or private utility reimbursements, and (d) an assignment of warranties and guaranties for such Facility, as described in Section 6.5 hereof, in a form acceptable to the City.

#### Section 5.4 Processing Payment Requests.

Upon receipt of a Payment Request (and all accompanying documentation), the Director shall conduct a review in order to confirm that such request is complete, that such Discrete

Component or Facility identified therein was constructed in accordance with the Plans therefor, and to verify and approve the Actual Cost of such Discrete Component or Facility specified in such Payment Request. The Director shall also conduct such review as is required in his discretion to confirm the matters certified in the Payment Request. The Developer agrees to cooperate with the Director in conducting each such review and to provide the Director with such additional information and documentation as is reasonably necessary for the Director to conclude each such review. For any Facilities to be acquired by another public entity or utility, the Developer shall provide evidence acceptable to the Director that such Facilities are acceptable to such entity or utility. Within ten (10) business days of receipt of any Payment Request, the Director expects to review the request for completeness and notify the Developer whether such Payment Request is complete, and, if not, what additional documentation must be provided. If such Payment Request is complete, the Director expects to provide a written approval or denial (specifying the reason for any denial) of the request within twenty (20) calendar days of its submittal. If a Payment Request seeking reimbursement for more than one Facility or Discrete Component is denied, the Director shall state whether the Payment Request is nevertheless approved and complete for any one or more Facilities or Discrete Components and any such Facilities or Discrete Components shall be processed for payment under Section 5.5 notwithstanding such partial denial. The City's internal cost of staff processing of Payment Requests shall be reimbursed either from the amount set aside therefor from the proceeds of the Bonds or from amounts which are within the Budgeted Cost for such Facilities or Discrete Components. The District's Costs associated with the acquisition of Facilities and processing of Payment Requests shall be reimbursed from the Improvement Fund from amounts advanced by the Developers to the extent insufficient funds are on deposit in the Improvement Fund, which advances may be later reimbursed to the Developers out of the Improvement Fund.

#### Section 5.5 Payment.

Upon approval of the Payment Request by the Director, the Director shall sign the Payment Request and forward the same to the Finance Director of the City. Upon receipt of the reviewed and fully signed Payment Request, the Finance Director of the City shall, within the then current City financial accounting payment cycle but in any event within ten (10) business days of receipt of the approved Payment Request, cause the same to be paid by the Fiscal Agent under the applicable provisions of the Fiscal Agent Agreement or Bond Resolution, to the extent of funds then on deposit in the Improvement Fund. Any approved Payment Request not paid due to an insufficiency of funds in the Improvement Fund, shall be paid promptly following the deposit into the Improvement Fund of proceeds of any investment earnings or other amounts transferred to the Improvement Fund under the terms of the Fiscal Agent Agreement.

The Purchase Price paid hereunder for any Facility or Discrete Component shall constitute payment in full for such Facility or Discrete Component, including, without limitation, payment for all labor, materials, equipment, tools and services used or incorporated in the work, supervision, administration, overhead, expenses and any and all other things required, furnished or incurred for completion of such Facility or Discrete Component, as specified in the Plans.



Section 5.6 Restrictions on Payments.

Notwithstanding any other provisions of this Acquisition Agreement, the following restrictions shall apply to any payments made to the Developer under Sections 5.2 and 5.5 hereof:

(a) Amounts of Payments.

Subject to the following paragraphs of this Section 5.6, payments for each Discrete Component or Facility will be made only in the amount of the Purchase Price for the respective Discrete Component or Facility whether or not the Actual Cost exceeds the Budgeted Cost therefor. Any savings attributable to the Actual Cost being less than Budgeted Cost which are not disbursed under the previous sentence to cover unreimbursed Actual Costs or as otherwise consented to by the Developer shall be carried forward to be credited against future cost overruns, or costs related to supplemental agreements (change orders).

Nothing herein shall require the City in any event (i) to pay more than the Actual Cost of a Facility or Discrete Component, or (ii) to make any payment beyond the available funds in the Improvement Fund. The parties hereto acknowledge and agree that all payments to the Developer for the Purchase Prices of Facilities or Discrete Components are intended to be reimbursements to the Developer for monies already expended or for immediate payment by the Developer (or directly by the City) to third parties in respect of such Facilities and/or Discrete Components.

(b) Joint or Third Party Payments.

The City may make any payment jointly to the Developer and any mortgagee or trust deed beneficiary, contractor or supplier of materials, as their interests may appear, or solely to any such third party, if the Developer requests the same in writing.

(c) Withholding Payments.

The City shall be entitled, but shall not be required, to withhold any payment hereunder for a Discrete Component or a Facility if the Developer or any Affiliate is delinquent in the payment of ad valorem real property taxes, special assessments or taxes, or special taxes levied in the District. In the event of any such delinquency, the City shall only make payments hereunder, should any be made at the City's sole discretion, directly to contractors or other third parties employed in connection with the construction of the Facilities or to any assignee of the Developer's interests in this Acquisition Agreement (and not to the Developer or any Affiliate), until such time as the Developer provides the Director with evidence that all such delinquent taxes and assessments have been paid.

The City shall withhold payment for any Discrete Component or Facility constructed on land, until Acceptable Title to such land is conveyed to the City or other public entity that will own the respective Facility, as described in Article VI hereof.

The City shall be entitled to withhold any payment hereunder for a Discrete Component that is the subject of a Payment Request until it is satisfied that any and all claims for labor and

materials have been paid by the Developer for the Discrete Component that is the subject of a Payment Request, or conditional lien releases have been provided by the Developer for such Discrete Component. The City, in its discretion, may waive this limitation upon the provision by the Developer of sureties, undertakings, securities and/or bonds of the Developer or appropriate contractors or subcontractors and deemed satisfactory by the Director to assure payment of such claims.

The City shall be entitled to withhold payment for any Facility or Discrete Component hereunder to be owned by the City until: (i) the Director determines that the Facility is ready for its intended use, (ii) the Acceptance Date for the Facility has occurred and the requirements of Section 6.1, if applicable to such Facility, have been satisfied, and (iii) a Notice of Completion executed by the Developer, in a form acceptable to the Director, has been recorded for the Facility and general lien releases conditioned solely upon payment from the proceeds of the Bonds to be used to acquire such Facility (or final Discrete Component) have been submitted to the Director for the Facility. The City hereby agrees that the Developer shall have the right to post or cause the appropriate contractor or subcontractor to post a bond with the City to indemnify it for any losses sustained by the City because of any liens that may exist at the time of acceptance of such a Facility, so long as such bond is drawn on an obligor and is otherwise in a form acceptable to the Director. The City shall be entitled to withhold payment for any Facility (or the final Discrete Component of any such Facility) to be owned by other governmental entities, until the Developer provides the Director with evidence that the governmental entity has accepted dedication of and/or title to the Facility. If the Director determines that a Facility is not ready for intended use under (i) above, the Director shall so notify the Developer as soon as reasonably practicable in writing specifying the reason(s) therefor.

Nothing in this Acquisition Agreement shall be deemed to prohibit the Developer from contesting in good faith the validity or amount of any mechanics or materialman's lien nor limit the remedies available to the Developer with respect thereto so long as such delay in performance shall not subject the Facilities or any Discrete Component thereof to foreclosure, forfeiture or sale. In the event that any such lien is contested, the Developer shall only be required to post or cause the delivery of a bond in an amount equal to the amount in dispute with respect to any such contested lien, so long as such bond is drawn on an obligor and is otherwise in a form acceptable to the Director.

(d) Retention.

The City shall withhold in the Improvement Fund an amount equal to ten percent (10%) of the Purchase Price of each Discrete Component to be paid hereunder. Any such retention will be released to the Developer upon final completion and acceptance of the related Facility.

Notwithstanding the foregoing, the Developer shall be entitled to payment of any such retention upon the completion and acceptance of a Discrete Component, if securities meeting the requirements of the California Public Contracts Code are deposited in lieu thereof in accordance with Section 6.5 hereof. Payment of any retention shall also be contingent upon the availability of monies in the Improvement Fund therefore. No retention shall apply if the Developer proves to the Director's satisfaction that the Developer's contracts for the Discrete Components provide

for the same retention as herein provided, so that the Purchase Price paid for the Discrete Component is at all times net of the required retention.

(e) Frequency.

Unless otherwise agreed to by the Director, no more than one Payment Request shall be submitted by the Developer in any calendar month.

Section 5.7 Defective or Nonconforming Work.

If any of the work done or materials furnished for a Facility or Discrete Component are found by the Director to be defective or not in accordance with the applicable Plans: (i) and such finding is made prior to payment for the Purchase Price of such Facility or Discrete Component hereunder, the City may withhold payment therefor until such defect or nonconformance is corrected to the satisfaction of the Director, or (ii) and such finding is made after payment of the Purchase Price of such Facility or Discrete Component, the City and the Developer shall act in accordance with the City's standard specification for public works construction.

Section 5.8 Modification of Discrete Components.

The Developer may submit to the Director one revised Exhibit B for the purpose of updating the Budgeted Costs for one or more Discrete Components and Facilities or identifying other DIFs that are eligible to be financed and such revised Exhibit B shall replace the original Exhibit B in its entirety; provided however, that the total Budgeted Costs identified in Exhibit B shall not change. In addition, upon written request of the Developer, the Director shall consider modification of the description of any Discrete Component or the addition of a new Facility or Discrete Component. Any such modification shall be subject to the written approval of the Director, and shall not diminish the overall facilities to be provided by the Developer hereunder (in a material way such that the change invalidates any of the assumptions used in the appraisal conducted to sell the Bonds) or in any way increase the total Budgeted Costs identified in Exhibit B. It is expected that any such modification will be solely for purposes of dividing up the work included in any Discrete Component for purposes of acceptance and payment, for example: (i) separation of irrigation and landscaping from other components of a Discrete Component, or (ii) modifications to allow for payment for roadway improvements prior to completion of the top course of paving. In most instances, the Director will only approve modification for payment purposes when there will be an unusual period of time between the completion and acceptance of such divided work or to better implement the phasing of the overall construction of the Facilities; but no such circumstances shall in any way obligate the Director to approve such modification.

**ARTICLE VI  
OWNERSHIP AND TRANSFER OF FACILITIES**

Section 6.1 Facilities to be Owned by the City-Conveyance of Land and Easements to City.

Acceptable Title to all property on, in or over which each Facility to be acquired by the City will be located, shall be deeded over to the City by way of grant deed, or dedication of such property, or easement thereon, if such conveyance of interest is approved by the City as being a sufficient interest therein to permit the City to properly own, operate and maintain such Facility

located therein, thereon or thereover, and to permit the Developer to perform its obligations as set forth in this Acquisition Agreement. The Developer agrees to assist the City in obtaining such documents as are required to obtain Acceptable Title. Completion of the transfer of title to land shall be accomplished prior to the payment of the Purchase Price for a Facility (or the last Discrete Component thereof) and shall be evidenced by recordation of the acceptance thereof by the City Council or the designee thereof.

Section 6.2 Facilities to be Owned by the City-Title Evidence.

Upon the request of the City, the Developer shall furnish to the City a preliminary title report for land with respect to Facilities to be acquired by the City and not previously dedicated or otherwise conveyed to the City, for review and approval at least fifteen (15) business days prior to the transfer of the Acceptable Title to a Facility to the City. The City shall approve the preliminary title report unless it reveals a matter which, in the judgment of the City, could materially affect the City's use and enjoyment of any part of the property or easement covered by the preliminary title report. In the event the City does not approve the preliminary title report, the City shall not be obligated to accept title to such Facility or pay the Purchase Price for such Facility (or the last Discrete Component thereof) until the Developer has cured such objections to title to the reasonable satisfaction of the City. In the event the Developer cannot cure such objections to title, City agrees to consider the use of eminent domain pursuant to Section 6.3 hereof for such purpose.

Section 6.3 Facilities Constructed on Private Lands.

If any Facilities to be acquired are located on privately-owned land, the owner thereof shall retain title to the land and the completed Facilities until acquisition of the Facilities under Article V hereof. Pending the completion of such transfer, the Developer shall not be entitled to receive any payment for any such Facility or the last Discrete Component thereof. The Developer shall, however, be entitled to receive payment for Discrete Components (other than the last Discrete Component) upon making an irrevocable offer of dedication of such land in form and substance acceptable to the Director. Notwithstanding the foregoing, upon written request of the City before payment for any Discrete Component of such a Facility, the Developer shall convey or cause to be conveyed Acceptable Title thereto in the manner described in Sections 6.1 and 6.2 hereof.

It shall be the responsibility of the Developer to acquire all property rights on property which is not owned by the City or the Developer which is necessary for the construction of any of the Facilities. In the event, despite its exercise of best efforts to do so, the Developer is unable to acquire such property rights, the City shall in good faith consider the undertaking of proceedings to acquire such property rights through its exercise of the power of eminent domain, and the costs of such proceedings and acquisition shall be the responsibility of the Developer and shall comprise part of the Purchase Price of the related Facility.

Section 6.4 Facilities Constructed on City Land.

If the Facilities to be acquired are on land owned by the City, including land as to which the City has acquired sufficient property rights in the manner described in Section 6.3 or

otherwise, the City hereby grants to the Developer a license to enter upon such land for purposes related to the construction (and maintenance pending acquisition) of the Facilities. The provisions for inspection and acceptance of such Facilities otherwise provided herein shall apply.

**Section 6.5 Facilities to be Acquired by Other Public Agencies.**

With respect to any Facility to be acquired by a public entity other than the City, the Developer shall comply with such entities rules and regulations regarding title and conveyance of property, and provide the Director with evidence of such compliance, prior to the payment of the Purchase Price for any such Facility (or the last Discrete Component thereof).

**Section 6.6 Maintenance and Warranties.**

The Developer shall maintain or cause to be maintained each Discrete Component in good and safe condition until the Acceptance Date of the Facility of which such Discrete Component is a part. Prior to the Acceptance Date, the Developer shall be responsible for performing any required maintenance on any completed Discrete Component or Facility. On or before the Acceptance Date of the Facility, the Developer shall assign to the City all of the Developer's rights in any warranties, guarantees, maintenance obligations or other evidence of contingent obligations of third persons with respect to such Facility. For each Facility to be owned by the City, the Developer shall provide a warranty bond reasonably acceptable in form and substance to the Director to remain in effect for a period of one year from the date of acceptance of each Facility. The City shall be responsible for maintenance of each Facility from and after the Acceptance Date thereof, except that with respect to landscaping improvements, the Developer shall maintain or cause to be maintained such landscape improvements for a period of one year following the Acceptance Date thereof or shall provide a bond reasonably acceptable in form and substance to the Director for such period and for such purpose (for landscaping improvements only, and for the posting of a warranty bond to remain in effect for one year as to other Facilities), to insure that defects, which appear within said period will be repaired, replaced, or corrected by the Developer, at its own cost and expense, to the satisfaction of the Director. The Developer shall commence to repair, replace or correct any such defects within thirty (30) days after written notice thereof by the City to the Developer, and shall complete such repairs, replacement or correction as soon as practicable. Any warranties, guarantees or other evidences of contingent obligations of third persons with respect to the Facilities to be acquired by the City shall be delivered to the Director as part of the transfer of title.

**ARTICLE VII  
INSURANCE**

**Section 7.1 Insurance Requirements.**

The Developer shall, at all times prior to the final Acceptance Date of all Facilities, maintain and deliver to the City evidence of and keep in full force and effect, not less than the following coverage and limits of insurance, which shall be maintained with insurers and under forms of policies satisfactory to the Director: (i) Workers Compensation and Employer's Liability - Workers' Compensation - coverage as required by law; Employer's Liability - limits of at least \$100,000.00 per occurrence; (ii) Comprehensive General Liability - Combined Single

Limit - \$1,000,000.00; (iii) Automobile Liability - Combined Single Limit - \$1,000,000.00, (the automobile and general comprehensive liability policies shall be accompanied by an umbrella policy with a combined limit of \$5,000,000.00); and (iv) Errors and Omissions Insurance - Combined Single Limit - \$1,000,000.00.

All of the Developer's insurance policies shall contain an endorsement providing that written notice shall be given to the City at least 30 calendar days prior to termination or cancellation of coverage of the policy.

The Comprehensive General Liability and Bodily Injury and Property Damage Liability policies shall contain the following:

(a) An endorsement extending coverage to the City and its agents as an additional insured, as respects liabilities arising out of the performance of any work related to the Facilities. Which insurance shall be primary insurance as respects the interest of the City, and any other insurance maintained by the City shall be excess and not contributing insurance with the insurance required hereunder.

(b) Severability of interest clause.

(c) Provision or endorsement stating that such insurance, subject to all of its other terms and conditions, applies to contractual liability assumed by the Developer.

Promptly on execution of this Acquisition Agreement by the Developer, the Developer shall deliver to the Director copies of all required certificates of insurance and endorsements thereto on forms which are acceptable to the Director and the City Attorney.

The Developer shall require and verify similar insurance on the part of its contractors and subcontractors.

The foregoing requirements as to the types, limits and City approval of insurance coverage to be maintained by the Developer are not intended to and shall not in any manner limit or qualify the liabilities and obligations assumed by the Developer under this Acquisition Agreement.

Any policy or policies of insurance that the Developer or its contractors or subcontractors elect to carry as insurance (i) against loss or damage to their construction equipment and tools or other personal property used in fulfillment of this Acquisition Agreement or a contract related to the Facilities shall include a provision waiving the insurer's right of subrogation against the City, and (ii) in fulfillment of this Acquisition Agreement involving a dual obligee bond may contain a clause to the effect that: "provided that Principal and Surety shall not be liable to the Obligees or any of them unless the Obligees or any of them have performed the obligations to the Principal in accordance with the terms of said contract; and provided, further, that Principal and Surety shall not be liable to all Obligees in the aggregate in excess of the penal sum above stated."

Section 7.2 Standards Applicable.

The Developer may effect such coverage under blanket insurance policies, provided, however, that (i) such policies are written on a per occurrence basis, (ii) such policies comply in all other respects with the provisions of Section 7.1, and (iii) the protection afforded the City under any such policy shall be no less than that which would be available under a separate, policy relating only to this Acquisition Agreement. All policies of insurance shall be with companies licensed or approved by the State of California Insurance Commissioner and rated (i) A12 or better with respect to primary levels of coverage, and (ii) B+12 or better with respect to excess levels of coverage, in the most recent edition of Best's Insurance Guide and shall be issued and delivered in accordance with State law and regulations.

Section 7.3 Evidence of Insurance.

The Developer shall furnish to the City, from time to time upon request of the Director, a certificate of insurance regarding each insurance policy required to be maintained by the Developer hereunder.

**ARTICLE VIII**  
**DIFs**

Section 8.1 Deposit of Bond Proceeds with City/Fee Payments.

The Developer may submit to the City from time to time a Payment Request in the form attached hereto as Exhibit D-1 for reimbursement of any DIFs previously paid to the City in an amount not to exceed the amount on deposit in the Improvement Fund. In the event that the amount in the Improvement Fund is less than the total amount of DIFs previously paid to the City and requested for reimbursement in a Payment Request, the unpaid amount shall be reimbursed to the Developer when additional funds are subsequently deposited in the Improvement Fund in an amount equal to or greater than such unpaid amount of the Payment Request. Payment Requests for reimbursement for which moneys on deposit in the Improvement Fund are prerequisite shall be provided to the City not more than ninety (90) days following issuance of the last series of Bonds issued for the District. If Developer receives a credit against a DIF as the result of Developer's construction of a facility, Developer shall only be entitled to reimbursement pursuant to the terms of this Acquisition Agreement for Developer's remaining DIF obligation, net of such credit amount.

**ARTICLE IX**  
**REPRESENTATIONS, WARRANTIES AND COVENANTS**

Section 9.1 Representations, Covenants and Warranties of the Developer.

The Developer represents and warrants for the benefit of the City, as follows:

(a) Organization.

The Developer is a California corporation duly organized and validly existing under the laws of the State of California, is in compliance with all applicable laws of the State,

and has the power and authority to own its properties and assets and to carry on its business as now being conducted and as now contemplated.

(b) Authority.

The Developer has the power and authority to enter into this Acquisition Agreement, and has taken all action necessary to cause this Acquisition Agreement to be executed and delivered, and this Acquisition Agreement has been duly and validly executed and delivered by the Developer.

(c) Binding Obligation.

This Acquisition Agreement is a legal, valid and binding obligation of the Developer, enforceable against the Developer in accordance with its terms, subject to bankruptcy and other equitable principles.

(d) Compliance with Laws.

The Developer shall not with knowledge commit, suffer or permit any act to be done in, upon or to the lands of the Developer in the District or the Facilities in violation of any law, ordinance, rule, regulation or order of any governmental authority or any covenant, condition or restriction now or hereafter affecting the lands in the District or the Facilities.

(e) Requests for Payment.

The Developer represents and warrants that (i) it will not request payment from the City for the acquisition of any improvements that are not part of the Facilities, and (ii) it will diligently follow all procedures set forth in this Acquisition Agreement with respect to the Payment Requests.

(f) Financial Records.

Until the final acceptance of the Facilities, the Developer covenants to maintain proper books of record and account for the construction of the Facilities and all costs related thereto. Which accounting books shall be maintained in accordance with generally accepted accounting principles, and shall be available for inspection by the City or its agent at any reasonable time during regular business hours on reasonable notice.

(g) Prevailing Wages.

The Developer covenants that, with respect to any contracts or subcontracts for the construction of the Facilities to be acquired from the Developer hereunder, it will assure complete compliance with any applicable law or regulation for the payment of prevailing wages for such construction.



(h) Plans.

The Developer represents that it has obtained or will obtain approval of the Plans for the Facilities to be acquired from the Developer hereunder from all appropriate departments of the City and from any other public entity or public utility from which such approval must be obtained. The Developer further agrees that the Facilities to be acquired from the Developer hereunder have been or will be constructed in full compliance with such approved plans and specifications and any supplemental agreements (change orders) thereto, as approved in the same manner.

(i) Land Owners.

The Developer agrees that in the event that it sells any land owned by it within the boundaries of the District, the Developer will (i) notify the purchaser in writing prior to the closing of any such sale of the existence of this Acquisition Agreement and the Developer's rights and obligations hereunder with respect to the construction of and payment for the Facilities, and (ii) notify the purchaser in writing of the existence of the District and the special tax lien in connection therewith.

Section 9.2 Indemnification and Hold Harmless.

The Developer shall assume the defense of, indemnify and save harmless the City, members of the City Council, their officers, officials, employees and agents and each of them, from and against all actions, damages, claims, losses or expense of every type and description to which they may be subjected or put, by reason of, or resulting from the breach of any provision of this Acquisition Agreement by the Developer, the Developer's or any other entity's negligent design, engineering and/or construction of any of the Facilities acquired from the Developer hereunder, the Developer's non-payment under contracts between the Developer and its consultants, engineer's, advisors, contractors, subcontractors and suppliers in the provision of the Facilities, or any claims of persons employed by the Developer or its agents to construct the Facilities. Notwithstanding the foregoing, no indemnification is given hereunder for any action, damage, claim, loss or expense directly attributable to the intentional acts or active negligence of the City, or its officers, directors, employees or agents hereunder.

No provision of this Acquisition Agreement shall in any way limit the Developer's responsibility for payment of damages resulting from the operations of the Developer, its agents, employees or its contractors.

**ARTICLE X  
TERMINATION**

Section 10.1 No Bonds.

If, for any reason, the City does not issue any of the Bonds for the District by December 31, 2015, this Acquisition Agreement shall terminate and be null and void and of no further effect.

Section 10.2 Mutual Consent.

This Acquisition Agreement may be terminated by the mutual, written consent of the City and the Developer, in which event the City may let contracts for any remaining work related to the Facilities not theretofore acquired from the Developer hereunder, and use all or any portion of the monies in the Improvement Fund to pay for same, and the Developer shall have no claim or right to any further payments for the DIFs or the Purchase Price of Facilities or Discrete Components hereunder, except as otherwise may be provided in such written consent.

Section 10.3 City Election for Cause.

The following events shall constitute grounds for the City, at its option and in its sole discretion, to terminate this Acquisition Agreement, without the consent of the Developer:

(a) The Developer shall voluntarily file for reorganization or other relief under any Federal or State bankruptcy or insolvency law.

(b) The Developer shall have any involuntary bankruptcy or insolvency action filed against it, or shall suffer a trustee in bankruptcy or insolvency or receiver to take possession of the assets of Developer, or shall suffer an attachment or levy of execution to be made against the property it owns within the District unless, in any of such cases, such circumstance shall have been terminated or released within ninety (90) days thereafter.

(c) The Developer shall abandon construction of the Facilities. Failure for a period of six consecutive months to undertake substantial work related to the construction of the Facilities, other than for a reason specified in Section 9.4 hereof, shall constitute a noninclusive example of such abandonment.

(d) The Developer shall breach any material covenant or default in the performance of any material obligation hereunder.

(e) The Developer shall transfer any of its rights or obligations under this Acquisition Agreement without the prior written consent of the City or as otherwise permitted hereunder.

(f) The Developer shall have made any intentional material misrepresentation or omission of any written materials furnished in connection with any preliminary official statement, official statement or bond purchase contract used in connection with the sale of any series of the Bonds.

If any such event occurs, the City shall give written notice of its knowledge thereof to the Developer, and the Developer agrees to meet and confer with the Director and other appropriate City staff and consultants as to options available to assure timely completion of the Facilities. Such options may include, but not be limited to the termination of this Acquisition Agreement by the City. If the City elects to terminate this Acquisition Agreement, the City shall first notify the Developer (and any mortgagee or trust deed beneficiary specified in writing by the Developer to the City to receive such notice) of the grounds for such termination and allow the Developer a reasonable period (minimum of thirty (30) days) to eliminate or mitigate to the satisfaction of the Director the grounds for such termination. Such period may be extended, at the sole discretion of

the City, if the Developer, to the satisfaction of the City, is proceeding with diligence to eliminate or mitigate such grounds for termination. If at the end of such period (and any extension thereof, as determined solely by the City), the Developer has not eliminated or completely mitigated such grounds, to the satisfaction of the City, the City may then terminate this Acquisition Agreement.

Notwithstanding the foregoing, so long as any event listed in any of clauses (a) through and including (f) above has occurred, notice of which has been given by the City to the Developer, and such event has not been cured or otherwise eliminated by the Developer, the City may in its sole discretion cease making payments for the Purchase Price of Facilities or Discrete Components under Article V hereof.

#### Section 10.4 Force Majeure.

Whenever performance is required of a party hereunder, that party shall use all due diligence and take all necessary measures in good faith to perform, but if completion of performance is delayed by reasons of floods, earthquakes, inclement weather or other acts of God, war, civil commotion, riots, strikes, acts of terrorism, picketing, or other labor disputes, damage to work in progress by casualty, or by other cause beyond the reasonable control of the party (financial inability excepted), then the specified time for performance shall be extended by the amount of the delay actually so caused.

### **ARTICLE XI MISCELLANEOUS**

#### Section 11.1 Limited Liability of City.

The Developer agrees that any and all obligations of the City arising out of or related to this Acquisition Agreement are special and limited obligations of the City and the City's obligations to make any payments hereunder are restricted entirely to the moneys, if any, in the Improvement Fund and from no other source. No member of the City Council, or City staff member, employee or agent shall incur any liability hereunder to the Developer or any other party in their individual capacities by reason of their actions hereunder or execution hereof.

#### Section 11.2 Excess Costs.

The Developer agrees to pay all costs of the Facilities that it is obligated to construct pursuant to Section 4.2 in excess of the moneys available therefor in the Improvement Fund.

#### Section 11.3 Audit.

The Director and/or the Finance Director or other finance officer of the City shall have the right, during normal business hours and upon the giving of two (2) business days prior written notice to the Developer, to review all books and records of the Developer pertaining to the Actual Cost incurred by the Developer in to any of the Facilities, and any bids taken or received for the construction thereof or materials therefor.

Section 11.4 Attorney's Fees.

In the event that any action or suit is instituted by either party against the other arising out of this Acquisition Agreement, the party in whose favor final judgment shall be entered shall be entitled to recover from the other party all costs and expenses of suit, including reasonable attorneys' fees.

Section 11.5 Notices.

Any notice, payment or instrument required or permitted by this Acquisition Agreement to be given or delivered to either party shall be deemed to have been received when personally delivered, or transmitted by telecopy or facsimile transmission (which shall be immediately confirmed by telephone and shall be followed by overnight delivery an original of the same within twenty-four hours after such transmission), addressed as follows:

City: City of Chino  
13220 Central Avenue  
Chino, CA 91710  
Attention: Matthew C. Ballentine, City Manager

Developer: KB Home Coastal, Inc.  
Southern California/Coastal Division  
36310 Inland Valley Drive  
Wildomar, CA 92595  
Attention: Maile Macabio, Forward Planner

Each party may change its address or addresses for delivery of notice by delivering written notice of such change of address to the other party.

Section 11.6 Severability.

If any part of this Acquisition Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, the remainder of this Acquisition Agreement shall be given effect to the fullest extent possible.

Section 11.7 Successors and Assigns.

This Acquisition Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto. This Acquisition Agreement shall not be assigned by the Developer, except in whole to an Affiliate, or to any other entity of which the Developer and/or its members or partners will be managing members or general partners (which transfer is expressly authorized hereunder, without further act of the City), without the prior written consent of the City, which consent shall not be unreasonably withheld or delayed. In connection with any such consent of the City, the City may condition its consent upon the acceptability of the financial condition of the proposed assignee, the assignee's express assumption of all obligations of the Developer hereunder, and/or upon any other factor which the City deems relevant in the circumstances. In any event, any such assignment shall be in writing, shall clearly identify the

scope of the rights and/or obligations assigned, and shall not be effective until approved by the City. Without the City's consent, no assignment shall release the Developer from its obligations and liabilities under this Acquisition Agreement.

Section 11.8 Other Agreements.

The obligations of the Developer hereunder shall be those of a party hereto and not as an owner of property in the District. Nothing herein shall be construed as affecting the City's or the Developer's rights, or duties to perform their respective obligations, under other agreements, if any, use regulations or subdivision requirements relating to the development of the lands in the District. This Acquisition Agreement shall not confer any additional rights, or waive any rights given, by either party hereto under any development or other agreement to which they are a party.

Section 11.9 Waiver.

Failure by a party to insist upon the strict performance of any of the provisions of this Acquisition Agreement by the other party, or the failure by a party to exercise its rights upon the default of the other party, shall not constitute a waiver of such party's right to insist and demand strict compliance by the other party with the terms of this Acquisition Agreement thereafter.

Section 11.10 Merger.

No other agreement, statement or promise made by any party or any employee, officer or agent of any party with respect to any matters covered hereby that is not in writing and signed by all the parties to this Acquisition Agreement shall be binding.

Section 11.11 Parties in Interest.

Nothing in this Acquisition Agreement, expressed or implied, is intended to or shall be construed to confer upon or to give to any person or entity other than the City and the Developer any rights, remedies or claims under or by reason of this Acquisition Agreement or any covenants, conditions or stipulations hereof; and all covenants, conditions, promises, and agreements in this Acquisition Agreement contained by or on behalf of the City or the Developer shall be for the sole and exclusive benefit of the City and the Developer.

Section 11.12 Amendment.

This Acquisition Agreement may be amended, from time to time, by written Supplement hereto and executed by both the City and the Developer.

Section 11.13 Counterparts.

This Acquisition Agreement may be executed in counterparts, each of which shall be deemed an original.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties have executed this Acquisition Agreement as of the day and year first-above written.

CITY OF CHINO, for itself and on behalf of  
Community Facilities District No. 2006-3 of  
the City of Chino

By: \_\_\_\_\_  
Matthew Ballantyne  
City Manager

ATTESTED TO:

\_\_\_\_\_  
City Clerk

KB HOME COASTAL INC.,  
a California corporation

By: \_\_\_\_\_  
Michael H. Freeman, Jr.,  
Vice President, Land and Forward  
Planning

APPROVED AS TO FORM:

\_\_\_\_\_  
Rob Burns, Director of Finance  
City of Chino

APPROVED AS TO CONTENT:

\_\_\_\_\_  
Bradley R. Neal  
Stradling Yocca Carlson & Rauth

# ACQUISITION AGREEMENT

## EXHIBIT A

### DESCRIPTION OF AUTHORIZED FACILITIES ELIGIBLE FOR ACQUISITION FROM THE DEVELOPER

#### A. TYPES OF FACILITIES

The types of Facilities that are eligible to be financed by CFD No. 2006-3 with the proceeds of special taxes and/or bonds issued by CFD No. 2006-3 consist of the following:

- (1) Storm drain improvements within Pine Avenue, Bickmore, Mill Creek and West Preserve Loop as required to serve Tract 17055. <sup>(1)</sup>
- (2) Sewer improvements within Pine Avenue, Bickmore, Mill Creek and West Preserve Loop as required to serve Tract 17055. <sup>(1)</sup>
- (3) Water improvements within Pine Avenue, Bickmore, Mill Creek and West Preserve Loop as required to serve Tract 17055. <sup>(1)</sup>
- (4) Street improvements (including paving, curb, gutter, sidewalk, medians, signage and striping) and traffic signals within Pine Avenue, Bickmore, Mill Creek and West Preserve Loop as required to serve Tract 17055. <sup>(1)</sup>
- (5) Tract 17055 4.95 acre public park improvements
- (6) SCE Paseo landscaping

Incidental expenses of relating to the Facilities may include professional design fees (which include final engineering, field engineering and field services, soils engineering, field observation and reports, dry utility design and coordination, landscape design and field services), staking, environmental reports, plan check, and inspection.

#### B. SUBSTITUTION FACILITIES

The description of Facilities is general in nature. The final nature and location of the Facilities will be determined upon preparation of final plans and specifications.

---

<sup>(1)</sup> These Facilities were constructed by the Developer's predecessor in interest with respect to the Tract 17055 property and Developer is entitled to submit Payment Requests and receive payment of the Purchase Price for the Facilities.

# ACQUISITION AGREEMENT

## EXHIBIT B

### BUDGETED COSTS OF FACILITIES AND ELIGIBLE DIFs

#### I. FACILITIES

Each Facility is estimated to have the Budgeted Cost specified below. Discrete Components of the Facilities may be described in a supplement to this Agreement.

<u>Facility</u>	<u>Budgeted Cost</u>
(1) Storm drain improvements	\$1,587,852
(2) Sewer improvements	\$555,981
(3) Water improvements	\$392,186
(4) Street improvements and traffic signals	\$2,721,279
(5) Public park improvements	\$542,929 <sup>1</sup>
(6) SCE Paseo Landscaping	\$603,678
Total	<u>\$6,403,905</u>

#### II. DIFs

	<u>Estimated Cost</u>
Law Enforcement, Facilities, Vehicles, and Equipment	\$102,483
Fire Facilities, Vehicles & Equipment	\$206,736
Bridges, Signals, & Thoroughfares	\$1,466,799
Water Storage & Distribution	\$800,394
General Facilities	\$52,038
Library Facilities	\$76,955
Community Facilities	\$167,265
Sewer Facilities	\$138,768
Open Space	\$294,351
Storm Drain	\$845,706
Total	<u>\$4,151,495</u>



**ACQUISITION AGREEMENT**

**EXHIBIT C**

**ADDITIONAL FACILITIES**

[Intentionally Omitted]

# ACQUISITION AGREEMENT

## EXHIBIT D

### FORM OF PAYMENT REQUEST

#### PAYMENT REQUEST NO. \_\_\_\_

The undersigned (the "Developer"), hereby requests payment to the Payees listed on Attachment 2 in the total amount of \$\_\_\_\_\_ for the Facilities (as defined in the Acquisition Agreement, dated as of January 18, 2011 between the City of Chino (the "City"), with respect to the City of Chino Community Facilities District No. 2006-3 of the City of Chino and the Developer), or Discrete Components thereof (as described in Exhibit B to that Acquisition Agreement), all as more fully described in Attachment 1 hereto. In connection with this Payment Request, the undersigned hereby represents and warrants to the City as follows:

1. He (she) is a duly authorized officer of the Developer, qualified to execute this Payment Request for payment on behalf of the Developer and is knowledgeable as to the matters set forth herein.

2. To the extent that this payment request is with respect to a completed Facility, the Developer has submitted or submits herewith to the City as-built drawings or similar plans and specifications for the items to be paid for as listed in Attachment 1 hereto with respect to any such completed Facility, and such drawings or plans and specifications, as applicable, are true, correct and complete. To the extent that this payment request is for a Discrete Component, the Developer has in his construction office a marked set of drawings or similar plans and specifications for the Discrete Components to be acquired as listed in Attachment 1 hereto, which drawings or plans and specifications, as, applicable, are current and show all changes or modifications which have been made to date.

3. All costs of the Facilities or Discrete Components thereof for which payment is requested hereby are Actual Costs (as defined in the Acquisition Agreement referenced above) and have not been inflated or misrepresented in any respect. The items for which payment is requested have not been the subject of any prior payment request submitted to the City.

4. Supporting documentation (such as third party invoices) is attached with respect to each cost for which payment is requested.

5. There has been full compliance with applicable laws relating to prevailing wages for the work to construct the Facilities or Discrete Components thereof for which payment is requested.

6. The Facilities or Discrete Components thereof for which payment is requested were constructed in accordance with all applicable City or other governmental standards, and in accordance with the as-built drawings or plans and specifications, as applicable, referenced in paragraph 2 above.

7. The Developer is in compliance with the terms and provisions of the Acquisition Agreement, including the award of contracts under which the construction for which this payment is requested.

8. The Purchase Price for each Facility or Discrete Component (a detailed calculation of which is shown in Attachment 2 hereto for each such Facility or Discrete Component), has been calculated in conformance with the terms of Section 5.6 of the Acquisition Agreement.

9. Neither the Developer nor any Affiliate (as defined in the Acquisition Agreement) is in default in the payment of ad valorem real property taxes or assessments or special assessments levied in the District (as defined in the Acquisition Agreement), except as follows:

\_\_\_\_\_.

I hereby declare under penalty of perjury that the above representations and warranties are true and correct.

Dated: \_\_\_\_\_

DEVELOPER:

KB Home Coastal, Inc.

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_

CITY:

Payment Request Approved for Submission to  
Finance Director

By: \_\_\_\_\_

Director of Public Works

**ACQUISITION AGREEMENT**

**ATTACHMENT 1**

**EXHIBIT D**

[List here all Facilities or Discrete Components thereafter which payment is requested, and attach support documentation.]

**ACQUISITION AGREEMENT**

**ATTACHMENT 2**

**EXHIBIT D**

**CALCULATION OF PURCHASE PRICE**

[Use a separate sheet for each Facility or Discrete Component  
for which payment is being requested]

- |    |  |    |
|----|--|----|
| 1. | Description (by reference to Exhibit B to the Acquisition Agreement)of the Facility or Discrete Component  | \$ |
| 2. | Actual Cost (list here total of supporting invoices and/or other documentation supporting determination of Actual Cost):   | \$ |
| 3. | Budgeted Cost:   | \$ |
|    | A. Additions to Budgeted Cost (to the extent, and only to the extent, that Actual Cost exceeds Budgeted Cost):   | \$ |
| 4. | Subtractions from Purchase Price:  | \$ |
|    | A. Holdback for Lien releases (see Section 5.6(C) of the Acquisition Agreement)  | \$ |
|    | B. Retention (see Section 5.6(D) of the Acquisition Agreement)   | \$ |
| 5. | Total disbursement requested (Amount listed in 3, plus amounts, if any, listed in 4 (total of amounts in 3 and 4 not to exceed amount listed in 2), less amounts, if any, listed in 5) | \$ |

Payment shall be directed to following payee(s): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**ACQUISITION AGREEMENT**

**EXHIBIT D-1**

**FORM OF PAYMENT REQUEST (DIFs)**

1. The undersigned (the “Developer”) hereby requests reimbursement from the City in the amount of \$\_\_\_\_\_ (“Requested Amount”), which amount is on deposit in the Improvement Fund, or any applicable account of subaccount thereof, established by CFD No. 2006-3 for the DIFs (as defined in the Acquisition Agreement, dated as of January 18, 2011 relating to CFD No. 2006-3) specified below:

<u>Fee Category</u>	<u>Date Paid</u>	<u>Amount Requested</u>	<b>No. and Description of Lots/DUs for which Fees Requested</b>

2. The Requested Amount has been paid to City and has not formed the basis of any prior request or disbursement.

3. The Developer is in compliance with the terms and provisions of the Acquisition Agreement.

4. Neither the Developer nor any Affiliate (as defined in the Acquisition Agreement) is in default in the payment of ad valorem real property taxes or assessments of special assessments or taxes levied in the District (as defined in the Acquisition Agreement).

I hereby declare under penalty of perjury that the above representations and warranties are true and correct.

**DEVELOPER:**

\_\_\_\_\_

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**CITY:**

Payment Request Approved for Submission to  
Finance Director

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Director of Public Works

## TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS .....	1
Section 1.1    Definitions.....	1
ARTICLE II RECITALS.....	3
Section 2.1    The District.....	3
Section 2.2    The Development.....	3
Section 2.3    The Facilities.....	3
Section 2.4    The Financing.....	4
Section 2.5    The Bonds.....	4
Section 2.6    No Advantage to City Construction.....	4
Section 2.7    Agreements.....	4
ARTICLE III FUNDING.....	4
Section 3.1    City Proceeding.....	4
Section 3.2    Bonds.....	5
Section 3.3    Bond Proceeds.....	5
Section 3.4    Disclosure of Special Tax.....	5
ARTICLE IV CONSTRUCTION OF FACILITIES .....	6
Section 4.1    Plans.....	6
Section 4.2    Duty of Developer to Construct.....	6
Section 4.3    Relationship to Public Works.....	7
Section 4.4    Independent Contractor.....	7
Section 4.5    Performance and Payment Bonds.....	8
Section 4.6    Contracts and Change Orders.....	8
Section 4.7    Time for Completion.....	8
ARTICLE V ACQUISITION AND PAYMENT .....	8
Section 5.1    Inspection.....	8
Section 5.2    Agreement to Sell and Acquire Facilities.....	9
Section 5.3    Payment Requests.....	9
Section 5.4    Processing Payment Requests.....	9
Section 5.5    Payment.....	10
Section 5.6    Restrictions on Payments.....	11
Section 5.7    Defective or Nonconforming Work.....	13
Section 5.8    Modification of Discrete Components.....	13
ARTICLE VI OWNERSHIP AND TRANSFER OF FACILITIES.....	13
Section 6.1    Facilities to be Owned by the City-Conveyance of Land and Easements to City.....	13
Section 6.2    Facilities to be Owned by the City-Title Evidence.....	14
Section 6.3    Facilities Constructed on Private Lands.....	14
Section 6.4    Facilities Constructed on City Land.....	14



	<u>Page</u>
Section 6.5 Facilities to be Acquired by Other Public Agencies.....	15
Section 6.6 Maintenance and Warranties.....	15
ARTICLE VII INSURANCE .....	15
Section 7.1 Insurance Requirements.....	15
Section 7.2 Standards Applicable. ....	17
Section 7.3 Evidence of Insurance.....	17
ARTICLE VIII DIFs 17	
Section 8.1 Deposit of Bond Proceeds with City/Fee Payments. ....	17
ARTICLE IX REPRESENTATIONS, WARRANTIES AND COVENANTS .....	17
Section 9.1 Representations, Covenants and Warranties of the Developer. ....	17
Section 9.2 Indemnification and Hold Harmless. ....	19
ARTICLE X TERMINATION .....	19
Section 10.1 No Bonds. ....	19
Section 10.2 Mutual Consent. ....	20
Section 10.3 City Election for Cause.....	20
Section 10.4 Force Majeure.....	21
ARTICLE XI MISCELLANEOUS .....	21
Section 11.1 Limited Liability of City.....	21
Section 11.2 Excess Costs.....	21
Section 11.3 Audit. ....	21
Section 11.4 Attorney’s Fees. ....	22
Section 11.5 Notices. ....	22
Section 11.6 Severability. ....	22
Section 11.7 Successors and Assigns.....	22
Section 11.8 Other Agreements. ....	23
Section 11.9 Waiver.....	23
Section 11.10 Merger.....	23
Section 11.11 Parties in Interest.....	23
Section 11.12 Amendment.....	23
Section 11.13 Counterparts.....	23

List of Exhibits

- Exhibit A: Description of Authorized Facilities Eligible for Acquisition from the Developer
- Exhibit B: Discrete Components of Facilities and Fees
- Exhibit C: Additional Facilities
- Exhibit D: Form of Payment Request

JOINT COMMUNITY FACILITIES AGREEMENT

by and among

ROMOLAND SCHOOL DISTRICT

and

EASTERN MUNICIPAL WATER DISTRICT

and

CADO MENIFEE, LLC

relating to

ROMOLAND SCHOOL DISTRICT

COMMUNITY FACILITIES DISTRICT NO. 2014-1  
(SE Wheat And Ethanac)

## JOINT COMMUNITY FACILITIES AGREEMENT

THIS JOINT COMMUNITY FACILITIES AGREEMENT (the “**Agreement**”) is entered into effective as of the \_\_\_\_\_ day of \_\_\_\_\_, 2014, by and among ROMOLAND SCHOOL DISTRICT, a California School District (“**District**”), EASTERN MUNICIPAL WATER DISTRICT, a public agency organized and existing pursuant to Division 20 of the California Water Code (“**EMWD**”), and CADO MENIFEE, LLC, a California limited liability company (“**Property Owner**”), and relates to the proposed formation by the District of a community facilities district to be known as “Romoland School District Community Facilities District No. 2014-1 (S.E. Wheat & Ethanac)” (the “**CFD**”) for the purpose of financing certain facilities to be owned, operated or maintained by the District or EMWD from proceeds of bonds issued by the proposed CFD.

### R E C I T A L S:

A. The property depicted in Exhibit “A” hereto (the “**Property**”), which is located in the City of Menifee, County of Riverside, State of California, is proposed to constitute the land within the boundaries of the CFD.

B. Property Owner owns the Property to be included in the proposed CFD. Property Owner intends to develop the Property for residential purposes and has obtained or intends to obtain the necessary development approvals to construct approximately one hundred twenty-two (122) detached single family residential units on the Property, as such development may be modified from time to time (the “**Project**”) pursuant to Tentative Tract Map No. 34037.

C. The Property Owner petitioned the District to form the CFD for the purpose of financing, among other things, the acquisition and/or construction of various public facilities to be owned and operated by EMWD as described in Exhibit “B” hereto, which facilities will benefit the Project in whole or in part, including (i) certain public facilities to be constructed by or on behalf of Property Owner and ultimately owned and operated by EMWD (the “**Acquisition Facilities**”) and (ii) certain public facilities to be constructed and owned and operated by EMWD (the “**EMWD Fee Facilities**”) in lieu of the payment of EMWD Fees (defined herein). Upon the construction of the Acquisition Facilities by or on behalf of Property Owner and the inspection and acceptance thereof by EMWD as described herein, the Acquisition Facilities shall become part of the EMWD system. The Acquisition Facilities and EMWD Fee Facilities are collectively referred to herein as the “**EMWD Facilities**”.

D. Property Owner has yet to determine whether it will finance all of the EMWD Facilities with Bond Proceeds (defined below) available for such purpose. The Parties hereto acknowledge that the purpose of this Agreement is to satisfy the requirements of the Act.

E. EMWD and Property Owner agree that any Acquisition Facilities to be constructed by Property Owner shall be eligible for acquisition by EMWD and the costs thereof shall be eligible for reimbursement from Bond Proceeds pursuant to this Agreement.

F. In conjunction with the issuance of building permits for the construction of homes on the Property and/or receipt of water meters for such homes, the Property Owner, or its successors or assigns, may elect to advance EMWD Fee Facilities costs in lieu of payment of EMWD Fees (the “**Advances**”) before Bond Proceeds (defined herein) are available in sufficient amounts to pay for

EMWD Fee Facilities. In such case, the Property Owner shall be entitled to (i) reimbursement of such Advances limited to Bond Proceeds available to EMWD, if any, and (ii) credit against EMWD Fees which would otherwise be due to EMWD equal to the amount of Bond Proceeds disbursed to EMWD or at the direction of EMWD for EMWD Facilities, all as further described herein.

G. The District will have sole discretion and responsibility for the formation and administration of the CFD.

H. The District expects to adopt a resolution declaring its intention to form and establish the CFD pursuant to the provisions of the Act (defined below).

I. The District is authorized by Section 53313.5 of the Act to assist in the financing of the acquisition and/or construction of the EMWD Facilities. This Agreement constitutes a joint community facilities agreement, within the meaning of Section 53316.2 of the Act, by and among EMWD, the Property Owner and the District, pursuant to which the CFD, when and if formed, will be authorized to finance the acquisition and/or construction of all or a portion of the EMWD Facilities. As authorized by Section 53316.6 of the Act, responsibility for constructing, providing for and operating the EMWD Facilities is delegated to EMWD.

J. The parties hereto find and determine that the residents residing within the boundaries of EMWD, the District and the CFD will be benefited by the construction and/or acquisition of the EMWD Facilities and that this Agreement is beneficial to the interests of such residents.

### **AGREEMENT**

**NOW, THEREFORE**, in consideration of the mutual promises and covenants set forth herein, the parties hereto agree as follows:

1. **Recitals.** Each of the above recitals is incorporated herein and is true and correct.
2. **Definitions.** Unless the context clearly otherwise requires, the terms defined in this Section shall, for all purposes of this Agreement, have the meanings herein specified.
  - (a) “Act” means the Mello-Roos Community Facilities Act of 1982, Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code.
  - (b) “Acquisition Facility or Facilities” means those sewer and water facilities listed on Exhibit “B” hereto, which are eligible to be constructed by or on behalf of the Property Owner, acquired by EMWD and paid for with Bond Proceeds.
  - (c) “Acquisition Price” means the amount to be paid out of Bond Proceeds for an Acquisition Facility.
  - (d) “Actual Costs” with respect to an Acquisition Facility includes: (i) the actual hard construction costs including labor, materials and equipment costs; (ii) the costs incurred in design, engineering and preparation of plans and specifications; (iii) the fees paid to consultants and government agencies in connection with and for obtaining permits, licenses or other required governmental approvals; (iv) construction management fee of 5% of the costs described in clause (i) above; (v) professional costs such as engineering, legal, accounting, inspection, construction staking, materials testing and similar professional services; (vi) costs of payment, performance of

maintenance bonds, and insurance costs (including the costs of any title insurance); and (vii) the value of any real property or interests therein that (1) are required for the construction of the Acquisition Facility such as temporary construction easements, haul roads, etc., and (2) are required to be conveyed with such Acquisition Facility in an amount equal to the fair market value of such real property or interests therein.

(e) “Advances” means an amount paid by Property Owner for EMWD Fee Facilities in lieu of payment of EMWD Fees prior to the availability of sufficient Bond Proceeds.

(f) “Bond Proceeds” or “Proceeds of the Bonds” shall mean those net funds generated by the sale of the Bonds and investment earnings thereon.

(g) “Bond Resolution” means that Resolution, Resolution Supplement, Fiscal Agent Agreement, Indenture of Trust or other equivalent document(s) providing for the issuance of the Bonds.

(h) “Bonds” shall mean those bonds, or other securities, issued by, or on behalf of the CFD, in one or more series, as authorized by the qualified electors within the CFD.

(i) “Disbursement Request” means a request for payment relating to EMWD Facilities substantially in the form attached hereto as Exhibit “C-1” for EMWD Fee Facilities and Exhibit “C-2” for Acquisition Facilities

(j) “EMWD Engineer” means the engineering firm or in-house personnel used by EMWD to determine the value of an Acquisition Facility to be acquired with Bond Proceeds.

(k) “EMWD Facilities” means the Acquisition Facilities and EMWD Fee Facilities.

(l) “EMWD Fees” means water supply development fees, water backup fees, sewer backup fees, sewer treatment capacity charges and all components thereof imposed by EMWD upon the Property to finance EMWD Fee Facilities.

(m) “EMWD Fee Facilities” means those sewer and water facilities listed on Exhibit “B” hereto, which are necessary for the provision of water and sewer services to the Property and paid for with Bond Proceeds in lieu of the payment of EMWD Fees.

(n) “EMWD Representative” means the EMWD Engineer or his designee.

(o) “Field Engineer” shall have the meaning ascribed to the term in Section 7(a)(i) of this Agreement.

(p) “Other Facilities Account of the Improvement Fund” means the fund, account or subaccount of the CFD (regardless of its designation within the Bond Resolution) into which a portion of the Bond Proceeds may be deposited in accordance with the Bond Resolution to finance EMWD Facilities and which may have subaccounts.

(q) “Party” or “Parties” shall mean anyone or all of the parties to this Agreement.

(r) “Plans and Specifications” shall mean the plans and specifications for the design and construction of an Acquisition Facility as approved by EMWD, which approval shall not be unreasonably withheld.

(s) “Rate and Method” means the Rate and Method of Apportionment of the Special Tax authorizing the levy and collection of Special Taxes pursuant to proceedings undertaken for the formation of the CFD pursuant to the Act.

(t) “Special Taxes” means the special taxes authorized to be levied and collected within the CFD pursuant to the Rate and Method.

(u) “State” means the State of California.

(v) “Substantially Complete” or “Substantial Completion” with respect to an Acquisition Facility means that such Acquisition Facility is substantially complete in accordance with its Plans and Specifications and is available for use by the public for its intended purpose, notwithstanding any final “punch list” items still required to be completed, unless such items are required for the safe operation of such Acquisition Facility, and shall be based upon approval of EMWD’s inspectors, which shall not be unreasonably withheld.

3. Proposed Formation of the CFD. The District will undertake to analyze the appropriateness of forming the CFD to finance the EMWD Facilities and other facilities. The District will retain, at the expense of the Property Owner, the necessary consultants to analyze the proposed formation of the CFD.

4. Sale of Bonds and Use of Proceeds. In the event that the CFD is formed and Bonds are issued, the District and the Property Owner shall determine the amount of Bond Proceeds to be deposited in the Other Facilities Account of the Improvement Fund and each subaccount thereof. As Bond Proceeds are transferred to EMWD and reserved to fund EMWD Facilities, as described in Section 5 below, the Property shall receive a credit in the amount transferred against the payment of EMWD Fees. Nothing herein shall supersede the obligation of an owner of the Property to make an Advance or pay EMWD Fees to EMWD when due. The purpose of this Agreement is to provide a mechanism by which the CFD may issue the Bonds to provide a source of funds to finance EMWD Fee Facilities in lieu of the payment of EMWD Fees and fund the Acquisition Price of Acquisition Facilities. In the event that Bond Proceeds, including investment earnings thereon, are not available or sufficient to satisfy the obligation, then the Property Owner shall remain obligated to make an Advance for which it will receive no reimbursement (except to the extent Bond Proceeds later become available to EMWD), or pay EMWD Fees to EMWD as a condition of receiving water and sewer service to the Property.

#### 5. Disbursements.

(a) Upon the funding of the Other Facilities Account of the Improvement Fund, the Property Owner shall notify EMWD of the amount of Bond Proceeds to be reserved to fund EMWD Facilities and EMWD may execute and submit a Disbursement Request for payment to the District requesting disbursement of an amount equal to all or a portion of Advances from the Other Facilities Account of the Improvement Fund to the extent that Bond Proceeds are available in the Other Facilities Account of the Improvement Fund for such purpose. Upon EMWD’s receipt of funds pursuant to such Disbursement Request, the Property Owner shall receive reimbursement of the Advances from EMWD. To facilitate EMWD’s bookkeeping, EMWD may direct in a Disbursement Request, that all or a portion of a payment be made directly to the Property Owner as reimbursement for Advances made by the Property Owner. In the event of a reimbursement to the

Property Owner pursuant to the preceding sentence, EMWD shall account for an equivalent amount of Advances previously received from the Property Owner in accordance with Section 5(c) below.

To the extent that EMWD expends all or a portion of an Advance pending the deposit of Bond Proceeds in the Other Facilities Account of the Improvement Fund, for purposes of Treasury Regulations regarding investment and expenditure of Bond Proceeds, the Advance shall be a considered an interest free loan by the Property Owner, which the District agrees to repay to the extent of the deposit, if any, of Bond Proceeds in the Other Facilities Account of the Improvement Fund and EMWD's written direction as described below to pay all or a portion of such deposit to the Property Owner as repayment of an Advance.

(b) From time to time following the funding of the Other Facilities Account of the Improvement Fund, the Property Owner may notify EMWD in writing and request a disbursement from the Other Facilities Account of the Improvement Fund to fund EMWD Fee Facilities by executing and submitting a Disbursement Request. Upon receipt of such Disbursement Request completed in accordance with the terms of this Agreement, the CFD shall wire transfer or otherwise pay to EMWD (or upon EMWD's written direction pay to the Property Owner or an EMWD contractor) such requested funds to the extent that Bond Proceeds are available in the Other Facilities Account of the Improvement Fund for such purpose. Upon such notice and EMWD's receipt of such disbursement (or upon payment to the Property Owner or an EMWD contractor in accordance with directions from EMWD relating to EMWD Facilities), the Property Owner shall be deemed to have satisfied the applicable EMWD Fees with respect to the number of dwelling units or lots for which the EMWD Fees would otherwise have been required in an amount equal to such disbursement.

(c) EMWD agrees that prior to submitting a Disbursement Request requesting payment from the CFD it shall review and approve all costs included in its request and will have already paid or incurred such costs of EMWD Facilities from its own funds (which may include Advances from the Property Owner) subsequent to the date of this Agreement, or will disburse such amounts to pay the costs of EMWD Facilities following receipt of funds from the CFD. In the event that EMWD does not disburse any Bond Proceeds (or equivalent amount of Advances repaid pursuant to the second to the last sentence of the first paragraph of Section 5(a) above) received by it to third parties within five banking days of receipt, it will trace and report to the CFD all earnings, if any, earned by EMWD, from the date of receipt of such Bond Proceeds by EMWD (or the date of disbursement pursuant to the second to the last sentence of the first paragraph of Section 5(a) above) to the date of expenditure by EMWD for capital costs of the EMWD Facilities. Such report shall be delivered at least semiannually until all Bond Proceeds are expended by EMWD. EMWD agrees that in processing the above disbursements it will comply with all legal requirements for the expenditure of Bond Proceeds under the Internal Revenue Code of 1986 and any amendments thereto.

(d) EMWD agrees to maintain adequate internal controls over its payment function and to maintain accounting records in accordance with generally accepted accounting procedures. EMWD will, upon request, provide the District and/or the Property Owner with access to EMWD's records related to the EMWD Facilities and expenditure of Advances and will provide to the District its annual financial report certified by an independent certified public accountant for purposes of assisting the District in calculating the arbitrage rebate obligation of the CFD, if any.

(e) The District or the CFD agrees to maintain full and accurate records of all amounts, and investment earnings, if any, expended from the Other Facilities Account of the Improvement Fund and expenditure of Advances. The District or the CFD will, upon request,

provide EMWD and/or Property Owner with access to the District's or the CFD's records related to the Other Facilities Account of the Improvement Fund.

(f) The District acknowledges that it is in receipt of and has reviewed the EMWD land secured financing policies ("Financing Policies"). At the time of formation of the CFD, the District and the CFD are in conformance with Section II.E of the Financing Policies and it is expected that the District and CFD will remain in conformance with Section II.E at the time of any Bond sale. However, District and EMWD acknowledge that the District has the ultimate responsibility for issuance of the Bonds, the administration of the CFD, and the tax-exempt status of any Bonds issued by the CFD. Accordingly, the Board of Trustees shall have ultimate responsibility for making all decisions with respect to the issuance of any CFD Bonds and the levy of CFD Special Taxes.

6. Ownership of EMWD Facilities. The EMWD Facilities shall be and remain the property of EMWD.

7. Acquisition Facilities. The Parties acknowledge that EMWD may require the Property Owner, pursuant to the EMWD Rules and Regulations, to design, construct and dedicate to EMWD Acquisition Facilities as a condition to providing water and sewer service to the Property. The following provisions of this Section 7 shall apply solely with respect to those Acquisition Facilities to be constructed by Property Owner and acquired by EMWD with Bond Proceeds:

(a) **Construction and Acquisition of Acquisition Facilities.**

(i) The Property Owner will complete the Plans and Specifications for such Acquisition Facilities. The Plans and Specifications shall include EMWD's standard specifications and shall be subject to EMWD approval, which shall not be unreasonably withheld. EMWD agrees to process any Plans and Specifications for approval with reasonable diligence and in a timely manner. The Property Owner may proceed with the construction of any such Acquisition Facilities in accordance with the provisions of Section 7(b) hereof. A qualified engineering firm ("Field Engineer") shall be employed by Property Owner to provide all field engineering surveys determined to be necessary by the EMWD inspection personnel. Field Engineer shall promptly furnish to EMWD a complete set of grade sheets listing all locations, offsets, etc., in accordance with good engineering practices, and attendant data and reports resulting from the Field Engineer's engineering surveys and/or proposed facility design changes. EMWD shall have the right, but not the obligation, to review, evaluate and analyze whether such results comply with applicable specifications.

(ii) A full-time soils testing firm, approved by EMWD, shall be employed by Property Owner to conduct soil compaction testing and certification. Property Owner shall promptly furnish results of all such compaction testing to EMWD for its review, evaluation and decision as to compliance with applicable specifications. In the event the compaction is not in accordance or compliance with applicable specifications, Property Owner shall be fully liable and responsible therefore. A final report shall be required fully certifying trench compaction efforts prior to acceptance of each of the Acquisition Facilities.

(iii) The cost of all surveying, compaction testing and report costs associated with such Acquisition Facilities furnished and constructed by any contractors or sub-contractors (collectively, "Contractors") shall be included among the costs which are eligible to be paid from the Other Facilities Account of the Improvement Fund.



(iv) EMWD shall not be responsible for conducting any environmental, archaeological, biological, or cultural studies or any mitigation requirements related to the Acquisition Facilities to be constructed by Property Owner that may be requested by appropriate Federal, State, and/or local agencies. Any such work shall be paid for and such work shall be conducted by, or on behalf of Property Owner and the costs of such work shall be eligible to be paid from the Other Facilities Account of the Improvement Fund.

(b) **Public Works Requirements.** In order to insure that the Acquisition Facilities to be constructed by the Property Owner and acquired with Bond Proceeds will be constructed as if they had been constructed under the direction and supervision, or under the authority, of EMWD, so that they may be acquired by the EMWD pursuant to Government Code Section 53313.5, the Property Owner shall comply with all of the following requirements:

(i) The Property Owner shall obtain a minimum of three (3) bids from firms reasonably determined to be qualified to construct the Acquisition Facilities in conformance with the Plans and Specifications.

(ii) Property Owner shall make arrangements with EMWD to schedule the bid opening, which is to be held at EMWD headquarters, conducted by Property Owner and witnessed by EMWD staff.

(iii) The contract or contracts for the construction of such Acquisition Facilities shall be awarded to the responsible bidder(s) submitting the lowest responsive bid(s) for the construction of such Acquisition Facilities.

(iv) The Property Owner shall require, and the specifications and bid and contract documents shall require all such Contractors to pay prevailing wages and to otherwise comply with applicable provisions of the State Labor Code, Government Code and Public Contract Code relating to public works projects to the extent expressly applicable to a non-governmental entity constructing infrastructure to be acquired by a public entity.

(w) Said Contractors shall be required to furnish labor and material payment bonds and contract performance bonds in an amount equal to 100 percent of the contract price naming the Property Owner and the EMWD as obligees and issued by insurance or surety companies approved by the EMWD. All such bonds shall be in a form approved by the EMWD Representative. Rather than requiring its Contractors to provide such bonds, the Property Owner may elect to provide the same for the benefit of its Contractors.

(vi) All such Contractors shall be required to provide proof of insurance coverage throughout the term of the construction of such Acquisition Facilities which they will construct in conformance with the approved Plans and Specifications.

(vii) The Property Owner and all such Contractors shall comply with such other requirements relating to the construction of such Acquisition Facilities which the EMWD may impose by written notification delivered to the Property Owner and each such Contractor at any time either prior to the receipt of bids by the Property Owner for the construction of such Acquisition Facilities or, to the extent required as a result of changes in applicable laws, during the progress of construction thereof. In accordance with this Section 7(b), the Property Owner shall be deemed the awarding body and shall be solely responsible for compliance and enforcement of the provisions of the State Labor Code, Government Code, and Public Contract Code to the extent expressly applicable to a nongovernmental entity constructing infrastructure to be acquired by a public entity.

(viii) The Property Owner shall provide proof to the EMWD, at such intervals and in such form as the EMWD Representative may require that the foregoing requirements have been satisfied as to all of the Acquisition Facilities constructed by Property Owner, acquired by EMWD and paid for with Bond Proceeds.

(c) **Inspection; Completion of Construction.**

(i) EMWD shall have primary responsibility for providing inspection of the construction of the Acquisition Facilities constructed by the Property Owner to insure that the construction is accomplished in accordance with the Plans and Specifications. EMWD's personnel shall have access to the site of the work at all reasonable times for the purpose of accomplishing such inspection. Upon Substantial Completion of the construction of such Acquisition Facilities by Property Owner, the Property Owner shall notify the EMWD in writing that the construction of such Acquisition Facilities has been Substantially Completed.

(ii) Upon receiving such written notification from the Property Owner, and upon receipt of written notification from its inspectors that construction of any of the Acquisition Facilities by Property Owner has been Substantially Completed, the EMWD shall within 15 days notify the Property Owner in writing that the construction of such Acquisition Facilities has been satisfactorily completed. Upon receiving such notification, the Property Owner shall forthwith file with the County Recorder of the County of Riverside a Notice of Completion pursuant to the provisions of Section 3093 of the Civil Code. The Property Owner shall furnish to the EMWD a duplicate copy of each such Notice of Completion showing thereon the date of filing with the County Recorder. Any actual costs reasonably incurred by the EMWD in inspecting and approving the construction of any Acquisition Facilities by Property Owner not previously paid by the Property Owner shall be eligible to be reimbursed from the Other Facilities Account of the Improvement Fund or paid directly by Property Owner.

(d) **Liens.** Upon the expiration of the time for the recording of claim of liens as prescribed by Sections 3115 and 3116 of the Civil Code, the Property Owner shall provide to the EMWD such evidence or proof as the EMWD shall require that all persons, firms and corporations supplying work, labor, materials, supplies and equipment on behalf of Property Owner for the construction of any Acquisition Facilities have been paid, and that no claims of liens have been recorded by or on behalf of any such person, firm or corporation. Rather than await the expiration of the said time for the recording of claims of liens, the Property Owner may elect to provide to the EMWD a title insurance policy or other security acceptable to the EMWD guaranteeing that no such claims of liens will be recorded or become a lien upon the Property with priority over the lien of the special taxes to be levied thereon in the proceedings for the formation of the CFD.

(e) **Acquisition, Acquisition Price; Source of Funds.**

(i) Provided the Property Owner has complied with the requirements of this Agreement, EMWD agrees to acquire the Acquisition Facilities from the Property Owner. Notwithstanding the above, nothing herein shall be construed as requiring Property Owner to construct and deliver any Acquisition Facility. The price to be paid by the CFD for the acquisition of such Acquisition Facilities by EMWD ("**Acquisition Price**") shall be the lesser of (i) the value of the Acquisition Facilities or (ii) the total of the Actual Costs of the Acquisition Facilities. The Property Owner shall transfer ownership of the Acquisition Facilities to the EMWD by grant deed, bill of sale or such other documentation as the EMWD may require. Upon the transfer of ownership of the Acquisition Facilities or any portion thereof from the Property Owner to EMWD, EMWD shall be responsible for the maintenance of the Acquisition Facilities or the portion transferred.

(ii) For purposes of determining the Acquisition Price to be paid by the CFD for the acquisition of the Acquisition Facilities by EMWD, the value of such improvements shall be the amount determined by the EMWD Engineer to be the value of the Acquisition Facilities based on the Actual Costs submitted by the Property Owner, as hereinbefore specified; provided, however, that if the EMWD Engineer determines that such Actual Costs, or any of them, are excessive and that the value of the Acquisition Facilities is less than the total amount of such Actual Costs, the Acquisition Price to be paid by the CFD for the acquisition of the Acquisition Facilities shall be the value thereof as determined by the EMWD Engineer.

(iii) Upon completion of the construction of any Acquisition Facilities by Property Owner, the Property Owner shall deliver to EMWD copies of the contract(s) with the Contractor(s) who have constructed the Acquisition Facilities or other relevant documentation with regard to the payments made to such Contractor(s) and each of them for the construction of such Acquisition Facilities, and shall also provide to EMWD copies of all invoices and purchase orders with respect to all supplies and materials purchased for the construction of such Acquisition Facilities. EMWD shall require the EMWD Engineer to complete its determination of the value of the Acquisition Facilities as promptly as is reasonably possible.

(iv) To the extent funds are available therein, the Acquisition Price of any Acquisition Facilities may be determined and paid out of the Other Facilities Account of the Improvement Fund upon a determination of Substantial Completion of such Acquisition Facility. Property Owner shall submit a payment request form to the District or the CFD in substantially the form attached hereto as Exhibit "C-2" which must also contain therewith approval of EMWD, which approval shall not be unreasonably withheld.

(v) Notwithstanding the preceding provisions of this section, the sole source of funds for the acquisition by EMWD of the Acquisition Facilities or any portion thereof shall be the Bond Proceeds made available by the CFD pursuant to Section 4 above. If for any reason beyond EMWD's control, the proceedings for the formation of the CFD are not completed or the Bonds are not sold, EMWD shall not be required to acquire any Acquisition Facilities from the Property Owner. In such event, the Property Owner shall complete the design and construction and offer to the EMWD ownership of such portions of Acquisition Facilities as are required to be constructed by the Property Owner as a condition to recordation of subdivision maps for the Property or any other agreement between Property Owner and EMWD, but need not construct any portion of the Acquisition Facilities which it is not so required to construct.

(vi) Any EMWD monetary reimbursements for construction of Acquisition Facilities funded by the CFD will be paid to the CFD to pay down CFD bond debt. All other reimbursements due Property Owner for the construction of facilities other than those financed by the CFD shall be addressed in a separate agreement between Property Owner and EMWD.

(f) **Easements.** The Property Owner shall, at the time EMWD acquires the Acquisition Facilities as provided in Section 7(e) hereof, grant to EMWD, by appropriate instruments prescribed by EMWD, all easements on private property which may be reasonably necessary for the proper operation and maintenance of such Acquisition Facilities, or any part thereof.

(g) **Maintenance.** Prior to the transfer of ownership of an Acquisition Facility by the Property Owner to EMWD, as provided in Section 7(e) hereof, the Property Owner shall be responsible for the maintenance thereof and shall maintain and transfer such Acquisition Facility to EMWD in as good condition as the Acquisition Facility was in at the time the Property Owner notified the EMWD that construction of same had been completed in accordance with the Plans and Specifications.

(h) **Responsibility for Acquisition Facilities.** The Parties acknowledge and agree that all responsibility and obligation for the design, construction and dedication of such Acquisition Facilities to EMWD, in accordance with all applicable statutes and the EMWD Rules and Regulations, shall be and remain the responsibility of the Property Owner. The Parties also acknowledge and agree that the construction and acquisition of the Acquisition Facilities to be constructed by Property Owner is a matter between Property Owner and EMWD only, and that the District and the CFD shall have no responsibility or liability for on site inspection or monitoring or for certifying that the provisions of this Section 7 be satisfied.

8. Indemnification.

(a) **Indemnification by District.** District shall assume the defense of, indemnify and save harmless, EMWD and Property Owner, their respective officers, employees and agents, and each and every one of them, from and against all actions, damages, claims, losses or expenses of every type and description to which they may be subjected or put, by reason of, or resulting from, any act or omission of the District with respect to this Agreement and the issuance of the Bonds; provided, however, that the District shall not be required to indemnify any person or entity as to damages resulting from negligence or willful misconduct of such person or entity or their officers, agents or employees.

(b) **Indemnification by Property Owner.** Property Owner shall assume the defense of, indemnify and save harmless, the District, the CFD and EMWD, their respective officers, employees and agents, and each and every one of them, from and against all actions, damages, claims, losses or expenses of every type and description to which they may be subjected or put, by reason of, or resulting from, any act or omission of Property Owner with respect to this Agreement, and the design, engineering and construction of the Acquisition Facilities constructed by Property Owner; provided, however, that Property Owner shall not be required to indemnify any person or entity as to damages resulting from negligence or willful misconduct of such person or entity or their officers, agents or employees.

(c) **Indemnification by EMWD.** EMWD shall assume the defense of, indemnify and save harmless, the District, the CFD and Property Owner, their respective officers, employees and agents, and each and every one of them, from and against all actions, damages, claims, losses or expenses of every type and description to which they may be subjected or put, by reason of, or resulting from, any act or omission of EMWD with respect to this Agreement, and the design, engineering and construction of the EMWD Facilities constructed by EMWD; provided, however, that EMWD shall not be required to indemnify any person or entity as to damages resulting from negligence or willful misconduct of such person or entity or their officers, agents or employees.

9. Allocation of Special Taxes. The entire amount of any Special Taxes levied by the CFD to repay Bonds, or to fund other obligations, shall be allocated to the CFD.

10. Amendment and Assignment. This Agreement may be amended at any time but only in writing signed by each Party hereto. This Agreement may be assigned, in whole or in part, by the Property Owner to the purchaser of any parcel of land within the Property, provided, however, such assignment shall not be effective unless and until EMWD and the District have been notified, in writing, of such assignment.

11. Entire Agreement. This Agreement contains the entire agreement between the Parties with respect to the matters provided for herein and supersedes all prior agreements and negotiations between the Parties with respect to the subject matter of this Agreement.

12. Notices. Any notice, payment or instrument required or permitted by this Agreement to be given or delivered to either Party shall be deemed to have been received when personally delivered or seventy-two hours following deposit of the same in any United States Post Office in California, registered or certified, postage prepaid, addressed as follows:

District: Romoland School District  
25900 Leon Road  
Homeland, CA 92548  
Attention: Assistant Superintendent, Business Services

EMWD: Eastern Municipal Water District  
P.O. Box 8300  
2270 Trumble Road  
Perris, California 92572-8300  
Attention: General Manager

Property Owner: CADO Menifee, LLC  
1545 Faraday Avenue  
Carlsbad, CA 92008  
Phone: (760) 804-6900  
Attn: Alex Zikakis

Each Party may change its address for delivery of notice by delivering written notice of such change of address to the other Party hereto.

13. Exhibits. All exhibits attached hereto are incorporated into this Agreement by reference.

14. Attorney's Fees. In the event of the bringing of any action or suit by any Party against any other Party arising out of this Agreement, the Party in whose favor final judgment shall be entered shall be entitled to recover from the losing Party all costs and expenses of suit, including reasonable attorneys' fees.

15. Severability. If any part of this Agreement is held to be illegal or unenforceable by court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent reasonably possible.

16. Governing Law. This Agreement and any dispute arising hereunder shall be governed by interpreted in accordance with the laws of the State of California.

17. Waiver. Failure by a Party to insist upon the strict performance of any of the provisions of this Agreement by the other Party hereto, or the failure by a Party to exercise its rights upon the default of another Party, shall not constitute a waiver of such Party's right to insist and demand strict compliance by such other Party with the terms of this Agreement thereafter.

18. No Third Party Beneficiaries. No person or entity other than the CFD, when and if formed, shall be deemed to be a third party beneficiary hereof, and nothing in this Agreement (either express or implied) is intended to confer upon any person or entity, other than EMWD, the District, the CFD and Property Owner (and their respective successors and assigns, exclusive of individual homebuyers), any rights, remedies, obligations or liabilities under or by reason of this Agreement.

19. Singular and Plural; Gender. As used herein, the singular of any word includes the plural, and terms in the masculine gender shall include the feminine.

20. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute but one instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year written above.

**ROMOLAND SCHOOL DISTRICT**

\_\_\_\_\_

ATTEST:

By: \_\_\_\_\_

**EASTERN MUNICIPAL WATER DISTRICT**

\_\_\_\_\_

Paul D. Jones II, General Manager

ATTEST:

By: \_\_\_\_\_  
Rosemary V. Howard, Board Secretary

**CADO MENIFEE, LLC,**  
a California limited liability company

By: CADO Garbani LLC,  
a California limited liability company,  
its Sole Member

By: CADO Management LLC,  
a Delaware limited liability company,  
its Managing Member

By: Zikakis Asset Management, LLC,  
a California limited liability company,  
its Sole Member

By: Capstone Asset Management, Inc.,  
a California corporation, its Sole  
Member

By: \_\_\_\_\_  
Name: Alex Zikakis  
Title: President

**EXHIBIT A**  
**DEPICTION OF PROPERTY**  
**[ATTACHED]**



## **EXHIBIT B**

### **EMWD FACILITIES DESCRIPTION**

Acquisition Facilities. The type of Acquisition Facilities eligible to be financed by the CFD under the Act are as follows:

“Acquisition Facilities” means those facilities constructed by or on behalf of Property Owner and needed by EMWD in order to provide services to the Property and also includes any of the following: EMWD sewer and water transmission lines, sewer and water pump stations, water reservoirs, including all costs of site acquisition, planning, design, engineering legal services, materials testing, coordination, surveying, construction, staking, construction inspection and any and all appurtenant facilities relating to the foregoing.

The Acquisition Facilities listed above are representative of the types of facilities eligible to be financed by the CFD. Detailed scope and limits of specific projects will be determined as appropriate, consistent with the standards of EMWD.

EMWD Fee Facilities. The type of EMWD Fee Facilities eligible to be financed by the CFD under the Act are as follows:

“EMWD Fee Facilities” means those water and sewer facilities included in EMWD’s water and sewer capacity and connection fee programs used to finance expansion projects, exclusive of in-tract facilities contributed by Property Owner. EMWD Fee Facilities include, but are not limited to the following: water and sewer transmission pipelines, sewer treatment plants, disposal ponds, pumping plants, lift stations, and water reservoirs, including all costs of site acquisition, planning, design, engineering, legal services, materials testing, coordination, surveying, construction staking, construction, inspection and any and all appurtenant facilities and appurtenant work relating to the foregoing.

**EXHIBIT C-1**

**DISBURSEMENT REQUEST FORM (FEES)**

1. Romoland School District Community Facilities District No. 2014-1 (“**CFD**”) is hereby requested to pay from the CFD bond proceeds to Eastern Municipal Water District (“**EMWD**”), as Payee, or to EMWD’s designee, the sum set forth in 3 below.

2. The undersigned certifies that the amount requested for EMWD Fees is due and payable, has not formed the basis of prior request or payment, and is being made with respect to the connection of the property described below to the EMWD system.

3. Amount requested: \$ \_\_\_\_\_

For Tract/Lot Nos: \_\_\_\_\_

4. The amount set forth in 3 above is authorized and payable pursuant to the terms of the Joint Community Facilities Agreement, by and among the Romoland School District, EMWD and CADO Menifee, LLC, dated \_\_\_\_\_, 2014 (the “**Agreement**”). Capitalized terms not defined herein shall have the meaning set forth in the Agreement.

**[PROPERTY OWNER]**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EASTERN MUNICIPAL WATER DISTRICT**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

cc: EMWD Special Funding Districts

**EXHIBIT C-2**

**DISBURSEMENT REQUEST FORM (ACQUISITION FACILITIES)**

1. Romoland School District Community Facilities District No. 2006- ("CFD") is hereby requested to pay from the Other Facilities Account of the Improvement Fund established by the CFD in connection with its special tax bonds (the "Bonds") to Eastern Municipal Water District ("EMWD"), as Payee, the sum set forth in 3 below.

2. The undersigned certifies that the amount requested hereunder has been expended or encumbered for costs related to the construction and completion of the EMWD Acquisition Facilities. The amount requested is due and payable and has not formed the basis of prior request or payment. In the event that EMWD does not disburse any Bond Proceeds received for disbursement to third parties within five banking days of receipt, EMWD agrees to trace and report to the CFD all earnings, if any, accruing from the investment of such Bond Proceeds, from the date of receipt by EMWD of such amounts to the date of expenditure of such amounts for costs of the EMWD Acquisition Facilities.

3. Amount Requested \$ \_\_\_\_\_  
Attach supporting documentation.

4. The amount set forth in 3 above is authorized and payable pursuant to the terms of the Joint Community Facilities Agreement, by and among the Romoland School District, EMWD and CADO Menifee, LLC, dated \_\_\_\_\_, 2014 (the "**Agreement**"). Capitalized terms not defined herein shall have the meaning set forth in the Agreement.

**[PROPERTY OWNER]**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EASTERN MUNICIPAL WATER DISTRICT**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## Community Facilities District Financing Issues

A tool to finance public infrastructure improvements on a tax exempt basis over 20 to 30 years, supported by special taxes on property within a limited geographical area.

### Facilities Financed

“Any real or other tangible property with a useful life estimated to be 5 years or longer”  
Think - roads, water, sewer

### Source of Repayment

Special Tax  
Lien / Foreclosure

### Pre-Formation Issues

Debt Policy  
Reimbursement Agreement  
Consultants  
    Bond Counsel  
    Financial Advisor  
    Underwriter  
    Engineer  
    Appraiser  
    Market Consultant  
    Special Tax Consultant

### Formation Process

(See “Usual Sequence of Events”)

### Bond Issuance / Due Diligence

Objective (10b-5)  
Master Developer (Questionnaire)  
    Experience/Past Performance  
    Pro Forma/Financing  
Land Use Issues  
    Entitlements  
    EIR/environmental issues  
    Litigation  
Appraisal / Absorption Study  
    Key assumptions/Limitations  
    Consistency  
Special Tax Formulas  
    Reasonableness  
    Debt Service Coverage  
    Allocation by Land Use  
    Developed v. Undeveloped  
    Impact of Slow Development  
    Escalation  
    Back-up Tax  
    Cross-collateralization

### Analysis of Tax and Major Payers

Tax Coverage Ratios  
Developed v. Undeveloped  
Planned Use (Res. v. Comm.)  
Significant Taxpayers  
Total Tax Burden

### Land Value

Appraised Value  
Direct and Overlapping Debt  
Value to Lien Analysis  
3:1 Requirement  
Weak Link Parcels

### Typical Risk Factors

Concentration of Ownership  
Insufficiency of Special Taxes  
Failure to Develop Properties  
Natural Disasters  
Endangered Species  
Hazardous Substances  
Appraised Value  
Parity Taxes  
Land Development Costs  
Disclosures to Future Homeowners  
Special Tax Delinquencies  
Bankruptcy and Foreclosure  
Overlapping Indebtedness  
No acceleration provisions  
Loss of tax exemption  
Limited Secondary Market  
Rule 15c2-12 Continuing Disclosure  
Preparation - Issuer  
Developer too?  
Nature of Obligation  
Material Events  
Length of Obligation  
Facts and Circumstances

### Post Issuance Actions

Annual Levy  
Continuing Disclosure  
Delinquency Management  
Investments/etc.

**\$3,300,000**  
**COMMUNITY FACILITIES DISTRICT NO. 06-2**  
**OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT**  
**2013 SPECIAL TAX BONDS**

**CLOSING MEMORANDUM**

**Time and Place**

The pre-closing will take place at the offices of Stradling Yocca Carlson & Rauth, 660 Newport Center Drive, Suite 1600, Newport Beach, California 92660 at 1:30 p.m. on Monday, October 21, 2013. Closing will take place at 8:00 a.m. on Tuesday October 22, 2013, via telephone.

**\$3,300,000**  
**COMMUNITY FACILITIES DISTRICT NO. 06-2**  
**OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT**  
**2013 SPECIAL TAX BONDS**

**CLOSING INDEX**

**RESOLUTIONS, ORDINANCE & MINUTES**

1. 2006-2007 Resolution No. 53 entitled “Resolution of Intention of the Board of Education of Corona-Norco Unified School District to Establish Community Facilities District No. 06-2 of the Corona-Norco Unified School District, and to Authorize the Levy of a Special Tax Therein,” adopted September 19, 2006.
2. 2006-2007 Resolution No. 54 entitled “Resolution of Intention of the Board of Education of Corona-Norco Unified School District to Incur Bonded Indebtedness Not to Exceed the Amount of \$7,000,000 Within Community Facilities District No. 06-2 of the Corona-Norco Unified School District,” adopted September 19, 2006.
3. 2006-2007 Resolution No. 85 entitled “Resolution of the Board of Education of the Corona-Norco Unified School District Making Certain Preliminary Findings and Passing Upon Protests,” adopted November 21, 2006.
4. 2006-2007 Resolution No. 86 entitled “Resolution of the Board of Education of the Corona-Norco Unified School District Approving a Joint Community Facilities Agreement (County of Riverside),” adopted November 21, 2006
5. 2006-2007 Resolution No. 87 entitled “Resolution of the Board of Education of the Corona-Norco Unified School District Approving a Joint Community Facilities Agreement (Jurupa Area Recreation and Park District),” adopted November 21, 2006.
6. 2006-2007 Resolution No. 88 entitled “Resolution of the Board of Education of the Corona-Norco Unified School District Determining the Validity of Prior Proceedings Relative to the Formation of Community Facilities District No. 06-2, Establishing Community Facilities District No. 06-2, Authorizing the Levy of a Special Tax Within Community Facilities District No. 06-2 and Calling an Election,” adopted November 21, 2006.
7. 2006-2007 Resolution No. 89 entitled “Resolution of the Board of Education of the Corona-Norco Unified School District Determining the Necessity to Incur Bonded Indebtedness in the Amount Not to Exceed \$7,000,000 Within Community Facilities District No. 06-2 and Calling an Election,” adopted November 21, 2006.
8. 2006-2007 Resolution No. 96 entitled “Resolution of the Board of Education of the Corona-Norco Unified School District Canvassing the Results of the Election Within Community Facilities District No. 06-2 of the Corona-Norco Unified School District,” adopted December 5, 2006.

9. 2006-2007 Resolution and Ordinance No. 97 entitled “Resolution and Ordinance of the Board of Education of the Corona-Norco Unified School District Acting as the Legislative Body of Community Facilities District No. 06-2 of the Corona-Norco Unified School District Relative to the Levy of Special Taxes Within Community Facilities District No. 06-2,” adopted December 19, 2006.
10. 2012-2013 Resolution No. 102 entitled “Resolution of the Board of Education of the Corona-Norco Unified School District Acting as the Legislative Body of Community Facilities District No. 06-2 of the Corona-Norco Unified School District Authorizing the Issuance of its 2013 Special Tax Bonds in an Aggregate Principal Amount Not to Exceed Five Million Dollars (\$5,000,000) and Approving Certain Documents and Taking and Approving Certain Other Actions in Connection Therewith,” adopted May 7, 2013.
11. Minute Orders of the Board of Education Meetings for all proceedings listed in 1 through 10 above
12. Certificate of the Clerk of the Board of Education Bringing Forward Resolutions and Ordinance

**DOCUMENTS RE FORMATION OF DISTRICTS AND ELECTION**

13. Affidavit of Publication of Notice Re Public Hearings
14. Landowner Waiver of Certain Election Procedures
15. Special Tax Report
16. Notice of Special Tax Lien Recorded December 14, 2006
17. Evidence of Filing of Amended & Consolidated Boundary Map
18. School Facilities Mitigation Agreement
19. Amendment to School Facilities Mitigation Agreement
20. Joint Community Facilities Agreement:
  - A. Jurupa Community Services District dated as of November 21, 2006
  - B. Jurupa Area Recreation and Park District dated as of November 21, 2006
21. Jurupa Community Services District Reimbursement Agreement
22. Agreement Regarding Mitigation of Development Impacts on Park Facilities (JARPD)
23. Amendment to Agreement Regarding Mitigation of Development Impacts on Park Facilities (JARPD)
24. Second Amendment to Agreement Regarding Mitigation of Development Impacts on Park Facilities (JARPD)

25. Third Amendment to Agreement Regarding Mitigation of Development Impacts on Park Facilities (JARPD)

**DOCUMENTS TO BE DELIVERED BY THE DISTRICT/SCHOOL DISTRICT**

26. Bond Indenture
27. Continuing Disclosure Agreement
28. CDIAAC Report of Proposed Debt Issuance, Acknowledgment from CDIAAC and Report of Final Sale
29. Certificate as to Near Finality of the Preliminary Official Statement
30. Incumbency and Signature Certificate of the School District/District
31. Closing Certificate of the District
32. Instructions to Trustee re District Contribution
33. Instructions to Trustee and Underwriter
34. Requisition No. 1 for Disbursement of Costs of Issuance
35. School District Requisition No. 1 from School Facilities Subaccount
36. JARPD Requisition No. 1 from School Facilities Subaccount
37. Tax Certificate, together with the Certificate of the Underwriter; IRS Form 8038-G; Post Issuance Compliance Certificate
38. DTC Blanket Issuer Letter of Representations
39. Uniform Facsimile Signature Filings of President and Clerk of the Board of Education of the School District
40. Specimen Bond

**DOCUMENTS TO BE DELIVERED BY THE UNDERWRITER**

41. Bond Purchase Agreement
42. Preliminary Official Statement
43. Official Statement
44. Underwriter's Receipt for the Bonds

**DOCUMENTS TO BE DELIVERED BY THE TRUSTEE**

45. Authorized Signer(s) Certificate



46. Closing Certificate of the Trustee
47. Trustee's Receipt for Proceeds

**OPINIONS**

48. Opinion of Bond Counsel
49. Reliance Letter to Trustee
50. Supplemental Opinion
51. Disclosure Counsel Letter
52. Opinion of Counsel to District
53. Opinion of Counsel to Trustee
54. Opinion of Underwriter's Counsel

**MISCELLANEOUS**

55. Certificate of Special Tax Consultant
56. Closing Certificate of Dissemination Agent
57. Agreement Re Reimbursement
58. Distribution List

CITY OF BAKERSFIELD  
ASSESSMENT DISTRICT NO. 05-1  
(CITY IN THE HILLS)  
LIMITED OBLIGATION IMPROVEMENT BONDS

SCHEDULE OF TRANSCRIPT DOCUMENTS

Volume I – District Formation - See Separate Document

Volume II – Bond Issuance, Sale and Delivery

20. Resolution No. 251-05, Resolution Authorizing Issuance of Bonds, adopted on November 9, 2005
21. Resolution No. 252-05, Resolution Approving Form and Substance of Preliminary Official Statement and Bond Purchase Contract, Authorizing Modifications Thereto, Authorizing Execution Thereof, and Authorizing Related Documents and Actions, adopted on November 9, 2005
22. Preliminary Official Statement, dated November 15, 2005
23. "Deemed Final" Certificate, dated November 15, 2005
24. Official Statement, dated December 7, 2005
25. Bond Purchase Contract, dated December 7, 2005
26. CDIAAC Proposed and Final Sale Reports
27. IRS Form 8038-G, with evidence of mailing to IRS
28. Tax Certificate
29. Continuing Disclosure Certificate (City)
30. Continuing Disclosure Certificates of Developers
31. Acknowledgment of Continuing Disclosure Obligations of Developers
32. Receipt for Bond Proceeds
33. Signature Certificate
34. Certificate of Authorized Official of the City
35. Certificate re Sources and Uses of Funds

36. Written Request of City as to Authentication, Registration and Delivery of the Limited Obligation Improvement Bonds
37. Receipt for Bonds
38. Certificate of Authorized Official of the Paying Agent
39. Certificate of Incumbency and Authorizing Resolution for Paying Agent
40. Final Opinion of Bond Counsel, together with Reliance Letter to Paying Agent
41. Supplemental Opinion of Bond Counsel
42. Opinion of City Attorney
43. Opinion of Pillsbury Winthrop LLP, Disclosure Counsel
44. Opinions of Counsel to the Developers
45. Certificate of Appraiser
46. Developer Certificates, together with Bring-Down Certificates
47. Certificate of Assessment Engineer
48. Specimen Bond
49. Debt Service Schedule
50. Closing Memorandum
51. Interested Parties List

Table of Contents

Page

ARTICLE I

DEFINITIONS

Section 1.1.	Definitions.....	1
--------------	------------------	---

ARTICLE II

GENERAL AUTHORIZATION AND BOND TERMS

Section 2.1.	Amount, Issuance, Purpose and Nature of Bonds and Parity Bonds .....	14
Section 2.2.	Type and Nature of Bonds and Parity Bonds.....	14
Section 2.3.	Equality of Bonds and Parity Bonds and Pledge of Net Taxes.....	15
Section 2.4.	Description of Bonds; Interest Rates.....	15
Section 2.5.	Place and Form of Payment .....	16
Section 2.6.	Form of Bonds and Parity Bonds .....	17
Section 2.7.	Execution and Authentication.....	17
Section 2.8.	Bond Register.....	18
Section 2.9.	Registration of Exchange or Transfer .....	18
Section 2.10.	Mutilated, Lost, Destroyed or Stolen Bonds or Parity Bonds .....	18
Section 2.11.	Validity of Bonds and Parity Bonds.....	19
Section 2.12.	Book-Entry System .....	19
Section 2.13.	Representation Letter .....	20
Section 2.14.	Transfers Outside Book-Entry System.....	20
Section 2.15.	Payments to the Nominee.....	20
Section 2.16.	Initial Depository and Nominee .....	20

ARTICLE III

CREATION OF FUNDS, APPLICATION OF PROCEEDS

Section 3.1.	Creation of Funds; Application of Proceeds .....	21
Section 3.2.	Deposits to and Disbursements from Special Tax Fund .....	22
Section 3.3.	Administrative Expense Account of the Special Tax Fund .....	22
Section 3.4.	Interest Account and Principal Account of the Special Tax Fund .....	22
Section 3.5.	Redemption Account of the Special Tax Fund .....	23
Section 3.6.	Reserve Account of the Special Tax Fund .....	24
Section 3.7.	Rebate Fund .....	25
Section 3.8.	Surplus Fund .....	28
Section 3.9.	Acquisition and Construction Fund .....	29
Section 3.10.	Reserved.....	29
Section 3.11.	Investments .....	29

Table of Contents  
(continued)

Page

ARTICLE IV

REDEMPTION OF BONDS AND PARITY BONDS

Section 4.1.	Redemption of Bonds.....	31
Section 4.2.	Selection of Bonds and Parity Bonds for Redemption.....	33
Section 4.3.	Notice of Redemption .....	33
Section 4.4.	Partial Redemption of Bonds or Parity Bonds .....	34
Section 4.5.	Effect of Notice and Availability of Redemption Money .....	35

ARTICLE V

COVENANTS AND WARRANTY

Section 5.1.	Warranty.....	35
Section 5.2.	Covenants.....	35

ARTICLE VI

AMENDMENTS TO INDENTURE

Section 6.1.	Supplemental Indentures or Orders Not Requiring Bondowner Consent .....	39
Section 6.2.	Supplemental Indentures or Orders Requiring Bondowner Consent .....	39
Section 6.3.	Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds .....	40

ARTICLE VII

TRUSTEE

Section 7.1.	Trustee.....	41
Section 7.2.	Removal of Trustee.....	41
Section 7.3.	Resignation of Trustee .....	42
Section 7.4.	Liability of Trustee.....	42
Section 7.5.	Merger or Consolidation .....	43

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

Section 8.1.	Events of Default.....	44
Section 8.2.	Remedies of Owners .....	44
Section 8.3.	Application of Revenues and Other Funds After Default.....	45
Section 8.4.	Power of Trustee to Control Proceedings .....	45
Section 8.5.	Appointment of Receivers.....	46
Section 8.6.	Non-Waiver.....	46

**BOND INDENTURE**

By and Between

**COMMUNITY FACILITIES DISTRICT NO. 06-2  
OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT**

and

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

**Dated as of October 1, 2013**

Relating to

**\$3,300,000  
COMMUNITY FACILITIES DISTRICT NO. 06-2  
OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT  
2013 SPECIAL TAX BONDS**

## BOND INDENTURE

THIS BOND INDENTURE dated as of October 1, 2013, by and between COMMUNITY FACILITIES DISTRICT NO. 06-2 OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT (the "District") and U.S. BANK NATIONAL ASSOCIATION as Trustee (the "Trustee"), governs the terms of the Community Facilities District No. 06-2 of the Corona-Norco Unified School District, 2013 Special Tax Bonds and any Parity Bonds issued in accordance herewith from time to time.

### RECITALS:

WHEREAS, the Board of Education of the Corona-Norco Unified School District, located in Riverside County, California (hereinafter sometimes referred to as the "legislative body of the District" or the "School District"), has heretofore undertaken proceedings and declared the necessity to issue bonds on behalf of the District pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5, of the Government Code of the State of California (the "Act"); and

WHEREAS, based upon 2006-2007 Resolution Nos. 88 and 89 adopted by the legislative body of the District on November 21, 2006 and an election held November 22, 2006 within the District authorizing the levy of a special tax and the issuance of bonds by the District, the District is now authorized to issue bonds for the District in one or more series, pursuant to the Act, in an aggregate principal amount not to exceed \$7,000,000; and

WHEREAS, the legislative body of the District intends to finance certain public facilities through the issuance of bonds in an aggregate principal amount of \$3,300,000 designated as the "Community Facilities District No. 06-2 of the Corona-Norco Unified School District, 2013 Special Tax Bonds" (the "Bonds"); and

WHEREAS, the District has determined that all requirements of the Act for the issuance of the Bonds have been satisfied;

NOW, THEREFORE, in order to establish the terms and conditions upon and subject to which the Bonds are to be issued, and in consideration of the premises and of the mutual covenants contained herein and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the District does hereby covenant and agree, for the benefit of the Owners of the Bonds and any Parity Bonds (as defined herein) which may be issued hereunder from time to time, as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.1. Definitions.** Unless the context otherwise requires, the following terms shall have the following meanings:

"Account" means any account created pursuant to this Indenture.



**Section 3.2. Deposits to and Disbursements from Special Tax Fund.**

(a) Except for Prepayments which shall be deposited to the Redemption Account as specified in a Certificate of an Authorized Representative, the Trustee shall, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee shall transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

- (1) the Administrative Expense Account of the Special Tax Fund, up to the Administrative Expenses Cap;
- (2) the Interest Account of the Special Tax Fund;
- (3) the Principal Account of the Special Tax Fund;
- (4) the Redemption Account of the Special Tax Fund;
- (5) the Reserve Account of the Special Tax Fund;
- (6) the Administrative Expense Account of the Special Tax Fund to fund Administrative Expenses in excess of the Administrative Expenses Cap funded under (1) above;
- (7) the Rebate Fund; and
- (8) the Surplus Fund.

(b) At maturity of all of the Bonds and Parity Bonds and, after all principal and interest then due on the Bonds and Parity Bonds then Outstanding has been paid or provided for and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

**Section 3.3. Administrative Expense Account of the Special Tax Fund.** The Trustee shall transfer from the Special Tax Fund and deposit in the Administrative Expense Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a Certificate of an Authorized Representative; provided, however, that, the total amount transferred in a Fiscal Year, commencing with the 2013-14 Fiscal Year, shall not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to fund the Redemption Account in an amount necessary to pay Sinking Fund Payments on the Bonds due in such Bond Year and to restore the Reserve Account to the Reserve Requirement. Moneys in the Administrative Expense Account of the Special Tax Fund may be invested in any Authorized Investments as directed in writing by an Authorized Representative of the District and shall be disbursed as directed in a Certificate of an Authorized Representative.

**Section 3.4. Interest Account and Principal Account of the Special Tax Fund.** The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption, shall be paid by the Trustee from the Principal Account and the Interest



Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer required by Section 3.3, at least one Business Day prior to each March 1 and September 1, the Trustee shall make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of the Bonds or an issue of Parity Bonds or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of Administrative Expense Account and the Reserve Account) are inadequate to make the foregoing transfers, then any deficiency shall be made up by transfers from the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account shall be used for the payment of interest on the Bonds and any Parity Bonds as the same become due or as provided in Section 3.5(c) in connection with the purchase of Bonds or Parity Bonds.

(b) To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year, commencing September 1, 2014, shall equal the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.

### **Section 3.5. Redemption Account of the Special Tax Fund.**

(a) With respect to each September 1 on which a Sinking Fund Payment is due, after the deposits have been made to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund as required by Sections 3.3 and 3.4 hereof, the Trustee shall next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account one Business Day prior to each September 1 equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency shall be made up by an immediate transfer from the Reserve Account pursuant to Section 3.6 below. Moneys so deposited in the Redemption Account shall be used and applied by the Trustee to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedules set forth in Section 4.1(b) hereof, and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule in the Supplemental Indenture for such Parity Bonds.

(b) After making the deposits to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund pursuant to Sections 3.3 and 3.4 above and to the Redemption Account for Sinking Fund Payments then due pursuant to subparagraph (a) of this Section, and in accordance with the District's election to call Bonds for optional redemption as set forth in Section 4.1(a) hereof, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee shall transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional

redemption; provided, however, that amounts in the Special Tax Fund (other than the Administrative Expense Account therein) may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

(c) Moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming Bonds and Parity Bonds and shall be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender of such Bonds or Parity Bonds and in the case of an optional redemption or an extraordinary redemption from Prepayments to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account, other than Prepayments (which shall be used to redeem Bonds and Parity Bonds on the redemption date established pursuant to Section 4.1(c)), may be used to purchase Outstanding Bonds or Parity Bonds in the manner hereinafter provided. Purchases of Outstanding Bonds or Parity Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption or an extraordinary redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to Section 4.1(a) or 4.1(c) hereof, as applicable, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date upon receipt by the Trustee of written direction of the District.

**Section 3.6. Reserve Account of the Special Tax Fund.** There shall be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. If required, the amounts in the Reserve Account shall be applied as follows:

(a) Moneys in the Reserve Account shall be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity 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 and for the purpose of making any required transfer to the Rebate Fund pursuant to Section 3.7 hereof upon written direction from the District. 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 Bonds and Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee shall withdraw from the Reserve Account for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers referred to in Sections 3.3, 3.4 and 3.5 above, the Trustee shall transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Administrative Expense Account, 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 Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the District shall include the amount necessary to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

(c) In connection with a redemption of Bonds pursuant to Section 4.1(a) or (c) or Parity Bonds in accordance with this Indenture or any Supplemental Indenture, or a partial defeasance of Bonds or Parity Bonds in accordance with Section 9.1 hereof, amounts in the Reserve Account may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such redemption or partial defeasance equals the Reserve Requirement. The District shall set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to the Indenture to partially defease Bonds, and the Trustee shall make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for the Bonds or an issue of Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds, as applicable, in the final Bond Year for such issue. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the preceding provisions of this section shall be withdrawn from the Reserve Account on the Business Day before each March 1 and September 1 and shall be transferred to the School Facilities Subaccount of the Project Account of the Acquisition and Construction Fund until all amounts have been disbursed from the School Facilities Subaccount of the Project Account of the Acquisition and Construction Fund and thereafter to the Interest Account of the Special Tax Fund.

### **Section 3.7. Rebate Fund.**

(a) The Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund and shall establish a separate Rebate Account and Alternative Penalty Account therein. All money at any time deposited in the Rebate Account or the Alternative Penalty Account of the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. A separate subaccount of the Rebate Account and the Alternative Penalty Account shall be established for the Bonds and each issue of Parity Bonds the interest on which is excluded from gross income for federal income tax purposes. All amounts on deposit in the Rebate Fund with respect to the Bonds or an issue of Parity Bonds shall be governed by this Section 3.7 and the Tax Certificate for such issue, unless the District obtains an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on the Bonds and Parity Bonds will not be adversely affected if such requirements are not satisfied. The Trustee shall not be responsible for calculating rebatable arbitrage or for the adequacy or correctness or any rebate report or rebate calculations. The Trustee shall be deemed conclusively to have complied with the provisions of this Indenture regarding calculation and payment of the rebatable arbitrage if the Trustee follows the directions of the District and the Trustee shall have no independent duty to review such calculations or enforce the compliance with such rebate requirements.



(1) Rebate Account. The following requirements shall be satisfied with respect to each subaccount of the Rebate Account:

(i) Annual Computation. Within 55 days of the end of each Bond Year, the District shall calculate or cause to be calculated the amount of rebatable arbitrage for the Bonds and each issue of Parity Bonds to which this Section 3.7 is applicable, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage described in the Tax Certificate for each issue (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the "Rebatable Arbitrage"). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year for which Rebatable Arbitrage must be calculated as required by the Tax Certificate for each issue, upon the written direction of an Authorized Representative of the District, an amount shall be deposited to each subaccount of the Rebate Account by the Trustee from any funds so designated by the District if and to the extent required, so that the balance in the Rebate Account shall equal the amount of Rebatable Arbitrage so calculated by or on behalf of the District in accordance with (i) of this Subsection (a)(1) with respect to the Bonds and each issue of Parity Bonds to which this Section 3.7 is applicable. In the event that immediately following any transfer required by the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit to the credit of the applicable subaccount of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from an Authorized Representative of the District, the Trustee shall withdraw the excess from the appropriate subaccount of the Rebate Account and then credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in each subaccount of the Rebate Account,

(X) not later than 60 days after the end of (A) the fifth Bond Year for the Bonds and each issue of Parity Bonds to which this Section 3.7 is applicable, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year for the Bonds and each issue of Parity Bonds, as applicable; and

(Y) not later than 60 days after the payment or redemption of all of the Bonds or an issue of Parity Bonds, as applicable, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the

Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a)(1) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, or shall be made in such other manner as provided under the Code.

(2) Alternative Penalty Account.

(i) Six-Month Computation. If the 1½% Penalty has been elected for the Bonds or an issue of Parity Bonds, within 85 days of each particular Six-Month Period, the District shall determine or cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The District shall obtain expert advice in making such determinations.

(ii) Six-Month Transfer. Within 85 days of the close of each Six-Month Period, the Trustee, at the written direction of an Authorized Representative of the District, shall deposit an amount in the appropriate subaccounts of the Alternative Penalty Account from any source of funds held by the Trustee pursuant to this Indenture and designated by the District in such written directions or provided to it by the District, if and to the extent required, so that the balance in each subaccount of the Alternative Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in Subsection (a)(2)(i) above. In the event that immediately following any transfer provided for in the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit in a subaccount of the Alternative Penalty Account exceeds the amount required to be on deposit therein to make the payments required by Subsection (iii) below, the Trustee, at the written direction of an Authorized Representative of the District, may withdraw the excess from the applicable subaccount of the Alternative Penalty Account and credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in a subaccount of the Alternative Penalty Account, not later than 90 days after the close of each Six-Month Period the 1½% Penalty, if applicable and payable, computed with respect to the Bonds and any issue of Parity Bonds in accordance with Section 148(f)(4) of the Code. In the event that, prior to the time of any payment required to be made from a subaccount of the Alternative Penalty Account, the amount in such subaccount is not sufficient to make such payment when such payment is due, the District shall calculate the amount of such deficiency and direct the Trustee, in writing, to deposit an amount equal to such deficiency into such subaccount of the Alternative Penalty Account from any funds held by the Trustee

pursuant to this Indenture and designated by the District in such written directions prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a)(2) shall be made to the Internal Revenue Service, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Accounts of the Rebate Fund with respect to the Bonds or an issue of Parity Bonds after redemption and payment of such issue and after making the payments described in Subsection (a)(1)(iii) or (a)(2)(iii) (whichever is applicable), may be withdrawn by the Trustee at the written direction of the District and utilized for any lawful purpose by the District.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in this Section or this Indenture to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance and final payment of the Bonds and any Parity Bonds with respect to which an Account has been created in the Rebate Fund.

(d) Amendment Without Consent of Owners. This Section 3.7 may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the District an opinion of Bond Counsel to the effect that such deletion or amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any issue of Parity Bonds issued on a tax-exempt basis.

**Section 3.8. Surplus Fund.** After making the transfers required by Sections 3.3, 3.4, 3.5, 3.6 and 3.7 hereof, as soon as practicable after each September 1, and in any event prior to each October 1, the Trustee shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to Section 5.2(b) hereof. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor; (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (iii) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses; (iv) to the Acquisition and Construction Fund to pay Project Costs; or (v) after all Project Costs have been paid, to the District for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative and the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund shall be invested at the written



direction of the District in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

### **Section 3.9. Acquisition and Construction Fund.**

(a) The moneys in the Costs of Issuance Account shall be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative, and any balance therein on September 1, 2014 shall be transferred by the Trustee to the Special Tax Fund.

(b) The moneys in the School Facilities Subaccount and the Other Facilities Subaccount of the Project Account of the Acquisition and Construction Fund shall be applied exclusively to pay the Project Costs. Within the Other Facilities Subaccount, moneys in the JARPD Facilities Sub-Subaccount shall be applied exclusively to pay for the JARPD Facilities, and moneys in the JCSD Facilities Sub-Subaccount shall be applied exclusively to pay for the JCSD Facilities. Amounts for Project Costs shall be disbursed by the Trustee from the School Facilities Subaccount or Other Facilities Subaccount of the Project Account of the Acquisition and Construction Fund, as specified in a Request for Disbursement of Project Costs, substantially in the form of Exhibit B-1 or Exhibit B-2 attached hereto, as applicable, which must be submitted in connection with each requested disbursement.

(c) Upon receipt of a Certificate of an Authorized Representative stating that all or a specified portion of the amount remaining in the Acquisition and Construction Fund is no longer needed to pay Project Costs, provided that with respect to the JCSD Facilities Sub-Subaccount and the JARPD Facilities Sub-Subaccount, the Authorized Representative of the District has confirmed with JCSD or JARPD, as applicable, that such amount is no longer needed to pay the costs of JCSD Facilities or JARPD Facilities, respectively, the Trustee shall transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Acquisition and Construction Fund to the Principal Account or Redemption Account of the Special Tax Fund or to the Surplus Fund, as directed in the Certificate, provided that in connection with any direction to transfer amounts to the Surplus Fund there shall have been delivered to the Trustee with such Certificate an opinion of Bond Counsel to the effect that such transfer to the Surplus Fund will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

### **Section 3.10. Reserved.**

**Section 3.11. Investments.** Moneys held in any of the Funds, Accounts and Subaccounts under this Indenture shall be invested at the written direction of the District in accordance with the limitations set forth below only in Authorized Investments which shall be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Authorized Investments shall be charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on a Fund, Account or Subaccount shall be applied as follows: (i) investment earnings on all amounts deposited in the Acquisition and Construction Fund (including

At least 30 days but no more than 60 days prior to the redemption date, the Trustee shall mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register, and to the original purchaser of the Bonds or Parity Bonds, as applicable; provided, however, so long as all of the Bonds are registered in the name of the Depository or its designee, such notice shall be given in accordance with the procedures of the Depository as governed by the Representation Letter. So long as notice has been given as described in the preceding sentence, the actual receipt by the Owner of any Bond or Parity Bond or the original purchaser of any Bond or Parity Bond of notice of such redemption shall not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice shall affect the validity of the proceedings for the redemption of such Bonds or Parity Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as herein provided shall be conclusive as against all parties and the Owner shall not be entitled to show that he or she failed to receive notice of such redemption.

In addition to the foregoing notice, further notice shall be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption shall be sent not later than the date that notice of redemption is mailed to the Bondowners pursuant to the first paragraph of this Section by registered or certified mail or overnight delivery service to the Depository and to any other registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds and Parity Bonds as determined by the Trustee and to one or more of the national information services that the Trustee determines are in the business of disseminating notice of redemption of obligations such as the Bonds and Parity Bonds.

With respect to any notice of optional redemption of Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall, within a reasonable time thereafter, give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Upon the payment of the redemption price of any Bonds and Parity Bonds being redeemed, each check or other transfer of funds issued for such purpose shall to the extent practicable bear the CUSIP number identifying, by issue and maturity, the Bonds and Parity Bonds being redeemed with the proceeds of such check or other transfer.

**Section 4.4. Partial Redemption of Bonds or Parity Bonds.** Upon surrender of any Bond or Parity Bond to be redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Bondowner, at the expense of the District, a new Bond or Bonds or a new Parity Bond or Parity Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity or, in the case of surrender of a Parity Bond, a new Parity Bond or Parity Bonds subject to the foregoing limitations.



**Section 4.5. Effect of Notice and Availability of Redemption Money.** Notice of redemption having been duly given, as provided in Section 4.3 hereof, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

(a) the Bonds and Parity Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in this Indenture or in any Supplemental Indenture with respect to any Parity Bonds, anything in this Indenture or in the Bonds or the Parity Bonds to the contrary notwithstanding;

(b) upon presentation and surrender thereof at the office of the Trustee, the redemption price of such Bonds and Parity Bonds shall be paid to the Owners thereof;

(c) as of the redemption date the Bonds or the Parity Bonds, or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds or Parity Bonds, or portions thereof, shall cease to bear further interest; and

(d) as of the date fixed for redemption no Owner of any of the Bonds, Parity Bonds or portions thereof so designated for redemption shall not be entitled to any of the benefits of this Indenture or any Supplemental Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

## ARTICLE V

### COVENANTS AND WARRANTY

**Section 5.1. Warranty.** The District shall preserve and protect the security pledged hereunder to the Bonds and any Parity Bonds against all claims and demands of all persons.

**Section 5.2. Covenants.** So long as any of the Bonds or Parity Bonds issued hereunder are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of the Act and this Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and Parity Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

(a) Punctual Payment; Against Encumbrances. The District covenants that it will receive all Special Taxes in trust for the Owners and will instruct the Treasurer-Tax Collector to deposit all Special Taxes with the Trustee immediately upon their apportionment to the District, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by this Indenture. All such Special Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth herein, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued hereunder, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and the Parity Bonds and in

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See “TAX MATTERS” herein with respect to other tax consequences with respect to the Bonds.*

**\$3,300,000**

**COMMUNITY FACILITIES DISTRICT NO. 06-2  
OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT  
2013 SPECIAL TAX BONDS**

**Dated: Delivery Date**

**Due: September 1, as shown on the inside cover page**

The Community Facilities District No. 06-2 of the Corona-Norco Unified School District 2013 Special Tax Bonds (the “Bonds”) are being issued by Community Facilities District No. 06-2 of the Corona-Norco Unified School District (the “District”) to finance various capital improvements described herein and to pay a portion of the costs of issuance of the Bonds. The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California), and that certain Bond Indenture (the “Indenture”), dated as of October 1, 2013, by and between the District and U.S. Bank National Association, as trustee (the “Trustee”). A reserve account for the Bonds will be funded from amounts currently on deposit with the District. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Bonds are special obligations of the District and are payable from Net Taxes (as defined herein) derived from a certain annual Special Tax (as defined herein) to be levied on taxable land within the District and from certain other funds pledged under the Indenture, all as further described herein. The Special Tax is to be levied according to the rate and method of apportionment approved by the Board of Education of the Corona-Norco Unified School District (the “School District”) and the qualified electors within the District. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” herein.

The Bonds are issuable in fully-registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases of the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Interest on the Bonds will be payable commencing March 1, 2014 and semiannually thereafter on each September 1 and March 1. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are expected to remit such payments to the beneficial owners of the Bonds. See “THE BONDS — General Provisions” herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT, THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE SCHOOL DISTRICT OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

The Bonds are subject to optional redemption, extraordinary redemption from Special Tax prepayments, and mandatory sinking fund redemption as set forth herein. See “THE BONDS — Redemption of the Bonds” herein.

**Investment in the Bonds involves risks that are not appropriate for certain investors. Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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**MATURITY SCHEDULE**

**(See Inside Cover Page)**

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*The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the District with respect to the Bonds. Certain legal matters will be passed on for the School District and the District by Parker & Covert LLP, Tustin, California, and for the Underwriter by its counsel, Nossaman LLP, Irvine, California. It is anticipated that the Bonds in book-entry form will be available for delivery on or about October 22, 2013.*

**PiperJaffray**

## MATURITY SCHEDULE

### \$1,555,000 Serial Bonds

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.</u> <sup>†</sup>
2014	\$ 50,000	2.000%	0.93%	219766LF7
2015	55,000	2.000	1.47	219766LG5
2016	60,000	2.000	2.06	219766LH3
2017	60,000	2.250	2.56	219766LJ9
2018	60,000	2.750	3.01	219766LK6
2019	65,000	3.200	3.38	219766LL4
2020	65,000	3.400	3.62	219766LM2
2021	65,000	3.750	3.90	219766LN0
2022	70,000	3.900	4.09	219766LP5
2023	70,000	4.125	4.26	219766LQ3
2024	75,000	4.250	4.43	219766LR1
2025	80,000	4.400	4.58	219766LS9
2026	80,000	4.500	4.69	219766LT7
2027	85,000	4.625	4.78	219766LU4
2028	90,000	4.750	4.86	219766LV2
2029	95,000	4.850	4.94	219766LW0
2030	100,000	5.000	5.05	219766LX8
2031	105,000	5.000	5.13	219766LY6
2032	110,000	5.125	5.20	219766LZ3
2033	115,000	5.125	5.26	219766MA7

### \$1,745,000 Term Bonds

\$670,000 5.375% Term Bonds due September 1, 2038 Yield: 5.47% CUSIP No.<sup>†</sup> 219766MB5

\$1,075,000 5.375% Term Bonds due September 1, 2044 Yield: 5.56% CUSIP No.<sup>†</sup> 219766MC3

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<sup>†</sup> Copyright 2013, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. Neither the District nor the Underwriter make any representations as to the accuracy of CUSIP data herein.

**TABLE OF CONTENTS**

**Page**

INTRODUCTION ..... 1  
    The School District ..... 1  
    Description of the District..... 2  
    Sources of Payment for the Bonds..... 2  
    Description of the Bonds ..... 3  
    Tax Exemption..... 3  
    Professionals Involved in the Offering ..... 4  
    Continuing Disclosure ..... 4  
    Parity Bonds..... 4  
    Bond Owners’ Risks ..... 4  
    Forward Looking Statements ..... 5  
    Other Information ..... 5

ESTIMATED SOURCES AND USES OF FUNDS ..... 6

THE BONDS ..... 6  
    Authority for Issuance ..... 6  
    General Provisions ..... 6  
    Debt Service Schedule ..... 7  
    Redemption of the Bonds ..... 8  
    Selection of Bonds for Redemption..... 9  
    Notice of Redemption..... 9  
    Registration of Exchange or Transfer ..... 10

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS ..... 10  
    Limited Obligations ..... 10  
    Issuance of Parity Bonds..... 11  
    Special Taxes ..... 11  
    Estimated Debt Service Coverage ..... 15  
    Covenant Not to Reduce Special Tax Rates Unless Certain Conditions are Met ..... 18  
    Existing Liens ..... 18  
    No Obligation of the School District Upon Delinquency ..... 18  
    Special Taxes Are Not Within Teeter Plan ..... 18  
    Proceeds of Foreclosure Sales ..... 19  
    Reserve Account ..... 19  
    Priority of Bonds and Pledge of Net Taxes..... 20

THE COMMUNITY FACILITIES DISTRICT ..... 20  
    General Description of the District ..... 20  
    Direct and Overlapping Indebtedness ..... 21  
    Estimated Assessed Value-to-Lien Ratios ..... 24  
    Delinquency History ..... 25

THE CORONA-NORCO UNIFIED SCHOOL DISTRICT ..... 25  
    General Information..... 25

SPECIAL RISK FACTORS ..... 27  
    Risks of Real Estate Secured Investments Generally ..... 27  
    Limited Obligations ..... 27  
    Insufficiency of Special Taxes ..... 27  
    Natural Disasters ..... 28  
    Hazardous Substances..... 29  
    Payment of the Special Tax is not a Personal Obligation of the Owners..... 29  
    Property Values..... 29  
    Parity Taxes and Special Assessments..... 30  
    Disclosures to Future Purchasers ..... 30

**TABLE OF CONTENTS**  
**(continued)**

	<u>Page</u>
Special Tax Delinquencies.....	31
FDIC/Federal Government Interests in Properties.....	31
Bankruptcy and Foreclosure .....	32
Funds Invested in the County Investment Pool .....	33
No Acceleration Provision.....	33
Limited Secondary Market .....	33
Proposition 218.....	34
Ballot Initiatives and Legislative Measures .....	35
Loss of Tax Exemption.....	35
IRS Audit of Tax-Exempt Bond Issues.....	35
Limitations on Remedies .....	35
CONTINUING DISCLOSURE.....	36
TAX MATTERS.....	36
LEGAL OPINION.....	38
ABSENCE OF LITIGATION .....	38
NO RATING .....	38
UNDERWRITING .....	38
FINANCIAL INTERESTS.....	38
NEW LEGISLATION .....	39
ADDITIONAL INFORMATION.....	39
APPENDIX A RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.....	A-1
APPENDIX B FORM OF OPINION OF BOND COUNSEL .....	B-1
APPENDIX C GENERAL INFORMATION CONCERNING THE REGION .....	C-1
APPENDIX D SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.....	D-1
APPENDIX E FORM OF CONTINUING DISCLOSURE AGREEMENT .....	E-1
APPENDIX F BOOK-ENTRY ONLY SYSTEM.....	F-1

**\$3,300,000**  
**COMMUNITY FACILITIES DISTRICT NO. 06-2**  
**OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT**  
**2013 SPECIAL TAX BONDS**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by Community Facilities District No. 06-2 of the Corona-Norco Unified School District (the “District”) of its 2013 Special Tax Bonds in the aggregate principal amount of 3,300,000 (the “Bonds”).

The proceeds of the Bonds will be used to finance certain school facilities (the “School Facilities”) for the Corona-Norco Unified School District (the “School District”), certain park and recreation facilities (the “JARPD Facilities”) to be owned and operated by the Jurupa Area Recreation and Park District (“JARPD”), and certain water and sewer improvements (the “JCSD Facilities”) to be owned and operated by the Jurupa Community Services District (“JCSD”) (the School Facilities, the JARPD Facilities and the JCSD Facilities are collectively referred to herein as the “Facilities”), and to pay a portion of the costs of issuance of the Bonds. On the date the Bonds are issued, the District will deposit with the Trustee Special Taxes previously collected by the District in an amount equal to the Reserve Requirement which the Trustee will allocate to the Reserve Account established under the Indenture (defined below). See “ESTIMATED SOURCES AND USES OF FUNDS.”

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and that certain Bond Indenture dated, as of September 1, 2013 (the “Indenture”), by and between the District and U.S. Bank National Association, as Trustee (the “Trustee”). The Bonds are secured under the Indenture by a pledge of and lien upon Net Taxes (as defined herein) and all moneys in the Special Tax Fund (other than the Administrative Expense Account) as described in the Indenture.

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 and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in “APPENDIX D — SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — DEFINITIONS.”

**The School District**

The School District was established in 1948 and encompasses 148 square miles in northwestern Riverside County (the “County”) including the cities of Corona, Norco, Eastvale and Jurupa Valley and adjacent unincorporated areas of the County. The School District operates 31 elementary schools, 8 intermediate schools, 5 comprehensive high schools, 1 middle high school and 3 alternative high schools. The total enrollment in the School District during fiscal year 2013-14 is approximately 54,300 students. See “THE CORONA-NORCO UNIFIED SCHOOL DISTRICT.”

## **Description of the District**

The District is located in the City of Jurupa Valley, east of Interstate 15 between the City of Norco to the south and the City of Ontario (in San Bernardino County) to the north. The District is comprised of approximately 39.64 acres, which have been subdivided into 127 single family lots. A total of 127 homes have been completed and sold to individual owners, and no homes or other taxable property within the District remain owned by the entity which developed most of the homes, Richmond American Homes of Maryland, Inc. (the “Developer”). See “THE COMMUNITY FACILITIES DISTRICT.”

The District was formed in November, 2006 pursuant to the Act and in accordance with a School Facilities Mitigation Agreement (the “Mitigation Agreement”) between the School District and the then owner of the land within the District to provide funds to finance the Facilities. The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, on September 19, 2006, the Board of Education of the School District (the “Board”) adopted 2006-07 Resolution No. 53 (the “Resolution of Intention”), stating its intention to form the District and to authorize the levy of a special tax on the taxable property within the District, and 2006-07 Resolution No. 54, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$7,000,000 within the District for the purpose of financing the acquisition, construction, expansion, improvement, or rehabilitation of the Facilities. Subsequent to a noticed public hearing on November 21, 2006, the Board adopted 2006-07 Resolution Nos. 88 and 89 (collectively the “Resolution of Formation”) which established the District, authorized the levy of a special tax (the “Special Tax”) within the District, determined the necessity to incur bonded indebtedness in an amount not to exceed \$7,000,000 within the District and called an election within the District on the proposition of incurring bonded indebtedness, levying a special tax and setting an appropriations limit.

On November 22, 2006, an election was held within the District in which the landowners eligible to vote approved the proposition authorizing the issuance of bonds in an amount not to exceed \$7,000,000 to finance the acquisition, construction and equipping of the Facilities. On December 19, 2006, the Board, acting as the legislative body of the District, adopted 2006-07 Resolution No. 96 and Ordinance No. 97 (the “Ordinance”) which authorizes the levy of Special Tax pursuant to the Rate and Method of Apportionment of Special Tax approved at the November 22, 2006 election (the “Rate and Method”). See “THE COMMUNITY FACILITIES DISTRICT” and APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The Bonds represent the first issuance under the authorization.

## **Sources of Payment for the Bonds**

**Special Taxes.** As used in this Official Statement, the term “Special Tax” is that tax which has been authorized to be levied against certain land within the District pursuant to the Act and in accordance with the Rate and Method. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” and APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” herein. Under the Indenture, the principal of and interest on the Bonds are payable from Net Taxes and all amounts in the Special Tax Fund (other than the Administrative Expense Account therein) established under the Indenture. The “Net Taxes” are the Special Tax proceeds, including all proceeds from foreclosure sales for delinquent Special Taxes, remaining after payment of the amounts due to cover Administrative Expenses (the “Administrative Expense Requirement”) up to an annual amount of \$25,000. Amounts in the Rebate Fund and the Surplus Fund established under the Indenture are not pledged to the repayment of the Bonds.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE SCHOOL DISTRICT OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

The Net Taxes are the primary security for the repayment of the Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Trustee in certain funds under the Indenture, including amounts held in the Reserve Account of the Special Tax Fund. The District will covenant for the benefit of the owners of the Bonds that it will, under certain circumstances described herein, commence, or cause to be commenced, and diligently prosecute to judgment (unless the delinquency is brought current), judicial foreclosure proceedings against assessor's parcels with delinquent Special Taxes. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Proceeds of Foreclosure Sales" herein."

EXCEPT FOR THE NET TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS.

### **Description of the Bonds**

The Bonds will be issued and delivered as fully-registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See APPENDIX F — "BOOK-ENTRY-ONLY SYSTEM."

Principal of, premium, if any, and interest on the Bonds is payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. See APPENDIX F — "BOOK-ENTRY-ONLY SYSTEM."

The Bonds are subject to optional redemption, special mandatory redemption from Special Tax prepayments and mandatory sinking fund redemption as described herein. For a more complete descriptions of the Bonds and the basic documentation pursuant to which the Bonds are being sold and delivered, see "THE BONDS" and APPENDIX D — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" herein.

### **Tax Exemption**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein.



Set forth in APPENDIX B is the opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain other tax consequences incidental to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, see “TAX MATTERS” herein.

### **Professionals Involved in the Offering**

U.S. Bank National Association, Los Angeles, California, will act as Trustee under the Indenture. Piper Jaffray & Co., is the Underwriter of the Bonds. All proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed on for the School District and the District by Parker & Covert LLP, Tustin, California, and for the Underwriter by its counsel, Nossaman LLP, Irvine, California. Other professional services will be performed by Special District Financing & Administration, Escondido, California, as Special Tax Consultant.

For information concerning whether certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see “FINANCIAL INTERESTS” herein.

### **Continuing Disclosure**

The District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system available on the Internet at <http://emma.msrb.org> (“EMMA”) certain annual financial information and operating data. The District will further agree to provide notice of certain listed events. These covenants will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). See “CONTINUING DISCLOSURE” herein and APPENDIX E hereto for a description of the specific nature of the annual reports to be filed by the District and notices of listed events to be provided by the District. The District has not entered into any prior continuing disclosure obligations under Rule 15c2-12(b)(5). See “CONTINUING DISCLOSURE.”

### **Parity Bonds**

The Indenture provides that the District may, at any time after the issuance and delivery of the Bonds, issue Parity Bonds, for the purpose of refunding all or a portion of the Bonds or Parity Bonds then Outstanding, or for other purposes of the District in a principal amount not to exceed \$600,000, payable from the Net Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon the Net Taxes and such amounts on a parity with and equal to the lien and charge securing the Outstanding Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Issuance of Parity Bonds” herein.

Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes are currently being levied on the property within the District and additional taxes or assessments may be added in the future. See “SPECIAL RISK FACTORS — Parity Taxes and Special Assessments” herein.

### **Bond Owners’ Risks**

Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency. The purchase of the Bonds involves risks, and the Bonds may not be appropriate investments for some types of investors. See “SPECIAL RISK FACTORS” herein.

## **Forward Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as a “plan,” “expect,” “estimate,” “project,” “budget” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the caption “THE COMMUNITY FACILITIES DISTRICT.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

## **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bonds and the constitution and laws of the State of California (the “State”), as well as the proceedings of the Board, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

Copies of the Indenture and other documents and information are available for inspection and (upon request and payment to the District of a charge for copying, mailing and handling) for delivery from the School District at 2820 Clark Avenue, Norco, CA 92860-1903, Attention: Assistant Superintendent, Facilities.

## ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of Bond proceeds, together with prior funds on deposit with the District.

### Sources of Funds

Principal Amount of Bonds	\$3,300,000.00
District Contribution	400,000.00
Less: Net Original Issue Discount	<u>54,599.00</u>
Total Sources	<u>\$3,645,401.00</u>

### Uses of Funds:

Project Account of the Acquisition and Construction Fund	\$3,244,864.77
Costs of Issuance Account <sup>(1)</sup>	118,361.23
Reserve Account	216,175.00
Underwriter's Discount	<u>66,000.00</u>
Total Uses	<u>\$3,645,401.00</u>

<sup>(1)</sup> Includes legal costs, initial fees of the Trustee, special tax consultant costs and other miscellaneous fees.  
Source: The Underwriter.

## THE BONDS

### Authority for Issuance

The Bonds in the aggregate principal amount of \$3,300,000 are authorized to be issued by the District under and subject to the terms of the Indenture, the Act and other applicable laws of the State of California.

### General Provisions

The Bonds will be issued and delivered in the aggregate principal amount of \$3,300,000, initially in book-entry form, and will bear interest at the rates per annum and will mature on the dates set forth on the inside front cover page hereof. The Bonds will be dated the Delivery Date and interest will be payable thereon on September 1 and March 1 of each year, commencing March 1, 2014 (individually, an "Interest Payment Date"). Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) the date of authentication is an Interest Payment Date, in which event it shall bear interest from such date, (ii) the date of authentication is after the 15th day of the month, regardless of whether such day is a Business Day (a "Record Date") but prior to the immediately succeeding Interest Payment Date, in which event interest shall 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 shall be payable from the Delivery Date; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on that Bond shall 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 Bond, interest on that Bond shall be payable from the Delivery Date.

The Bonds are issued as fully-registered bonds and will be registered in the name of Cede & Co., as nominee DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. So long as the Bonds are held in the DTC book-entry system, interest and principal payments on the Bonds will be made to DTC for distribution in accordance with its procedures to its participants who, in turn, are to distribute payments to the beneficial owners of the Bonds. See APPENDIX F — "BOOK-ENTRY-ONLY SYSTEM."

**Debt Service Schedule**

The following table presents the annual debt service on the Bonds, assuming no optional or extraordinary redemptions. See “THE BONDS — Redemption of the Bonds.”

**COMMUNITY FACILITIES DISTRICT NO. 06-2  
OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT  
DEBT SERVICE SCHEDULE**

<i>Period Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
2014	\$ 50,000	\$ 135,051.24	\$ 185,051.24
2015	55,000	156,341.26	211,341.26
2016	60,000	155,241.26	215,241.26
2017	60,000	154,041.26	214,041.26
2018	60,000	152,691.26	212,691.26
2019	65,000	151,041.26	216,041.26
2020	65,000	148,961.26	213,961.26
2021	65,000	146,751.26	211,751.26
2022	70,000	144,313.76	214,313.76
2023	70,000	141,583.76	211,583.76
2024	75,000	138,696.26	213,696.26
2025	80,000	135,508.76	215,508.76
2026	80,000	131,988.76	211,988.76
2027	85,000	128,388.76	213,388.76
2028	90,000	124,457.50	214,457.50
2029	95,000	120,182.50	215,182.50
2030	100,000	115,575.00	215,575.00
2031	105,000	110,575.00	215,575.00
2032	110,000	105,325.00	215,325.00
2033	115,000	99,687.50	214,687.50
2034	120,000	93,793.76	213,793.76
2035	125,000	87,343.76	212,343.76
2036	135,000	80,625.00	215,625.00
2037	140,000	73,368.76	213,368.76
2038	150,000	65,843.76	215,843.76
2039	155,000	57,781.26	212,781.26
2040	165,000	49,450.00	214,450.00
2041	175,000	40,581.26	215,581.26
2042	185,000	31,175.00	216,175.00
2043	190,000	21,231.26	211,231.26
2044	<u>205,000</u>	<u>11,018.76</u>	<u>216,018.76</u>
Total:	<u>\$3,300,000</u>	<u>\$3,308,615.20</u>	<u>\$6,608,615.20</u>

Source: The Underwriter.

## Redemption of the Bonds

**Optional Redemption.** The Bonds maturing on or before September 1, 2023 are not subject to redemption prior to their maturity dates. The Bonds maturing on or after September 1, 2024 may be redeemed before maturity at the option of the District on any date on or after September 1, 2023 as a whole, or in part, by lot, from such maturities as are selected by the District. The Bonds will be deemed to consist of \$5,000 portions, and any such portion may be separately redeemed. The Bonds redeemed prior to maturity, if any, will be redeemed at the principal amount thereof together with accrued interest to date of redemption, without premium.

**Mandatory Sinking Fund Redemption.** The Bonds maturing on September 1, 2038 (the “2038 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 2034, and on each September 1 thereafter prior to maturity, and will be paid at maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2038 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2038 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

<i>Redemption Date (September 1)</i>	<i>Principal Amount</i>
2034	\$120,000
2035	125,000
2036	135,000
2037	140,000
2038 <sup>†</sup>	150,000

---

<sup>(†)</sup> Final Maturity

The Bonds maturing on September 1, 2044 (the “2044 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 2039, and on each September 1 thereafter prior to maturity, and will be paid at maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2044 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2044 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

<i>Redemption Date (September 1)</i>	<i>Principal Amount</i>
2039	\$155,000
2040	165,000
2041	175,000
2042	185,000
2043	190,000
2044 <sup>†</sup>	205,000

---

<sup>(†)</sup> Final Maturity

In the event of a partial optional redemption or extraordinary redemption of the 2038 Term Bonds or the 2044 Term Bonds, each of the remaining Sinking Fund Payments for such 2038 Term Bonds or 2044 Term Bonds, as applicable, will be reduced, as nearly as practicable, on a pro rata basis, in integral multiples of \$5,000.

With respect to any notice of optional redemption of the Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the principal of, premium if any, and interest on the Bonds to be redeemed and upon other conditions set forth therein and that, if such money shall not have been so received and such other conditions shall not have been satisfied, said notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds. If any condition in the notice of redemption is not satisfied, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Neither the failure to receive such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the redemption date. From and after the redemption date, the Bonds, or portions thereof so designated for redemption, shall be deemed to be no longer outstanding and such Bonds or portions thereof will cease to bear further interest.

In addition, no owner of any of the Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of the Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts made available to the Trustee.

### **Registration of Exchange or Transfer**

Upon cessation of the book-entry system, the registration of any 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 or her duly authorized attorney, upon surrender of such Bond for cancellation at the corporate trust office of the Trustee, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee and duly executed by the Bondowner or his or her duly authorized attorney. Bonds may be exchanged at said corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Trustee will not collect from the Owner any charge for any new Bond issued upon any transfer or exchange but will require the Bondowner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any Bond shall be surrendered for registration of transfer or exchange, the District shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount; provided that the Trustee shall not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding the date of any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **Limited Obligations**

The Bonds are special, limited obligations of the District payable only from amounts pledged under the Indenture and from no other sources.

The Net Taxes are the primary security for the repayment of the Bonds. Under the Indenture, the District will pledge to repay the Bonds from the Net Taxes (which are Special Tax revenues remaining after the payment of the annual Administrative Expenses of up to \$25,000 (the "Administrative Expenses Cap")) and from amounts held in the Special Tax Fund (other than amounts held in the Administrative Expense Account therein) established under the Indenture. Special Tax revenues include the proceeds of the Special Taxes received by the District, including any scheduled payments and Prepayments thereof and the net sale proceeds of property sold as a result of foreclosure of the lien of delinquent Special Taxes to the amount of said lien, and penalties and interest thereon. The Net Taxes do not include the proceeds of any Special Taxes levied in fiscal years prior to 2013-14 which will be applied by the School District to construct School Facilities, to fund the Reserve Account on the date of the issuance of the Bonds and to pay a portion of the costs of issuing the Bonds.

In the event that the Special Tax revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Trustee in the Special Tax Fund (other than the Administrative Expense Account therein), including amounts held in the Reserve Account therein, for the exclusive benefit of the Owners of the Bonds and any Parity Bonds, when and if issued.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE SCHOOL DISTRICT OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

### **Issuance of Parity Bonds**

Subject to the limitations set forth in the Indenture, the District may, at any time after the issuance and delivery of the Bonds, and without the consent of the Owners of the Bonds, issue additional bonds (“Parity Bonds”) payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expense Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued pursuant to the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding, or for other purposes of the District in a principal amount not to exceed \$600,000. Parity Bonds may only be issued in accordance with the specific conditions precedent to the issuance of any such Parity Bonds as set forth in the Indenture. See APPENDIX D — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — DEFEASANCE AND PARITY BONDS—Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness” herein.

### **Special Taxes**

*Authorization and Pledge.* In accordance with the provisions of the Act, the School District established the District on November 21, 2006 for the purpose of financing the various public improvements required in connection with the proposed development within the District. At a special election held on November 22, 2006, the owner of property within the District authorized the District to incur indebtedness in an amount not to exceed \$7,000,000 and also voted to approve the Rate and Method which authorizes the Special Tax to be levied to repay indebtedness of the District, including the Bonds.

The District will covenant in the Indenture that each year, beginning in fiscal year 2013-14, it will levy Special Taxes up to the maximum rates permitted under the Rate and Method in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay (i) the principal of and interest on any Outstanding Bonds and Parity Bonds, (ii) any amounts necessary to replenish the Reserve Account to the Reserve Requirement, and (iii) the Administrative Expenses.

The Special Taxes levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. See Appendix A—“RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See “SPECIAL RISK FACTORS—Insufficiency of Special Taxes” herein.

***Rate and Method of Apportionment of Special Tax.*** The District is legally authorized and will covenant to cause the levy of the Special Taxes on the property within the District in the amount required under the Indenture and determined according to the methodology contained in Rate and Method. Under the Rate and Method, Fiscal Year 2044-45 is the last fiscal year in which the Special Taxes may be levied.

The following is a synopsis of the provisions of the Rate and Method, which should be read in conjunction with the complete text of the Rate and Method, which is attached as Appendix A hereto. The meaning of the defined terms used in this section are as set forth in Appendix A. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the entire Rate and Method attached as Appendix A.

***Taxable Property.*** All Assessor's Parcels within the District constituting taxable property will be classified each Fiscal Year as Developed Property, Undeveloped Property, Association Property or Public Property. Developed Property will be assigned to the Residential Property or Non-Residential Property category, as applicable. The Rate and Method includes the following definitions:

***“Developed Property”*** means all Assessor's Parcels, exclusive of Taxable Association Property and Taxable Public Property, for which a building permit has been issued as of June 30th of the Fiscal Year preceding the Fiscal Year for which Special Taxes are being levied.

***“Maximum Special Tax”*** means the maximum Special Tax, determined in accordance with Section C of the Rate and Method, which can be levied in any Fiscal Year on any Assessor's Parcel of Taxable Property.

***“Non-Residential Property”*** means all Parcels of Developed Property for which a building permit was issued for a non-residential use.

***“Residential Property”*** means all Assessor's Parcels of Developed Property for which a building permit has been issued for the purposes of constructing one or more residential dwelling units.

***“Special Tax”*** means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property in the District to fund the Special Tax Requirement.

***“Special Tax Requirement”*** means that amount required in any Fiscal Year for CFD No. 06-2 to: (i) pay debt service on all outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for the outstanding Bonds; and (v) pay directly or accumulate funds for the acquisition or construction of facilities to the extent that the inclusion of such amount does not increase the Special Tax levy on Undeveloped Property; less (vi) a credit for funds available to reduce the annual Special Tax levy as determined pursuant to the Indenture.

***“Taxable Property”*** means all Assessor's Parcels in the District which are not exempt from the Special Tax pursuant to the Act or Section E of the Rate and Method.

***“Taxable Association Property”*** means all Association Property which is not exempt from the Special Tax pursuant to Section E of the Rate and Method.

***“Taxable Public Property”*** means all Public Property which is not exempt from the Special Tax pursuant to Section E of the Rate and Method.

***“Undeveloped Property”*** means all Taxable Property not classified as Developed Property, exclusive of Taxable Association Property and Taxable Public Property.



**Method of Apportionment.** Under the Rate and Method, starting with Fiscal Year 2007-08 and for each subsequent Fiscal Year, but not later than Fiscal Year 2044-45, the Board shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

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

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

**Third:** If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax to be levied on each Assessor's Parcel of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

**Fourth:** If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Association Property and/or Taxable Public Property at up to 100% of its Maximum Special Tax.

Notwithstanding the above, that Act provides that under no circumstances will the Special Taxes levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District.

**Prepayment of the Special Tax.** The Special Tax levied against Developed Property, Taxable Public Property, and Taxable Association Property may be prepaid. The prepayment amount for an Assessor's Parcel will be equal to the present value of the Maximum Special Tax applicable to such Assessor's Parcel, using a discount rate that is equal to the yield on the Bonds and the remaining term of the Bonds. For any prepayment that occurs prior to the issuance of Bonds, the discount rate used in this calculation shall be 6.5% and the term shall be over which the Special Tax may be levied as provided for in Section I.

Any unpaid Special Taxes, interest, and penalties which have been entered on the Assessor's tax roll that apply to an Assessor's Parcel for which prepayment is sought, shall be paid in addition to the amount determined in the preceding paragraph at the date of prepayment.

To date no Assessor's parcels have prepaid the Special Taxes. Should any such prepayment occur in the future, it will be applied to effect an extraordinary redemption of a portion of the Bonds. See "THE BONDS—Redemption of the Bonds—Extraordinary Redemption from Special Tax Prepayments."

**Levy and Collection of Special Taxes.** The Special Taxes will be levied by the District and collected by the County Treasurer-Tax Collector in the same manner and at the same time as *ad valorem* property taxes. Under the Indenture, all Special Tax revenues received by the District, with the exception of Prepayments which shall be deposited to the Redemption Account, will be deposited in the Special Tax Fund, which will be held by the Trustee on behalf of the District. The Trustee is required to disburse moneys in the Special Tax Fund to the various funds created by the Indenture, and in the order of priority set forth therein. See "—Collection of Special Taxes and Flow of Funds" below.

The following table shows the projected Maximum Special Taxes and projected actual Special Taxes by residential tax category for fiscal year 2013-14.

**TABLE 1  
SPECIAL TAX RATES  
MAXIMUM AND ACTUAL SPECIAL TAXES**

<i>Residential Tax Category</i>	<i>Habitable Square Footage</i>	<i>No. of Dwelling Units</i>	<i>Maximum Tax Per D/U<sup>(1)</sup></i>	<i>Fiscal Year 2013-14 Average Tax Rate Per D/U<sup>(1)</sup></i>	<i>Aggregate Fiscal Year 2013-14 Special Tax<sup>(1)</sup></i>	<i>Percent of Total</i>
1	< 2,501	89	\$3,122.00	\$2,941.92	\$ 261,830.88	65.40%
2	2,501 - 3,100	17	3,409.00	3,212.36	54,610.12	13.64
3	3,101 - 3,700	2	3,910.00	3,684.46	7,368.92	1.84
4	3,701 - 4,300	5	4,089.00	3,853.14	19,265.70	4.81
5	> 4,300	<u>14</u>	4,340.00	4,089.66	<u>57,255.24</u>	<u>14.30</u>
<b>Total</b>		<b>127</b>			<b>\$ 400,330.86</b>	<b>100.00%</b>

<sup>(1)</sup> The Special Tax in the District is being levied at 94.23% of the Maximum Special Tax in Fiscal Year 2013-14. Source: Special District Financing and Administration.

UNDER NO CIRCUMSTANCES MAY THE SPECIAL TAX ON ANY ASSESSOR'S PARCEL EXCEED THE MAXIMUM RATES AS SET FORTH IN APPENDIX A HERETO NOR SHALL THE SPECIAL TAX LEVIED AGAINST RESIDENTIAL PROPERTY BE INCREASED AS A CONSEQUENCE OF DELINQUENCY OR DEFAULT BY THE OWNER OF ANY OTHER ASSESSOR'S PARCEL WITHIN THE DISTRICT BY MORE THAN TEN PERCENT ABOVE THE AMOUNT THAT WOULD HAVE BEEN LEVIED IN THAT FISCAL YEAR HAD THERE NEVER BEEN ANY SUCH DELINQUENCIES OR DEFAULTS. SEE APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" HERETO.

Under the Rate and Method, the owner of a parcel may voluntarily prepay the Special Tax obligation for a parcel in whole or in part. Any voluntary prepayment of Special Taxes will result in a special mandatory redemption of the Bonds and any Parity Bonds. See "THE BONDS — Redemption of the Bonds — *Special Mandatory Redemption from Special Tax Prepayments.*"

***Collection of Special Taxes and Flow of Funds.***

The Special Taxes will be levied and collected by the County Treasurer in the same manner and at the same time as *ad valorem* property taxes. The District will, no later than the last day of each month during which the Special Taxes are apportioned to the District, transfer Special Taxes to the Trustee to be deposited in the Special Tax Fund, except for Special Tax Prepayments, which will immediately be transferred to the Redemption Account of the Special Tax Fund to redeem Bonds in accordance with the Indenture. See "THE BONDS — Redemption of the Bonds — *Special Mandatory Redemption from Special Tax Prepayments.*" The Trustee is required to disburse moneys in the Special Tax Fund in the priority described below:

- First: to the Administrative Expense Account of the Special Tax Fund in an amount necessary to pay the Administrative Expenses, up to the amount of the Administrative Expenses Cap, which is \$25,000 for fiscal year 2013-14 and each fiscal year thereafter;
- Second: To the Interest Account and then the Principal Account, an amount such that the balance in said accounts one Business Day prior to each Interest Payment Date shall be equal to the principal or Sinking Fund Payment of, and interest on, the Bonds on said Interest Payment Date. Moneys in the Interest Account and the Principal Account shall be used

- for the payment of the interest, principal or Sinking Fund Payment of the Bonds as the same become due;
- Third: To the Redemption Account, an amount sufficient to pay the principal of and interest on and any premiums payable on Bonds called for optional redemption or mandatory redemption;
- Fourth: To the Reserve Account of the Special Tax Fund to the extent necessary to replenish the Reserve Account to the Reserve Requirement;
- Fifth: To the Administrative Expense Account of the Special Tax Fund the amount of any Administrative Expenses for the current Bond Year in excess of the Administrative Expenses Cap as directed by the School District;
- Sixth: To the Rebate Fund established by the Indenture for payment to the United States pursuant to the Indenture; and
- Seventh: To the Surplus Fund established by the Indenture such remaining amounts in the Special Tax Fund after making the foregoing transfers on September 1.

Although the Special Taxes will constitute liens on taxed parcels within the District, such taxes do not constitute a personal indebtedness of the owners of property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and others could come into existence in the future in certain situations without the consent or knowledge of the District or the landowners therein. See “SPECIAL RISK FACTORS — Parity Taxes and Special Assessments” herein. There is no assurance that the property owners in the District will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so. See the portion of this Official Statement entitled “SPECIAL RISK FACTORS.”

### **Estimated Debt Service Coverage**

In connection with the issuance of the Bonds, Special District Financing & Administration, the District’s Special Tax Consultant, will certify that the Maximum Special Taxes that may be levied in each fiscal year on assessor’s parcels within the District classified as Developed Property as of March 1, 2013 will be at least equal to the sum of one hundred ten percent of (110%) Maximum Annual Debt Service on the Bonds plus an amount of Administrative Expenses equal to the Administrative Expenses Cap. Actual collections of the Special Tax will depend on the amount of Special Tax delinquencies.

Table 2 below sets forth the debt service coverage on the Bonds based on the projected Assigned Special Tax rates applicable to the 127 homes in the District assuming that no Parity Bonds are issued. If Parity Bonds are issued to finance additional School Facilities in the principal amount of up to \$600,000 as authorized under the Indenture, then actual coverage will be reduced from that shown in Table 2. The District may levy up to the Maximum Special Tax rates on Taxable Property within the District. See “—Special Taxes—Taxable Property” herein. Since Fiscal Year 2007-08, the District has been levying the Special Taxes on Developed Property at the maximum rate and using the proceeds to acquire school facilities. The District will use \$400,000 of the Special Taxes previously collected to deposit an amount equal to the Reserve Requirement in the Reserve Account and to pay a portion of the costs of issuance of the Bonds. The Special Taxes levied prior to Fiscal Year 2013-14 are not pledged to repay the Bonds.

Notwithstanding the debt service coverage amounts shown in Table 2 below, the actual amount of Special Taxes levied in each year is expected to be less than the maximum amounts set forth in Table 2. The District anticipates that, following the issuance of the Bonds, it will reduce the amount levied to pay for facilities. Pursuant to Section 53321(d) of the Government Code, the Special Tax levied against Residential Property shall not be increased as a consequence of delinquency or default by the owner of any other Assessor's parcel within the District by more than ten percent above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, to the extent that the District reduces the amount of Special Taxes levied to pay for facilities, the District may not be able to increase the levy on Residential Property to the Maximum Special Tax to pay for any delinquencies. See "SPECIAL RISK FACTORS—Special Tax Delinquencies."

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**TABLE 2  
COMMUNITY FACILITIES DISTRICT NO. 06-2  
OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT  
MAXIMUM DEBT SERVICE COVERAGE**

<i>Year Ending September 1</i>	<i>Annual Maximum Special Tax Levy<sup>(1)</sup></i>	<i>Less Administration Costs</i>	<i>Net Maximum Special Tax</i>	<i>Estimated Bond Debt Service</i>	<i>Debt Service Coverage Ratio From Maximum Special Tax<sup>(2)(3)</sup></i>	<i>Debt Service Coverage Ratio From Actual Fiscal Year 2013-14 Special Tax<sup>(4)</sup></i>
2014	\$ 424,836	\$ (25,000)	\$ 399,836	\$185,051.24	216.34%	202.83%
2015	424,836	(25,000)	399,836	211,341.26	189.42	177.59
2016	424,836	(25,000)	399,836	215,241.26	185.99	174.38
2017	424,836	(25,000)	399,836	214,041.26	187.03	175.35
2018	424,836	(25,000)	399,836	212,691.26	188.22	176.47
2019	424,836	(25,000)	399,836	216,041.26	185.30	173.73
2020	424,836	(25,000)	399,836	213,961.26	187.10	175.42
2021	424,836	(25,000)	399,836	211,751.26	189.06	177.25
2022	424,836	(25,000)	399,836	214,313.76	186.80	175.13
2023	424,836	(25,000)	399,836	211,583.76	189.21	177.39
2024	424,836	(25,000)	399,836	213,696.26	187.34	175.64
2025	424,836	(25,000)	399,836	215,508.76	185.76	174.16
2026	424,836	(25,000)	399,836	211,988.76	188.85	177.05
2027	424,836	(25,000)	399,836	213,388.76	187.61	175.89
2028	424,836	(25,000)	399,836	214,457.50	186.67	175.01
2029	424,836	(25,000)	399,836	215,182.50	186.04	174.42
2030	424,836	(25,000)	399,836	215,575.00	185.70	174.11
2031	424,836	(25,000)	399,836	215,575.00	185.70	174.11
2032	424,836	(25,000)	399,836	215,325.00	185.92	174.31
2033	424,836	(25,000)	399,836	214,687.50	186.47	174.83
2034	424,836	(25,000)	399,836	213,793.76	187.25	175.56
2035	424,836	(25,000)	399,836	212,343.76	188.53	176.76
2036	424,836	(25,000)	399,836	215,625.00	185.66	174.07
2037	424,836	(25,000)	399,836	213,368.76	187.62	175.91
2038	424,836	(25,000)	399,836	215,843.76	185.47	173.89
2039	424,836	(25,000)	399,836	212,781.26	188.14	176.39
2040	424,836	(25,000)	399,836	214,450.00	186.68	175.02
2041	424,836	(25,000)	399,836	215,581.26	185.70	174.10
2042	424,836	(25,000)	399,836	216,175.00	185.19	173.62
2043	424,836	(25,000)	399,836	211,231.26	189.52	177.69
2044	424,836	(25,000)	399,836	216,018.76	185.32	173.75

(1) Equals Annual Maximum Special Taxes that may be levied under the Rate and Method based on development status as of March 1, 2013.

(2) Equals Net Maximum Special Tax column divided by Estimated Bond Debt Service column.

(3) Pursuant to Section 53321(d) of the Government Code, it is possible that the District may not be able to increase the Special Tax levy to the Maximum Special Tax in future years.

(4) The Fiscal Year 2013-14 Special Tax is being levied at 94.23% of the Maximum Special Tax rate. The coverage ratios in this column are calculated using this percentage.

Source: Special District Financing & Administration.

## **Covenant Not to Reduce Special Tax Rates Unless Certain Conditions are Met**

The District will covenant in the Indenture that it will not take any actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax so long as the Bonds are Outstanding, including the initiation of proceedings under the Act to reduce the maximum Special Tax rates on then existing Developed Property below the amounts which are necessary to pay Administrative Expenses and to provide Special Taxes in an amount equal to 110% of annual debt service on the Outstanding Bonds and any Parity Bonds. The District will further covenant that in the event an initiative is adopted which purports to reduce maximum Special Tax rates or to limit the power of the District to levy Special Taxes for the purposes set forth above, it will commence and pursue legal action seeking to preserve its ability to comply with its covenants. There are no California court cases interpreting the enforceability of the foregoing covenants in light of Article XIII C of the California Constitution. See "SPECIAL RISK FACTORS — Proposition 218."

## **Existing Liens**

The parcels within the District are subject to tax levies to pay for additional services and indebtedness as set forth under the heading "THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Indebtedness" herein.

The lien for the Special Taxes is co-equal to the lien for the overlapping assessments and special taxes and the lien for general property taxes. See "THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Indebtedness."

Except as disclosed in this Official Statement, the District is unaware of any present or contemplated assessment district or community facilities district that includes property within the District. The District has no control, and the School District has only limited control, over 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, will be on a parity with the Special Taxes. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments."

## **No Obligation of the School District Upon Delinquency**

The School District is under no obligation to transfer any funds of the School District into the Special Tax Fund for payment of the principal of or interest on the Bonds if a delinquency occurs in the payment of any Special Taxes. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Proceeds of Foreclosure Sales" for a discussion of the District's obligation to foreclosure Special Tax liens upon delinquencies.

## **Special Taxes Are Not Within Teeter Plan**

The Special Taxes are not encompassed within the alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the California Revenue and Taxation Code (Section 4701 *et seq.*), commonly referred to as the "Teeter Plan." The County of Riverside has adopted a Teeter Plan under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies with the County on the basis of the tax levy, rather than on the basis of actual tax collections. However, by policy, the County does not include special taxes, assessments, or reassessments in its Teeter Plan. As the Special Taxes of the District are not included in the County's Teeter Plan, the District will receive from the County Tax Collector only the actual amount of Special Taxes, penalties and interest collected.

## **Proceeds of Foreclosure Sales**

The net proceeds received following a judicial foreclosure sale of land within the District resulting from a property owner's failure to pay the Special Tax when due are pledged to the payment of principal of and interest on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Collection of Special Taxes and Flow of Funds*" herein.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the Board, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District will covenant in the Indenture for the benefit of the owners of the Bonds that it will commence and diligently pursue to completion, judicial foreclosure proceedings against (i) parcels with delinquent Special Taxes in excess of \$5,000 or more by the October 1 following the close of the fiscal year in which such Special Taxes were due; and (ii) all properties with delinquent Special Taxes by the October 1 following the close of any fiscal year in which the District receives Special Taxes in an amount which is less than 95% of the total Special Tax levied or the amount in the Reserve Account is less than the Reserve Requirement. See APPENDIX D — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — COVENANTS AND WARRANTS" herein.

If foreclosure is necessary and other funds in the Special Tax Fund (including the Reserve Account) have been exhausted, debt service payments on the Bonds could be delayed unless and until the foreclosure proceedings result in the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the District. See "SPECIAL RISK FACTORS — Bankruptcy and Foreclosure" herein. Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See "SPECIAL RISK FACTORS — Property Values" herein. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the School District any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

## **Reserve Account**

In order to further secure the payment of principal of and interest on the Bonds, upon delivery of the Bonds, the District will deposit in the Reserve Account an amount equal to the Reserve Requirement. Thereafter, the District is required, subject to the limits on the levy of the Special Tax, to deposit and to maintain the Reserve Requirement in the Reserve Account at all times while any of the Bonds are outstanding. The Reserve Requirement for the Bonds is defined as the amount equal to the lowest of: (i) 10% of the original proceeds of the Bonds and Parity Bonds; (ii) maximum annual principal and interest requirements on all Bonds outstanding and Parity Bonds; and (iii) 125% of the average annual principal and interest requirements on all Bonds outstanding and Parity Bonds. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — DEFINITION" herein.

Subject to the limits on the maximum annual Special Tax which may be levied within the District, as described in APPENDIX A, the District will covenant to levy Special Taxes in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Account at the Reserve Requirement while any Bonds are outstanding. Amounts in the Reserve Account are to be applied to the payment of (i) redemption of the Bonds or Parity Bonds in whole or in part,

(ii) debt service on the Bonds and Parity Bonds to the extent other moneys are not available therefor, and/or (iii) the principal and interest due on the final maturity of the Bonds and Parity Bonds. In addition, moneys in the Reserve Account may be used to make any required transfer to the Rebate Fund. In the event of a prepayment of Special Taxes, under certain circumstances, a portion of the Reserve Account will be added to the amount being prepaid and be applied to redeem Bonds and Parity Bonds; provided, however, that no such transfer shall be made if it would result in the amount in the Reserve Account being less than the Reserve Requirement. See APPENDIX D — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — CREATION OF FUNDS AND APPLICATION OF PROCEEDS — Reserve Account of the Special Tax Fund” herein for a description of additional requirements.

### **Priority of Bonds and Pledge of Net Taxes**

The District will pledge and assign to the Trustee all Net Taxes for the payment of principal of, premium, if any, and interest on the Bonds. Pursuant to the Act and the Indenture, the Bonds shall be and are equally secured by a pledge of and lien upon the Net Taxes, and certain other amounts on deposit in the Special Tax Fund (other than the Administrative Expense Account therein). So long as any of such Bonds are Outstanding and unpaid, the Net Taxes and the interest thereon may be used only as provided in the Indenture unless the Bondowners authorize other uses of such Net Taxes pursuant to the provisions of the Indenture. Nothing in the Indenture or in any Supplemental Indenture shall preclude the redemption prior to maturity of any Bonds subject to call and redemption or the payment of the Bonds from proceeds of Bonds issued under the Act or under any other law of the State.

## **THE COMMUNITY FACILITIES DISTRICT**

### **General Description of the District**

The District is located in the northwestern portion of the County in the City of Jurupa Valley, east of Interstate 15. The District consists of approximately 39.64 acres of land and is built out with 127 single family homes, 104 of which were sold by the Developer and 23 of which were sold by the original developer of the tract.

### **Description of Authorized Facilities**

The expected total cost of the Facilities to be financed with the proceeds of the Bonds is approximately \$3,244,865. The Facilities authorized to be financed by the District with the proceeds of the Bonds consist of (i) School Facilities, (ii) JARPD Facilities, and (iii) JCSD Facilities. In order to complete certain of the Facilities during the construction of the homes, the Developer and a prior landowner (“Brehm”) had previously advanced funds to the School District for School Facilities in the amount of \$1,371,200.92, to JCSD for water and sewer funds in the amount of \$1,672,590.00 and to JARPD for park improvements in the amount of \$90,000.00. The amounts advanced by the Developer and Brehm have been expended to acquire and construct the Facilities, and the Developer will be reimbursed by the School District, JCSD and JARPD for the amounts so advanced. An additional \$111,073.85 of Bond proceeds will be expended by the District on School Facilities.

The current estimated cost of the Facilities to be financed with proceeds of the Bonds is set forth in Table 3 below.



**TABLE 3  
CORONA-NORCO UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 06-2  
ELIGIBLE FACILITIES**

<i>Facility Description</i>	<i>Estimated Amount</i>
School Facilities	\$ 1,482,274.77
JARPD Facilities	90,000.00
JCSD Facilities	<u>1,672,590.00</u>
	<u>\$ 3,244,864.77</u>

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Source: School District.

**Direct and Overlapping Indebtedness**

The ability of an owner of land within the District to pay the Special Taxes could be affected by the existence of other taxes and assessments imposed upon the property. These taxes currently support the repayment of the direct and overlapping debt set forth in Table 4 below. As of September 1, 2013, the sum of the direct and overlapping tax and assessment debt applicable to the property within the District (excluding the Bonds) was \$606,093. In addition, other public agencies whose boundaries overlap those of the District could, without the consent of the District, and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the property within the District in order to finance public improvements to be located inside of or outside of such area. The lien created on the property within the District through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Taxes. See “SPECIAL RISK FACTORS — Parity Taxes and Special Assessments” herein.

Set forth below is a direct and overlapping debt report prepared by California Municipal Statistics, Inc. as of September 1, 2013. The assessed value of the property within the District was \$48,491,666 for fiscal year 2013-14. The debt report sets forth those entities which have issued debt and does not include entities which only levy or assess fees, charges, *ad valorem* taxes or other special taxes for purposes other than debt service. See Table 4 for all entities levying taxes, assessments and charges in the District that are collected on the tax rolls. The debt report is included for general information purposes only. Although the District has reviewed the debt report, it makes no representations as to its completeness or accuracy.

TABLE 4

**COMMUNITY FACILITIES DISTRICT NO. 06-2  
OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT  
DIRECT AND OVERLAPPING DEBT  
AS OF SEPTEMBER 1, 2013**

2013-14 Local Secured Assessed Valuation: \$48,491,666

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/13</u>
Metropolitan Water District General Obligation Bonds	0.002% <sup>(1)</sup>	\$ 2,866
Riverside City Community College District General Obligation Bonds	0.062	142,129
Corona-Norco Unified School District General Obligation Bonds	0.177	461,098
<b>Corona-Norco Unified School District Community Facilities District No. 06-2</b>	<b>100.000</b>	<b>-</b> <sup>(2)</sup>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$606,093</b>
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.023%	\$163,388
Riverside County Pension Obligations	0.023	80,234
Riverside County Board of Education Certificates of Participation	0.023	902
Corona-Norco Unified School District Certificates of Participation	0.177	<u>51,372</u>
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$295,896</b>
Less: Riverside County supported obligations		<u>2,521</u>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>		<b>\$293,375</b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b>\$901,989<sup>(3)</sup></b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$899,468</b>

Ratios to 2013-14 Assessed Valuation:

Direct Debt .....	0.00%
Total Direct and Overlapping Tax and Assessment Debt.....	1.25%
Gross Combined Total Debt .....	1.86%
Net Combined Total Debt.....	1.85%

<sup>(1)</sup> Based on 2012-13 ratios because the 2013-14 assessed valuation is not yet available for Metropolitan Water District.

<sup>(2)</sup> Excludes issue to be sold.

<sup>(3)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Table 5 below sets forth an estimated property tax bill for a residential unit in each of the five categories established under the Rate and Method for Residential Property in the District. The estimated tax rates and amounts presented herein are based on information for fiscal year 2013-14. The actual amounts charged may vary and may increase in future years. For fiscal year 2013-14, the total effective tax ranged from approximately 2.13% to 2.26% of assessed value.

**TABLE 5**  
**SAMPLE TAX BILL**  
**FISCAL YEAR 2013-14**

Assessor's Parcel No.	152-611-014	152-611-018	152-620-024	152-620-021	152-620-019	
Tract Number	32136	32136	32136	32136	32136	
Lot Number	27	31	55	52	50	
Tax Category	1	2	3	4	5	
Square Footage	2,395	2,594	3,135	3,908	4,706	
Date of Building Permit	10/20/2010	8/3/2010	6/21/2007	6/21/2007	6/21/2007	
Total Assessed Value	\$379,000.00	\$388,000.00	\$401,000.00	\$434,000.00	\$459,000.00	
Less: Homeowner's Exemption	(7,000.00)	0.00	(7,000.00)	0.00	(7,000.00)	
Total Net Assessed Value	<u>\$372,000.00</u>	<u>\$388,000.00</u>	<u>\$394,000.00</u>	<u>\$434,000.00</u>	<u>\$452,000.00</u>	
General Purpose	1.00000%	\$3,720.00	\$3,880.00	\$3,940.00	\$4,340.00	\$4,520.00
Corona-Norco Unified School District	0.06844%	254.60	265.55	269.65	297.03	309.35
Riverside County Community College District	0.01768%	65.77	68.60	69.66	76.73	79.91
Metro Water West	0.00350%	13.01	13.57	13.79	15.18	15.82
General Levy Total	<u>1.08962%</u>	<u>\$4,053.38</u>	<u>\$4,227.72</u>	<u>\$4,293.10</u>	<u>\$4,728.94</u>	<u>\$4,925.08</u>
Flood Control Stormwater/Cleanwater		\$3.74	\$3.74	\$3.60	\$3.74	\$3.82
Corona-Norco Unified School District CFD - 06-2 <sup>(1)</sup>		\$2,941.92	\$3,212.36	\$3,684.46	\$3,853.14	\$4,089.66
Jurupa CSD LMD 2001-2 Zone I		65.72	65.72	65.72	65.72	65.72
Jurupa Park and Rec Maint.		15.00	15.00	15.00	15.00	15.00
Jurupa Park and Rec CFD 2004-2		321.66	321.66	321.66	321.66	321.66
MWD Standby West		9.22	9.22	9.22	9.22	9.22
Jurupa CSD CFD 40 RCFCWCD		29.64	29.64	29.64	29.64	29.64
Jurupa CSD CFD 40 O&M		486.38	486.38	486.38	486.38	486.38
Assessments and Special Taxes Total		<u>\$3,873.28</u>	<u>\$4,143.72</u>	<u>\$4,615.68</u>	<u>\$4,784.50</u>	<u>\$5,021.10</u>
<b>Grand Total</b>		<u><b>\$7,926.66</b></u>	<u><b>\$8,371.44</b></u>	<u><b>\$8,908.78</b></u>	<u><b>\$9,513.44</b></u>	<u><b>\$9,946.18</b></u>
Effective Tax Rate		2.13%	2.16%	2.26%	2.19%	2.20%

<sup>(1)</sup> In fiscal year 2012-13, the Special Taxes were levied at the Maximum Special Tax rate. For fiscal year 2013-14, the Special Taxes were levied at less than the Maximum Special Tax rate. The District expects to levy the Special Taxes at less than the Maximum Special Tax rate in future fiscal years.

Source: Special District Financing & Administration.

## Estimated Assessed Value-to-Lien Ratios

The assessed value of all of the Taxable Property in the District (127 parcels in total), as established by the County Assessor for fiscal year 2013-14, totals \$48,491,666, an increase of \$12,057,264, or approximately 33%, over the fiscal year 2012-13 assessed value. The direct and overlapping special tax and assessment indebtedness, other than the Bonds, within the District as of September 1, 2013 was \$606,093. The estimated assessed value-to-lien ratio of the property within the District, based on the fiscal year 2013-14 assessed value, the aggregate principal amount of the Bonds and the estimated overlapping indebtedness within the District equals approximately 12.41-to-1.

Beginning in 2007 home values in southern California, including in the District, declined substantially. In the District all but 23 of the residential units were completed and sold after 2009. As a result, in the aggregate, the completed and sold residential units have not experienced significant reductions in assessed values. The Special Tax Consultant reviewed the assessed values for 52 homes completed and sold after fiscal year 2009-10 and found that the assessed values increased in the last three fiscal years for these parcels. Notwithstanding the recent increases in assessed valuation, market conditions in the future could change and result in reductions in assessed values for some or all of the residential parcels in the District.

Table 6 below sets forth the estimated value-to-lien ratios for parcels within the District by various ranges based upon the direct and overlapping debt information included in Table 4.

**TABLE 6**  
**ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS**  
**BY RANGES**

<i>Estimated Assessed Value-to-Lien Ratio Range</i>	<i>Number of Parcels</i>	<i>Fiscal Year 2013-14 Special Tax</i>	<i>Maximum 2013-14 Special Tax</i>	<i>Percent of Fiscal Year 2013-14 Special Tax</i>	<i>Pro Rata Share of Outstanding CFD Bonds</i>	<i>Pro Rata Share of Other Debt<sup>(1)</sup></i>	<i>Total Direct and Overlapping Debt</i>	<i>Total Assessed Value</i>	<i>Estimated Assessed Value-to-Lien Ratio</i>
0.00 - 4.99	0	\$ 0	\$ 0	0.00%	\$ 0	\$ 0	\$ 0	\$ 0	N/A
5.00 - 9.99	3	12,269	13,020	3.06	101,135	13,393	114,529	1,071,550	9.36 to 1
10.00 - 14.99	124	388,062	411,816	96.94	3,198,865	592,700	3,791,564	47,420,116	12.51 to 1
15.00 - 19.99	0	0	0	0.00	0	0	0	0	N/A
<b>Grand Total</b>	<b>127</b>	<b>\$400,331</b>	<b>\$424,836</b>	<b>100.00%</b>	<b>\$3,300,000</b>	<b>\$606,093</b>	<b>\$3,906,093</b>	<b>\$ 48,491,666</b>	<b>12.41 to 1</b>

<sup>(1)</sup> Direct and overlapping tax and assessment debt as identified by California Municipal Statistics, Inc.  
Source: Special District Financing & Administration.

## Delinquency History

Table 7 below is a summary of Special Tax levies, collections and delinquency rates in the District for Fiscal Years 2007-08 through the first installment of Fiscal Year 2012-13.

**TABLE 7**

**COMMUNITY FACILITIES DISTRICT NO. 06-2  
OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT  
SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES  
FISCAL YEARS 2007-08 THROUGH 2012-13**

Fiscal Year	Amount Levied	Parcels Levied	Delinquencies at Fiscal Year End			Delinquencies as of July 1, 2013		
			Parcels Delinquent	Amount Delinquent	Percent Delinquent	Parcels Delinquent	Amount Delinquent	Percent Delinquent
2007-08	\$ 88,493.00	22	0	\$ 0.00	0.00%	0	\$ 0.00	0.00%
2008-09	88,493.00	22	1	2,044.50	2.31	0	0.00	0.00
2009-10	93,693.66	23	0	0.00	0.00	0	0.00	0.00
2010-11	187,242.00	52	1	3,122.00	1.67	0	0.00	0.00
2011-12	371,475.00	110	1	3,122.00	0.84	1	3,122.00	0.84
2012-13	396,451.00	118	1	3,122.00	0.79	1	3,122.00	0.79

Source: Special District Financing & Administration.

### THE CORONA-NORCO UNIFIED SCHOOL DISTRICT

*The following information relating to the School District is included only for the purpose of supplying general information regarding the School District. Neither the faith and credit nor taxing power of the School District has been pledged to the payment of the Bonds, and the Bonds will not be payable from any of School District's revenues or assets.*

#### General Information

The School District, established in 1948, is located in the northwestern portion of the County at the Intersection of the U.S. Interstate 15 and State Route 91 Freeways, adjacent to Orange County. The School District encompasses within its boundaries the City of Corona, the City of Norco, the City of Jurupa Valley, and the City of Eastvale and a portion of the unincorporated territory of the County. The School District's jurisdiction includes approximately 148 square miles. The enrollment in the School District during fiscal year 2013-14 is approximately 54,300 students.

The governing board of the School District consists of five elected members, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their offices and the dates their terms expire, are listed below: A president is elected by members of the board each year. The day-to-day affairs of the School District are the responsibility of its Superintendent.

*Linda White, Assistant to the Superintendent*, was appointed to the position on July 1, 2013. She previously worked in the Special Education Department as an Administrative Director for four years and Director for four years prior. Ms. White served as the Principal and Assistant Principal in the Home Gardens Elementary School as well as teaching various grades within the school.

## **SPECIAL RISK FACTORS**

The Bonds have not been rated by a rating agency. The purchase of the Bonds involves significant risks and, therefore, the Bonds are not suitable investments for many investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See “— Property Values” and “— Limited Secondary Market” below.

### **Risks of Real Estate Secured Investments Generally**

The Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses; (iv) adverse changes in local market conditions; and (v) increased delinquencies due to rising mortgage costs and other factors.

No assurance can be given that the individual property owners will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “— Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

### **Limited Obligations**

The Bonds and interest thereon are not payable from the general funds of the School District. Except with respect to the Special Taxes, neither the credit nor the taxing power of the District or the School District is pledged for the payment of the Bonds or the interest thereon; and, except as provided in the Indenture, no Owner of the Bonds may compel the exercise of any taxing power by the District or the School District or force the forfeiture of any School District or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the School District or a legal or equitable pledge, charge, lien or encumbrance upon any of the School District’s or the District’s property or upon any of the School District’s or the District’s income, receipts or revenues, except the Special Taxes and other amounts pledged under the Indenture.

### **Insufficiency of Special Taxes**

The principal source of payment of principal of and interest on the Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the District. The annual levy of the Special Tax is subject to the maximum tax rates authorized. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other

available funds, will not be sufficient to pay debt service on the Bonds. Other funds which might be available include funds derived from the payment of penalties on delinquent Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent.

The levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular Taxable Property and the amount of the levy of the Special Tax against such parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of such parcels and the proportionate share of debt service on the Bonds, and certainly not a direct relationship.

The Special Tax levied in any particular tax year on a Taxable Property is based upon the revenue needs and application of the Rate and Method. Application of the Rate and Method will, in turn, be dependent upon certain development factors with respect to each Taxable Property by comparison with similar development factors with respect to the other Taxable Property within the District. Thus, in addition to annual variations of the revenue needs from the Special Tax, the following are some of the factors which might cause the levy of the Special Tax on any particular Taxable Property to vary from the Special Tax that might otherwise be expected:

- (1) Failure of the owners of Taxable Property to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels of Taxable Property.
- (2) Reduction in the amount of Taxable Property, for such reasons as acquisition of Taxable Property by a government 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 parcels of Taxable Property.

Except as set forth above under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” herein, the Indenture 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 AND SOURCES OF PAYMENT FOR THE BONDS — Proceeds of Foreclosure Sales” 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 *ad valorem* property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the District of the proceeds of sale if the Reserve Account is depleted. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Proceeds of Foreclosure Sales.”

### **Natural Disasters**

The District is located in the northwest portion of the County, a seismically active region in Southern California. Significant fault zones in this region include the Chino Central Avenue Fault, the San Jacinto Fault, the Cucamonga Fault and the San Andreas Fault. There is significant potential for destructive ground-shaking during the occurrence of a major seismic event. In addition, land along these fault lines may be subject to liquefaction during the occurrence of such an event. The land within the County is subject to wildfires that could significantly damage properties in the vicinity of the fire. In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

## **Hazardous Substances**

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel 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 State 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 taxed parcels 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.

The value of the property within the District, as set forth in the various tables herein, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The District has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within the District has such a current liability with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the District is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

### **Payment of the Special Tax is not a Personal Obligation of the Owners**

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the District has no recourse against the owner.

### **Property Values**

The value of the taxable property within the District is an important factor in evaluating the investment quality of the Bonds. In the event that a property owner defaults in the payment of Special Tax installment, the District’s only remedy is to judicially foreclose on that property. Prospective purchasers of the Bonds should not assume that the property within the District could be sold for the assessed values described herein at a foreclosure sale for delinquent Special Tax installments or for an amount adequate to pay delinquent Special Tax installments.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, increased or decreased annually by an amount determined by the Riverside County Assessor based on current market conditions, generally not to exceed an increase of more than 2% per fiscal year from the date of purchase (except in the case of new construction subsequent to such acquisition). No assurance can be given that a parcel could actually be sold for its assessed value. See “— Risks of Real Estate Secured Investments Generally” above.



The actual market value of the property is subject to future events such as a downturn in the economy, occurrences of certain acts of nature and the decisions of various governmental agencies as to land use, all of which could adversely impact the value of the land in the District which is the security for the Bonds. As discussed herein, many factors could adversely affect property values within the District.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Proceeds of Foreclosure Sales.”

### **Parity Taxes and Special Assessments**

Property within the District is subject to taxes and assessments imposed by public agencies also having jurisdiction over the land within the District. See “THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Indebtedness.”

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation and other federal agencies and instrumentalities. See “— Bankruptcy and Foreclosure” below.

**Neither the District nor the School District, however, has control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the District. In addition, the property owners within the District may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or assessments. Any such special taxes, *ad valorem* taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for the property within the District described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Indebtedness.”**

### **Disclosures to Future Purchasers**

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value is sufficient may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel, and/or was informed of the maximum tax rate and the risk of such a levy and the ability of such owner to pay the Special Tax as well as pay other expenses and obligations. The School District has caused a Notice of the Special Tax to be recorded in the Office of the Recorder for the County against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the District or lending of money thereon.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by

a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

### **Special Tax Delinquencies**

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, are customarily billed to the properties within the District on the *ad valorem* property tax bills sent to owners of such properties. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Estimated Debt Service Coverage” and “—Proceeds of Foreclosure Sales,” for a discussion of limitations on the ability of the District to increase Special Tax rates following delinquencies and of the provisions which apply, and procedures which the District is obligated to follow under the Indenture, in the event of delinquencies in the payment of Special Taxes. See “FDIC/Federal Government Interests in Properties” and “— Bankruptcy and Foreclosure” below, for a discussion of the policy of the Federal Deposit Insurance Corporation (the “FDIC”) regarding the payment of special taxes and assessment and limitations on the District’s ability to foreclose on the lien of the Special Taxes in certain circumstances.

Pursuant to Section 53321(d) of the Government Code, the Special Tax levied against any Assessor’s parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor’s parcel within the District by more than ten percent above the amount that would have been levied in that fiscal year has there never been any such delinquencies or defaults. As a result, in the event of Special Tax delinquencies or defaults, it is possible that the District may not be able to levy the necessary amount of Special Taxes to cover debt service in a given year.

### **FDIC/Federal Government Interests in Properties**

The ability of the District to collect interest and penalties specified by the Act and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to parcels in which the FDIC, or other federal government entities such as Fannie Mae, Freddie Mac, the Drug Enforcement Agency, the Internal Revenue Service or other federal agency, has or obtains an interest.

In the case of FDIC, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the applicable Special Tax is not paid, the remedies available to the District may be constrained. The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that taxes other than *ad valorem* taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the non-payment of taxes.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the Ninth Circuit Court of Appeals issued a ruling

favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale.

In the case of Fannie Mae and Freddie Mac, in the event a parcel of taxable property is owned or guaranteed by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned or guaranteed by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. 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, anything in the Constitution or Laws of any State to the contrary notwithstanding.” 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. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property 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 owns or guarantees a mortgage interest in the parcel and the District 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. For a discussion of risks associated with taxable parcels within the District becoming owned by the federal government, federal government entities or federal government sponsored entities, see “— Insufficiency of Special Taxes.”

### **Bankruptcy and Foreclosure**

Bankruptcy, insolvency and other laws generally affecting creditors’ rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners’ taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights (such as the Soldiers’ and Sailors’ Relief Act of 1940) or by the laws of the State relating to judicial foreclosure. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Proceeds of Foreclosure Sales.” In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Secondly, the federal Bankruptcy Code might prevent moneys on deposit in the Special Tax Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against a landowner in the District and if the court found that any of such landowners had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount and priority of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in procuring Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or

default in payment of the principal of, and interest on, the Bonds and the possibility of delinquent tax installments not being paid in full.

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 moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

### **Funds Invested in the County Investment Pool**

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county. Following payment of the Special Taxes to the District, such funds may be invested in the name of the School District or the District for a period of time in the County investment pool. In the event of a petition of or the adjustment of County debts under Chapter 9 of the Federal Bankruptcy Code, a court might hold that the Bond Owners do not have a valid and/or prior lien on the Special Taxes or debt service payments where such amounts are deposited in the County investment pool and may not provide the Bond Owners with a priority interest in such amounts. In that circumstance, unless the Bond Owners could "trace" the funds that have been deposited in the County investment pool, the Bond Owners would be unsecured (rather than secured) creditors of the County. There can be no assurance that the Bond Owners could successfully so trace the Special Taxes or debt service payments.

### **No Acceleration Provision**

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture and further subject to the prior lien of owners of Bonds, an owner is entitled to the equal benefit and protection of the other owners of a series similarly situated to pursue certain remedies described in APPENDIX D — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — EVENTS OF DEFAULT; REMEDIES — Remedies of Owners." See also "— Limitations on Remedies" herein.

### **Limited Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the District has committed to provide certain statutorily required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. See "INTRODUCTION — Continuing Disclosure" and APPENDIX E — "FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE DISTRICT." Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds 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.

## **Proposition 218**

An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State at the November 5, 1996, general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The provisions of the Initiative have not yet been interpreted by the courts, although a number of lawsuits have been filed requesting the courts to interpret various aspects of the Initiative. The initiative could potentially impact the Special Taxes otherwise available to the District to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIIC states that “...the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure, which includes notice, hearing, protest and voting requirements to alter the rate and method of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the District or the Board, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the District will covenant in the Indenture that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels of Developed Property within the District to less than an amount projected to equal to 110% of annual debt service each year on the Outstanding Bonds plus the Administrative Expense Requirement. In connection with the foregoing covenant, the District has made a legislative finding and determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Bonds. The District also will covenant in the Indenture that, in the event an initiative is adopted which purports to alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Covenant Not to Reduce Special Tax Rates Unless Certain Conditions are Met” herein.

The interpretation and application of the Initiative will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “— Limitations on Remedies.”

## **Ballot Initiatives and Legislative Measures**

Articles XIII A, XIII B, XIII C and XIII D of the California Constitution were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the School District, or local districts to increase revenues or to increase appropriations or on the ability of the landowners within the District to complete the remaining proposed development.

## **Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS," the interest on the Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds as a result of acts or omissions of the District or the School District in violation of certain provisions of the Internal Revenue Code of 1986, as amended (the "Code") and the covenants of the Indenture. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the District will covenant in the Indenture not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the redemption provisions of the Indenture. See "THE BONDS — Redemption of the Bonds."

Current or future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislative changes have been proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Bonds. The introduction or enactment of any of the pending or future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is possible that subsequent to the issuance of the Bonds there might be federal, State, or local statutory changes (or judicial or regulatory interpretations of federal, State, or local law) that affect the federal, State, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur. See "TAX MATTERS" below.

## **IRS Audit of Tax-Exempt Bond Issues**

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

## **Limitations on Remedies**

Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or others similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

## **CONTINUING DISCLOSURE**

Pursuant to a Continuing Disclosure Agreement (the "Disclosure Agreement") with Special District Financing & Administration, as disclosure dissemination agent, the District will agree to provide, or cause to be provided, to the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found on the Internet at [www.emma.msrb.org](http://www.emma.msrb.org), on an annual basis certain financial information and operating data concerning the District. The District will further agree to provide notice to EMMA of certain listed events. These covenants will be made in order to assist the Underwriter in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission. See APPENDIX E hereto for a description of the specific nature of the annual reports to be filed by the District and notices of certain events to be provided by the District. The District has not previously entered into an undertaking with respect to Rule 15c2-12(b)(5). Additionally, within the last five years, neither the School District, nor any of its other community facilities districts, failed to timely comply with their respective continuing disclosure obligations under rule 15c2-12(b)(5) in all material respects. However, the Corona-Norco Unified School District Public Financing Authority (the "Authority"), an entity that was formed by the School District and has issued certain debt obligations for the benefit of the School District, did fail within the last five years to make timely filings of certain notices of material events related to ratings downgrades of municipal bond insurers insuring certain of the Authority's outstanding bonds. The Authority is now current on all of its filings. The full text of the form of Disclosure Agreement is set forth in APPENDIX E.

## **TAX MATTERS**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment to current earnings in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

In the opinion of Bond Counsel, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable Bond. The amount of original issue discount that accrues to the Beneficial Owner of the Bonds is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

## Outline for Administration of AD Liens and Bonds

1. Lien Administration Considerations
  - a. assessment administrator on the team at the outset
  - b. establishing who's going to be responsible for what
  - c. planning for administration costs
2. Lien Imposition
  - a. recording steps
    - i. knowing your way around the County Recorder's Office
    - ii. making sure assessment diagram and Notice of Assessment conform to Section 3110 et. Seq.
    - iii. Section 3116 with respect to recording fees
  - b. establishing the cut-off date on parcel records for fixed-lien assessments
    - i. if parcels change after assessment diagram recorded, will have to process an apportionment
  - c. funding of bond interest needed before tax roll collection starts
  - d. establishing the collection mechanism
    - i. liaison with the County Auditor
      1. what format will the Auditor require for installment collections
    - ii. who prepares the posting record?
    - iii. know what gives with the Teeter Plan in the particular county
3. Cash Payments to Discharge Liens
  - a. pre-bond issuance payments; preparing the Paid and Unpaid List prior to bond issuance
  - b. post-bond issuance payments
    - i. formula for calculating amount required in Section 8766
      1. who calculates the amount required
    - ii. need to conduct a bond call



1. the "strip call" procedure
  - c. recording the addendum to the Notice of Assessment required by Section 3114.3
4. Scheduled Collections on the Tax Roll
  - a. driven by debt service schedule for bonds
  - b. information formatted per County Auditor's specs
  - c. preparing the annual posting record
    - i. the problem of changing tax parcel numbers
  - d. adjusting installments for various post-issuance credits
    - i. surplus distribution
    - ii. excess interest earnings
    - iii. Section 10205 moneys and proceeds of contingent assessments
5. Administering the Money
  - a. investment of bond proceeds
    - i. who's responsible
      1. local agency financial officer
      2. Fiscal Agent
      3. Trustee
    - ii. defining "Permitted Investments"
      1. state law – Government Code Section 53601
      2. local agency investment policies
      3. bond insurer or rating agency
    - iii. where do the interest earnings go?
      1. set aside for rebate
  - b. handling the scheduled collection proceeds
    - i. flow of funds set out in the bond issuance documents

- ii. controls on the expenditures
        - 1. disbursement request form specified?
        - 2. who signs off?
    - c. handling unscheduled proceeds
      - i. delinquency reinstatement proceeds and foreclosure sale proceeds
        - 1. restoring the Reserve Fund or source from which funds were advanced
      - ii. property owner payoff of lien
      - iii. other (continent assessments)
6. Apportionments of Fixed-Lien Assessments
  - a. who's responsible for what?
  - b. the statutory obligation
    - i. Government Code Section 66493
    - ii. requires coordination
  - c. general rule – follow original spread rules in apportioning the lien to the new parcels, tempered by common sense
  - d. the two statutory procedure:
    - i. application procedure - the preferred approach, with applicant depositing costs with application
    - ii. notice and hearing procedure – recover the costs on the next installment
  - e. the follow-up recording steps and modifications to assessment roll for calculating annual installments
7. Delinquencies and Foreclosures
  - a. the foreclosure covenant
  - b. monitoring delinquencies
  - c. local agency policy and practice respecting initiation of collection efforts
  - d. stripping the delinquencies from the tax roll
  - e. a word about bond tenders – Section 8688

**- NOTICE OF ASSESSMENT -  
City of Newport Beach  
Assessment District No. 103**

Assessment No.: «asmt\_no»  
Assessor's Parcel No.: «apn»  
Property Address: «parcel\_address»

**NOTICE IS HEREBY GIVEN THAT:**

1. On July 28, 2009, the City of Newport Beach City Council approved the levy of an assessment to pay for the undergrounding of overhead utilities within your neighborhood. Of the ballots returned by the property owners, over 53%, by weighted assessment, were in favor of forming the Assessment District. The assessment to pay for these improvements has been recorded in the office of the Superintendent of Streets of the City of Newport Beach, 3300 Newport Blvd, Newport Beach, CA 92663. The Assessor Parcel Number representing your property and the Total Assessment amount attributable to that parcel are shown below.
2. On or before August 31, 2009 you may choose to pay all or a part of your Total Assessment. Credit card payments will **not** be accepted. Please make your check or money order payable to the City of Newport Beach and put the Assessor's Parcel Number on your check. Send your payment (along with the bottom part of this notice) to:

City of Newport Beach  
Director of Finance  
3300 Newport Blvd  
Newport Beach, CA 92663

Please note there are two (2) possible payment options to choose from described below:

- **Payment Option No. 1 – Pay the Assessment in full by August 31, 2009, and remove the entire lien from your property:**

If you pay the **Total Lien Payoff Amount**, shown below, the entire Total Assessment lien will be removed from your property. The payoff amount is the Total Assessment amount less 13% since no financing costs will be incurred prior to payoff. These amounts are shown below.

Total Assessment: «total\_asmt»

Total Payoff Amount: «payoff\_amt»

- **Payment Option No. 2 – Choose to make no payment or a partial payment of the total assessment by August 31, 2009:**

If you pay a partial payment or do not pay any portion of the assessment by August 31, 2009, then the unpaid assessment will remain a lien on your property. Bonds will be issued reflecting the unpaid amount of the Total Assessment. Bonds, bearing interest at a rate not to exceed twelve percent (12%) per annum, will be issued pursuant to the Improvement Bond Act of 1915, of Division 10 of the Streets and Highways Code of California. The exact interest rate on the bonds will not be known until the time of bond sale. The last installment of the bonds will mature not later than fourteen (14) years from the second day of September next succeeding twelve (12) months from their date (these will be 15-year bonds). Annual installments of principal, interest and administrative fees will be collected with your property tax bill.

3. After bonds are issued, assessments may be paid off by paying the remaining principal amount or any portion of it, the applicable bond redemption premium, interest to the next available bond call date, an administrative fee fixed by the City and any outstanding delinquencies and penalties.

If you have any questions, please call Iris Lee at (949) 644-3323 or Peter Tauscher at (949) 644-3316. You may also e-mail your questions to [ILee@newportbeachca.gov](mailto:ILee@newportbeachca.gov) or [PTauscher@newportbeachca.gov](mailto:PTauscher@newportbeachca.gov).

Dated as of July 31, 2009

Iris Lee, PE  
Senior Civil Engineer  
City of Newport Beach

✂ Please cut along this line and return the bottom to the City of Newport Beach with your payment ✂

Assessment No.: «asmt\_no»  
Assessor's Parcel No.: «apn»  
Property Address: «parcel\_address»

**Total Assessment:** «total\_asmt»

**Total Payoff Amount:** «payoff\_amt»

This amount represents the Total Assessment amount less 13%, since no financing cost will be incurred prior to payoff. (See Item 2 – Payment Option No. 1, above.)

«owner»  
«Owner2»  
«mailing\_street»  
«mailing\_citystzip»

**Total Enclosed: \$** \_\_\_\_\_

RECORDING REQUESTED AND  
AFTER RECORDATION RETURN TO:  
City Clerk  
City of Newport Beach  
3300 Newport Boulevard  
Newport Beach, CA 92663-3884

**NOTICE OF ASSESSMENT**

**CITY OF NEWPORT BEACH**

**Assessment District No. 103 (G St / E Balboa Blvd / Channel Rd / Ocean Blvd)**

Pursuant to the requirements of Section 3114 of the Streets and Highways Code of California, the undersigned City Clerk of the City of Newport Beach, County of Orange, State of California, hereby gives notice that a diagram and assessment were recorded in the office of the Superintendent of Streets of the City, as provided for in the Section, and relating to the real property more particularly described on that certain assessment diagram filed in accordance with the Section, in Book \_\_\_ of Maps of Assessments and Community Facilities Districts at Pages \_\_\_ through \_\_\_ in the office of the County Recorder of the County of Orange.

Notice is further given that upon the recording of this Notice in the office of the County Recorder, the several assessments assessed on the lots, pieces and parcels as shown on the filed assessment diagram shall become a lien upon the lots or portions of lots assessed, respectively. The City of Newport Beach City Council approved the assessment on July 28, 2009.

Reference is made to the diagram and assessment recorded in the office of the Superintendent of Streets of said City.

The name or names of the assessed owners as they appear on the latest secured assessment roll are set forth in Exhibit "A" hereto attached and by reference incorporated herein.

Dated: \_\_\_\_\_, 2009

\_\_\_\_\_  
City Clerk, City of Newport Beach

## Exhibit "A"

### Assessment District No. 103 (G St / E Balboa Blvd / Channel Rd / Ocean Blvd) Property Owner List

APN	OWNER NAME
048-191-02	CUMMINGS, SUZANNE GREGG
048-191-03	FOWLER, KRISTEN
048-191-04	LEE, ROBERT E
048-191-05	SELDERS, JULIE G
048-191-06	BALL, CHRISTOPHER J
048-191-07	BARANYAY, MIKEL C
048-191-08	AVERY, WILLIAM BRADLEY
048-191-09	REXMERE LAKE VILLAGE LLC
048-191-10	POELSTRA, GARY
048-191-11	GIESLER, HOWARD
048-191-14	MUTH, JAMES T II
048-191-15	LEFFLER, RICHARD ABBOTT
048-191-16	GIORDANO, SANDRA L
048-191-19	MATOS, JOANN GAULDEN
048-192-01	OFT, FAMILY CORP THE
048-192-02	ANDERSON, WILLIAM E TR & LIVING TRUST
048-192-03	MORTENSON, KAY H
048-192-04	GATES, CHARLES EDWARD TR & FAMILY TR
048-192-05	ABRAMOWITZ, PHILIP
048-192-06	FUHRMANN, BRUCE
048-192-07	MAYER, EMIL D
048-192-08	MULLIN, MICHAEL
048-192-09	COLLINS, JAMES B & LORIE R
048-201-02	MC WILLIAMS, JOHN G
048-201-03	WOOD, CHARLES W
048-201-04	PAROTTI, JOSEPH M
048-201-05	HOLMES, PAUL
048-201-06	TOBIN, THOMAS B
048-201-07	OSWALD, THOMAS P
048-201-08	GARRETT, PHILIP L
048-201-09	KIRBY, SCOTT M & RHONDA A
048-201-10	JABARA, GARY
048-201-11	JABARA, GARY
048-201-12	ASPER, BRUCE E & SANDRA D
048-201-13	COGBILL, BRIAN C
048-201-14	KING, ROBERT W
048-201-15	TAKEMOTO, ARTHUR M JR
048-201-16	FRICKER, MARK A
048-201-17	SHEPHERD, STEPHEN R
048-201-18	DAILY, STEVEN R
048-201-19	NICHOLSON, GERALD T
048-201-20	CASTRONOVA, DANIEL C
048-201-21	ALDER, HORACE B
048-201-22	STAFFORD, RICHARD TIMBERLAKE
048-201-23	BLAHA, JOHN JOSEPH
048-201-24	WALKER, ROBERT R
048-201-25	MELLEN, LINDA D
048-201-26	JAMIDAR, PRIYA & MELISSA S
048-201-29	GODBER, JAMES R
048-201-30	CORUM, SUSAN LARKEY
048-201-31	ROSENBERGER, DAVID W

**Exhibit "A"****Assessment District No. 103 (G St / E Balboa Blvd / Channel Rd / Ocean Blvd)  
Property Owner List**

<b>APN</b>	<b>OWNER NAME</b>
048-201-32	FLOTRON, MARK & KIMBERLEE GENOFILE
048-201-33	RODRIGUEZ, EDWARD J & MARTHA A
048-201-34	TOOHEY, THOMAS D
048-201-37	WELBOURN, JOHN RUSSELL
048-201-38	MC NEISH, STANLEE B
048-201-39	DE ROUSSE, GARY EUGENE
048-201-40	BLAHA, JOHN JOSEPH
048-201-41	WALKER, DARLINE R
048-201-44	DIMICK, BRIAN L
048-201-45	ARMBRUSTER, THOMAS E
048-201-46	BRAWLEY, JOHN B JR
048-201-47	MATHIES, WILLIAM A
048-201-48	PERRING, JOSEPH L
048-201-50	OLSON, GEORGE A
048-201-51	EASTERBROOK, FRANK N
048-201-52	TOOHEY, THOMAS D
048-211-02	GUTHRIE, JOHN
048-211-03	SCHOTZ, ERIC ROBERT
048-211-05	YEOMANS, JOHN RAY
048-211-06	CLARK, HOWARD ALAN
048-211-08	ROYSE, STEVEN B
048-211-09	SCANLON, MARK
048-211-10	RICHMAN, STEVEN N
048-211-11	ANDERSON, RONALD E
048-211-12	LANTING, RONALD J & LORENE C
048-211-13	LINHOFF, RALPH STRATTON
048-211-14	ELLIOTT, STEVEN
048-211-15	BAKER, BYRON DOUGLAS
048-211-17	PECK, DONALD W
048-211-18	HAMILTON, MARY R
048-211-19	PAYNE, EUGENE L JR
048-211-20	FRANK, BEAZ A
048-211-21	SCHNEIDER, MARK E & MARY
048-211-22	ODELL, ROBERT C
048-211-23	REILLY, PATRICK C
048-211-25	VAIRO, JOHN R
048-211-27	MOSS, ROBERT J & SUSAN J
048-211-28	MOSES, LINDA L
048-211-30	CARPENTER, SANDRA & JOHN F
048-211-31	D'AQUILA, BERNARDINO & LIA
048-211-32	CLARK, WARREN J
048-211-34	DIETRICK, WILLIAM R
048-211-35	JOHNS, JEAN C
048-211-36	CONZONIRE, RONALD H & MARILYN L
048-211-37	THOMSEN, GARY CLARKE
048-211-38	BECKMAN, MICHAEL & JEAN
048-211-39	ABEL, JOHN K & DEBORAH K
048-211-40	LORA, MICHAEL R
048-221-01	SCALZO, NICHOLAS B
048-221-02	GOBEL, JANIS
048-221-03	KRAUS, FAMILY PARTNERSHIP LP



## Exhibit "A"

### Assessment District No. 103 (G St / E Balboa Blvd / Channel Rd / Ocean Blvd) Property Owner List

APN	OWNER NAME
048-221-06	ROBERTS, ZOE B
048-221-10	MILLER, TERESE A
048-221-11	FREDERICK, JEFFREY D
048-221-12	HOGAN, THOMAS
048-221-13	GOODING, JOHN P
048-221-14	BAER, S RONALD L
048-221-18	STILES, ROBERT A
048-221-19	BURGESS, TIM J
048-221-20	PETERSON, ROBERT G & JANET R
048-221-21	PAULSON, DONALD H
048-221-22	BENDEL, SALLY O NEILL
048-221-24	COREY, SHARON I
048-221-26	JAVELERA, MARY ANN LUCILLE
048-221-27	JAVELERA, MARY ANN LUCILLE
048-221-28	PAPPAS, PAULETTE
048-221-29	SCHMIDT, ROBERTA USHER
048-221-30	DETLING, LOIS BANTA
048-221-31	WASLEY, RICHARD JONATHON & WENDY LEE
048-221-32	ESPENSCHIED, MARY FRANCES
048-221-33	EVANS, ANDREW J II & JANE P
048-221-34	ARCHIE, DAVID S & ANN K
048-221-35	BRIGANDI, CHRIS & CHRISTY
048-222-01	JOHNSON, MARGARET R
048-222-02	CAVANEY, BYRON M JR
048-222-03	MUENCHOW, JEROME C & SARA J
048-222-04	PUCCIO, KENNETH J
048-222-05	BOGGESS, WILLIAM W
048-222-06	WILTCHIK, YVONNE L
048-222-07	LESSARD, DARRALD G
048-222-08	HOMER, MILTON R
048-222-09	CAMPBELL, GARY A
048-222-10	HARTLESS, FRANK J JR & KATHY A
048-222-11	PETTI, ROBERT E
048-222-16	WAYDELICH, JAMES C
048-222-19	HANAWALT, WARD
048-222-20	GURR, JOHN W
048-222-21	BRAME, ALICE PARIS
048-222-22	RHODES, JOHN E & JUDY A
048-222-23	KRANYAK, BARBARA A & EDWARD
048-222-24	PERLMAN, NEIL
048-222-25	BROWN, JOHN & KATHLEEN
048-222-26	BROWN, JOHN D
048-222-27	MC GUY, JAMES W
048-222-28	KIRCHNER, NINA VERMOYNE
048-222-29	KUMAR, NIRMAL
048-222-30	DAVIS, DONALD G
048-222-31	WARNER, ROBERT E SR
048-222-32	MARR, LOIS M
048-222-33	WRIGHT, STEWART REX
048-222-34	KEYS, DONALD
048-222-35	CUMMINS, ALAN & BONNIE

## Exhibit "A"

### Assessment District No. 103 (G St / E Balboa Blvd / Channel Rd / Ocean Blvd) Property Owner List

APN	OWNER NAME
048-222-36	FRIEDMAN, ARTHUR S
048-222-37	BENNETT, JON L JR
048-251-02	KINNEY, ROBERT I & CATHERINE S
048-251-03	POWERS, ALICE M
048-251-04	JALET, JAMES G III & LU ANN M
048-251-05	LAMBIE, JOAN B
048-251-06	JOHANSEN, JAMES ROBERT
048-251-07	HILKER, MARY LOU
048-251-14	HOFMANN, LEROY W
048-251-15	BAILEY, ELIZABETH H
048-251-16	DAVIS, MARC P
048-251-17	FOHRMAN, RALEIGH S
048-251-18	COLLINS, TIMOTHY C
048-251-19	BECKER, MARK S
048-251-20	SNYDER, DOUGLAS G
048-251-21	ST CLAIR, JOAN C
048-251-22	LOCKE, ARCHIE Y
048-251-23	GERIAK, JAMES WILLIAM
048-251-24	MC MAHON, WILLIAM J
048-251-25	BIBB, JOHN M & KIMBERLY PEASE
048-251-26	WADSWORTH, JOHN S III
048-251-27	WADSWORTH, JOHN S III
048-251-28	KUSBY, EDWARD D
048-251-29	TOLER, NANCY B
048-251-30	ERICKSON, RALPH E
048-251-31	GESSFORD, SUSAN
048-251-32	DEATON, KARRIE L
048-251-33	LEWIS, ALICE N
048-251-34	MARSHALL, JOHN W
048-251-35	RAWLINGS, GARY L
048-251-37	MORABITO, CARL
048-251-38	O'BECK, RICHARD & PATRICIA
048-252-02	JOHNSON, CATHERINE
048-252-03	DE LAWTER, CHARLES PIERRE
048-252-05	MC NAMEE, ANN
048-252-10	BLEDSON, ALAN A
048-252-11	THOMSON, FRANKLIN GREG & JILL RENEE
048-252-12	SIMS, WAYNE R
048-252-13	MALE, ALFRETTE B
048-252-14	GUENTHER, ALAN S & LINDA A
048-252-15	SOMERS, LAWRENCE
048-252-16	FITZGEORGE, KELLEEN ANN
048-252-17	RIFE, ROBERT S
048-252-18	KEPHART, LESTER E
048-252-19	MAAS, RALPH W
048-252-20	FRIEDMAN, JERALD & JUDITH
048-252-21	WHITEHEAD, JAMES W
048-261-01	FIGGE, SCOTT J
048-261-02	AVER, BONNIE J
048-261-03	HOWARD, JOHN E
048-261-04	PARGO LLP



## Exhibit "A"

### Assessment District No. 103 (G St / E Balboa Blvd / Channel Rd / Ocean Blvd) Property Owner List

APN	OWNER NAME
048-261-05	MCEWEN, DAVID R
048-261-06	BURNISON, GARY D & LESLIE
048-261-07	FULLER, RICHARD H
048-261-08	D'ELISCU, JEFFREY B
048-261-09	ERNST, JOHN W
048-261-11	CAHILL, PATRICK A
048-261-12	ANDRUS, TERRY C
048-261-13	PIANI, RICHARD D & SHANNA E
048-261-14	CAHILL, PATRICK A
048-261-15	SWIFT, TOM & KELLY
048-261-16	LAZICKI, WALTER H
048-261-17	ALLEN, LAWRENCE W
048-261-18	RHYMER, DONALD E
048-261-19	ZILL, STANLEY R
048-261-20	MATICH, ROBERT M
048-261-21	COGAN, STUART A
048-261-22	CARLTON, JOHN C.
048-261-23	MC EWENS, INC
048-261-24	JOHNSON, MICHAEL A
048-261-25	DAHL, BARBARA A
048-261-28	ASSENHEIMER, LEE C
048-261-29	NESLEN-RAMSAY, ELEANOR K
048-261-30	JOHNSON, ERIC P
048-261-31	CAO, HON V
048-261-32	MIDDLEBROOKS, CAROLYN J
048-261-33	SEIDLER, TERRY O MALLEY
048-261-34	THOMAS, GLORIA M
048-261-35	CHAPMAN, ROBERT J
048-261-36	KRAMER, EDWARD J
048-271-01	GAUT, BARTON C
048-271-02	JONES, GRAHAM M
048-271-03	JONES, GRAHAM M
048-271-05	MACKENZIE, JAMES M & PATRICIA A
048-271-06	BIBB, JOHN M
048-271-07	SYNERGY GROUP FUND V LLC
048-271-08	FISHER, GEORGE H
048-271-09	TAYLOR, SUSAN J
048-271-13	LOVELL, ROBERT E
048-271-14	AIELLO, SAM N & NANCY ANN
048-271-17	JACOBS, MICHAEL K & PAMELA D
048-271-19	LAINER, MARK
048-271-21	BAIKER, ASHLEY TR
048-271-23	FISHER, GEORGE H
048-271-25	CORBO, LOUIS C
048-271-26	COOK, HERBERT O
048-271-27	DERRICK, FOLK BARBARA
048-271-28	WHITE, JAMES DON
048-271-29	ACKERMAN, ROBERT A
048-271-30	CUMMING, NANCY J
048-271-31	DUNN, LAURA
048-271-32	DE CUBELLIS, ARTHUR

## Exhibit "A"

### Assessment District No. 103 (G St / E Balboa Blvd / Channel Rd / Ocean Blvd) Property Owner List

APN	OWNER NAME
048-271-33	STONEHOUSE, RICHARD EARL
048-272-04	ROGERS, ROBERT E
048-272-05	DORAN, THOMAS FREDERICK
048-272-09	THOMAS, LEONARD D & JEANNETTE L
048-272-10	BOROWSKY, DENNIS M
048-272-11	SCAPPLE, JOHN M
048-272-12	ROGERS, JOHN B
048-272-13	SHELDON, SUSAN
048-272-14	JOCHIM, RANDAL J
048-272-15	SALCITO, DANIEL R
048-272-16	NESS, MIKE & CHRISTINE
048-272-17	GORDON, DEBRA LYNN
048-272-18	QUEEN, STEPHEN
048-272-19	GATES, CHARLES EDWARD
048-272-20	SHIVELY, ROBERT N JR & CHRISTINE
048-272-21	ANDERSSON, NILS & NANCY
048-272-22	LEPPEK, HARRIET J
048-272-24	STORCH, JOHN C
048-272-26	DAVIS, GEOFFREY O
048-272-27	MATCHA, MORRIE
048-272-28	MAZZARELLI, JOSE D
048-272-29	BRIGHTON, CARLETON C
048-272-30	HANSEN, NEIL CALVIN JR
048-272-31	BENNETT, BRUCE W JR
048-272-32	HALL, FRANK HERBERT
048-272-33	HOLDER, THOMAS W
048-281-01	SCHNIEDERS, JOHN A JR
048-281-02	ENRIQUEZ, LOUIS ANTHONY
048-281-03	MELMET, STEVEN J
048-281-04	CONNELLA, RICHARD D
048-281-05	SCHARING, WILLIAM S
048-281-06	BANNIGAN, HARRY F
048-281-09	RICHARDS, BETTY E
048-281-10	CHRISTENSEN, LELAND D
048-281-11	MARK, PHILIP A
048-281-12	BRIDGES, TERRY
048-281-13	TODD, JOHN W
048-281-15	INTEGRITAS DESIGN AND DEVELOPMENT LLC
048-281-16	ROBINS, THEODORE JR
048-281-18	MOLLOY, JAMES R
048-281-19	LI, MANDY
048-281-20	EDSON, RICHARD J & CATHERINE C
048-281-21	BODINUS, ALICE M
048-281-24	WALTERS & PONDER LLC
048-281-25	PECK, CURT A
048-281-26	NETHERCUTT, MARY ANN
048-281-27	POWERS, PATRICK M
048-281-28	JONES, KIMBERLY MOFFATT
048-281-29	DUDLEY, MARIE AILEEN
048-281-30	PEREZ, RAMONA GODOY TRUST
048-281-31	POMO, VIBIANA C

## Exhibit "A"

### Assessment District No. 103 (G St / E Balboa Blvd / Channel Rd / Ocean Blvd) Property Owner List

APN	OWNER NAME
048-281-33	COVENANT GROUP 2 LLC
048-281-34	CLARKE, THEODORE F
048-281-35	MENZIES, DALE
048-281-36	COBB, N F
048-281-37	MOYER, NORMAN EDWARD
048-281-38	MEXIA, MARIO A
048-281-39	BREECH, WILLIAM E
048-291-01	KIM, MICHAEL J
048-291-02	VOIT, WILLARD S
048-291-06	GONZALES, MARIO J
048-291-07	BOURKE, EDMOND F
048-291-08	OAKES, STUART B & GLORIA ANN
048-291-09	TOMASECK, JANET S
048-291-10	ANDERSON, CRAIG S & SUSAN L
048-291-11	SPRAGUE, CHARLES T & PATRICIA E
048-291-12	THOMPSON, RICHARD L
048-291-13	THOMSON, KIRK ALAN
048-291-14	TRI PACIFIC LTD LIABILITY CO
048-291-15	HAWKES, JULIE E
048-291-17	LEACH, WILLIS R & LINDA A
048-291-18	MATHISEN, JUDITH T
048-291-19	ALEXANDER, ARCHIBALD B
048-291-20	CUNNISON, STEPHEN D
048-291-22	CLEMENTS, CRAIG A
048-291-23	SCHNIPPEL, MARK A
048-291-24	ARMSTRONG, BILLIE JOE & ADRIENNE
048-291-25	MC LAIN, MILLARD H
048-291-26	COTTON, JOHN PEYTON
048-292-02	CRAIG, ALLEN BRUCE
048-292-03	KENOWSKY, ANN ELIZABETH
048-292-04	BETZLER, ERIC S & CYNTHIA JOAN
048-292-05	GASKILL, JOHN R
048-292-06	BOPPELL, KARLYN L & CHARLES LE RO
048-292-07	COSTA, LISA MARIE
048-292-10	SEYMOUR, BEEK H
048-292-11	SATTLER, ROBERT L
048-292-12	BAUMAN, CHARLES M
048-292-13	PISTOLE, JAMES A
048-292-14	MCKELVEY, PAUL AYRES
048-292-15	MALCOMB, WILLIAM EARL
048-292-17	GIBBS, LUVERNE D
048-292-18	LANDON, GEOFFREY EDWARD
048-292-19	SUSAN, DOLE F
048-292-20	JOHNSON, GLORIA A
048-292-21	FORTANASCE, ARLENE M
048-292-22	MILLER, MARY E
048-292-23	GRUBER, GEOFFREY L
048-292-24	MACIAS, FREDRICK & DENISE B
048-292-25	BALLARD, JEFFREY PAUL
048-292-26	REID, FRANCES M
048-292-27	MACK, RUTH L

## Exhibit "A"

### Assessment District No. 103 (G St / E Balboa Blvd / Channel Rd / Ocean Blvd) Property Owner List

APN	OWNER NAME
048-292-28	TOLAN, JOHANNA
048-292-29	KLEIN, JEFFREY ALAN
048-292-32	MORSE, BURTON W
048-292-33	E G UTAH LLC
048-292-34	ALLARD, RANDALL STEVENS & LEE K
048-292-35	GABRIEL, PHYLLIS
048-302-01	BOYD, JEAN M
048-302-02	KING, JOSEPHINE D
048-302-03	JACOBSON, DONALD A
048-302-04	CAMPBELL-VOIT, MARY LAVONNE
048-302-05	THOMPSON, CHARLES M
048-302-06	THOMPSON, CHARLES M
048-302-07	MEERMANS, GARY J
048-302-08	LEACH, WILLIS ROY
048-302-09	MARSHALL, ROBERT B
048-302-10	COGAN, STUART A
048-302-11	L PIERRETTE BAKER M
048-302-12	FLOWERS, JACK S
048-302-13	VAN WAGENEN, RICHARD A
048-302-14	OWEN, SCOTT CHRISTIAN
048-302-15	BEIDLE, LEONARD A JR
048-302-16	CLARK, HOWARD MARSTON
048-302-17	MEANS, EDWARD GLEN III
930-504-15	NELSON, RICHARD J & SHERYL J
930-504-16	STOLZBENBERG, LARRY
930-504-17	LOGAN, DOUGLAS N
930-504-18	KASCHMITTER, DANIEL J

**BOND INDENTURE**

By and Between

**COMMUNITY FACILITIES DISTRICT NO. 06-2  
OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT**

and

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

**Dated as of October 1, 2013**

Relating to

**\$3,300,000**

**COMMUNITY FACILITIES DISTRICT NO. 06-2  
OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT  
2013 SPECIAL TAX BONDS**

Table of Contents

Page

ARTICLE I

DEFINITIONS

Section 1.1.	Definitions.....	1
--------------	------------------	---

ARTICLE II

GENERAL AUTHORIZATION AND BOND TERMS

Section 2.1.	Amount, Issuance, Purpose and Nature of Bonds and Parity Bonds .....	14
Section 2.2.	Type and Nature of Bonds and Parity Bonds.....	14
Section 2.3.	Equality of Bonds and Parity Bonds and Pledge of Net Taxes.....	15
Section 2.4.	Description of Bonds; Interest Rates.....	15
Section 2.5.	Place and Form of Payment .....	16
Section 2.6.	Form of Bonds and Parity Bonds .....	17
Section 2.7.	Execution and Authentication .....	17
Section 2.8.	Bond Register.....	18
Section 2.9.	Registration of Exchange or Transfer .....	18
Section 2.10.	Mutilated, Lost, Destroyed or Stolen Bonds or Parity Bonds.....	18
Section 2.11.	Validity of Bonds and Parity Bonds.....	19
Section 2.12.	Book-Entry System .....	19
Section 2.13.	Representation Letter .....	20
Section 2.14.	Transfers Outside Book-Entry System.....	20
Section 2.15.	Payments to the Nominee.....	20
Section 2.16.	Initial Depository and Nominee .....	20

ARTICLE III

CREATION OF FUNDS, APPLICATION OF PROCEEDS

Section 3.1.	Creation of Funds; Application of Proceeds .....	21
Section 3.2.	Deposits to and Disbursements from Special Tax Fund .....	22
Section 3.3.	Administrative Expense Account of the Special Tax Fund .....	22
Section 3.4.	Interest Account and Principal Account of the Special Tax Fund .....	22
Section 3.5.	Redemption Account of the Special Tax Fund .....	23
Section 3.6.	Reserve Account of the Special Tax Fund.....	24
Section 3.7.	Rebate Fund .....	25
Section 3.8.	Surplus Fund .....	28
Section 3.9.	Acquisition and Construction Fund .....	29
Section 3.10.	Reserved.....	29
Section 3.11.	Investments .....	29



Table of Contents  
(continued)

Page

ARTICLE IV

REDEMPTION OF BONDS AND PARITY BONDS

Section 4.1.	Redemption of Bonds.....	31
Section 4.2.	Selection of Bonds and Parity Bonds for Redemption.....	33
Section 4.3.	Notice of Redemption .....	33
Section 4.4.	Partial Redemption of Bonds or Parity Bonds .....	34
Section 4.5.	Effect of Notice and Availability of Redemption Money .....	35

ARTICLE V

COVENANTS AND WARRANTY

Section 5.1.	Warranty.....	35
Section 5.2.	Covenants.....	35

ARTICLE VI

AMENDMENTS TO INDENTURE

Section 6.1.	Supplemental Indentures or Orders Not Requiring Bondowner Consent.....	39
Section 6.2.	Supplemental Indentures or Orders Requiring Bondowner Consent .....	39
Section 6.3.	Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds .....	40

ARTICLE VII

TRUSTEE

Section 7.1.	Trustee.....	41
Section 7.2.	Removal of Trustee.....	41
Section 7.3.	Resignation of Trustee .....	42
Section 7.4.	Liability of Trustee.....	42
Section 7.5.	Merger or Consolidation .....	43

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

Section 8.1.	Events of Default.....	44
Section 8.2.	Remedies of Owners .....	44
Section 8.3.	Application of Revenues and Other Funds After Default.....	45
Section 8.4.	Power of Trustee to Control Proceedings .....	45
Section 8.5.	Appointment of Receivers.....	46
Section 8.6.	Non-Waiver.....	46

Table of Contents  
(continued)

	<u>Page</u>
Section 8.7. Limitations on Rights and Remedies of Owners.....	46
Section 8.8. Termination of Proceedings .....	47

ARTICLE IX

DEFEASANCE AND PARITY BONDS

Section 9.1. Defeasance .....	47
Section 9.2. Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness.....	48

ARTICLE X

MISCELLANEOUS

Section 10.1. Cancellation of Bonds and Parity Bonds .....	50
Section 10.2. Execution of Documents and Proof of Ownership.....	51
Section 10.3. Unclaimed Moneys .....	51
Section 10.4. Provisions Constitute Contract.....	52
Section 10.5. Future Contracts.....	52
Section 10.6. Further Assurances.....	52
Section 10.7. Severability .....	52
Section 10.8. Notices .....	52
EXHIBIT A FORM OF 2013 SPECIAL TAX BOND.....	A-1
EXHIBIT B-1 FORM OF REQUISITION FOR DISBURSEMENT OF SCHOOL FACILITIES PROJECT COSTS .....	B-1
EXHIBIT B-2 FORM OF REQUISITION FOR DISBURSEMENT OF OTHER FACILITIES PROJECT COSTS .....	B-2



## BOND INDENTURE

THIS BOND INDENTURE dated as of October 1, 2013, by and between COMMUNITY FACILITIES DISTRICT NO. 06-2 OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT (the "District") and U.S. BANK NATIONAL ASSOCIATION as Trustee (the "Trustee"), governs the terms of the Community Facilities District No. 06-2 of the Corona-Norco Unified School District, 2013 Special Tax Bonds and any Parity Bonds issued in accordance herewith from time to time.

### RECITALS:

WHEREAS, the Board of Education of the Corona-Norco Unified School District, located in Riverside County, California (hereinafter sometimes referred to as the "legislative body of the District" or the "School District"), has heretofore undertaken proceedings and declared the necessity to issue bonds on behalf of the District pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5, of the Government Code of the State of California (the "Act"); and

WHEREAS, based upon 2006-2007 Resolution Nos. 88 and 89 adopted by the legislative body of the District on November 21, 2006 and an election held November 22, 2006 within the District authorizing the levy of a special tax and the issuance of bonds by the District, the District is now authorized to issue bonds for the District in one or more series, pursuant to the Act, in an aggregate principal amount not to exceed \$7,000,000; and

WHEREAS, the legislative body of the District intends to finance certain public facilities through the issuance of bonds in an aggregate principal amount of \$3,300,000 designated as the "Community Facilities District No. 06-2 of the Corona-Norco Unified School District, 2013 Special Tax Bonds" (the "Bonds"); and

WHEREAS, the District has determined that all requirements of the Act for the issuance of the Bonds have been satisfied;

NOW, THEREFORE, in order to establish the terms and conditions upon and subject to which the Bonds are to be issued, and in consideration of the premises and of the mutual covenants contained herein and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the District does hereby covenant and agree, for the benefit of the Owners of the Bonds and any Parity Bonds (as defined herein) which may be issued hereunder from time to time, as follows:

### ARTICLE I

#### DEFINITIONS

**Section 1.1. Definitions.** Unless the context otherwise requires, the following terms shall have the following meanings:

"Account" means any account created pursuant to this Indenture.

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

"Acquisition and Construction Fund" means the fund by that name established pursuant to Section 3.1 hereof.

"Administrative Expenses" means the administrative costs with respect to the calculation and collection of the Special Taxes, including all attorneys' fees and other costs related thereto, the fees and expenses of the Trustee, any fees and related costs for credit enhancement for the Bonds or any Parity Bonds which are not otherwise paid as Costs of Issuance, any costs related to the District's compliance with state and federal laws requiring continuing disclosure of information concerning the Bonds and the District, and any other costs otherwise incurred by the School District staff on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and any obligation of the District hereunder.

"Administrative Expenses Cap" means \$25,000 per Fiscal Year.

"Alternative Penalty Account" means the account by that name created and established in the Rebate Fund pursuant to Section 3.1 hereof.

"Annual Debt Service" means the principal amount of any Outstanding Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds or Parity Bonds in such Bond Year, if the Bonds and any Parity Bonds are retired as scheduled.

"Authorized Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Trustee is entitled to rely upon the investment direction of the District in determining such investment is a legal investment):

(1) (A) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"); (B) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (C) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or (D) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)  
Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)  
Senior Debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)  
Consolidated system-wide bonds and notes
- Federal Home Loan Banks (FHL Banks)  
Consolidated debt obligations
- Federal National Mortgage Association (FNMA)  
Senior debt obligations  
Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
- Student Loan Marketing Association (SLMA)  
Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
- Financing Corporation (FICO)  
Debt obligations
- Resolution Funding Corporation (REFCORP)  
Debt obligations

(4) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank (including the Trustee and any affiliate) the short-term obligations of which are rated "A-1" or better by Standard & Poor's.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks (including the Trustee and any affiliate) which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days rated "A-1+" by Standard & Poor's and "Prime-1" by Moody's.

(7) Money market funds rated "AAm" or "AAm-G" by Standard & Poor's, or better (including those of the Trustee or its affiliates).

(8) "State Obligations," which means:

(A) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by Standard & Poor's, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(B) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by Standard & Poor's and "Prime-1" by Moody's.

(C) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by Standard & Poor's and "Aa" or better by Moody's.

(9) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(A) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(B) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(C) the principal of and interest on the United States Treasury Obligations has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

(D) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by a trustee in trust for owners of the municipal obligations;

(E) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(F) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee.

(10) Repurchase agreements:

(A) With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by Standard & Poor's and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by Standard & Poor's and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by Standard & Poor's and Moody's, provided that:

(a) The market value of the collateral is maintained at levels equal to 104% of the amount of cash transferred by the Trustee to the provider of the



repurchase agreement plus accrued interest with the collateral being valued weekly and marked-to-market at one current market price plus accrued interest;

(b) The Trustee or a third party acting solely as agent therefor or for the District (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(c) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(d) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or Standard & Poor's is withdrawn or suspended or falls below "A-" by Standard & Poor's or "A3" by Moody's, as appropriate, the provider must, at the direction of the District or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Trustee.

(B) Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (a) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by Standard & Poor's and Moody's, respectively.

(11) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by Standard & Poor's and "Aa" by Moody's; provided that, by the terms of the investment agreement:

(A) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Acquisition and Construction Fund, construction draws) on the Bonds;

(B) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the District and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(C) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof, or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks *pari passu* with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;

(D) the District and the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the District and the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the District;

(E) the investment agreement shall provide that if during its term.

(1) the provider's rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Standard & Poor's and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment; and

(2) the provider's rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the District or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee; and

(F) The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(G) the investment agreement must provide that if during its term

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate, and

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate.

(12) The State of California Local Agency Investment Fund; provided that the Trustee may restrict investments in such Fund to the extent necessary to keep monies available for the purposes of this Indenture.

“Authorized Representative of the District” means the President of the Board of Education of the School District, the Superintendent of the School District, the Assistant Superintendent of Facilities of the School District, the Assistant Superintendent, Business Services or any other person or persons designated by the Superintendent or the Assistant Superintendent of Facilities by a written certificate signed by the Superintendent or the Assistant Superintendent of Facilities and containing the specimen signature of each such person.

“Bond Counsel” means an attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Register” means the books which the Trustee shall keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds shall be recorded.

“Bondowner” or “Owner” means the person or persons in whose name or names any Bond or Parity Bond is registered.

“Bonds” means the District’s 2013 Special Tax Bonds issued on October 22, 2013 in the aggregate principal amount of \$3,300,000.

“Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds or an issue of Parity Bonds shall begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Trustee is located, are not required or authorized to remain closed.

“Capitalized Interest Subaccount” shall mean the subaccount by that name created and established in the Interest Account of the Special Tax Fund pursuant to Section 3.1 hereof.

“Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the District.

“Certificate of the Special Tax Administrator” means a certificate of Special District Financing & Administration, or any successor entity appointed by the School District, to administer the calculation and collection of the Special Taxes.

“Code” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement dated as of October 1, 2013 between the District and Special District Financing & Administration, as dissemination agent, relating to the Bonds, together with any amendments thereto.

“Costs of Issuance” means the costs and expenses incurred in connection with the formation of the District and the issuance and sale of the Bonds or any Parity Bonds, including the acceptance

and initial annual fees and expenses of the Trustee, legal fees and expenses, costs of printing the Bonds and Parity Bonds and the preliminary and final official statements for the Bonds and Parity Bonds, fees of financial consultants and all other related fees and expenses, as set forth in a Certificate of an Authorized Representative.

“County” means the County of Riverside, California.

“Delivery Date” means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

“Depository” shall mean The Depository Trust Company, New York, New York, and its successors and assigns as securities depository for the Certificates, or any other securities depository acting as Depository under Article II hereof.

“Developed Property” means real property within the District defined as Developed Property by the terms of the Rate and Method.

“Developer” means Richmond American Homes of Maryland, Inc., and its successors and assigns.

“Direct Debt for District Property” means that portion of the aggregate principal amount of the Outstanding Bonds and Parity Bonds which is allocable to the property in the District as described below. For this purpose there will be allocated to the property in the District the largest principal amount of Bonds and Parity Bonds that results in a Value of District Property at least three (3) times the sum of Direct Debt for District Property plus Overlapping Debt allocable to all property in the District subject to the Special Tax.

“District” means Community Facilities District No. 06-2 of the Corona-Norco Unified School District established pursuant to the Act and the Resolution of Formation.

“Event of Default” shall mean the “event of default” described in Section 8.1 hereof.

“Federal Securities” means any of the following: (a) non-callable direct obligations of the United States of America (“Treasuries”), (b) evidence of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, and (c) pre-refunded municipal obligations rated “AAA” and “Aaa” by Standard & Poor’s and Moody’s, respectively (or any combination thereof).

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next following June 30.

“Gross Taxes” means the amount of all Special Taxes received by the District, together with the proceeds collected from the sale of property pursuant to the foreclosure provisions of this Indenture for the delinquency of such Special Taxes remaining after the payment of all costs related to such foreclosure actions.



“Indenture” means this Bond Indenture, together with any Supplemental Indenture approved pursuant to Article VI hereof.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom:

(1) is in fact independent and not under the domination of the District or the School District;

(2) does not have any substantial interest, direct or indirect, in the District or the School District; and

(3) is not connected with the District or the School District as a member, officer or employee of the District or the School District, but who may be regularly retained to make annual or other reports to the District or the School District.

“Interest Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

“Interest Payment Date” means each March 1 and September 1, commencing March 1, 2014; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

“Investment Agreement” means one or more agreements for the investment of funds of the District complying with the criteria therefor as set forth in Subsection (11) of the definition of Authorized Investments herein.

“JARPD” means the Jurupa Area Recreation and Park District.

“JARPD Facilities” means improvements to be owned by JARPD pursuant to the Joint Community Facilities Agreement by and among JARPD, the School District and the Developer.

“JARPD Facilities Sub-Subaccount” means the Sub-Subaccount of the Other Facilities Subaccount created pursuant to Section 3.1 hereof and dedicated to fund the JARPD Facilities.

“JCSD” means the Jurupa Community Services District.

“JCSD Facilities” means improvements to be owned by JCSD pursuant to the Joint Community Facilities Agreement by and among JCSD, the School District and the Developer.

“JCSD Facilities Sub-Account” means the Sub-Subaccount of the Other Facilities Subaccount created pursuant to Section 3.1 hereof and dedicated to fund the JCSD Facilities.

“Joint Community Facilities Agreement” means the Joint Community Facilities Agreement by and among the School District, as amended or assigned and assumed, and either JCSD or JARPD.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds by adding the following for each Bond Year:

- (1) the principal amount of all Outstanding Bonds and Parity 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 all Bonds and Parity Bonds Outstanding in such Bond Year if the Bonds and Parity Bonds are retired as scheduled.

“Moody’s” means Moody’s Investors Service, Inc. and its successors and assigns.

“Net Taxes” means Gross Taxes minus amounts, not in excess of the Administrative Expenses Cap, set aside to pay Administrative Expenses prior to the payment of the principal and interest on the Bonds, as set forth in Section 3.3 hereof.

“Nominee” shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.16 hereof.

“Ordinance” means 2006-2007 Resolution and Ordinance No. 97 adopted by the legislative body of the District on December 19, 2006, providing for the levying of the Special Tax.

“Other Facilities Subaccount” means the Other Facilities Subaccount of the Project Account of the Acquisition and Construction Fund established pursuant to Section 3.1 hereof.

“Outstanding” or “Outstanding Bonds and Parity Bonds” means all Bonds and Parity Bonds theretofore issued by the District, except:

- (1) Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with Section 10.1 hereof;
- (2) Bonds and Parity Bonds for payment or redemption of which monies shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in this Indenture or any applicable Supplemental Indenture for Parity Bonds; and
- (3) Bonds and Parity Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to Section 2.9 hereof or for which a replacement has been issued pursuant to Section 2.10 hereof.

“Overlapping Debt” means with respect to any property within the District, the sum of (a) the aggregate amount of all unpaid assessments which are a lien on such property and which are pledged to secure the repayment of bonds, plus (b) a portion of the principal amount of any outstanding bonds of other community facilities districts which are payable at least partially from special taxes to be levied on such property (the “Other CFD Bonds”) determined by multiplying the aggregate principal amount of the Other CFD Bonds by a fraction, the numerator of which is the amount of special taxes levied for the Other CFD Bonds on property in the District and the denominator of which is the total

amount of special taxes levied for the Other CFD Bonds on all parcels of property which are subject to the levy of such special taxes, based upon information which is available for the then current Fiscal Year.

“Parity Bonds” means all bonds, notes or other similar evidences of indebtedness hereafter issued, payable out of the Net Taxes and which, as provided in this Indenture or any Supplemental Indenture, rank on a parity with the Bonds.

“Participants” shall mean those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds or Parity Bonds as securities depository.

“Person” means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

“Prepayments” means any amounts transferred by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the RMA.

“Principal Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

“Principal Office of the Trustee” means the corporate trust office of the Trustee located in Los Angeles, California, provided that for purposes of redemption payment, exchange, transfer or surrender of Bonds shall mean the corporate trust office of the Trustee located in St. Paul, Minnesota, or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its corporate trust and agency business.

“Project” means those public facilities described in the Resolution of Formation which are to be acquired or constructed within and outside of the District, including capacity within existing facilities and including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within the District from time to time.

“Project Costs” means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Bonds or any Parity Bonds, including, but not limited to, remarketing, credit enhancement, Trustee and other fees and expenses relating to the issuance of the Bonds or any Parity Bonds and the formation of the District, and to pay any other “incidental expenses” of the District, as such term is defined in the Act.

“Rating Agency” means Moody’s or Standard & Poor’s, or both, as the context requires.

“Rebate Account” means the account by that name created and established in the Rebate Fund pursuant to Section 3.1 hereof.

“Rebate Fund” means the fund by that name established pursuant to Section 3.1 hereof in which there are established the Accounts described in Section 3.1 hereof.

“Rebate Regulations” means any final, temporary or proposed Regulations promulgated under Section 148(f) of the Code.

“Record Date” means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

“Redemption Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

“Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

“Representation Letter” shall mean the Blanket Letter of Representations from the District and the Paying Agent to the Depository as described in Section 2.13 hereof.

“Reserve Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

“Reserve Requirement” means that amount as of any date of calculation equal to the lesser of (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any, (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any, or (iii) 125% of the average Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any.

“Resolution of Formation” means 2006-2007 Resolution Nos. 88 and 89 adopted by the Board of Education of the School District on November 21, 2006, pursuant to which the School District formed the District.

“RMA” or “Rate and Method” means the Rate and Method of Apportionment of Special Taxes for the District approved by the qualified electors of the District at the November 22, 2006 election, as amended from time to time.

“School District” means the Corona-Norco Unified School District.

“School Facilities Mitigation Agreement” means that School Facilities Mitigation Agreement dated October 17, 2006 by and between the School District and the Developer, as amended or assigned or assumed.

“School Facilities Subaccount” means the School Facilities Subaccount of the Project Account of the Acquisition and Construction Fund established pursuant to Section 3.1 hereof.

“Sinking Fund Payment” means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedules set forth in Section 4.1(b) hereof and any annual sinking fund payment schedule to retire any Parity Bonds which are designated as Term Bonds.

“Six-Month Period” means the period of time beginning on the Delivery Date of each issue of Bonds or Parity Bonds, as applicable, and ending six consecutive months thereafter, and each six-month period thereafter until the latest maturity date of the Bonds and the Parity Bonds (and any obligations that refund an issue of the Bonds or Parity Bonds).

“Special Tax Administrator” means Special District Financing & Administration or any subsequent special tax administrator engaged by the District.



“Special Tax Fund” means the fund by that name created and established pursuant to Section 3.1 hereof.

“Special Taxes” means the taxes authorized to be levied by the District on property within the District in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the November 22, 2006 election in the District and which are levied after Fiscal Year 2012-13, including any scheduled payments and any Prepayments thereof, the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and penalties and interest thereon.

“Standard & Poor’s” means Standard & Poor’s Ratings Group, a division of McGraw-Hill, its successors and assigns.

“Supplemental Indenture” means any supplemental indenture amending or supplementing this Indenture.

“Surplus Fund” means the fund by that name created and established pursuant to Section 3.1 hereof.

“Tax Certificate” means the certificate by that name to be executed by the District on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“Term Bonds” means the Bonds maturing on September 1, 2038 and September 1, 2044 and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

“Treasurer-Tax Collector” means the Treasurer-Tax Collector of the County of Riverside, California and such other person as may be designated by the Treasurer-Tax Collector to act on his or her behalf.

“Trustee” means U.S. Bank National Association a national banking association duly organized and existing under the laws of the United States, at its corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in Sections 7.2 or 7.3 and any successor thereto.

“Underwriter” means Piper Jaffray & Co. with respect to the Bonds and, with respect to each issue of Parity Bonds, the institution or institutions, if any, with whom the District enters into a purchase contract for the sale of such issue.

“Value of District Property” means for all parcels of property in the District which are subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, either (i) the fair market value, as of the date of the appraisal provided for below of such parcels, including with respect to such parcels the value of the then existing improvements thereon, as estimated by an appraiser, who shall be a State of California certified general real estate appraiser selected and employed by the District, in an appraisal performed within ninety (90) days preceding the date of such determination based upon a methodology of valuation consistent with the School District’s policy for appraisals, provided that a mass appraisal methodology may be applied when valuing Developed Property; or (ii) the full cash value of any or all of such parcels, including

District and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of the principal of, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest due on the Bonds only to or upon the order of the respective Owner, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the District's obligations with respect to payment of the principal, premium, if any, and interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the registration books kept by the Trustee, shall receive a Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by the Depository to the Trustee and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such new nominee of the Depository.

**Section 2.13. Representation Letter.** In order to qualify the Bonds and any Parity Bonds which the District elects to register in the name of the Nominee for the Depository's book-entry system, an authorized representative of the Trustee is hereby authorized to execute from time to time and deliver to such Depository the Representation Letter. The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 2.12 or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the registration books kept by the Trustee. The Trustee agrees to take all action necessary to continuously comply with all representations made by it in the Representation Letter. In addition to the execution and delivery of the Representation Letter, the Authorized Representatives of the District are hereby authorized to take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

**Section 2.14. Transfers Outside Book-Entry System.** In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the District determines that the Depository shall no longer so act, then the District will discontinue the book-entry system with the Depository. If the District fails to identify another qualified securities depository to replace the Depository then the Bonds so designated shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but shall be registered in whatever name or names Persons transferring or exchanging Bonds shall designate, in accordance with the provisions of Section 2.9 hereof.

**Section 2.15. Payments to the Nominee.** Notwithstanding any other provisions of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest due with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

**Section 2.16. Initial Depository and Nominee.** The initial Depository under this Article II shall be The Depository Trust Company, New York, New York. The initial Nominee shall be Cede & Co., as Nominee of The Depository Trust Company, New York, New York.

## ARTICLE III

### CREATION OF FUNDS, APPLICATION OF PROCEEDS

#### Section 3.1. Creation of Funds; Application of Proceeds.

(a) There is hereby created and established and shall be maintained by the Trustee the following funds and accounts:

(1) The Community Facilities District No. 06-2 Special Tax Fund (the "Special Tax Fund") (in which there shall be established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account and an Administrative Expense Account.

(2) The Community Facilities District No. 06-2 Rebate Fund (the "Rebate Fund") (in which there shall be established a Rebate Account and an Alternative Penalty Account).

(3) The Community Facilities District No. 06-2 Acquisition and Construction Fund (the "Acquisition and Construction Fund") (in which there shall be established a Costs of Issuance Account and a Project Account and, within the Project Account, a School Facilities Subaccount and an Other Facilities Subaccount (in which there shall be established a JARPD Facilities Sub-Subaccount and a JCSD Facilities Sub-Subaccount)).

(4) The Community Facilities District No. 06-2 Surplus Fund (the "Surplus Fund").

The amounts on deposit in the foregoing funds, accounts and subaccounts shall be held by the Trustee and the Trustee shall invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of this Article 3 and shall disburse investment earnings thereon in accordance with the provisions of Section 3.11 hereof.

In connection with the issuance of any Parity Bonds, the Trustee, at the direction of an Authorized Representative of the District, may create new funds, accounts or subaccounts, or may create additional accounts and subaccounts within any of the foregoing funds and accounts for the purpose of separately accounting for the proceeds of the Bonds and any Parity Bonds.

(b) The proceeds of the sale of the Bonds shall be received by the Trustee on behalf of the District and \$3,179,401.00 shall be deposited to the Project Account of the Acquisition and Construction Fund (of which \$1,416,811.00 shall be deposited in the School Facilities Subaccount, \$90,000.00 shall be deposited in the JARPD Facilities Sub-Subaccount for JARPD Facilities and \$1,672,590.00 shall be deposited in the JCSD Facilities Sub-Subaccount for JCSD Facilities).

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

**Section 3.2. Deposits to and Disbursements from Special Tax Fund.**

(a) Except for Prepayments which shall be deposited to the Redemption Account as specified in a Certificate of an Authorized Representative, the Trustee shall, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee shall transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

- (1) the Administrative Expense Account of the Special Tax Fund, up to the Administrative Expenses Cap;
- (2) the Interest Account of the Special Tax Fund;
- (3) the Principal Account of the Special Tax Fund;
- (4) the Redemption Account of the Special Tax Fund;
- (5) the Reserve Account of the Special Tax Fund;
- (6) the Administrative Expense Account of the Special Tax Fund to fund Administrative Expenses in excess of the Administrative Expenses Cap funded under (1) above;
- (7) the Rebate Fund; and
- (8) the Surplus Fund.

(b) At maturity of all of the Bonds and Parity Bonds and, after all principal and interest then due on the Bonds and Parity Bonds then Outstanding has been paid or provided for and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

**Section 3.3. Administrative Expense Account of the Special Tax Fund.** The Trustee shall transfer from the Special Tax Fund and deposit in the Administrative Expense Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a Certificate of an Authorized Representative; provided, however, that, the total amount transferred in a Fiscal Year, commencing with the 2013-14 Fiscal Year, shall not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to fund the Redemption Account in an amount necessary to pay Sinking Fund Payments on the Bonds due in such Bond Year and to restore the Reserve Account to the Reserve Requirement. Moneys in the Administrative Expense Account of the Special Tax Fund may be invested in any Authorized Investments as directed in writing by an Authorized Representative of the District and shall be disbursed as directed in a Certificate of an Authorized Representative.

**Section 3.4. Interest Account and Principal Account of the Special Tax Fund.** The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption, shall be paid by the Trustee from the Principal Account and the Interest



Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer required by Section 3.3, at least one Business Day prior to each March 1 and September 1, the Trustee shall make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of the Bonds or an issue of Parity Bonds or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of Administrative Expense Account and the Reserve Account) are inadequate to make the foregoing transfers, then any deficiency shall be made up by transfers from the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account shall be used for the payment of interest on the Bonds and any Parity Bonds as the same become due or as provided in Section 3.5(c) in connection with the purchase of Bonds or Parity Bonds.

(b) To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year, commencing September 1, 2014, shall equal the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.

### **Section 3.5. Redemption Account of the Special Tax Fund.**

(a) With respect to each September 1 on which a Sinking Fund Payment is due, after the deposits have been made to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund as required by Sections 3.3 and 3.4 hereof, the Trustee shall next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account one Business Day prior to each September 1 equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency shall be made up by an immediate transfer from the Reserve Account pursuant to Section 3.6 below. Moneys so deposited in the Redemption Account shall be used and applied by the Trustee to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedules set forth in Section 4.1(b) hereof, and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule in the Supplemental Indenture for such Parity Bonds.

(b) After making the deposits to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund pursuant to Sections 3.3 and 3.4 above and to the Redemption Account for Sinking Fund Payments then due pursuant to subparagraph (a) of this Section, and in accordance with the District's election to call Bonds for optional redemption as set forth in Section 4.1(a) hereof, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee shall transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional

redemption; provided, however, that amounts in the Special Tax Fund (other than the Administrative Expense Account therein) may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

(c) Moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming Bonds and Parity Bonds and shall be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender of such Bonds or Parity Bonds and in the case of an optional redemption or an extraordinary redemption from Prepayments to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account, other than Prepayments (which shall be used to redeem Bonds and Parity Bonds on the redemption date established pursuant to Section 4.1(c)), may be used to purchase Outstanding Bonds or Parity Bonds in the manner hereinafter provided. Purchases of Outstanding Bonds or Parity Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption or an extraordinary redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to Section 4.1(a) or 4.1(c) hereof, as applicable, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date upon receipt by the Trustee of written direction of the District.

**Section 3.6. Reserve Account of the Special Tax Fund.** There shall be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. If required, the amounts in the Reserve Account shall be applied as follows:

(a) Moneys in the Reserve Account shall be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity 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 and for the purpose of making any required transfer to the Rebate Fund pursuant to Section 3.7 hereof upon written direction from the District. 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 Bonds and Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee shall withdraw from the Reserve Account for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers referred to in Sections 3.3, 3.4 and 3.5 above, the Trustee shall transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Administrative Expense Account, 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 Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the District shall include the amount necessary to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

(c) In connection with a redemption of Bonds pursuant to Section 4.1(a) or (c) or Parity Bonds in accordance with this Indenture or any Supplemental Indenture, or a partial defeasance of Bonds or Parity Bonds in accordance with Section 9.1 hereof, amounts in the Reserve Account may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such redemption or partial defeasance equals the Reserve Requirement. The District shall set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to the Indenture to partially defease Bonds, and the Trustee shall make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for the Bonds or an issue of Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds, as applicable, in the final Bond Year for such issue. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the preceding provisions of this section shall be withdrawn from the Reserve Account on the Business Day before each March 1 and September 1 and shall be transferred to the School Facilities Subaccount of the Project Account of the Acquisition and Construction Fund until all amounts have been disbursed from the School Facilities Subaccount of the Project Account of the Acquisition and Construction Fund and thereafter to the Interest Account of the Special Tax Fund.

### **Section 3.7. Rebate Fund.**

(a) The Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund and shall establish a separate Rebate Account and Alternative Penalty Account therein. All money at any time deposited in the Rebate Account or the Alternative Penalty Account of the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. A separate subaccount of the Rebate Account and the Alternative Penalty Account shall be established for the Bonds and each issue of Parity Bonds the interest on which is excluded from gross income for federal income tax purposes. All amounts on deposit in the Rebate Fund with respect to the Bonds or an issue of Parity Bonds shall be governed by this Section 3.7 and the Tax Certificate for such issue, unless the District obtains an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on the Bonds and Parity Bonds will not be adversely affected if such requirements are not satisfied. The Trustee shall not be responsible for calculating rebatable arbitrage or for the adequacy or correctness or any rebate report or rebate calculations. The Trustee shall be deemed conclusively to have complied with the provisions of this Indenture regarding calculation and payment of the rebatable arbitrage if the Trustee follows the directions of the District and the Trustee shall have no independent duty to review such calculations or enforce the compliance with such rebate requirements.



(1) Rebate Account. The following requirements shall be satisfied with respect to each subaccount of the Rebate Account:

(i) Annual Computation. Within 55 days of the end of each Bond Year, the District shall calculate or cause to be calculated the amount of rebatable arbitrage for the Bonds and each issue of Parity Bonds to which this Section 3.7 is applicable, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage described in the Tax Certificate for each issue (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the "Rebatable Arbitrage"). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year for which Rebatable Arbitrage must be calculated as required by the Tax Certificate for each issue, upon the written direction of an Authorized Representative of the District, an amount shall be deposited to each subaccount of the Rebate Account by the Trustee from any funds so designated by the District if and to the extent required, so that the balance in the Rebate Account shall equal the amount of Rebatable Arbitrage so calculated by or on behalf of the District in accordance with (i) of this Subsection (a)(1) with respect to the Bonds and each issue of Parity Bonds to which this Section 3.7 is applicable. In the event that immediately following any transfer required by the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit to the credit of the applicable subaccount of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from an Authorized Representative of the District, the Trustee shall withdraw the excess from the appropriate subaccount of the Rebate Account and then credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in each subaccount of the Rebate Account,

(X) not later than 60 days after the end of (A) the fifth Bond Year for the Bonds and each issue of Parity Bonds to which this Section 3.7 is applicable, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year for the Bonds and each issue of Parity Bonds, as applicable; and

(Y) not later than 60 days after the payment or redemption of all of the Bonds or an issue of Parity Bonds, as applicable, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the

Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a)(1) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, or shall be made in such other manner as provided under the Code.

(2) Alternative Penalty Account.

(i) Six-Month Computation. If the 1½% Penalty has been elected for the Bonds or an issue of Parity Bonds, within 85 days of each particular Six-Month Period, the District shall determine or cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The District shall obtain expert advice in making such determinations.

(ii) Six-Month Transfer. Within 85 days of the close of each Six-Month Period, the Trustee, at the written direction of an Authorized Representative of the District, shall deposit an amount in the appropriate subaccounts of the Alternative Penalty Account from any source of funds held by the Trustee pursuant to this Indenture and designated by the District in such written directions or provided to it by the District, if and to the extent required, so that the balance in each subaccount of the Alternative Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in Subsection (a)(2)(i) above. In the event that immediately following any transfer provided for in the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit in a subaccount of the Alternative Penalty Account exceeds the amount required to be on deposit therein to make the payments required by Subsection (iii) below, the Trustee, at the written direction of an Authorized Representative of the District, may withdraw the excess from the applicable subaccount of the Alternative Penalty Account and credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in a subaccount of the Alternative Penalty Account, not later than 90 days after the close of each Six-Month Period the 1½% Penalty, if applicable and payable, computed with respect to the Bonds and any issue of Parity Bonds in accordance with Section 148(f)(4) of the Code. In the event that, prior to the time of any payment required to be made from a subaccount of the Alternative Penalty Account, the amount in such subaccount is not sufficient to make such payment when such payment is due, the District shall calculate the amount of such deficiency and direct the Trustee, in writing, to deposit an amount equal to such deficiency into such subaccount of the Alternative Penalty Account from any funds held by the Trustee

pursuant to this Indenture and designated by the District in such written directions prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a)(2) shall be made to the Internal Revenue Service, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Accounts of the Rebate Fund with respect to the Bonds or an issue of Parity Bonds after redemption and payment of such issue and after making the payments described in Subsection (a)(1)(iii) or (a)(2)(iii) (whichever is applicable), may be withdrawn by the Trustee at the written direction of the District and utilized for any lawful purpose by the District.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in this Section or this Indenture to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance and final payment of the Bonds and any Parity Bonds with respect to which an Account has been created in the Rebate Fund.

(d) Amendment Without Consent of Owners. This Section 3.7 may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the District an opinion of Bond Counsel to the effect that such deletion or amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any issue of Parity Bonds issued on a tax-exempt basis.

**Section 3.8. Surplus Fund.** After making the transfers required by Sections 3.3, 3.4, 3.5, 3.6 and 3.7 hereof, as soon as practicable after each September 1, and in any event prior to each October 1, the Trustee shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to Section 5.2(b) hereof. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor; (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (iii) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses; (iv) to the Acquisition and Construction Fund to pay Project Costs; or (v) after all Project Costs have been paid, to the District for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative and the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund shall be invested at the written



direction of the District in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

### **Section 3.9. Acquisition and Construction Fund.**

(a) The moneys in the Costs of Issuance Account shall be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative, and any balance therein on September 1, 2014 shall be transferred by the Trustee to the Special Tax Fund.

(b) The moneys in the School Facilities Subaccount and the Other Facilities Subaccount of the Project Account of the Acquisition and Construction Fund shall be applied exclusively to pay the Project Costs. Within the Other Facilities Subaccount, moneys in the JARPD Facilities Sub-Subaccount shall be applied exclusively to pay for the JARPD Facilities, and moneys in the JCSD Facilities Sub-Subaccount shall be applied exclusively to pay for the JCSD Facilities. Amounts for Project Costs shall be disbursed by the Trustee from the School Facilities Subaccount or Other Facilities Subaccount of the Project Account of the Acquisition and Construction Fund, as specified in a Request for Disbursement of Project Costs, substantially in the form of Exhibit B-1 or Exhibit B-2 attached hereto, as applicable, which must be submitted in connection with each requested disbursement.

(c) Upon receipt of a Certificate of an Authorized Representative stating that all or a specified portion of the amount remaining in the Acquisition and Construction Fund is no longer needed to pay Project Costs, provided that with respect to the JCSD Facilities Sub-Subaccount and the JARPD Facilities Sub-Subaccount, the Authorized Representative of the District has confirmed with JCSD or JARPD, as applicable, that such amount is no longer needed to pay the costs of JCSD Facilities or JARPD Facilities, respectively, the Trustee shall transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Acquisition and Construction Fund to the Principal Account or Redemption Account of the Special Tax Fund or to the Surplus Fund, as directed in the Certificate, provided that in connection with any direction to transfer amounts to the Surplus Fund there shall have been delivered to the Trustee with such Certificate an opinion of Bond Counsel to the effect that such transfer to the Surplus Fund will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

### **Section 3.10. Reserved.**

**Section 3.11. Investments.** Moneys held in any of the Funds, Accounts and Subaccounts under this Indenture shall be invested at the written direction of the District in accordance with the limitations set forth below only in Authorized Investments which shall be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Authorized Investments shall be charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on a Fund, Account or Subaccount shall be applied as follows: (i) investment earnings on all amounts deposited in the Acquisition and Construction Fund (including

At least 30 days but no more than 60 days prior to the redemption date, the Trustee shall mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register, and to the original purchaser of the Bonds or Parity Bonds, as applicable; provided, however, so long as all of the Bonds are registered in the name of the Depository or its designee, such notice shall be given in accordance with the procedures of the Depository as governed by the Representation Letter. So long as notice has been given as described in the preceding sentence, the actual receipt by the Owner of any Bond or Parity Bond or the original purchaser of any Bond or Parity Bond of notice of such redemption shall not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice shall affect the validity of the proceedings for the redemption of such Bonds or Parity Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as herein provided shall be conclusive as against all parties and the Owner shall not be entitled to show that he or she failed to receive notice of such redemption.

In addition to the foregoing notice, further notice shall be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption shall be sent not later than the date that notice of redemption is mailed to the Bondowners pursuant to the first paragraph of this Section by registered or certified mail or overnight delivery service to the Depository and to any other registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds and Parity Bonds as determined by the Trustee and to one or more of the national information services that the Trustee determines are in the business of disseminating notice of redemption of obligations such as the Bonds and Parity Bonds.

With respect to any notice of optional redemption of Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall, within a reasonable time thereafter, give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Upon the payment of the redemption price of any Bonds and Parity Bonds being redeemed, each check or other transfer of funds issued for such purpose shall to the extent practicable bear the CUSIP number identifying, by issue and maturity, the Bonds and Parity Bonds being redeemed with the proceeds of such check or other transfer.

**Section 4.4. Partial Redemption of Bonds or Parity Bonds.** Upon surrender of any Bond or Parity Bond to be redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Bondowner, at the expense of the District, a new Bond or Bonds or a new Parity Bond or Parity Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity or, in the case of surrender of a Parity Bond, a new Parity Bond or Parity Bonds subject to the foregoing limitations.



**Section 4.5. Effect of Notice and Availability of Redemption Money.** Notice of redemption having been duly given, as provided in Section 4.3 hereof, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

(a) the Bonds and Parity Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in this Indenture or in any Supplemental Indenture with respect to any Parity Bonds, anything in this Indenture or in the Bonds or the Parity Bonds to the contrary notwithstanding;

(b) upon presentation and surrender thereof at the office of the Trustee, the redemption price of such Bonds and Parity Bonds shall be paid to the Owners thereof;

(c) as of the redemption date the Bonds or the Parity Bonds, or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds or Parity Bonds, or portions thereof, shall cease to bear further interest; and

(d) as of the date fixed for redemption no Owner of any of the Bonds, Parity Bonds or portions thereof so designated for redemption shall not be entitled to any of the benefits of this Indenture or any Supplemental Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

## ARTICLE V

### COVENANTS AND WARRANTY

**Section 5.1. Warranty.** The District shall preserve and protect the security pledged hereunder to the Bonds and any Parity Bonds against all claims and demands of all persons.

**Section 5.2. Covenants.** So long as any of the Bonds or Parity Bonds issued hereunder are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of the Act and this Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and Parity Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

(a) Punctual Payment; Against Encumbrances. The District covenants that it will receive all Special Taxes in trust for the Owners and will instruct the Treasurer-Tax Collector to deposit all Special Taxes with the Trustee immediately upon their apportionment to the District, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by this Indenture. All such Special Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth herein, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued hereunder, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and the Parity Bonds and in

accordance with this Indenture to the extent that Net Taxes and other amounts pledged hereunder are available therefor, and that the payments into the Funds and Accounts created hereunder will be made, all in strict conformity with the terms of the Bonds, any Parity Bonds, and this Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures and of the Bonds and any Parity Bonds issued hereunder.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in this Indenture, 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 Bonds, other than Parity Bonds. Nothing herein shall prevent the District from issuing or incurring indebtedness which is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds and the Parity Bonds.

(b) Levy of Special Tax. Beginning in Fiscal Year 2013-14 and so long as any Bonds or Parity Bonds issued under this Indenture are Outstanding, the legislative body of the District covenants to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay (1) the principal of and interest on the Bonds and any Parity Bonds when due, (2) the Administrative Expenses, and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement. The District further covenants that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

(c) Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Bonds and any Parity Bonds that it (i) will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the 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 or the amount on deposit in the Reserve Account is at less than the Reserve Requirement; and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid.

The District covenants that it will deposit the net proceeds of any foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal and interest on the Bonds and any Parity Bonds, to bring the amount on deposit in the Reserve Account up to the Reserve Requirement and to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds.

(d) Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund (other than the Administrative Expense Account therein), or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided, however, that nothing herein contained shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

(e) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the Project, the levy of the Special Tax and the deposits

to the Special Tax Fund. Such books of records and accounts shall at all times during business hours be subject to the inspection of the Trustee (who shall have no duty to inspect) or of the Owners of not less than 10% of the principal amount of the Bonds or the Owners of not less than 10% of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

(f) Federal Tax Covenants. Notwithstanding any other provision of this Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis for federal income tax purposes will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(1) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or any Parity Bonds or of any other monies or property which would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "private activity bonds" within the meaning of Section 141 of the Code.

(2) Arbitrage. The District will make no use of the proceeds of the Bonds or any Parity Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(3) Federal Guaranty. The District will make no use of the proceeds of the Bonds or any Parity Bonds or take or omit to take any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(4) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(5) Hedge Bonds. The District will make no use of the proceeds of the Bonds or any Parity Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis.

(6) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed on the Delivery Date by the District in connection with the Bonds and any issue of Parity Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.



(7) Other Tax Exempt Issues. The District will not use proceeds of other tax exempt securities to redeem any Bonds or Parity Bonds without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis.

(8) Subsequent Opinions. If the District obtains a subsequent opinion of Bond Counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation ("SYCR"), where such opinion is required in connection with a change or amendment to this Indenture or the procedures set forth in the Tax Certificate, it will obtain an opinion substantially to the effect originally delivered by SYCR that interest on the Bonds is excluded from gross income for federal income tax purposes.

(g) Reduction of Maximum Special Taxes. The District hereby finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District hereby determines that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the District below the levels provided in this Section 5.2(g) would interfere with the timely retirement of the Bonds and Parity Bonds. The District determines it to be necessary in order to preserve the security for the Bonds and Parity Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District hereby does covenant, that it shall not initiate proceedings to reduce the maximum Special Tax rates for the District, unless, in connection therewith, the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that (i) such changes do not reduce the maximum Special Taxes that may be levied in each year on Developed Property within the District to an amount which is less than 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such proposed reduction; and (ii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. Any amendment to the RMA which complies with the foregoing provisions of this section may be made without the consent of the Owners of the Bonds.

(h) Covenants to Defend. The District covenants that, in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the maximum Special Tax below the levels specified in Section 5.2(g) above or to limit the power of the District to levy the Special Taxes for the purposes set forth in Section 5.2(b) above, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(i) Limitation on Right to Tender Bonds. The District hereby covenants that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due.

(j) Continuing Disclosure. The District covenants to comply with the terms of the Continuing Disclosure Agreement and with the terms of any agreement executed by the District with

respect to any Parity Bonds to assist the Underwriter in complying with Rule 15(c)2-12 adopted by the Securities and Exchange Commission.

(k) Further Assurances. The District shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds and any Parity Bonds of the rights and benefits provided in this Indenture.

## ARTICLE VI

### AMENDMENTS TO INDENTURE

**Section 6.1. Supplemental Indentures or Orders Not Requiring Bondowner Consent.** The District may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions herein which may be inconsistent with any other provision herein, or to make any other provision with respect to matters or questions arising under this Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in this Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with this Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of this Indenture;

(d) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to comply with the Code or regulations issued thereunder, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding; or

(e) to modify, alter, amend or supplement this Indenture in any other respect which is not materially adverse to the Bondowners.

**Section 6.2. Supplemental Indentures or Orders Requiring Bondowner Consent.** Exclusive of the Supplemental Indentures described in Section 6.1, the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture; provided, however, that nothing herein shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity



**JAVE IRISH**  
Tax Collector

**COUNTY OF SACRAMENTO  
DEPARTMENT OF FINANCE**

700 H Street, Room 1710, Sacramento, CA 95814  
P.O. Box 508, Sacramento, CA 95812-0508

RDMR5105  
02/22/06

**SECURED TAX UNIT**  
(916) 874-6622

**NOTICE OF POTENTIAL JUDICIAL FORECLOSURE PROCEEDINGS**

Our records indicate the referenced current year secured property tax bill is unpaid. Special assessments as shown below are a portion of the amount due and represent bonded debt that may subject this property to accelerated judicial foreclosure by the levying district(s) listed below. PLEASE SEE REVERSE FOR IMPORTANT INFORMATION.

Parcel Number:  
Bill Number:  
Tax Bill Type:  
Property Location:

<u>Levy</u>	<u>Direct Levy Name</u>	<u>Phone</u>	<u>Levy</u>	<u>Direct Levy Name</u>	<u>Phone</u>
0155	ELK GROVE SCHOOL DIST MR - CFD #	916-686-7562	0170	LCR/ER CFD#1 IMPVT AREA #1 M-R T	916-874-6525

If the entire tax bill is not paid by June 30, 2006, the district(s) may be required by law to begin accelerated judicial foreclosure proceedings on the special assessment portion of the tax bill, which can result in significant legal costs and loss of property. If the district(s) decides to foreclose on their portion of the tax amount due, their portion will be removed from the referenced tax bill after June 30, 2006, and must be paid directly to the district at that time.

Detach Here-----

**NOTICE OF POTENTIAL JUDICIAL FORECLOSURE PROCEEDINGS**

02/22/06

SACRAMENTO COUNTY 2005-2006 SECURED ANNUAL TAX BILL

PARCEL NUMBER: 1  
BILL NBR: 05331471  
BILLED TO:

2ND INSTALLMENT DUE 04/10/06	\$2,568.87	The 2nd installment cannot be paid before the 1st installment.
2ND INSTALLMENT PENALTY TO BE ADDED	\$266.89	
2ND INSTALLMENT IF PAID AFTER 04/10/06	\$2,835.76	

MAKE CHECK PAYABLE TO SACRAMENTO COUNTY.

05331471119118001300003 00025688700028357620604101

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**NOTICE OF POTENTIAL JUDICIAL FORECLOSURE PROCEEDINGS**

02/22/06

SACRAMENTO COUNTY 2005-2006 SECURED ANNUAL TAX BILL

PARCEL NUMBER:  
BILL NBR: 05331471  
BILLED TO:

1ST INSTALLMENT DUE 12/10/05	\$2,568.87	To pay the total due for both installments, return <u>both</u> stubs with payment of \$5,394.63 by 04/10/06.
1ST INSTALLMENT PENALTY ADDED	\$256.89	
1ST INSTALLMENT AMOUNT NOW DUE	\$2,825.76	

MAKE CHECK PAYABLE TO SACRAMENTO COUNTY.

05331471119118001300003 0002568870002

**NOTICE OF POTENTIAL JUDICIAL FORECLOSURE PROCEEDINGS**

Direct levies including special assessments are charges imposed by the levying district, not the Assessor, Auditor or the Tax Collector. The levying district's phone number is listed on the front of this notice next to the levy name. Additional information or all direct levies is available using the four-digit code number listed before the levy name on our automated telephone system at (916) 874-6622 or over the Internet at our Website [www.eproptax.saccounty.net](http://www.eproptax.saccounty.net) by using the 14-digit parcel number.

You will also receive a delinquency notice for this tax bill. Payment of the 1st installment and penalty must be made no later than April 10, 2006 when the 2nd installment becomes delinquent. Payment of the entire amount due must be made by June 30, 2005. Please make your check payable to Sacramento County and mail your payment with the payment stubs from the delinquency notice or this notice. Please disregard this notice if payment of the referenced tax bill has recently been made. If you have an impound account with your mortgage company and they are supposed to pay your property tax bill, please contact your mortgage company regarding this unpaid tax bill.

If the entire tax bill is not paid by June 30, 2006, the district(s) may be required by law to begin accelerated judicial foreclosure proceedings on the special assessment portion of the tax bill, which can result in significant legal costs and loss of property. If the district(s) decides to foreclose on their portion of the tax amount due, their portion will be removed from the referenced tax bill after June 30, 2006, and must be paid directly to the district at that time. After June 30, 2006, a \$15.00 redemption fee and monthly redemption penalty in the amount of 1.5 percent will be added to any remaining delinquent tax balance.

If you have any questions regarding the payment of the property taxes, please contact staff in the Secured Property Tax Unit, at the letterhead address or by phone at (916) 874-6622. For general tax information, see [www.finance.saccounty.net](http://www.finance.saccounty.net). Due to the high volume of telephone inquiries, you may experience delays in being transferred to a tax specialist.

**PLEASE PROVIDE A DAYTIME TELEPHONE NUMBER WITH ALL WRITTEN INQUIRIES.  
PLEASE DISREGARD THIS NOTICE IF YOU HAVE RECENTLY MAILED YOUR PAYMENT FOR THIS TAX BILL.**

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**SEND THIS STUB WITH YOUR 2nd INSTALLMENT PAYMENT - SEND BOTH STUBS TO PAY BOTH INSTALLMENTS.  
The second installment cannot be paid before the first installment. Partial payments cannot be accepted.**

**SEND THIS STUB WITH YOUR 1st INSTALLMENT PAYMENT - SEND BOTH STUBS TO PAY BOTH INSTALLMENTS.  
Partial payments cannot be accepted.**





**COUNTY OF SACRAMENTO  
DEPARTMENT OF FINANCE**

700 H Street, Room 1710, Sacramento, CA 95814  
P.O. Box 508, Sacramento, CA 95812-0508

RDMR5107  
05/03/06

**JAVE IRISH**  
Director of Finance  
Tax Collector

**SECURED TAX UNIT**  
(916) 874-6622

**NOTICE OF POTENTIAL JUDICIAL FORECLOSURE PROCEEDINGS**

Our records indicate the referenced current year secured property tax bill is unpaid. Special assessments as shown below are a portion of the amount due and represent bonded debt that may subject this property to accelerated judicial foreclosure by the levying district(s) listed below. PLEASE SEE REVERSE FOR IMPORTANT INFORMATION.

Parcel Number:  
Bill Number:  
Tax Bill Type:  
Property Location:

Levy	Direct Levy Name	Phone	Levy	Direct Levy Name	Phone
0155	ELK GROVE SCHOOL DIST MR - CFD #1	916-686-7562	0170	LCR/ER CFD#1 IMPVY AREA #1 M-R TAX	916-874-6525

If the entire tax bill is not paid by June 30, 2006, the district(s) may be required by law to begin accelerated judicial foreclosure proceedings on the special assessment portion of the tax bill, which can result in significant legal costs and loss of property. If the district(s) decides to foreclose on their portion of the tax amount due, their portion will be removed from the referenced tax bill after June 30, 2006, and must be paid directly to the district at that time.

Detach Here

**NOTICE OF POTENTIAL JUDICIAL FORECLOSURE PROCEEDINGS**

05/03/06

SACRAMENTO COUNTY 2005-2006 SECURED ANNUAL TAX BILL

PARCEL NUMBER: BILL NBR: BILLED TO:  
05331471

2ND INSTALLMENT DUE 04/10/06	\$2,568.87	The 2nd installment cannot be paid before the 1st installment.
2ND INSTALLMENT PENALTY ADDED	\$266.89	
2ND INSTALLMENT IF PAID AFTER 04/10/06	\$2,835.76	

MAKE CHECK PAYABLE TO SACRAMENTO COUNTY.

05331471119118001300003 00025688700026357620604101

Detach Here

**NOTICE OF POTENTIAL JUDICIAL FORECLOSURE PROCEEDINGS**

05/03/06

SACRAMENTO COUNTY 2005-2006 SECURED ANNUAL TAX BILL

PARCEL NUMBER: BILL NBR: BILLED TO:  
05331471

1ST INSTALLMENT DUE 12/10/05	\$2,568.87	To pay the total due for both installments, return both stubs with payment of \$5,661.52 by 06/30/06.
1ST INSTALLMENT PENALTY ADDED	\$256.89	
1ST INSTALLMENT AMOUNT NOW DUE	\$2,825.76	

MAKE CHECK PAYABLE TO SACRAMENTO COUNTY.

05331471119118001300003 000256887001



**NOTICE OF POTENTIAL JUDICIAL FORECLOSURE PROCEEDINGS**

Direct levies including special assessments are charges imposed by the levying district, not the Assessor, Auditor or the Tax Collector. The levying district's phone number is listed on the front of this notice next to the levy name. Additional information on all direct levies is available using the four-digit code number listed before the levy name on our automated telephone system at (916) 874-6622 or over the Internet at our Website [www.eproptax.saccounty.net](http://www.eproptax.saccounty.net) by using the 14-digit parcel number.

You will also receive a delinquency notice for this tax bill. Payment of the entire amount due must be made by June 30, 2006. Please make your check payable to Sacramento County and mail your payment with the payment stubs from the delinquency notice or this notice. Please disregard this notice if payment of the referenced tax bill has been recently made. If you have an impound account with your mortgage company and they are supposed to pay your property tax bill, please contact your mortgage company regarding this unpaid tax bill.

If the entire tax bill is not paid by June 30, 2006, the district(s) may be required by law to begin accelerated judicial foreclosure proceedings on the special assessment portion of the tax bill, which can result in significant legal costs and loss of property. If the district(s) decides to foreclose on their portion of the tax amount due, their portion will be removed from the referenced tax bill after June 30, 2006, and must be paid directly to the district at that time. After June 30, 2006, a \$15.00 redemption fee and monthly redemption penalty in the amount of 1.5 percent will be added to any remaining delinquent tax balance.

If you have any questions regarding the payment of the property taxes, please contact staff in the Secured Property Tax Unit, at the letterhead address or by phone at (916) 874-6622. For general tax information, see [www.finance.saccounty.net](http://www.finance.saccounty.net). Due to the high volume of telephone inquiries, you may experience delays in being transferred to a tax specialist.

**PLEASE PROVIDE A DAYTIME TELEPHONE NUMBER WITH ALL WRITTEN INQUIRIES.  
PLEASE DISREGARD THIS NOTICE IF YOU HAVE RECENTLY MAILED YOUR PAYMENT FOR THIS TAX BILL.**

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**SEND THIS STUB WITH YOUR 2nd INSTALLMENT PAYMENT.  
Partial payments cannot be accepted.**



MUNICIPAL SERVICES AGENCY  
CHERYL CRESON, Administrator

## COUNTY OF SACRAMENTO CALIFORNIA

DEPARTMENT OF COUNTY ENGINEERING  
Michael Penrose, Director  
DEVELOPMENT & SURVEYOR SERVICES DIVISION  
Maureen Zamarripa, Division Chief

August 25, 2006

«PARCEL\_NUMBER»  
«Name»  
«CO»  
«Address»  
«CityStateZip»

**SUBJECT: DELINQUENT 2005-2006 LAGUNA CREEK RANCH/ELLIOTT RANCH CFD NO. 1,  
IMPROVEMENT AREA NO. 1 SPECIAL TAX  
ASSESSOR'S PARCEL NUMBER «PARCEL\_NUMBER»**

Sacramento County previously notified you about your delinquent 2005-2006 general property taxes, which included notification that a portion of the delinquent amount represents bonded debt that subjects the property to accelerated judicial foreclosure. Part of the bonded debt component that is delinquent is the Laguna Creek Ranch/Elliott Ranch CFD No. 1, Improvement Area No. 1 Special Tax, and a delinquent notice was recorded on the above Assessor's Parcel Number.

The portion of your delinquent taxes that you currently owe to the Laguna Creek Ranch/Elliott Ranch CFD No. 1, Improvement Area No. 1 Special Tax is \$«TOTAL», including penalties and interest to date. **IN ORDER TO AVOID ADDITIONAL PENALTIES AND FEES, AND TO AVOID LEGAL ACTION TO BEGIN ACCELERATED FORECLOSURE PROCEEDINGS ON YOUR PROPERTY, THE ABOVE AMOUNT MUST BE RECEIVED BY SEPTEMBER 29, 2006.** If the total amount is not received by September 29, 2006, the delinquent Laguna Creek Ranch/Elliott Ranch CFD No. 1, Improvement Area No. 1 Special Tax will be turned over to a foreclosure attorney retained by the County and the amount you owe will significantly increase due to attorneys' fees and court costs.

Important items to note:

- Payment of the above amount by September 29, 2006, only satisfies your tax obligation to the Laguna Creek Ranch/Elliott Ranch CFD No. 1, Improvement Area No. 1 Special Tax. You are still obligated to pay any other delinquent taxes you owe, and should contact the Tax Collector's Office at (916) 874-6622 for information on other taxes.
- Partial payment of the above amount cannot be accepted by the County of Sacramento and will not delay legal foreclosure proceedings.
- Full payment must be received by September 29, 2006. If received late, payments merely postmarked before or on September 29, 2006, may subject you to legal proceedings and additional costs.
- Include a copy of this notice with your payment (or bring a copy with you if paying in person).

Please make your check in the above amount payable to County of Sacramento. You may make payment by mail or in person (8:00 a.m. to 5:00 p.m.) at the following address:

County of Sacramento  
Department of Finance  
700 H Street, Room 1710  
Sacramento, CA 95814  
Attn: Bond Assessments

If you have any questions about this notice, please contact the Sacramento County Municipal Services Agency, Infrastructure Finance Section, at (916) 874-6525.



**MUNICIPAL SERVICES AGENCY**  
CHERYL CRESON, Administrator

## COUNTY OF SACRAMENTO CALIFORNIA

DEPARTMENT OF COUNTY ENGINEERING  
Michael Penrose, Director  
DEVELOPMENT & SURVEYOR SERVICES DIVISION  
Maureen Zamarripa, Division Chief

October 14, 2006

XXX-XXXX-XXX-XXXX

Name  
ADDRESS  
CITY, STATE, ZIP

**SUBJECT: DELINQUENT 2005-06 LAGUNA CREEK RANCH/ELLIOTT RANCH  
CFD NO. 1, IMPROVEMENT AREA NO. 1 SPECIAL TAX  
ASSESSOR'S PARCEL NUMBER: XXX-XXXX-XXX-XXXX**

Our records indicate that your prior FY 2005-06 delinquent secured property taxes have been paid current, however your Laguna Creek Ranch/Elliott Ranch CFD No. 1, Improvement Area No. 1 Special Tax direct levy remains delinquent. After sending our initial collection letter to you dated August 25, 2006 we show that there was an effort to make payment in full to the secured tax unit, but the District direct levy was not included in the calculation.

In an ongoing effort to provide quality customer service we would like to offer you an extension. In order to bring your account current, the remaining fees of ~~\$\$\$~~ for the Laguna Creek Ranch/Elliott Ranch CFD No. 1, Improvement Area No. 1, will be due no later than November 17, 2006. Please make your check payable to County of Sacramento and mail your payment to:

Municipal Services Agency  
Infrastructure Finance Section  
827 7th Street, Room 304  
Sacramento, CA 95814

After November 17, 2006, if we have not received payment in full the above mentioned Special Tax will be turned over to a foreclosure attorney retained by the County and the amount you owe will significantly increase due to attorneys' fees and court costs.

If you have any questions about this notice, please contact the Sacramento County Municipal Services Agency, Infrastructure Finance Section, at (916) 874-6525.



EASTERN MUNICIPAL  
WATER DISTRICT

SECTION: New Business-Special Funding Districts	SECTION NO:	PREPARED BY: Rhonda Schafer
SUBSECTION: Delinquency Management	SUBSECTION NO:	APPROVED BY:
DATE: April 14, 2009	PAGE: 1 of 3	REVISION DATE:

**PURPOSE:**

To provide a consistent and effective delinquency management policy for all Assessment Districts (AD) and Community Facility Districts (CFD) within the boundaries of Eastern Municipal Water District (EMWD).

**PROCEDURE:**

Along with the resources of the Districts' outside consultants, EMWD intends to provide a delinquency management policy with the following goals:

- To protect the interest of lenders and other interested parties
- Encourage property owners to resolve delinquencies prior to litigation for the least expense.
- To treat property owners fairly and equally
- To allow for the commencement of "foreclosure action" if necessary through a series of standard administrative procedures.

The implementation steps of the delinquency management policy and a description of each step are as follows:

- January**, send a Reminder Letter- If an installment becomes delinquent for the first installment of the fiscal year, prepare and mail a Reminder Letter to each delinquent property owner stating that they are delinquent and directing them to make a payment to the County Tax Collector.
- May**, send a Demand or Reminder Letter- If the installment remains unpaid after the mailing of the Reminder Letter and the second installment is also delinquent, prepare and mail a Demand Letter to each delinquent property owner. This letter will reiterate that installments have not been paid and that if installments are not paid within 30 days from the date of the letter, the delinquency information may be provided to the Districts

Section: New Business-Special Funding	Subsection: Delinquency Management	Page: 2 of 3	Revision Date:
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Foreclosure Attorney for initiation of judicial foreclosure proceedings against the property.

Payments or payment arrangements can be made directly with EMWD. Agreement letters are mailed stating the penalty calculations as follows:

- Base Tax due
- 10% penalty on base tax
- 1.5% Interest per month starting July 1<sup>st</sup>.
- County removal fee \$68.00 first year and \$48.00 each prior year.
- Pay plan fee \$35.00 if pre-arranged.

Upon receipt of final payments, EMWD's portion of the taxes will be removed from the County tax roll.

- C. **May**, send a Reminder Letter- if the first installment of the fiscal year is paid and the second installment becomes delinquent, prepare and mail a Reminder Letter to each delinquent property owner that is delinquent stating that they are delinquent and directing them to make payment to the County Tax Collector.
- D. **September**, prepare a resolution to the Board of Directors of EMWD with the delinquent parcel information requesting the delinquency to be removed from the County Tax Roll by filing a "Notice of Intent" to the County Tax Recorder and then turned over to the Districts foreclosure attorney for collection through judicial foreclosure proceedings. Current foreclosure attorney is:

Sherman & Feller Law Corporation  
Susan Feller  
1970 Broadway Suite 940  
Oakland, CA 94612  
510-452-3222  
510-452-0295 (Fax)

- E. File a "Notice of Intent" with the County Tax Recorders office along with a CD of Assessor Parcel Numbers (APN), County fund number and property owners name for removal. Verify all parcels in question have been removed or if a reject report from the County is returned, reconcile and resubmit if needed within (ten) 10 working days.

**Note - The Notice of Intent must be filed and recorded prior to the County removing the parcels from the tax roll.**

- F. Create an excel spreadsheet for Foreclosure Attorney including all the information from the Notice of Intent plus the situs address for each APN, the property mailing address if different and the years to be collected. If multiple years being collected, each should be on their own line.

Forward a copy of the filed Notice of Intent to the Foreclosure Attorney.



Section: New Business-Special Funding	Subsection: Delinquency Management	Page: 3 of 3	Revision Date:
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- G. Once the Notice of Intent has been filed all correspondence including payoff requests and phone inquiries are to be forwarded to the Foreclosure Attorney for collection
- H. Monthly payments will be forwarded to EMWD-Special Funding department for posting and depositing. A copy of the remittance spreadsheet is forwarded to the outside consultants for documenting the delinquencies within the CFD's.

## CONTINUING DISCLOSURE AGREEMENT OF THE DISTRICT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of October 1, 2013, is executed and delivered by Community Facilities District No. 06-2 of the Corona-Norco Unified School District (the “Issuer”) and Special District Financing & Administration, as dissemination agent, in connection with the issuance and delivery by the Issuer of its 2013 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to 2012-13 Resolution No. 102 and that certain Bond Indenture (the “Indenture”), dated as of October 1, 2013, by and between the Issuer and U.S. Bank National Association, as Trustee (the “Trustee”). The Issuer covenants as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

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

“*Annual Report*” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Beneficial Owner*” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income purposes.

“*Disclosure Representative*” shall mean the Superintendent of the School District, the Assistant Superintendent of Business Services of the School District or his or her designee, or such other officer or employee as the School District shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” shall mean, initially, Special District Financing & Administration, or any successor Dissemination Agent designated in writing by the Issuer which has filed with the then current Dissemination Agent a written acceptance of such designation.

“*EMMA*” shall mean the Electronic Municipal Market Access system of the MSRB.

“*Listed Events*” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

“*Participating Underwriter*” shall mean Piper Jaffray & Co..

“*Repository*” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to

be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

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

“*Tax-exempt*” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

### SECTION 3. Provision of Annual Reports.

(a) Not later than February 1 immediately following the end of the Issuer’s fiscal year, commencing February 1, 2014, the Issuer shall provide, or shall cause the Dissemination Agent to provide, to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. 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 Agreement; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify the Repository of a change in the fiscal year dates.

(b) In the event that the Dissemination Agent is an entity other than the Issuer, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer will be filing the Annual Report in compliance with subsection (a). The Issuer 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 it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(c) If the Issuer is the Dissemination Agent and the Issuer is unable to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the Repository in substantially the form attached to this Disclosure Agreement as Exhibit A. If the Dissemination Agent is other than the Issuer and if the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository, in substantially the form attached as Exhibit A.



(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Repository if other than the MSRB; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

(e) Notwithstanding any other provision of this Disclosure Agreement, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference:

(a) Financial Statements. The audited financial statements of the School District for the most recent fiscal year of the Issuer then ended. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the Issuer in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the Issuer shall be audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited financial statements shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide a notice of such modification to the Repository, including a reference to the specific federal or State law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following information:

(i) the principal amount of Bonds outstanding as of September 30 of each year;

(ii) the balance in each fund under the Indenture as of the September 30 preceding the filing of the Annual Report, including the Reserve Account and a statement of the Reserve Requirement;

(iii) any changes to the Rate and Method approved or submitted to the electors for approval prior to the filing of the Annual Report;

(iv) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes;

(v) an update of the information set forth in Table 6 of the Official Statement;

(vi) information regarding the percentage of delinquency, if any, in the collection of special taxes levied on property in the District for the Fiscal Year preceding the Annual Report date in the form set forth in Table 7 of the Official Statement, the number of parcels delinquent, amount delinquent compared to the total levy, and the assessed value of each delinquent parcel and the identity of any property owner whose delinquent special taxes represent more than 5% of the amount levied, including the number of lots, assessed value, delinquency amount value-to-lien ratios, prior delinquencies and foreclosure status of the applicable properties; and

(vii) any information not already included under (i) through (vii) above that the Issuer is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

In addition to any of the information expressly required to be provided under paragraphs (a) or (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements set forth in clauses (i) to (vii), in the light of the circumstances under which they were made, not misleading.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, Trustee or similar officer for an obligated person 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 obligated person, or if such jurisdiction has been assumed by leaving the existing governmental 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 obligated person.

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the 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;
3. appointment of a successor or additional trustee or the change of the name of a trustee;
4. nonpayment related defaults;
5. modifications to the rights of Owners of the Bonds;
6. notices of redemption; and
7. release, substitution or sale of property securing repayment of the Bonds.

(c) Upon the occurrence of a Listed Event under Section 5(b) above, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with the Repository in a timely manner not more than 10 business days after the event.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the Issuer and that the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Special District Financing and Administration. The Dissemination Agent may resign by providing (i) thirty days written notice to the Issuer, and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment.

(a) This Disclosure Agreement may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Dissemination Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the Participating Underwriter, to the same effect as set forth in clause (2) above, (4) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners, or such amendment shall have been approved by the Owners in the same manner as an amendment to the Indenture, and (5) the Issuer shall have delivered copies of such opinion and amendment to the Repository.

(b) This Disclosure Agreement also may be amended by written agreement of the parties upon obtaining consent of Owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Owners of the Bonds; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied.

(c) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made to the basis on which financial statements are prepared, 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. Such comparison shall include a quantitative and, to the extent reasonably feasible, 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.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. If the Issuer 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 Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The District acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended may apply to the District, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the District under such laws.

SECTION 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer and/or the Dissemination Agent to comply with their respective obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and 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 their 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. Any Dissemination Agent other than the Issuer shall be paid (i) compensation by the Issuer for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Issuer pursuant to this Disclosure Agreement. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Agreement 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 14. Governing Law. This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 15. Notices. Any notice or communications to be among any of the parties to this Disclosure Agreement may be given as follows:

Issuer:	Corona-Norco Unified School District 2820 Clark Avenue Norco, California 91760-1903 Attention: Superintendent
Dissemination Agent:	Special District Financing and Administration 437 West Grand Avenue Escondido, California 92025
Participating Underwriter:	Piper Jaffray & Co. 2321 Rosecrans Avenue, Suite 3200 El Segundo, California 90245 Attention: Municipal Finance

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

SECTION 16. Future Determination of Obligated Persons. In the event the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within the District to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the District to meet the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Agreement shall be deemed to obligate the District to disclose information concerning any owner of land within the District except as required as part of the information required to be disclosed by the District pursuant to Section 4 and Section 5 hereof. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California.

SECTION 17. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

SECTION 18. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

COMMUNITY FACILITIES DISTRICT NO. 06-2  
OF THE CORONA-NORCO UNIFIED SCHOOL  
DISTRICT

By: \_\_\_\_\_  
Its: Superintendent of the Corona-Norco Unified  
School District, which is acting in its capacity  
as the legislative body of Community  
Facilities District No. 06-2 of the Corona-  
Norco Unified School District

SPECIAL DISTRICT FINANCING &  
ADMINISTRATION, as Dissemination Agent

By: \_\_\_\_\_  
Its: Authorized Officer

**EXHIBIT A**

**NOTICE TO THE REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: COMMUNITY FACILITIES DISTRICT NO. 06-2 OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT

Name of Bond Issue: \$3,300,000 COMMUNITY FACILITIES DISTRICT NO. 06-2 OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT 2013 SPECIAL TAX BONDS

Date of Issuance: October 22, 2013

NOTICE IS HEREBY GIVEN that Community Facilities District No. 06-2 of the Corona-Norco Unified School District (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated as of October 1, 2013. [The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

SPECIAL DISTRICT FINANCING &  
ADMINISTRATION, as Dissemination Agent

cc: Corona-Norco Unified School District



## CONTINUING DISCLOSURE AGREEMENT OF DEVELOPER

This Continuing Disclosure Agreement of Developer (the “Disclosure Agreement”) dated as of March 1, 2014 is executed and delivered by D.R. Horton Los Angeles Holding Company, Inc., a California Corporation (the “Landowner”) and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”) and as dissemination agent (the “Dissemination Agent”), in connection with the execution and delivery by the Jurupa Community Services District (the “Issuer”) for and on behalf of Community Facilities District No. 28 (Eastvale Area) of Jurupa Community Services District (the “District”) of the Community Facilities District No. 28 (Eastvale Area) of Jurupa Community Services District Special Tax Bonds, 2014 Series A (the “Bonds”). The Bonds are being executed and delivered pursuant to a Fiscal Agent Agreement, dated as of March 1, 2014, by and between the Issuer for and on behalf of the District and the Fiscal Agent (the “Fiscal Agent Agreement”). The Landowner covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Landowner for the benefit of the Bondowners and Beneficial Owners and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). Pursuant to this Disclosure Agreement, the Landowner agrees to provide the information required to be provided by the Landowner under the Rule at the time and in the manner required by the Rule. This Disclosure Agreement does not address additional undertakings, if any, by or with respect to persons other than the Landowner who may be considered obligated persons or purposes of the Rule, which additional undertakings, if any, may be required for the Participating Underwriter to comply with the Rule.

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

“Affiliate” shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of such Person or (b) each Person that controls, is controlled by or is under common control with such Person; provided, however, that in no case shall the Issuer be deemed to be an Affiliate of the Landowner for purposes of this Disclosure Agreement. For the purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise, unless such power is solely the result of an official position with such Person.

“Annual Report” shall mean any Annual Report to be provided by the Landowner on or prior to February 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Vice President, Forward Planning or her designee acting on behalf of the Landowner, or such other officer or employee as the Landowner shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Landowner and which has filed with the Landowner and the Issuer a written acceptance of such designation.

“District” shall mean Community Facilities District No. 28 (Eastvale Area) of Jurupa Community Services District.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

“Equity Securities” of any Person shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“Fiscal Year” shall mean the period beginning on October 1 of each year and ending on the next succeeding September 30.

“Government Authority” shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement, dated March 5, 2014, relating to the Bonds.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds, which is Stifel Nicolaus & Company, Incorporated whose address for purposes of this Disclosure Agreement is One Ferry Building, Suite 275, San Francisco, California 94111.

“Person” shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

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

“Semiannual Report” shall mean any report to be provided by the Landowner on or prior to August 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“State” shall mean the State of California.

### SECTION 3. Provision of Annual Reports.

(a) The Landowner shall, or shall cause the Dissemination Agent to, not later than February 1 of each year, commencing February 1, 2015, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, February 1 falls on a Saturday, Sunday or a holiday on which the Dissemination Agent’s offices are closed for business, such deadline shall be extended to the next following day on which the Dissemination Agent’s offices are open for business. 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 Agreement, provided that the audited financial statements, if any, of Landowner may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if they are not available by that date. In addition, until such time as the infrastructure to be constructed within the District with the

proceeds of bonds issued by the District is complete, the Landowner shall, or shall cause the Dissemination Agent to, not later than August 1 of each year, commencing August 1, 2014, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, August 1 falls on a Saturday, Sunday or a holiday on which the Dissemination Agent's offices are closed for business, such deadline shall be extended to the next following day on which the Dissemination Agent's offices are open for business.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report and Semiannual Report to the Repository, the Landowner shall provide the Annual Report or the Semiannual Report, as applicable, to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Landowner is preparing, or causing to be prepared, the Annual Report or the Semiannual Report, as applicable, and the date which the Annual Report or the Semiannual Report, as applicable, is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Annual Report or the Semiannual Report, as applicable, or notification as described in the preceding sentence, the Dissemination Agent shall notify the Landowner of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide an Annual Report or Semiannual Report to the Repository by the date required in subsection (a) or to verify that an Annual Report or Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository in the form required by the Repository.

(d) The Landowner shall, or shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Annual Report and the Semiannual Report the name and address of the Repository; and

(ii) promptly after receipt of the Annual Report, file a report with the Landowner and the Issuer certifying that the Annual Report or the Semiannual Report, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Agreement, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

#### SECTION 4. Content of Annual Report and Semiannual Report.

(a) The Landowner's Annual Report and Semiannual Report shall contain or include by reference the information which is available as of the date of the filing of the Annual Report or the Semiannual Report, as applicable, relating to the following:

1. An update to the sections in the Official Statement entitled "THE DEVELOPMENT AND PROPERTY OWNERSHIP — Development Plan" and "— Financing Plan," including an update of Table 7 therein and a discussion of the sources of funds to finance development of property owned by the Landowner and its Affiliates within the District, and whether any material defaults exist under any loan arrangement related to such financing.

2. Status of any major governmentally-imposed preconditions for commencement or continuation of development of the parcels owned by the Landowner or its Affiliates within the District, until all building permits within the District have been obtained.

3. Status of completion of the development being undertaken by the Landowner and its Affiliates within the District and any major legislative, administrative and judicial challenges known to the Landowner to or affecting the construction of such development or the time for construction of

any public or private improvements to be made by the Landowner or any Affiliate within the District other than the public improvements described in (5) below (the “Landowner Improvements”).

4. Status of completion of the construction of the public improvements to be financed with proceeds of the Bonds being undertaken by the Landowner and its Affiliates and any major legislative, administrative and judicial challenges known to the Landowner to or affecting the construction of such public improvements (the “District Improvements”).

5. Any significant amendments to land use entitlements with respect to parcels owned by the Landowner or its Affiliates within the District, or that are otherwise known to the Landowner, including an update of the total acres subject to the levy of Special Taxes if the amendment affects the total number of acres subject to the levy of the Special Taxes.

6. Status of Special Tax payments on all parcels owned by the Landowner and its Affiliates.

7. In the Annual Report only, the audited financial statements of Landowner (which may be consolidated with the Landowner’s parent company) for its most recently completed fiscal year (which currently ends on each September 30), prepared in accordance with generally accepted accounting principles as promulgated to apply to private entities from time to time by the Financial Accounting Standards Board. If Landowner has audited financial statements prepared and the 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 for the preceding year, if available, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) In the event that as a result of subsequent amendment of the Rule, interpretive releases, no-action letters or other official guidance from the Securities and Exchange Commission or its staff, the information required to satisfy the Rule shall differ from the information described above, the Landowner shall provide to the Dissemination Agent such other information as is available to the Landowner and not otherwise readily available to the Issuer.

(c) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Landowner shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Landowner shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material under clauses (b) and (c) as soon as practicable after the occurrence of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied within the District on a parcel owned by the Landowner or any Affiliate;

2. Damage to or destruction of any of the Landowner Improvements or the District Improvements which has a material adverse effect on the value of the parcels owned by the Landowner or any Affiliate;

3. Material default by the Landowner or any Affiliate on any loan with respect to the construction or permanent financing of the Landowner Improvements;

4. Material default by the Landowner or any Affiliate on any loan secured by property within the District owned by the Landowner or any Affiliate;

5. Payment default by the Landowner or any Affiliate owning any property within the District on any loan of the Landowner or such Affiliate (whether or not such loan is secured by property within the District) which is beyond any applicable cure period in such loan;

6. The filing of any proceedings with respect to the Landowner or any Affiliate owning any property within the District, in which the Landowner or such Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts; and

7. The filing of any lawsuit against the Landowner or any of its Affiliates which, in the reasonable judgment of the Landowner, will adversely affect the completion of the District Improvements, the Landowner Improvements or the development of parcels owned by the Landowner or its Affiliates within the District, or litigation which if decided against the Landowner or any of its Affiliates, in the reasonable judgment of the Landowner, would interfere with the ability to pay any real property taxes, special taxes or assessments levied within the District on a parcel owned by the Landowner or such Affiliate.

(b) Whenever the Landowner obtains knowledge of the occurrence of a Listed Event, the Landowner shall as soon as possible determine if such event would be material under applicable federal securities laws. The Fiscal Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Landowner determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Landowner shall promptly file a notice of such occurrence with the Dissemination Agent which shall then distribute such notice to the Repository, with a copy to the Issuer.

**SECTION 6. Termination of Reporting Obligation.** The Landowner's obligations under this Disclosure Agreement shall terminate upon the following events:

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

(b) if as of the date for filing the Annual Report or the Semiannual Report the Landowner and its Affiliates own property within the District which is responsible for less than twenty percent (20%) of the Special Taxes levied in the Fiscal Year for which the Annual Report or the Semiannual Report is being prepared,

(c) all of the development planned within the District has been completed, or

(d) upon the delivery by the Landowner to the Issuer of an opinion of nationally recognized bond counsel to the effect that the information required by this Disclosure Agreement is no longer required. Such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Landowner or a private letter ruling obtained by a similar entity to the Landowner. If such termination occurs prior to the final maturity of the Bonds, the Landowner shall give notice of such termination in the same manner as for an Annual Report hereunder.

**SECTION 7. Dissemination Agent.** The Landowner may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Landowner, the Dissemination Agent shall not be responsible in any manner

for the form or content of any notice or report prepared by the Landowner pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing (i) thirty days written notice to the Landowner and the Fiscal Agent and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Landowner may amend this Disclosure Agreement, and any provision of this Disclosure Agreement 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, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel addressed to the Issuer, the Fiscal Agent and the Participating Underwriter, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the Issuer and the Fiscal Agent, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and

(d) The Landowner, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) and (c) above.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Landowner shall describe such amendment in the next Annual Report or Semiannual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Landowner. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given to the Repository, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison of financial data described in clause (ii) of the preceding sentence shall be provided at the time financial statements, if any, are filed under Section 4(a)(8) hereof.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Landowner from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Landowner chooses to include any information in any Annual Report, Semiannual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Landowner shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Semiannual Report or notice of occurrence of a Listed Event.

The Landowner acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Landowner, and that under some circumstances compliance with this Disclosure Agreement,

without additional disclosures or other action, may not fully discharge all duties and obligations of the Landowner under such laws.

SECTION 10. Default. In the event of a failure of the Landowner to comply with any provision of this Disclosure Agreement, any Participating Underwriter or any Bondowner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Landowner or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Landowner to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement and the Landowner 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 their 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 Landowner agrees to pay the Dissemination Agent a reasonable annual fee for the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Landowner, the Participating Underwriter, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Landowner or an opinion of nationally recognized bond counsel. The obligations of the Landowner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent may conclusively rely upon the Annual Report or Semiannual Report provided to it by the Landowner as constituting the Annual Report or Semiannual Report required of the Landowner in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Annual Report or Semiannual Report. The Dissemination Agent shall have no duty to prepare any Annual Report or Semiannual Report nor shall the Dissemination Agent be responsible for filing any Annual Report or Semiannual Report not provided to it by the Landowner in a timely manner in a form suitable for filing with the Repositories. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

The Dissemination Agent will not, without the Landowner's prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification may be sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Landowner and its controlling persons from all liability arising out of such claim, action or proceedings. If a claim, action or proceeding is settled with the consent of the Landowner or if there is a final judgment (other than a stipulated final judgment without the approval of the Landowner) for the plaintiff in any such claim, action or proceeding, with or without the consent of the Landowner, the Landowner agrees to indemnify and hold harmless the Dissemination Agent to the extent described herein.

SECTION 12. Reporting Obligation of Landowner's Transferees; Covenant Running With Land. The Landowner shall, in connection with any sale or transfer of ownership of land within the District which will result in the transferee (which term shall include any successors and assigns of the Landowner) becoming responsible (i) for the payment of more than 20 percent of the Special Taxes levied on property within the District in the Fiscal Year following such transfer and (ii) for the construction and/or installation of some or all of the improvements needed to permit parcels to be sold and developed, cause such transferee to enter into a disclosure agreement with terms substantially similar to the terms of this Disclosure Agreement, whereby such transferee agrees to be bound by the obligations of the Landowner under this Disclosure Agreement as an additional obligated party. Additionally, the Landowner shall, in connection with any sale or transfer of

ownership of land within the District which will result in the transferee becoming responsible for the payment of 20 percent or more of the Special Taxes levied on property within the District in the Fiscal Year following such transfer, but where the transferee is not responsible for the construction or installation of some or all of the infrastructure needed to construct improvements on such land, cause such transferee to enter into a disclosure agreement with terms substantially similar to the terms of this Disclosure Agreement, whereby such transferee agrees to provide its audited financial statements, if any, and the information of the type described in Section 4(a)(2), (5) and (6) of this Disclosure Agreement; provided that such transferee's obligations under such disclosure agreement shall terminate upon the sold or transferred land being improved with structures, or the land owned by the transferee becoming responsible for the payment of less than 20 percent of the annual Special Taxes. The Landowner agrees that its obligations pursuant to this Disclosure Agreement shall be a covenant running with the land owned by the Landowner within the District such that its obligations pursuant to this Disclosure Agreement shall be binding upon all such transferees described above as though the obligations of the Landowner and such transferees were expressly set forth in the grant deeds whereby such transferees obtain title to or an estate in such land from the Landowner as provided in Sections 1460 through 1470 of the Civil Code of the State of California. A memorandum regarding the Landowner's obligations under this Disclosure Agreement and of the covenant running with the land created hereby may be recorded in the Official Records in the office of the County Recorder of the County of Riverside, California.

SECTION 13. Landowner as Independent Contractor. In performing under this Disclosure Agreement, it is understood that the Landowner is an independent contractor and not an agent of the Issuer.

SECTION 14. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Landowner:	D.R. Horton 2280 Wardlow Circle, Suite 100 Corona, CA 92880 Attn: Barbara Murakami
Dissemination Agent:	U.S. Bank National Association 633 West Fifth Street, 24th Floor Los Angeles, CA 90071 Attn: Corporate Trust
Fiscal Agent:	U.S. Bank National Association 633 West Fifth Street, 24th Floor Los Angeles, CA 90071 Attn: Corporate Trust
Participating Underwriter:	Stifel Nicolaus & Company, Incorporated, One Montgomery Street, 35 <sup>th</sup> Floor San Francisco, California 94104 Attn: Municipal Bond Division

SECTION 15. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Landowner, the Issuer, the Dissemination Agent, the Fiscal Agent, the Participating Underwriter and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.



SECTION 16. Counterparts. This Disclosure Agreement 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.

D.R. HORTON LOS ANGELES HOLDING COMPANY, INC.,  
a California corporation

By: \_\_\_\_\_  
Barbara Murakami, Assistant Vice President

U.S. BANK NATIONAL ASSOCIATION, as  
Dissemination Agent and Fiscal Agent

By: \_\_\_\_\_  
Authorized Officer

**Purpose:**

In furtherance of the City's Debt Policy, the purpose of these Disclosure Procedures (the "Procedures") is to memorialize and communicate procedures in connection with obligations, including notes, bonds and certificates of participation, issued by the City of Chula Vista (the "City") so as to ensure that the City continues to comply with all applicable disclosure obligations and requirements under the federal securities laws.

**Background:**

The City of Chula Vista from time to time issues certificates of participation, pension obligation bonds, revenue bonds, notes or other obligations, (collectively, "Obligations") in order to fund or refund capital investments, other long-term programs and working capital needs. In offering Obligations to the public, and at other times when the City makes certain reports, the City must comply with the "anti-fraud rules" of federal securities laws. ("Anti-fraud rules" refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts, particularly "Rule 10b-5" under the 1934 Act.)

The core requirement of these rules is that potential investors in Obligations must be provided with all "material" information relating to the offered Obligations. The information provided to investors must not contain any material misstatements, and the City must not omit material information which would be necessary to provide to investors a complete and transparent description of the Obligations and the City's financial condition. In the context of the sale of securities, a fact is considered to be "material" if there is a substantial likelihood that a reasonable investor would consider it to be important in determining whether or not to purchase the securities being offered.

When the City issues Obligations, the two central disclosure documents which are prepared are a preliminary official statement ("POS") and a final official statement ("OS", and collectively with the POS, "Official Statement"). The Official Statement generally consists of (i) the forepart (which describes the specific transaction including maturity dates, interest rates, redemption provisions, the specific type of financing, the leased premises (in certificate of participation financings) and other matters particular to the financing, (ii) Appendix A, which provides information on the City's financial condition as well as certain economic and demographic information concerning the City and (iii) various other appendices, including the City's audited financial report, form of the proposed legal opinion, and form of continuing disclosure undertaking. Investors use the Official Statement as one of their primary resources for making informed investment decisions regarding the City's Obligations.

**Policy:**

City Council Policy (220-05) Debt Policy.

## **Procedures:**

### **I. Engagement of Outside Disclosure Counsel**

The City engages outside legal counsel with expertise in securities laws for advice with respect to the City's disclosure obligations and requirements under the federal securities laws ("Disclosure Counsel"). Disclosure Counsel assists the City in preparing the Official Statement (including Appendix A), and reviews all new data and updates to the Official Statement. Throughout the process of receiving and incorporating material, Disclosure Counsel provides advice as to standards of materiality and other securities law issues. Disclosure Counsel has a confidential, attorney-client relationship with officials and staff of the City.

Disclosure Counsel provides a negative assurance letter as to the disclosure set forth in the Official Statement for each City Obligation. The letter advises the City and the Obligations underwriters that as a matter of fact and not opinion that no information came to the attention of the attorneys working on the transaction which caused them to believe that Official Statement as of its date and as of the date of their letter (except for any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, and other customary exclusions), contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading

### **II. Disclosure Process**

When the City determines to issue Obligations, the Finance Department staff requests the involved departments to commence preparation of the portions of the Official Statement (including particularly Appendix A) for which they are responsible. While the general format and content of the Official Statement does not normally change substantially from offering to offering, except as necessary to reflect major events, the City Manager, Finance Department and City Attorney staff are separately responsible for reviewing and preparing or updating certain portions of Appendix A which are within their particular area of knowledge. Additionally, all participants in the disclosure process are separately responsible for reviewing the entire Official Statement. Disclosure Counsel assists the City Manager and staff in determining the materiality of any particular item, and in the development of specific language in Appendix A. Disclosure Counsel also assists the City in the development of a "big picture" overview of the City's financial condition, included in the forepart of the Official Statement. This overview highlights particular areas of concern. The Finance Director/Treasurer schedules one or more meetings or conference calls of the financing team working group (which includes City officials, the City's financial advisor, Disclosure Counsel, Bond Counsel, the underwriter of the Obligations, and their counsel), and new drafts of the forepart of the Official Statement and Appendix A are circulated and discussed. During this part of the process, there is substantial contact among City staff, other members of the financing team and Disclosure Counsel, to discuss issues which may arise, determine the materiality of particular items and ascertain the prominence in which the items should be disclosed.

Prior to distributing a POS to potential investors, there is a formal meeting which includes City officials involved in the preparation of the POS and the underwriters and their counsel, during which the Official Statement is reviewed in its entirety, page by page or section by section, to obtain final comments and to allow the underwriters to ask questions of the City's senior officials. This is referred to as a "due diligence" meeting.

Between the POS and final OS, any new changes and developments will have been incorporated into Appendix A if required by the entity responsible for the applicable portion of the Appendix A. If necessary to reflect developments following publication of the POS or OS, as applicable, supplements will be prepared and published.

In connection with the closing of the transaction, one or more senior City officials execute a certificate stating that the Official Statement, as of the date of each OS and as of the date of closing, does not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained in the Official Statement in light of the circumstances under which they were made, not misleading.

### III. Appendix A

The information contained in Appendix A is primarily developed by personnel at the City Manager's Office, Finance Department and City Attorney's Office. In certain circumstances, including when City Obligations are secured by particular revenues (such as revenues from Development Impact Fees), additional officials will be involved, as necessary. In addition, the City's financial adviser participates throughout the process of preparing the Official Statement and developing the structure of the financing.

The following principles govern the work of the respective staffs that contribute information to Appendix A:

- City staff involved in the disclosure process are responsible for being familiar with federal securities laws as they relate to disclosure.
- City staff involved in the disclosure process should be instructed to err on the side of raising issues when preparing or reviewing information for disclosure. Officials and staff are encouraged to consult with Disclosure Counsel if there are questions regarding whether an issue is material or not.
- Care should be taken not to shortcut or eliminate any steps outlined in the Procedures on an ad hoc basis. However, the Procedures are not necessarily intended to be a rigid list of procedural requirements, but instead to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the City should consider revisions to the Procedures.
- The process of updating Appendix A from transaction to transaction should not be viewed as being limited to updating tables and numerical information. While it is not anticipated that there will be major changes in the form and content of Appendix A at the time of each update, everyone involved in the process should consider the need for revisions in the form, content and tone of the sections for which they are responsible at the time of each update.
- The City must make sure that the particular officials involved in the disclosure process are of sufficient seniority such that it is reasonable to believe that, collectively, they are in possession of material information relating to the City and its finances.

### IV. Training

Periodic training for the staff involved in the preparation of the Official Statement (including Appendix A) is coordinated by the Director of Finance/Treasurer and City Attorney's Offices, with

the assistance of Disclosure Counsel. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in Appendix A. The training sessions also provide an overview of federal laws relating to disclosure, situations in which disclosure rules apply, the purpose of the Official Statement and Appendix A, a description of previous SEC enforcement actions and a discussion of recent developments in the area of municipal disclosure. Attendees at the training sessions are provided the opportunity to ask questions of Disclosure Counsel concerning disclosure obligations and are encouraged to contact Disclosure Counsel at any time if they have questions.

#### V. Annual Continuing Disclosure Requirements

In connection with the issuance of Obligations, the City has entered into a number of contractual agreements (“Continuing Disclosure Certificates”) to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified in the Continuing Disclosure Certificates. The City must comply with the specific requirements of each Continuing Disclosure Agreement. The City’s Continuing Disclosure Certificates require that the annual reports be filed between 210 and 270 days (depending on the issuance) after the end of the City’s fiscal year, and event notices are required to be filed within 10 days of their occurrence.

Specific events which require “material event” notices generally consist of the following:

- (a) Any of the following events with respect to the Obligations (in a timely manner not more than ten (10) business days after the event):
  - 1. Principal and interest payment delinquencies;
  - 2. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - 3. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - 4. Substitution of credit or liquidity providers, or their failure to perform;
  - 5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
  - 6. Tender offers;
  - 7. Defeasances;
  - 8. Rating changes; or
  - 9. Bankruptcy, insolvency, receivership or similar event of the obligated person.
  
- (b) Any of the following events with respect to the particular Obligations, if material:
  - 1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the particular Obligations or other material events affecting the tax status of the Series 2013 Bonds;

2. Modifications to rights of holders of the particular Obligations;
3. Optional, unscheduled or contingent calls of the particular Obligations;
4. Release, substitution, or sale of property securing repayment of the particular Obligations;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the 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; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

The Finance Director/Treasurer shall be responsible for preparing and filing the annual reports and material event notices required pursuant to the Continuing Disclosure Certificates. Particular care shall be paid to the timely filing of any changes in credit ratings on Obligations (including changes resulting from changes in the credit ratings of insurers of particular Obligations).

The City has adopted policies and procedures to monitor its compliance with its undertakings under the Rule and has retained an outside consultant to assist in the filing process. The City's Finance Department has assigned specific personnel to coordinate with the outside consultant and to monitor compliance.

### **Policy History:**

1. Issued 12/31/2013
2. Revised 02/14/2014



**Community Facilities District No. 2001-1  
Improvement Area B (San Miguel Ranch)**

**City of Chula Vista**

*January 2014*

**Main Office**

32605 Temecula Parkway, Suite 100  
Temecula, CA 92592  
Toll free: 800.676.7516

**Regional Office**

870 Market Street, Suite 1223  
San Francisco, CA 94102  
Toll free: 800.434.8349

**TABLE OF CONTENTS**

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**DISTRICT ANALYSIS**

**SENATE BILL 165**

**FINANCIAL STATUS**

**APPENDICES**

<b>DISTRICT BOUNDARY MAP</b>	<b>1</b>
<b>DELINQUENCY SUMMARY REPORT</b>	<b>2</b>
<b>CURRENT DEBT SERVICE SCHEDULE</b>	<b>3</b>
<b>FINAL BUDGET FOR FISCAL YEAR 2013/14</b>	<b>4</b>
<b>FINAL DETAIL REPORT FOR FISCAL YEAR 2013/14</b>	<b>5</b>



# **DISTRICT ANALYSIS**

## **DISTRICT**

The City of Chula Vista (the “City”) formed Community Facilities District No. 2001-1 (the “District”) in 2005. The District consists of approximately 738 acres of land in the City. The District is divided into two Improvement Areas: Improvement Area A and Improvement Area B. Improvement Area B consists of approximately 282 gross acres of land which is proposed for both residential and commercial development. Information about Improvement Area A can be found in a separate report.

The facilities authorized to be acquired or constructed by the District with the proceeds of the Improvement Area B Bonds (the “Bonds”), consist of various public improvements and traffic signals on San Miguel Ranch Road and Proctor Valley Road.

The Bonds are scheduled to mature with the September 1, 2036 debt service payment.

## **LEVY**

The Fiscal Year 2013/14 levy totaled \$904,496.42 and was placed on 289 parcels, which is consistent with the prior year’s levy.

## **FUNDS**

The Project Fund remains open while projects continue to progress. Once all projects have been completed, NBS recommends the City file a Certificate of Completion and disburse any remaining funds in accordance with the District’s governing documents and Government Code.

Historically, the Special Tax Fund has been sufficiently funded to meet the scheduled debt service payments. Currently, a surplus of approximately \$438,000 exists. NBS recommends that the City confirm the surplus and its availability and redeem Bonds in advance of their scheduled maturity in 2014.

The Reserve Fund is fully funded. The balance of \$831,439.63 exceeds the Reserve Requirement by approximately \$1,945.00.

The Bonds are subject to arbitrage rebate regulations. As of September 2010, the Bonds had a negative liability of \$1,155,051.89; therefore, no funds were required to be paid to the IRS. The Bonds require another interim calculation prepared by September 2015.

## **DELINQUENCY ISSUES**

The delinquency rate for Fiscal Year 2012/13 is 0.36%. This rate is lower than the delinquency rate at this time last year. At the City’s direction, NBS sent collection letters to delinquent property owners in an effort to cure all outstanding delinquencies. As a result, the City was not required to initiate the foreclosure process on any delinquent parcels within the District in the past year.

## **NBS**

Brian Brown, Senior Consultant  
Stephanie Parson, Project Manager  
Greg Davidson, Client Services Director

# SENATE BILL 165

Senate Bill 165 enacted the Local Agency Special Tax and Bond Accountability Act (the “Act”). This Act requires that any local bond measure subject to voter approval contain a statement indicating the specific purposes of the bonds, require that the proceeds of the bonds be applied to those purposes, require the creation of an account into which the proceeds shall be deposited, and require an annual report containing specified information concerning the use of the proceeds. The Act only applies to bonds issued on or after January 1, 2001 in accordance with Section 53410 of the California Government Code.

Some of the requirements of the Act are handled at the formation (bond issuance) of the Special Tax District and others are handled through annual reports. This report intends to comply with Section 53411 of the California Government Code that states:

“The chief fiscal officer of the issuing local agency shall file a report with its governing body no later than January 1, 2002, and at least once a year thereafter. The annual report shall contain all of the following:

- (a) The amount of funds collected and expended.
- (b) The status of any project required or authorized to be funded as identified in subdivision (a) of Section 53410.”

The requirements of the Act apply to the funds of:

City of Chula Vista’s  
 \$12,230,000 Community Facilities District No. 2001-1 (San Miguel Ranch)  
 2005 Improvement Area B Special Tax Bonds  
 Bonds Issued December 21, 2005

## Purpose of Special Tax

The special tax was established to pay the annual debt service and administrative expenses associated with the above referenced Bonds. The Bonds were issued to finance various public improvements and traffic signals on San Miguel Ranch Road and Proctor Valley Road, along with funding the Capitalized Interest Subaccount, Reserve Fund, Administrative Expense Fund, and pay the costs of issuance associated with the Bonds.

## Reporting Requirements

Fund	Initial Deposit	06/30/2013 Balance	Expended Amount	Project Status
Project Fund	\$10,414,047.00	\$3,920,158.40	\$6,493,888.60	Ongoing
Capitalized Interest Subaccount	450,046.88	0.00	450,046.88	Complete
Reserve Fund	831,405.00	831,439.63	0.00	Ongoing
Administrative Expense Fund	75,000.00	62,230.00	12,770.00	Ongoing
Cost of Issuance Fund	320,452.82	0.00	320,452.82	Complete

# FINANCIAL STATUS

## Special Tax Fund

6/30/2013 Balance (1)	9/1/2013 Payment	9/1/2013 Bond Call	Estimated Administrative Expenses	Amount Credited to 2013/14 Levy	Surplus (Deficit)
\$1,045,578.75	\$533,098.75	\$0.00	\$75,000.00	\$0.00	\$437,480.00

(1) The balance consists of \$983,348.75 from the Special Tax Fund and \$62,230.00 from the Admin Expense Fund.

## Reserve Fund

Initial Proceeds	6/30/2013 Balance	Reserve Requirement (1)	Surplus / (Deficit)	IRS Size Limitation
\$831,405.00	\$831,439.63	\$829,497.50	\$1,942.13	\$829,497.50

(1) The lesser of (a) 10% of the initial principal amount, (b) the maximum annual debt service, (c) 125% of the average annual debt service.

## Arbitrage Rebate Requirements and Liability

Date of Issuance	6/30/2013 Balance	Most Recent Calculation as of Date	Liability
12/21/2005	\$0.00	9/1/2010	(\$1,155,051.89)

## Special Tax Spread

Property Classification	Total Amount Levied (1)	Maximum Special Tax	Percentage of Maximum
Developed	\$904,496.42	\$1,027,512.56	88.03%
Undeveloped	0.00	2,222.00	0.00%

## Value to Maximum Special Tax Ratio

Parcels	Total Value	Maximum Special Tax	Value to Maximum Special Tax Ratio
290	\$206,351,367.00	\$1,029,734.56	200.39:1

(1) The Total Value represents the sum of the assessed land and structure value of all taxable parcels within the District for Fiscal Year 2013/14.

## ***Delinquency and Foreclosure Status***

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<b>Foreclosure Attorney</b>	<b>Foreclosure Recap</b>	<b>Delinquency Management Steps Taken</b>
Stradling Yocca Carlson & Rauth	No foreclosures have been initiated	Demand Letters Sent

## ***Foreclosure Covenant***

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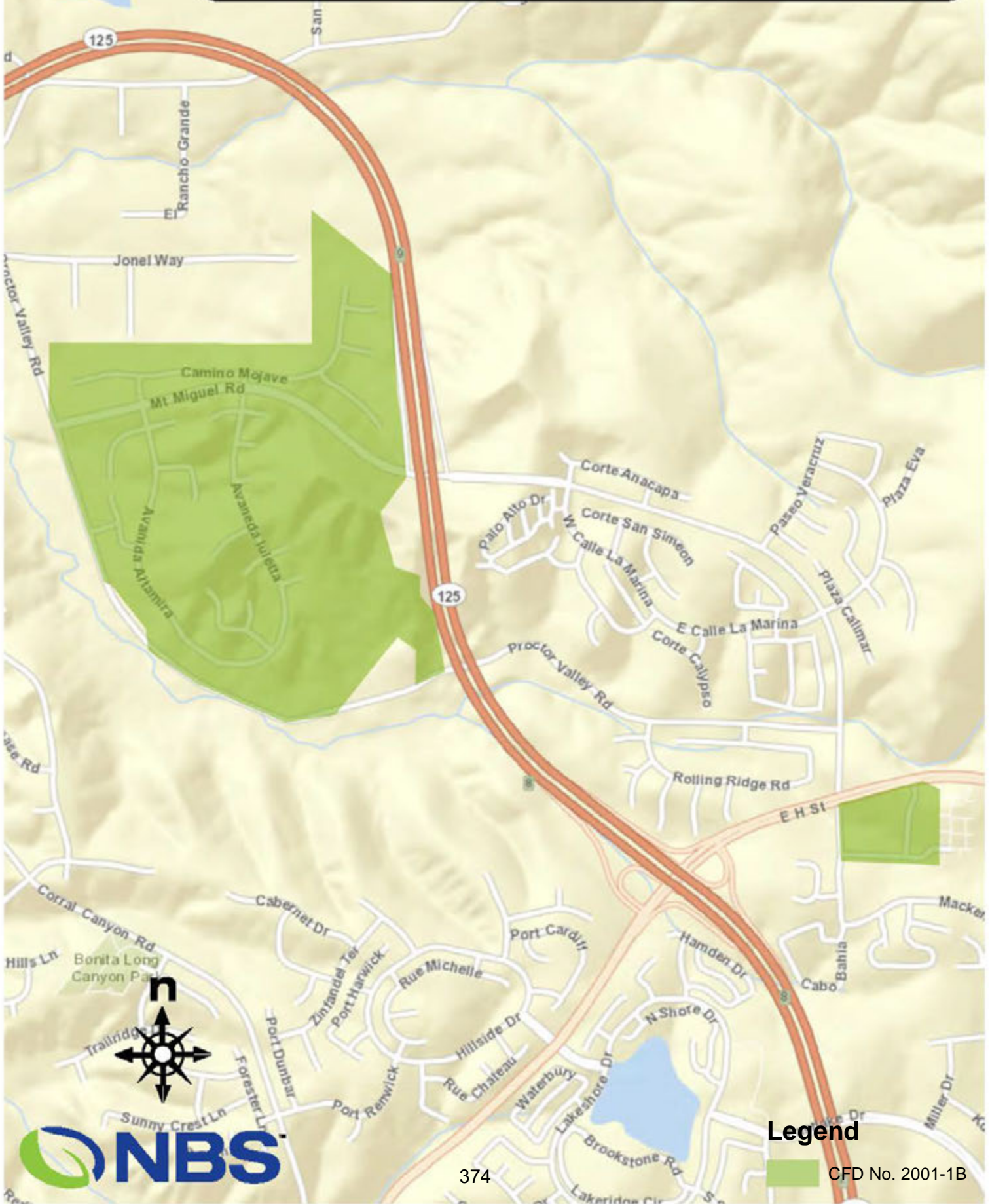
The District will review the public records of the County of San Diego, California, in connection with the collection of the Special Taxes not later than July 1 of each year to determine the amount of the Special Tax collected in the prior Fiscal Year and will commence and diligently pursue to completion, judicial foreclosure proceedings against (i) properties under common ownership with delinquent Special Taxes in the aggregate of \$5,000 or more by October 1 following the close of the Fiscal Year in which the Special Taxes were due, and (ii) against all properties with delinquent Special Taxes in the aggregate of \$2,500 or more by October 1 following the close of any Fiscal Year if the amount of the Reserve Fund is less than the Reserve Requirement.

# ***APPENDICES***


<b>DISTRICT BOUNDARY MAP</b>	<b>1</b>
<b>DELINQUENCY SUMMARY REPORT</b>	<b>2</b>
<b>CURRENT DEBT SERVICE SCHEDULE</b>	<b>3</b>
<b>FINAL BUDGET FOR FISCAL YEAR 2013/14</b>	<b>4</b>
<b>FINAL DETAIL REPORT FOR FISCAL YEAR 2013/14</b>	<b>5</b>

## ***APPENDIX 1: DISTRICT BOUNDARY MAP***

**Community Facilities District No. 2001-1B  
(San Miguel Ranch)  
District Boundary Map**



**Legend**

 CFD No. 2001-1B

## ***APPENDIX 2: DELINQUENCY SUMMARY REPORT***



**City of Chula Vista**  
**Delinquency Summary Report**

As of: 06/30/2013

District	Due Date	Billed Amount	Paid Amount	Delinquent Amount	Delinquent Amount %	Billed Installments	Paid Installments	Delinquent Installments	Delinquent Installments %
<b>CFD No. 2001-1B</b>									
	<b>8/1/2006 Billing:</b>								
	12/10/2006	\$451,533.75	\$451,533.75	\$0.00	0.00 %	7	7	0	0.00 %
	4/10/2007	451,533.75	451,533.75	0.00	0.00 %	7	7	0	0.00 %
	<b>Subtotal:</b>	<b>\$903,067.50</b>	<b>\$903,067.50</b>	<b>\$0.00</b>	<b>0.00 %</b>	<b>14</b>	<b>14</b>	<b>0</b>	<b>0.00 %</b>
	<b>8/1/2007 Billing:</b>								
	12/10/2007	\$452,145.67	\$452,145.67	\$0.00	0.00 %	289	289	0	0.00 %
	4/10/2008	452,145.67	452,145.67	0.00	0.00 %	289	289	0	0.00 %
	<b>Subtotal:</b>	<b>\$904,291.34</b>	<b>\$904,291.34</b>	<b>\$0.00</b>	<b>0.00 %</b>	<b>578</b>	<b>578</b>	<b>0</b>	<b>0.00 %</b>
	<b>8/1/2008 Billing:</b>								
	12/10/2008	\$452,514.47	\$452,514.47	\$0.00	0.00 %	290	290	0	0.00 %
	4/10/2009	452,514.47	452,514.47	0.00	0.00 %	290	290	0	0.00 %
	<b>Subtotal:</b>	<b>\$905,028.94</b>	<b>\$905,028.94</b>	<b>\$0.00</b>	<b>0.00 %</b>	<b>580</b>	<b>580</b>	<b>0</b>	<b>0.00 %</b>
	<b>8/1/2009 Billing:</b>								
	12/10/2009	\$452,639.50	\$452,639.50	\$0.00	0.00 %	290	290	0	0.00 %
	4/10/2010	452,639.50	452,639.50	0.00	0.00 %	290	290	0	0.00 %
	<b>Subtotal:</b>	<b>\$905,279.00</b>	<b>\$905,279.00</b>	<b>\$0.00</b>	<b>0.00 %</b>	<b>580</b>	<b>580</b>	<b>0</b>	<b>0.00 %</b>
	<b>8/1/2010 Billing:</b>								
	12/10/2010	\$451,567.30	\$451,567.30	\$0.00	0.00 %	290	290	0	0.00 %
	4/10/2011	451,567.30	451,567.30	0.00	0.00 %	290	290	0	0.00 %
	<b>Subtotal:</b>	<b>\$903,134.60</b>	<b>\$903,134.60</b>	<b>\$0.00</b>	<b>0.00 %</b>	<b>580</b>	<b>580</b>	<b>0</b>	<b>0.00 %</b>
	<b>8/1/2011 Billing:</b>								
	12/10/2011	\$451,204.80	\$451,204.80	\$0.00	0.00 %	290	290	0	0.00 %
	4/10/2012	451,204.80	451,204.80	0.00	0.00 %	290	290	0	0.00 %
	<b>Subtotal:</b>	<b>\$902,409.60</b>	<b>\$902,409.60</b>	<b>\$0.00</b>	<b>0.00 %</b>	<b>580</b>	<b>580</b>	<b>0</b>	<b>0.00 %</b>
	<b>8/1/2012 Billing:</b>								
	12/10/2012	\$450,598.10	\$448,993.65	\$1,604.45	0.36 %	288	287	1	0.35 %
	4/10/2013	450,598.10	448,993.65	1,604.45	0.36 %	288	287	1	0.35 %
	<b>Subtotal:</b>	<b>\$901,196.20</b>	<b>\$897,987.30</b>	<b>\$3,208.90</b>	<b>0.36 %</b>	<b>576</b>	<b>574</b>	<b>2</b>	<b>0.35 %</b>
<b>CFD No. 2001-1B</b>		<b>\$6,324,407.18</b>	<b>\$6,321,198.28</b>	<b>\$3,208.90</b>	<b>0.05 %</b>	<b>3,488</b>	<b>3,486</b>	<b>2</b>	<b>0.06 %</b>
<b>Total:</b>									

**City of Chula Vista**  
**Delinquency Summary Report**  
 As of: 06/30/2013

<b>District</b>	<b>Due Date</b>	<b>Billed Amount</b>	<b>Paid Amount</b>	<b>Delinquent Amount</b>	<b>Delinquent Amount %</b>	<b>Billed Installments</b>	<b>Paid Installments</b>	<b>Delinquent Installments</b>	<b>Delinquent Installments %</b>
<b>Agency Grand Total:</b>		<b>\$6,324,407.18</b>	<b>\$6,321,198.28</b>	<b>\$3,208.90</b>	<b>0.05 %</b>				

## ***APPENDIX 3: CURRENT DEBT SERVICE SCHEDULE***

**City of Chula Vista**  
**CFD No. 2001-1B - CFD No. 2001-1 IA B (San Miguel Ranch)**  
**Current Debt Service Schedule**  
 Bonds Dated: 12/21/2005  
 Bonds Issued: \$12,230,000.00

Payment Date	CUSIP	Interest Rate	Balance	Principal	Interest	Payment Total	Annual Total	Call Prem.	Status
03/01/2006		0.0000%	\$12,230,000.00	\$0.00	\$126,013.13	\$126,013.13	\$0.00	0.0000%	Paid
09/01/2006		0.0000	12,230,000.00	0.00	324,033.75	324,033.75	0.00	0.0000	Paid
03/01/2007		0.0000	12,230,000.00	0.00	324,033.75	324,033.75	0.00	0.0000	Paid
09/01/2007	171312GL9	4.8750	12,230,000.00	180,000.00	324,033.75	504,033.75	1,278,114.38	0.0000	Paid
03/01/2008		0.0000	12,050,000.00	0.00	319,646.25	319,646.25	0.00	0.0000	Paid
09/01/2008	171312GM7	4.8750	12,050,000.00	190,000.00	319,646.25	509,646.25	829,292.50	0.0000	Paid
03/01/2009		0.0000	11,860,000.00	0.00	315,015.00	315,015.00	0.00	0.0000	Paid
09/01/2009	171312GN5	4.8750	11,860,000.00	200,000.00	315,015.00	515,015.00	0.00	0.0000	Paid
09/01/2009		Bond Call	11,660,000.00	35,000.00	0.00	35,000.00	865,030.00	0.0000	Paid
03/01/2010		0.0000	11,625,000.00	0.00	309,186.25	309,186.25	0.00	0.0000	Paid
09/01/2010	171312GP0	4.8750	11,625,000.00	210,000.00	309,186.25	519,186.25	828,372.50	0.0000	Paid
03/01/2011		0.0000	11,415,000.00	0.00	304,067.50	304,067.50	0.00	0.0000	Paid
09/01/2011	171312GQ8	4.8750	11,415,000.00	220,000.00	304,067.50	524,067.50	828,135.00	0.0000	Paid
03/01/2012		0.0000	11,195,000.00	0.00	298,705.00	298,705.00	0.00	0.0000	Paid
09/01/2012	171312GR6	4.8750	11,195,000.00	230,000.00	298,705.00	528,705.00	827,410.00	0.0000	Paid
03/01/2013		0.0000	10,965,000.00	0.00	293,098.75	293,098.75	0.00	0.0000	Unpaid
09/01/2013	171312GS4	4.8750	10,965,000.00	240,000.00	293,098.75	533,098.75	826,197.50	0.0000	Unpaid
03/01/2014		0.0000	10,725,000.00	0.00	287,248.75	287,248.75	0.00	0.0000	Unpaid
09/01/2014	171312GT2	4.8500	10,725,000.00	255,000.00	287,248.75	542,248.75	829,497.50	0.0000	Unpaid
03/01/2015		0.0000	10,470,000.00	0.00	281,065.00	281,065.00	0.00	0.0000	Unpaid
09/01/2015	171312GU9	5.0000	10,470,000.00	265,000.00	281,065.00	546,065.00	827,130.00	0.0000	Unpaid
03/01/2016		0.0000	10,205,000.00	0.00	274,440.00	274,440.00	0.00	0.0000	Unpaid
09/01/2016	171312GV7	5.0000	10,205,000.00	280,000.00	274,440.00	554,440.00	828,880.00	0.0000	Unpaid
03/01/2017		0.0000	9,925,000.00	0.00	267,440.00	267,440.00	0.00	0.0000	Unpaid
09/01/2017	171312GW5	5.1000	9,925,000.00	290,000.00	267,440.00	557,440.00	824,880.00	0.0000	Unpaid
03/01/2018		0.0000	9,635,000.00	0.00	260,045.00	260,045.00	0.00	0.0000	Unpaid
09/01/2018	171312GX3	5.1500	9,635,000.00	305,000.00	260,045.00	565,045.00	825,090.00	0.0000	Unpaid
03/01/2019		0.0000	9,330,000.00	0.00	252,191.25	252,191.25	0.00	0.0000	Unpaid
09/01/2019	171312GY1	5.2000	9,330,000.00	320,000.00	252,191.25	572,191.25	824,382.50	0.0000	Unpaid
03/01/2020		0.0000	9,010,000.00	0.00	243,871.25	243,871.25	0.00	0.0000	Unpaid
09/01/2020	171312GZ8	5.2500	9,010,000.00	340,000.00	243,871.25	583,871.25	827,742.50	0.0000	Unpaid
03/01/2021		0.0000	8,670,000.00	0.00	234,946.25	234,946.25	0.00	0.0000	Unpaid
09/01/2021	171312HA2	5.3000	8,670,000.00	355,000.00	234,946.25	589,946.25	824,892.50	0.0000	Unpaid
03/01/2022		0.0000	8,315,000.00	0.00	225,538.75	225,538.75	0.00	0.0000	Unpaid
09/01/2022	171312HB0	5.3500	8,315,000.00	375,000.00	225,538.75	600,538.75	826,077.50	0.0000	Unpaid
03/01/2023		0.0000	7,940,000.00	0.00	215,507.50	215,507.50	0.00	0.0000	Unpaid
09/01/2023	171312HB0	5.3500	7,940,000.00	395,000.00	215,507.50	610,507.50	826,015.00	0.0000	Unpaid
03/01/2024		0.0000	7,545,000.00	0.00	204,941.25	204,941.25	0.00	0.0000	Unpaid
09/01/2024	171312HB0	5.3500	7,545,000.00	415,000.00	204,941.25	619,941.25	824,882.50	0.0000	Unpaid
03/01/2025		0.0000	7,130,000.00	0.00	193,840.00	193,840.00	0.00	0.0000	Unpaid
09/01/2025	131312HB0	5.3500	7,130,000.00	440,000.00	193,840.00	633,840.00	827,680.00	0.0000	Unpaid
03/01/2026		0.0000	6,690,000.00	0.00	182,070.00	182,070.00	0.00	0.0000	Unpaid
09/01/2026	171312HB0	5.3500	6,690,000.00	465,000.00	182,070.00	647,070.00	829,140.00	0.0000	Unpaid
03/01/2027		0.0000	6,225,000.00	0.00	169,631.25	169,631.25	0.00	0.0000	Unpaid
09/01/2027	171312HC8	5.4500	6,225,000.00	490,000.00	169,631.25	659,631.25	829,262.50	0.0000	Unpaid
03/01/2028		0.0000	5,735,000.00	0.00	156,278.75	156,278.75	0.00	0.0000	Unpaid
09/01/2028	171312HC8	5.4500	5,735,000.00	515,000.00	156,278.75	671,278.75	827,557.50	0.0000	Unpaid
03/01/2029		0.0000	5,220,000.00	0.00	142,245.00	142,245.00	0.00	0.0000	Unpaid
09/01/2029	171312HC8	5.4500	5,220,000.00	540,000.00	142,245.00	682,245.00	824,490.00	0.0000	Unpaid
03/01/2030		0.0000	4,680,000.00	0.00	127,530.00	127,530.00	0.00	0.0000	Unpaid
09/01/2030	171312HC8	5.4500	4,680,000.00	565,000.00	127,530.00	692,530.00	820,060.00	0.0000	Unpaid
03/01/2031		0.0000	4,115,000.00	0.00	112,133.75	112,133.75	0.00	0.0000	Unpaid
09/01/2031	171312HC8	5.4500	4,115,000.00	600,000.00	112,133.75	712,133.75	824,267.50	0.0000	Unpaid
03/01/2032		0.0000	3,515,000.00	0.00	95,783.75	95,783.75	0.00	0.0000	Unpaid

**City of Chula Vista**  
**CFD No. 2001-1B - CFD No. 2001-1 IA B (San Miguel Ranch)**  
**Current Debt Service Schedule**  
 Bonds Dated: 12/21/2005  
 Bonds Issued: \$12,230,000.00

Payment Date	CUSIP	Interest Rate	Balance	Principal	Interest	Payment Total	Annual Total	Call Prem.	Status
09/01/2032	171312HC8	5.4500	\$3,515,000.00	630,000.00	95,783.75	725,783.75	821,567.50	0.0000	Unpaid
03/01/2033		0.0000	2,885,000.00	0.00	78,616.25	78,616.25	0.00	0.0000	Unpaid
09/01/2033	171312HC8	5.4500	2,885,000.00	665,000.00	78,616.25	743,616.25	822,232.50	0.0000	Unpaid
03/01/2034		0.0000	2,220,000.00	0.00	60,495.00	60,495.00	0.00	0.0000	Unpaid
09/01/2034	171312HC8	5.4500	2,220,000.00	700,000.00	60,495.00	760,495.00	820,990.00	0.0000	Unpaid
03/01/2035		0.0000	1,520,000.00	0.00	41,420.00	41,420.00	0.00	0.0000	Unpaid
09/01/2035	171312HC8	5.4500	1,520,000.00	740,000.00	41,420.00	781,420.00	822,840.00	0.0000	Unpaid
03/01/2036		0.0000	780,000.00	0.00	21,255.00	21,255.00	0.00	0.0000	Unpaid
09/01/2036	171312HC8	5.4500	780,000.00	780,000.00	21,255.00	801,255.00	822,510.00	0.0000	Unpaid
<b>Grand Total:</b>				<b>\$12,230,000.00</b>	<b>\$13,034,619.38</b>	<b>\$25,264,619.38</b>	<b>\$25,264,619.38</b>		

***APPENDIX 4: FINAL BUDGET FOR FISCAL YEAR 2013/14***

**City of Chula Vista**  
**CFD No. 2001-1 IA B (San Miguel Ranch)**  
**Final Budget for Fiscal Year 2013/14**

Category / Item	FY 2013/14	FY 2012/13	Increase / (Decrease)
<b>Principal &amp; Interest</b>			
Principal & Interest	\$829,497.50	\$826,197.50	\$3,300.00
Subtotal:	\$829,497.50	\$826,197.50	\$3,300.00
<b>Admin. Expenses</b>			
Admin. Expenses	\$75,000.00	\$75,000.00	\$0.00
Subtotal:	\$75,000.00	\$75,000.00	\$0.00
<b>Miscellaneous</b>			
Installment Rounding	(\$1.08)	(\$1.30)	\$0.22
Subtotal:	(\$1.08)	(\$1.30)	\$0.22
<hr/>			
<b>Grand Total:</b>	\$904,496.42	\$901,196.20	\$3,300.22
<b>Total Parcels:</b>	290	290	0

***APPENDIX 5: FINAL DETAIL REPORT FOR FISCAL YEAR 2013/14***



**City of Chula Vista**  
**CFD No. 2001-1 IA B (San Miguel Ranch)**  
**Final Detail Report for the 2013/14 Billing**

Account ID	Property ID	DB	Levy Developed	Levy Undeveloped	Misc Adjs	Total
585-190-01-00	585-190-01-00		\$2,301.38	\$0.00	\$0.00	\$2,301.38
585-190-02-00	585-190-02-00		2,690.45	0.00	(0.01)	2,690.44
585-190-03-00	585-190-03-00		2,849.97	0.00	(0.01)	2,849.96
585-190-04-00	585-190-04-00		3,153.14	0.00	0.00	3,153.14
585-190-05-00	585-190-05-00		2,111.54	0.00	0.00	2,111.54
585-190-06-00	585-190-06-00		2,543.20	0.00	0.00	2,543.20
585-190-07-00	585-190-07-00		2,427.70	0.00	0.00	2,427.70
585-190-08-00	585-190-08-00		2,111.54	0.00	0.00	2,111.54
585-190-09-00	585-190-09-00		3,153.14	0.00	0.00	3,153.14
585-190-10-00	585-190-10-00		2,849.97	0.00	(0.01)	2,849.96
585-190-11-00	585-190-11-00		3,153.14	0.00	0.00	3,153.14
585-190-12-00	585-190-12-00		3,153.14	0.00	0.00	3,153.14
585-190-13-00	585-190-13-00		2,690.45	0.00	(0.01)	2,690.44
585-190-14-00	585-190-14-00		2,849.97	0.00	(0.01)	2,849.96
585-190-15-00	585-190-15-00		2,427.70	0.00	0.00	2,427.70
585-190-16-00	585-190-16-00		2,111.54	0.00	0.00	2,111.54
585-190-17-00	585-190-17-00		2,811.72	0.00	0.00	2,811.72
585-190-18-00	585-190-18-00		2,691.89	0.00	(0.01)	2,691.88
585-190-19-00	585-190-19-00		2,811.72	0.00	0.00	2,811.72
585-190-20-00	585-190-20-00		2,111.54	0.00	0.00	2,111.54
585-190-21-00	585-190-21-00		2,690.45	0.00	(0.01)	2,690.44
585-190-22-00	585-190-22-00		3,153.14	0.00	0.00	3,153.14
585-190-23-00	585-190-23-00		2,849.97	0.00	(0.01)	2,849.96
585-190-24-00	585-190-24-00		3,153.14	0.00	0.00	3,153.14
585-190-25-00	585-190-25-00		2,690.45	0.00	(0.01)	2,690.44
585-190-26-00	585-190-26-00		2,811.72	0.00	0.00	2,811.72
585-190-27-00	585-190-27-00		2,691.89	0.00	(0.01)	2,691.88
585-190-28-00	585-190-28-00		2,476.07	0.00	(0.01)	2,476.06
585-190-29-00	585-190-29-00		2,669.52	0.00	0.00	2,669.52
585-190-30-00	585-190-30-00		2,106.48	0.00	(0.01)	2,106.48
585-190-31-00	585-190-31-00		2,669.52	0.00	0.00	2,669.52
585-190-32-00	585-190-32-00		2,543.20	0.00	0.00	2,543.20
585-190-33-00	585-190-33-00		2,669.52	0.00	0.00	2,669.52
585-190-34-00	585-190-34-00		2,111.54	0.00	0.00	2,111.54
585-190-35-00	585-190-35-00		2,111.54	0.00	0.00	2,111.54
585-190-36-00	585-190-36-00		2,543.20	0.00	0.00	2,543.20
585-190-37-00	585-190-37-00		2,111.54	0.00	0.00	2,111.54
585-190-38-00	585-190-38-00		2,543.20	0.00	0.00	2,543.20
585-190-39-00	585-190-39-00		2,691.89	0.00	(0.01)	2,691.88
585-190-40-00	585-190-40-00		2,357.69	0.00	(0.01)	2,357.68
585-190-41-00	585-190-41-00		2,829.76	0.00	0.00	2,829.76
585-190-44-00	585-190-44-00		2,829.76	0.00	0.00	2,829.76
585-190-45-00	585-190-45-00		2,691.89	0.00	(0.01)	2,691.88
585-190-46-00	585-190-46-00		2,691.89	0.00	(0.01)	2,691.88
585-190-47-00	585-190-47-00		2,829.76	0.00	0.00	2,829.76

**City of Chula Vista**  
**CFD No. 2001-1 IA B (San Miguel Ranch)**  
**Final Detail Report for the 2013/14 Billing**

Account ID	Property ID	DB	Levy Developed	Levy Undeveloped	Misc Adjs	Total
585-190-48-00	585-190-48-00		2,357.69	0.00	(0.01)	2,357.68
585-190-49-00	585-190-49-00		2,829.76	0.00	0.00	2,829.76
585-190-50-00	585-190-50-00		2,357.69	0.00	(0.01)	2,357.68
585-190-51-00	585-190-51-00		2,691.89	0.00	(0.01)	2,691.88
585-190-52-00	585-190-52-00		2,829.76	0.00	0.00	2,829.76
585-190-53-00	585-190-53-00		2,691.89	0.00	(0.01)	2,691.88
585-190-54-00	585-190-54-00		2,357.69	0.00	(0.01)	2,357.68
585-190-55-00	585-190-55-00		2,829.76	0.00	0.00	2,829.76
585-190-56-00	585-190-56-00		2,691.89	0.00	(0.01)	2,691.88
585-190-57-00	585-190-57-00		2,357.69	0.00	(0.01)	2,357.68
585-190-58-00	585-190-58-00		2,829.76	0.00	0.00	2,829.76
585-190-59-00	585-190-59-00		2,691.89	0.00	(0.01)	2,691.88
585-190-60-00	585-190-60-00		2,829.76	0.00	0.00	2,829.76
585-190-61-00	585-190-61-00		2,691.89	0.00	(0.01)	2,691.88
585-190-63-00	585-190-63-00		2,357.69	0.00	(0.01)	2,357.68
585-190-64-00	585-190-64-00		2,829.76	0.00	0.00	2,829.76
585-190-65-00	585-190-65-00		2,691.89	0.00	(0.01)	2,691.88
585-190-66-00	585-190-66-00		2,691.89	0.00	(0.01)	2,691.88
585-190-67-00	585-190-67-00		2,357.69	0.00	(0.01)	2,357.68
585-190-68-00	585-190-68-00		2,829.76	0.00	0.00	2,829.76
585-190-69-00	585-190-69-00		2,691.89	0.00	(0.01)	2,691.88
585-190-70-00	585-190-70-00		2,829.76	0.00	0.00	2,829.76
585-190-71-00	585-190-71-00		2,357.69	0.00	(0.01)	2,357.68
585-190-72-00	585-190-72-00		2,691.89	0.00	(0.01)	2,691.88
585-190-73-00	585-190-73-00		2,829.76	0.00	0.00	2,829.76
585-190-74-00	585-190-74-00		2,691.89	0.00	(0.01)	2,691.88
585-190-75-00	585-190-75-00		2,357.69	0.00	(0.01)	2,357.68
585-190-78-00	585-190-78-00		2,691.89	0.00	(0.01)	2,691.88
585-190-79-00	585-190-79-00		2,357.69	0.00	(0.01)	2,357.68
585-190-80-00	585-190-80-00		2,691.89	0.00	(0.01)	2,691.88
585-190-81-00	585-190-81-00		2,829.76	0.00	0.00	2,829.76
585-190-82-00	585-190-82-00		2,829.76	0.00	0.00	2,829.76
585-190-83-00	585-190-83-00		3,207.28	0.00	0.00	3,207.28
585-190-84-00	585-190-84-00		3,359.58	0.00	0.00	3,359.58
585-190-85-00	585-190-85-00		3,563.14	0.00	0.00	3,563.14
585-190-87-00	585-190-87-00		2,691.89	0.00	(0.01)	2,691.88
585-190-88-00	585-190-88-00		2,357.69	0.00	(0.01)	2,357.68
585-190-89-00	585-190-89-00		2,691.89	0.00	(0.01)	2,691.88
585-190-90-00	585-190-90-00		2,829.76	0.00	0.00	2,829.76
585-190-91-00	585-190-91-00		2,829.76	0.00	0.00	2,829.76
585-190-92-00	585-190-92-00		2,357.69	0.00	(0.01)	2,357.68
585-191-01-00	585-191-01-00		2,111.54	0.00	0.00	2,111.54
585-191-02-00	585-191-02-00		2,301.38	0.00	0.00	2,301.38
585-191-03-00	585-191-03-00		2,349.75	0.00	(0.01)	2,349.74
585-191-04-00	585-191-04-00		2,669.52	0.00	0.00	2,669.52

**City of Chula Vista**  
**CFD No. 2001-1 IA B (San Miguel Ranch)**  
**Final Detail Report for the 2013/14 Billing**

Account ID	Property ID	DB	Levy Developed	Levy Undeveloped	Misc Adjs	Total
585-191-05-00	585-191-05-00		2,543.20	0.00	0.00	2,543.20
585-191-10-00	585-191-10-00		2,476.07	0.00	(0.01)	2,476.06
585-191-11-00	585-191-11-00		2,669.52	0.00	0.00	2,669.52
585-191-12-00	585-191-12-00		2,349.75	0.00	(0.01)	2,349.74
585-191-13-00	585-191-13-00		2,811.72	0.00	0.00	2,811.72
585-191-14-00	585-191-14-00		2,543.20	0.00	0.00	2,543.20
585-191-15-00	585-191-15-00		2,669.52	0.00	0.00	2,669.52
585-191-16-00	585-191-16-00		2,543.20	0.00	0.00	2,543.20
585-191-17-00	585-191-17-00		2,669.52	0.00	0.00	2,669.52
585-191-18-00	585-191-18-00		2,106.49	0.00	(0.01)	2,106.48
585-191-19-00	585-191-19-00		2,543.20	0.00	0.00	2,543.20
585-191-20-00	585-191-20-00		2,106.49	0.00	(0.01)	2,106.48
585-191-21-00	585-191-21-00		2,349.75	0.00	(0.01)	2,349.74
585-191-22-00	585-191-22-00		2,669.52	0.00	0.00	2,669.52
585-191-23-00	585-191-23-00		2,349.75	0.00	(0.01)	2,349.74
585-191-24-00	585-191-24-00		2,543.20	0.00	0.00	2,543.20
585-191-25-00	585-191-25-00		2,476.07	0.00	(0.01)	2,476.06
585-191-26-00	585-191-26-00		2,106.49	0.00	(0.01)	2,106.48
585-191-27-00	585-191-27-00		2,811.72	0.00	0.00	2,811.72
585-191-28-00	585-191-28-00		2,106.49	0.00	(0.01)	2,106.48
585-191-29-00	585-191-29-00		2,349.75	0.00	(0.01)	2,349.74
585-191-30-00	585-191-30-00		2,669.52	0.00	0.00	2,669.52
585-191-31-00	585-191-31-00		2,543.20	0.00	0.00	2,543.20
585-191-32-00	585-191-32-00		2,106.49	0.00	(0.01)	2,106.48
585-191-35-00	585-191-35-00		2,829.76	0.00	0.00	2,829.76
585-191-36-00	585-191-36-00		2,691.89	0.00	(0.01)	2,691.88
585-191-37-00	585-191-37-00		2,829.76	0.00	0.00	2,829.76
585-191-38-00	585-191-38-00		3,359.58	0.00	0.00	3,359.58
585-191-39-00	585-191-39-00		3,207.28	0.00	0.00	3,207.28
585-191-40-00	585-191-40-00		3,568.91	0.00	(0.01)	3,568.90
585-191-41-00	585-191-41-00		3,207.28	0.00	0.00	3,207.28
585-191-42-00	585-191-42-00		3,568.91	0.00	(0.01)	3,568.90
585-191-43-00	585-191-43-00		3,359.58	0.00	0.00	3,359.58
585-191-44-00	585-191-44-00		3,563.14	0.00	0.00	3,563.14
585-191-45-00	585-191-45-00		3,207.28	0.00	0.00	3,207.28
585-191-46-00	585-191-46-00		3,359.58	0.00	0.00	3,359.58
585-191-47-00	585-191-47-00		3,359.58	0.00	0.00	3,359.58
585-191-48-00	585-191-48-00		3,207.28	0.00	0.00	3,207.28
585-191-49-00	585-191-49-00		3,359.58	0.00	0.00	3,359.58
585-191-50-00	585-191-50-00		3,568.91	0.00	(0.01)	3,568.90
585-191-51-00	585-191-51-00		3,207.28	0.00	0.00	3,207.28
585-191-52-00	585-191-52-00		3,568.91	0.00	(0.01)	3,568.90
585-191-53-00	585-191-53-00		3,207.28	0.00	0.00	3,207.28
585-191-54-00	585-191-54-00		3,359.58	0.00	0.00	3,359.58
585-191-55-00	585-191-55-00		3,207.28	0.00	0.00	3,207.28

**City of Chula Vista**  
**CFD No. 2001-1 IA B (San Miguel Ranch)**  
**Final Detail Report for the 2013/14 Billing**

Account ID	Property ID	DB	Levy Developed	Levy Undeveloped	Misc Adjs	Total
585-191-57-00	585-191-57-00		2,829.76	0.00	0.00	2,829.76
585-191-58-00	585-191-58-00		2,691.89	0.00	(0.01)	2,691.88
585-191-59-00	585-191-59-00		2,829.76	0.00	0.00	2,829.76
585-191-60-00	585-191-60-00		2,357.69	0.00	(0.01)	2,357.68
585-191-62-00	585-191-62-00		2,111.54	0.00	0.00	2,111.54
585-191-63-00	585-191-63-00		2,543.20	0.00	0.00	2,543.20
585-191-64-00	585-191-64-00		2,669.52	0.00	0.00	2,669.52
585-191-65-00	585-191-65-00		2,543.20	0.00	0.00	2,543.20
585-200-01-00	585-200-01-00		3,041.26	0.00	0.00	3,041.26
585-200-02-00	585-200-02-00		2,759.74	0.00	0.00	2,759.74
585-200-03-00	585-200-03-00		3,303.28	0.00	0.00	3,303.28
585-200-04-00	585-200-04-00		3,041.26	0.00	0.00	3,041.26
585-200-05-00	585-200-05-00		2,759.74	0.00	0.00	2,759.74
585-200-06-00	585-200-06-00		2,931.54	0.00	0.00	2,931.54
585-200-07-00	585-200-07-00		3,303.28	0.00	0.00	3,303.28
585-200-08-00	585-200-08-00		2,931.54	0.00	0.00	2,931.54
585-200-09-00	585-200-09-00		3,041.26	0.00	0.00	3,041.26
585-200-10-00	585-200-10-00		3,303.28	0.00	0.00	3,303.28
585-200-11-00	585-200-11-00		2,759.74	0.00	0.00	2,759.74
585-200-12-00	585-200-12-00		3,169.02	0.00	0.00	3,169.02
585-200-13-00	585-200-13-00		2,759.74	0.00	0.00	2,759.74
585-200-14-00	585-200-14-00		3,303.28	0.00	0.00	3,303.28
585-200-15-00	585-200-15-00		2,931.54	0.00	0.00	2,931.54
585-200-16-00	585-200-16-00		3,169.02	0.00	0.00	3,169.02
585-200-17-00	585-200-17-00		3,041.26	0.00	0.00	3,041.26
585-200-18-00	585-200-18-00		2,678.90	0.00	0.00	2,678.90
585-200-19-00	585-200-19-00		3,041.26	0.00	0.00	3,041.26
585-200-20-00	585-200-20-00		3,169.02	0.00	0.00	3,169.02
585-200-21-00	585-200-21-00		3,041.26	0.00	0.00	3,041.26
585-200-22-00	585-200-22-00		2,678.90	0.00	0.00	2,678.90
585-200-23-00	585-200-23-00		3,041.26	0.00	0.00	3,041.26
585-200-24-00	585-200-24-00		2,931.54	0.00	0.00	2,931.54
585-200-25-00	585-200-25-00		2,759.74	0.00	0.00	2,759.74
585-200-26-00	585-200-26-00		3,041.26	0.00	0.00	3,041.26
585-200-27-00	585-200-27-00		2,931.54	0.00	0.00	2,931.54
585-200-28-00	585-200-28-00		3,041.26	0.00	0.00	3,041.26
585-200-29-00	585-200-29-00		3,303.28	0.00	0.00	3,303.28
585-200-30-00	585-200-30-00		2,759.74	0.00	0.00	2,759.74
585-200-31-00	585-200-31-00		3,303.28	0.00	0.00	3,303.28
585-200-32-00	585-200-32-00		3,041.26	0.00	0.00	3,041.26
585-200-33-00	585-200-33-00		3,169.02	0.00	0.00	3,169.02
585-200-34-00	585-200-34-00		2,759.74	0.00	0.00	2,759.74
585-200-35-00	585-200-35-00		3,169.02	0.00	0.00	3,169.02
585-200-36-00	585-200-36-00		3,300.39	0.00	(0.01)	3,300.38
585-200-37-00	585-200-37-00		2,759.74	0.00	0.00	2,759.74

**City of Chula Vista**  
**CFD No. 2001-1 IA B (San Miguel Ranch)**  
**Final Detail Report for the 2013/14 Billing**

Account ID	Property ID	DB	Levy Developed	Levy Undeveloped	Misc Adjs	Total
585-200-38-00	585-200-38-00		3,169.02	0.00	0.00	3,169.02
585-200-39-00	585-200-39-00		2,759.74	0.00	0.00	2,759.74
585-200-40-00	585-200-40-00		3,041.26	0.00	0.00	3,041.26
585-201-01-00	585-201-01-00		2,759.74	0.00	0.00	2,759.74
585-201-02-00	585-201-02-00		3,169.02	0.00	0.00	3,169.02
585-201-03-00	585-201-03-00		3,169.02	0.00	0.00	3,169.02
585-201-04-00	585-201-04-00		3,041.26	0.00	0.00	3,041.26
585-201-05-00	585-201-05-00		3,041.26	0.00	0.00	3,041.26
585-201-06-00	585-201-06-00		2,759.74	0.00	0.00	2,759.74
585-201-07-00	585-201-07-00		3,303.28	0.00	0.00	3,303.28
585-201-08-00	585-201-08-00		2,759.74	0.00	0.00	2,759.74
585-201-09-00	585-201-09-00		3,041.26	0.00	0.00	3,041.26
585-201-10-00	585-201-10-00		3,303.28	0.00	0.00	3,303.28
585-201-11-00	585-201-11-00		3,303.28	0.00	0.00	3,303.28
585-201-12-00	585-201-12-00		2,759.74	0.00	0.00	2,759.74
585-201-13-00	585-201-13-00		3,303.28	0.00	0.00	3,303.28
585-201-14-00	585-201-14-00		3,041.26	0.00	0.00	3,041.26
585-201-15-00	585-201-15-00		2,759.74	0.00	0.00	2,759.74
585-201-16-00	585-201-16-00		3,041.26	0.00	0.00	3,041.26
585-201-17-00	585-201-17-00		3,169.02	0.00	0.00	3,169.02
585-201-18-00	585-201-18-00		2,759.74	0.00	0.00	2,759.74
585-201-19-00	585-201-19-00		3,041.26	0.00	0.00	3,041.26
585-201-20-00	585-201-20-00		2,808.83	0.00	(0.01)	2,808.82
585-201-21-00	585-201-21-00		3,303.28	0.00	0.00	3,303.28
585-201-22-00	585-201-22-00		3,169.02	0.00	0.00	3,169.02
585-201-23-00	585-201-23-00		2,759.74	0.00	0.00	2,759.74
585-201-24-00	585-201-24-00		3,041.26	0.00	0.00	3,041.26
585-201-25-00	585-201-25-00		2,931.54	0.00	0.00	2,931.54
585-201-26-00	585-201-26-00		3,169.02	0.00	0.00	3,169.02
585-201-27-00	585-201-27-00		2,759.74	0.00	0.00	2,759.74
585-201-28-00	585-201-28-00		3,041.26	0.00	0.00	3,041.26
585-201-29-00	585-201-29-00		3,300.39	0.00	(0.01)	3,300.38
585-210-01-00	585-210-01-00		4,170.92	0.00	0.00	4,170.92
585-210-02-00	585-210-02-00		3,756.59	0.00	(0.01)	3,756.58
585-210-03-00	585-210-03-00		4,015.00	0.00	0.00	4,015.00
585-210-04-00	585-210-04-00		3,171.19	0.00	(0.01)	3,171.18
585-210-05-00	585-210-05-00		4,170.92	0.00	0.00	4,170.92
585-210-06-00	585-210-06-00		3,171.19	0.00	(0.01)	3,171.18
585-210-07-00	585-210-07-00		4,170.92	0.00	0.00	4,170.92
585-210-08-00	585-210-08-00		3,756.59	0.00	(0.01)	3,756.58
585-210-09-00	585-210-09-00		3,756.59	0.00	(0.01)	3,756.58
585-210-10-00	585-210-10-00		3,171.19	0.00	(0.01)	3,171.18
585-210-11-00	585-210-11-00		4,015.00	0.00	0.00	4,015.00
585-210-12-00	585-210-12-00		3,756.59	0.00	(0.01)	3,756.58
585-210-13-00	585-210-13-00		3,171.19	0.00	(0.01)	3,171.18

**City of Chula Vista**  
**CFD No. 2001-1 IA B (San Miguel Ranch)**  
**Final Detail Report for the 2013/14 Billing**

Account ID	Property ID	DB	Levy Developed	Levy Undeveloped	Misc Adjs	Total
585-210-14-00	585-210-14-00		4,170.92	0.00	0.00	4,170.92
585-210-15-00	585-210-15-00		4,170.92	0.00	0.00	4,170.92
585-210-16-00	585-210-16-00		3,756.59	0.00	(0.01)	3,756.58
585-210-17-00	585-210-17-00		3,171.19	0.00	(0.01)	3,171.18
585-210-18-00	585-210-18-00		3,756.59	0.00	(0.01)	3,756.58
585-210-19-00	585-210-19-00		3,171.19	0.00	(0.01)	3,171.18
585-210-20-00	585-210-20-00		3,756.59	0.00	(0.01)	3,756.58
585-210-21-00	585-210-21-00		3,171.19	0.00	(0.01)	3,171.18
585-210-22-00	585-210-22-00		4,170.92	0.00	0.00	4,170.92
585-210-23-00	585-210-23-00		3,171.19	0.00	(0.01)	3,171.18
585-210-24-00	585-210-24-00		3,756.59	0.00	(0.01)	3,756.58
585-210-25-00	585-210-25-00		3,756.59	0.00	(0.01)	3,756.58
585-210-26-00	585-210-26-00		3,756.59	0.00	(0.01)	3,756.58
585-210-27-00	585-210-27-00		4,170.92	0.00	0.00	4,170.92
585-210-28-00	585-210-28-00		3,171.19	0.00	(0.01)	3,171.18
585-210-29-00	585-210-29-00		3,756.59	0.00	(0.01)	3,756.58
585-210-30-00	585-210-30-00		3,756.59	0.00	(0.01)	3,756.58
585-210-31-00	585-210-31-00		3,171.19	0.00	(0.01)	3,171.18
585-211-01-00	585-211-01-00		3,756.59	0.00	(0.01)	3,756.58
585-211-02-00	585-211-02-00		4,170.92	0.00	0.00	4,170.92
585-211-03-00	585-211-03-00		3,171.19	0.00	(0.01)	3,171.18
585-211-04-00	585-211-04-00		3,756.59	0.00	(0.01)	3,756.58
585-211-05-00	585-211-05-00		4,170.92	0.00	0.00	4,170.92
585-211-06-00	585-211-06-00		3,756.59	0.00	(0.01)	3,756.58
585-211-07-00	585-211-07-00		4,015.00	0.00	0.00	4,015.00
585-211-08-00	585-211-08-00		3,171.19	0.00	(0.01)	3,171.18
585-211-09-00	585-211-09-00		4,015.00	0.00	0.00	4,015.00
585-211-10-00	585-211-10-00		3,756.59	0.00	(0.01)	3,756.58
585-211-11-00	585-211-11-00		3,171.19	0.00	(0.01)	3,171.18
585-211-12-00	585-211-12-00		3,756.59	0.00	(0.01)	3,756.58
585-211-13-00	585-211-13-00		4,170.92	0.00	0.00	4,170.92
585-211-14-00	585-211-14-00		3,171.19	0.00	(0.01)	3,171.18
585-211-16-00	585-211-16-00		3,171.19	0.00	(0.01)	3,171.18
585-211-17-00	585-211-17-00		4,170.92	0.00	0.00	4,170.92
585-211-18-00	585-211-18-00		3,756.59	0.00	(0.01)	3,756.58
585-211-19-00	585-211-19-00		4,170.92	0.00	0.00	4,170.92
585-211-20-00	585-211-20-00		3,171.19	0.00	(0.01)	3,171.18
585-211-21-00	585-211-21-00		4,170.92	0.00	0.00	4,170.92
585-211-22-00	585-211-22-00		3,756.59	0.00	(0.01)	3,756.58
585-211-23-00	585-211-23-00		3,171.19	0.00	(0.01)	3,171.18
585-211-24-00	585-211-24-00		4,015.00	0.00	0.00	4,015.00
585-211-25-00	585-211-25-00		3,171.19	0.00	(0.01)	3,171.18
585-211-26-00	585-211-26-00		4,015.00	0.00	0.00	4,015.00
585-211-27-00	585-211-27-00		3,756.59	0.00	(0.01)	3,756.58
585-211-28-00	585-211-28-00		4,015.00	0.00	0.00	4,015.00

**City of Chula Vista**  
**CFD No. 2001-1 IA B (San Miguel Ranch)**  
**Final Detail Report for the 2013/14 Billing**

Account ID	Property ID	DB	Levy Developed	Levy Undeveloped	Misc Adjs	Total
585-211-29-00	585-211-29-00		3,171.19	0.00	(0.01)	3,171.18
585-211-30-00	585-211-30-00		3,756.59	0.00	(0.01)	3,756.58
585-211-31-00	585-211-31-00		4,015.00	0.00	0.00	4,015.00
585-211-32-00	585-211-32-00		3,171.19	0.00	(0.01)	3,171.18
585-211-33-00	585-211-33-00		4,170.92	0.00	0.00	4,170.92
585-211-34-00	585-211-34-00		3,756.59	0.00	(0.01)	3,756.58
585-211-35-00	585-211-35-00		4,015.00	0.00	0.00	4,015.00
585-211-36-00	585-211-36-00		3,756.59	0.00	(0.01)	3,756.58
585-211-37-00	585-211-37-00		3,810.01	0.00	(0.01)	3,810.00
585-211-38-00	585-211-38-00		4,015.00	0.00	0.00	4,015.00
585-211-39-00	585-211-39-00		3,756.59	0.00	(0.01)	3,756.58
585-211-40-00	585-211-40-00		3,171.19	0.00	(0.01)	3,171.18
585-211-41-00	585-211-41-00		4,170.92	0.00	0.00	4,170.92
585-211-42-00	585-211-42-00		2,178.71	0.00	(0.01)	2,178.70
585-211-43-00	585-211-43-00		4,170.92	0.00	0.00	4,170.92
585-211-45-00	585-211-45-00		3,756.59	0.00	(0.01)	3,756.58
595-030-57-00	595-030-57-00		0.00	(0.04)	0.04	0.00
595-030-58-00	595-030-58-00		12,147.85	0.00	(0.01)	12,147.84
595-030-59-00	595-030-59-00		10,035.18	0.00	0.00	10,035.18
595-030-60-00	595-030-60-00		13,697.14	0.00	0.00	13,697.14
<b>290 Accounts</b>			<b>\$904,497.54</b>	<b>\$(0.04)</b>	<b>\$(1.08)</b>	<b>\$904,496.42</b>

**City of Chula Vista**  
**2013 Foreclosure Summary Analysis by District**  
**As of 9/27/2013**

District	Summary of Delinquencies by District	# of Parcels
RAD 2005-1 (AD 87-1R)	1 property owners is delinquent for more than \$5K	1
RAD 2001-2 (AD 88-1R)	No property owners are delinquent for more than \$5K	0
RAD 2005-1 (AD 88-2R)	1 property owners is delinquent for more than \$5K	1
RAD 2001-1 (AD 90-1R)	1 new parcel is delinquent for more than \$2K	1
RAD 2001-2 (AD 90-2R)	5 parcels are delinquent for more than \$2K	5
RAD 2001-1 (AD 90-3R)	No parcels are delinquent for more than \$2K	0
RAD 2001-1 (AD 91-1R)	No parcels are delinquent for more than \$2K	0
RAD 2001-2 (AD 92-2R)	No parcels are delinquent for more than \$2K	0
AD 94-1	No parcel was delinquent for more than \$1k and Reserve Fund is fully funded	0
RAD 2005-2 (AD 97-2R)	No property owners are delinquent for more than \$5K	0
CFD 06-IA	3 new property owners are delinquent for more than \$5K	3
CFD 06-IB	No property owners are delinquent for more than \$5K	0
CFD 07-I	No property owners are delinquent for more than \$5K	0
CFD 07-IB	No property owners are delinquent for more than \$5K	0
CFD 08-I	No property owner is delinquent for more than \$5K	0
CFD 12-I	1 property owners is delinquent for more than \$5K	1
CFD 13-I	2 property owners are delinquent for more than \$5K	25
CFD 97-3R	No property owners are delinquent for more than \$5K	0
CFD 99-1R	No property owners are delinquent for more than \$5K	0
CFD 2000-1R	No property owners are delinquent for more than \$5K	0
CFD 2001-1A	1 property owners is delinquent for more than \$5K	1
<b>CFD 2001-1B</b>	<b>No property owners are delinquent for more than \$5K</b>	<b>0</b>
CFD 2001-2	No property owners are delinquent for more than \$5K	0



**City of Chula Vista**  
**Community Facilities District No. 2001-1, Improvement Area B**  
**("CFD 2001-1B")**  
**Foreclosure Analysis as of 9/27/2013**

**Foreclosure Covenant**

The City on behalf of CFD 2001-1B will review the public records of the County of San Diego, California, in connection with the collection of the Special Taxes to determine the amount of Special Tax collected and will commence and diligently pursue to completion, judicial foreclosure proceedings against (i) properties under common ownership with delinquent Special Taxes in the aggregate of \$5,000 or more by October 1 following the close of the Fiscal Year in which the Special Taxes were due, and (ii) against all properties with delinquent Special Taxes in the aggregate of \$2,500 or more by October 1 following the close of any fiscal year if the amount in the Reserve Fund is less than the Reserve Requirement.

**Findings**

As of September 27, 2013, the Reserve Fund balance was sufficient to meet the Reserve Requirement and no property owners within Community Facilities District No. 2001-1 Improvement Area B was delinquent for more than \$5,000.

WHEN RECORDED, RETURN TO:

CITY CLERK  
CITY OF CHULA VISTA  
276 FOURTH AVENUE  
CHULA VISTA, CA. 91910

THE ORIGINAL OF THIS DOCUMENT  
WAS RECORDED ON FEB 21, 2014  
DOCUMENT NUMBER 2014-0071300  
Ernest J. Dronenburg, Jr., COUNTY RECORDER  
SAN DIEGO COUNTY RECORDER'S OFFICE  
TIME: 8:58 AM

### NOTICE OF S.

Pursuant to the requirements of Section 3114.5 of the Streets and Highways Code and Section 53328.3 of the Government Code, the undersigned CITY CLERK of the CITY OF CHULA VISTA, acting on behalf of COMMUNITY FACILITIES DISTRICT NO. 14M (EASTERN URBAN CENTER/MILLENIA) (the "District"), HEREBY GIVES NOTICE that a lien is hereby imposed on taxable property within Improvement Area No. 1 of the District to secure payment of a special tax which the City Council of the City of Chula Vista, County of San Diego (the "County"), State of California, is authorized to annually levy for the following purpose of financing the maintenance of certain improvements identified in the attached referenced and incorporated Exhibit "A."

The special tax is authorized to be levied within Improvement Area No. 1 of the District and the lien of the special tax is a continuing lien which shall secure each annual levy of the special tax and which shall continue in force and effect until the special tax obligation is prepaid, permanently satisfied and canceled in accordance with law or until the special tax ceases to be levied and a notice of cessation of special tax is recorded in accordance with Section 53330.5 of the California Government Code.

The rate and method of apportionment of the authorized special tax is as shown on the attached referenced and incorporated Exhibit "B." The special tax shall be collected in the same manner as ordinary *ad valorem* property taxes are collected and shall be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ad valorem taxes; provided, however, the District may utilize a direct billing procedure for any special taxes that cannot be collected on the County tax roll or may, by resolution, elect to collect the special taxes at a different time or in a different manner if necessary to meet its financial obligations

Notice is further given that upon the recording of this notice in the Office of the County Recorder, the obligation to pay the special tax levy shall become a lien upon all non-exempt real property within Improvement Area No. 1 of the District in accordance with Section 3115.5 of the California Streets and Highways Code.

The (a) name of the owner of the real property included within Improvement Area No. 1 of the District as it appears on the last secured assessment roll as of the date of recording of this Notice and (b) the Assessor's tax parcel number of the parcel or any portion thereof which is included within Improvement Area No. 1 of the District is as set forth on the attached, referenced and incorporated Exhibit "C."

Reference is made to the boundary map of the District entitled "Proposed Boundaries of Community Facilities District No. 14M (Eastern Urban Center/Millenia), City of Chula Vista, County of San Diego, State of California" as recorded in the Office of the County Recorder of the County of San Diego on January 23, 2014 as Document No. 2014-0030558 at Page 39 of Book 44 of the Book of Maps of Assessment and Community Facilities Districts for such County, which map is now the final boundary map of the District.

For further information concerning the current and estimated future tax liability of owners or purchasers of real property subject to this special tax lien, interested persons should contact the following designated department:

ASSESSMENTS SECTION  
ENGINEERING DEPARTMENT  
CITY OF CHULA VISTA  
276 FOURTH AVENUE  
CHULA VISTA, CA. 91910  
(619) 585-5708

DATED: February 18, 2014

Alonza R. Norris  
CITY CLERK  
CITY OF CHULA VISTA  
STATE OF CALIFORNIA

**EXHIBIT A**

**NOTICE OF SPECIAL TAX LIEN  
COMMUNITY FACILITIES DISTRICT NO. 14M  
(EASTERN URBAN CENTER/MILLENIA)  
IMPROVEMENT AREA NO. 1**

**DESCRIPTION OF SERVICES**

The types of services to be funded by special taxes levied within Improvement Area No. 1 ("Improvement Area No. 1 Services") shall include maintenance and servicing of the following facilities (the "Improvement Area No. 1 Facilities") and any administrative expenses related thereto:

**I. STREET FRONTAGE MAINTENANCE**

**Eastlake Parkway**

- Trees
- Palms
- Planting Areas/Irrigation/Recycled water
- Rodent Control
- Enhances paving

**Birch Road**

- Trees
- Palms
- Planting Areas/Irrigation/Recycled water
- Rodent Control
- Enhanced paving
- Recycled Water Irrigation Meters
- Back flow preventer inspection
- Wireless for irrigation controller
- Trash Receptacles
- Bike rack
- Benches

**Bus Rapid Transit Facility**

- Palms
- Planting Areas/Irrigation/Recycled water
- Rodent Control
- Decomposed Granite

**Medians**

- Eastlake Pkwy (Birch to Hunte Pkwy) 50%
- Birch (I-125 to Eastlake Pkwy) 100%

**Pedestrian Bridge (over Eastlake Pkwy)**

**Bus Stop**

Trash receptacles  
Maintenance

**II. PARK MAINTENANCE (PUBLIC URBAN PARKS)**

**Frontages (Parks 1, 2, 4, 5 and 6)**

Trees – shade  
Palms  
Planting Areas/Irrigation/Recycled water  
Rodent Control  
Recycled Water Irrigation Meters  
Back flow preventer inspection  
Wireless for irrigation controller  
Enhanced paving  
Porous pavers  
Decomposed Granite  
Uplighting  
Decorative Lighting

**Planting/Irrigation**

Trees – shade  
Trees – ornamental  
Palms  
Planting Areas/Irrigation/Recycled water  
Sod/Irrigation/Recycled Water  
Rodent Control  
Recycled Water Irrigation Meters  
Potable Water Irrigation Meters  
Wireless for irrigation controller  
Back flow preventer inspection

**Hardscape**

Seat Wall

**Flatwork**

Pedestrian paving (concrete and pavers)  
Decomposed granite  
Playground surfacing

**Site Furniture**

- Bike Racks
- Trash Receptacles/Collection
- Dog Waste Bag Dispenser/Collection/Disposal
- Benches
- Picnic Tables
- Moveable Tables and Chairs
- Umbrellas
- Decorative Lighting

**Metalwork**

- Metal fence/gate

**Site Amenities/Features**

- Fountain
- Fountain – Interactive or large
- Spray Park
- SCADA Monitoring System
- Signage, Wayfinding Elements
- Sculpture, Art Elements
- Playground Equipment
- Overlook Platform
- Tree House
- Outdoor Theater

**Regional Trail**

- Regional trail

**Structures**

- Restrooms, Maintained storage
- Gazebo, Pavilion
- Trellis, Overhead Structure

**Athletic Facilities**

- Basketball Court
- Tennis Court

**III. BIORETENTION MAINTENANCE****Bioretention Basins**

- Inspection/Ongoing Maintenance
- Replacement 3 times per 100 years

**Street M Underground Detention**

#### **IV. STORM WATER MAINTENANCE**

##### **Wolf Canyon Detention Basin**

- Vegetation Removal
- Silt Removal Maintenance
- Silt Removal Screen Replacement
- Engineer's Inspection
- Periodic Inspection and Maintenance

##### **Bioretention Facilities**

##### **Poggi Canyon**

- Channel
- Detention Basin

##### **Birch Street Filters**

##### **Vactor Truck Replacement**

For purposes of this description of the Improvement Area No. 1 Services to be funded by the levy of Special Taxes within Improvement Area No. 1, "maintenance" includes, but is not limited to, the furnishing of services and materials for the ordinary and usual maintenance, operation, and servicing of any of the Improvement Area No. 1 Facilities, including:

- (a) Repair, removal, or replacement of all or any part of any Improvement Area No. 1 Facilities.
- (b) Providing for the life, growth, health, and beauty of landscaping, including cultivation, irrigation, trimming, spraying, fertilizing, or treating for disease or injury.
- (c) The removal of trimmings, rubbish, debris, silt, and other solid waste.
- (d) The cleaning, sandblasting, and painting of walls and other Improvement Area No. 1 Facilities to remove or cover graffiti.
- (e) The elimination, control, and removal of rodents and vermin.

For purposes of this description of the Improvement Area No. 1 Services to be funded by Special Taxes levied within Improvement Area No. 1, "servicing" includes, but is not limited to, the furnishing of:

- (a) Electric current or energy, gas, or other illuminating agent for any public lighting for Improvement Area No. 1 Facilities or for the lighting or operation of any other improvements related thereto.
- (b) Water for the irrigation of any landscaping, the operation of any fountains, or the maintenance of any other Improvement Area No. 1 Facilities.

For purposes of this description of the Improvement Area No. 1 Services to be funded by the levy of Special Taxes within Improvement Area No. 1, "administrative expenses" means the actual or estimated costs incurred by the City, acting for and on behalf of the District as the administrator thereof, to determine, levy and collect the Special Taxes within Improvement

Area No. 1, including salaries of City employees and a proportionate amount of the City's general administrative overhead related thereto, and the fees of consultants and legal counsel providing services related to the administration of the District; the costs of collecting installments of the Special Taxes levied within Improvement Area No. 1; and any other costs required to administer Improvement Area No. 1 as determined by the City.



**EXHIBIT B**

**NOTICE OF SPECIAL TAX LIEN**

**CITY OF CHULA VISTA  
COMMUNITY FACILITIES DISTRICT NO. 14M  
(EASTERN URBAN CENTER/MILLENIA)  
IMPROVEMENT AREA NO. 1**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES**

**CITY OF CHULA VISTA  
COMMUNITY FACILITIES DISTRICT NO. 14M  
RATE AND METHOD OF APPORTIONMENT FOR  
IMPROVEMENT AREA NO. 1 AND IMPROVEMENT AREA NO. 2  
(Eastern Urban Center/Millenia)**

A Special Tax of Community Facilities District No. 14M (Eastern Urban Center/Millenia) of the City of Chula Vista ("CFD") shall be levied on all Taxable Property in the CFD and collected each Fiscal Year commencing in Fiscal Year 2014-2015 in an amount determined through the application of the rate and method of apportionment of the Special Tax set forth below. All such Taxable Property shall be taxed for the purposes, to the extent and in the manner herein provided.

**A. DEFINITIONS**

The terms hereinafter set forth have the following meanings:

**"A' Map"** shall mean a master final subdivision or parcel map, filed in accordance with the Subdivision Map Act (California Government Code Section 66410 et seq.) and the Chula Vista Municipal Code, which subdivides the land or a portion thereof shown on a tentative map into "super block" lots corresponding to units or phasing of combination of units as shown on such tentative map and which may further show open space lot dedications, backbone street dedications and utility easements required to serve such "super block" lots.

**"Acre or Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Subdivision Map, other final map, other parcel map, other condominium plan, or functionally equivalent map or instrument recorded in the Office of the County Recorder. In the event that parcel acreage information is not available from the sources previously listed, San Diego County GIS data may be utilized. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

**"Act"** means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

**"Administrative Expenses"** means the actual or estimated costs incurred by the City, acting for and on behalf of the CFD as the administrator thereof, to determine, levy and collect the Special Taxes within Improvement Area No. 1, including salaries of City employees and a proportionate amount of the City's general administrative overhead related thereto, and the fees of consultants and legal counsel providing services related to the administration of Improvement Area No. 1; the costs of collecting installments of the Special Taxes within Improvement Area No. 1; and any other costs required to administer Improvement Area No. 1 as determined by the City.

**"Apartment Property"** means a dwelling unit within a building comprised of attached residential units available for rental by the general public, not for sale to an end user, and under common management.

**"Approved Property"** means all Assessor's Parcels of Taxable Property: (i) that are included in an 'A' Map, excluding lettered lots thereon, or a Final Subdivision Map, excluding lettered lots thereon, that were recorded prior to the March 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have not been issued a building permit prior to the March 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied.

**"Assessor's Parcel"** means a lot or parcel shown in an Assessor's Parcel Map with an assigned assessor's parcel number. If any parcel of Public Urban Parks Property is not shown on an Assessor's Parcel Map or assigned an assessor's parcel number, an Assessor's Parcel of such property shall mean that property as shown on the instrument conveying the title of such property to the City.

**"Assessor's Parcel Map"** means an official map of the Assessor of the County designating parcels by assessor's parcel number.

**"CFD Administrator"** means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

**"CFD"** means Community Facilities District No. 14M (Eastern Urban Center/Millenia) of the City of Chula Vista.

**"CFD Boundary Map"** entitled "Proposed Boundaries of Community Facilities District No. 14M (Eastern Urban Center/Millenia), City of Chula Vista, County of San Diego, State of California" as recorded in the Office of the County Recorder of the County of San Diego on January 23, 2014 as Document No. 2014-0030558 at Page 39 of Book 44 of the Book of Maps of Assessment and Community Facilities Districts for such County.

**"City"** means the City of Chula Vista.

**"City Clerk"** means the City Clerk for the City of Chula Vista or his or her designee.

**"City Manager"** means the City Manager for the City of Chula Vista or his or her designee.

**"City Share"** means the City's Share of the budgeted costs of the maintenance of the Public Urban Parks Property, as determined in accordance with the Eastern Urban Center Parks Agreement and Section E below.

**"Community Purpose Facility Property" or "CPF Property"** means all Assessors' Parcels which are classified as community purpose facilities and meet the requirements of City of Chula Vista Ordinance No. 2452.

**"Council"** means the City Council of the City of Chula Vista, acting as the legislative body of the CFD.

**"County"** means the County of San Diego, California.

**"Developed Property"** means all Taxable Property for which a building permit was issued prior to the March 1st preceding the Fiscal Year in which the Special Tax is being levied.

**"Dwelling Unit"** means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental separate from adjacent residential dwelling units.

**"Eastern Urban Center Parks Agreement"** means that certain Agreement Regarding Construction of Parks in a Portion of Otay Ranch Eastern Urban Center made and entered into as of the 15th day of September, 2009 by and between the City and McMillin Otay Ranch LLC, as recorded on October 28, 2009 with the San Diego County Recorder's Office, Document Number 2009-0599389, or as otherwise modified and agreed upon by all parties thereto.

**"Final Subdivision Map"** means a subdivision of property creating buildable lots by recordation of a final subdivision map or parcel map pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.), or recordation of a condominium plan pursuant to California Civil Code 1352, that creates individual lots for which building permits may be issued without further subdivision and is recorded prior to March 1 preceding the Fiscal Year in which the Special Tax is being levied.

**"Fiscal Year"** means the period starting July 1 and ending on the following June 30.

**"Improvement Area No. 1"** means all property within the boundaries of such improvement area as shown on the CFD Boundary Map.

**"Improvement Area No. 1 Operating Fund"** means a fund that shall be maintained for the CFD for each Fiscal Year to pay for the authorized maintenance services for Improvement Area No. 1 as described in the CFD special tax report and Administrative Expenses.

**"Improvement Area No. 1 Operating Fund Requirement"** means, for any Fiscal Year, an amount equal to the budgeted costs for Improvement Area No. 1. The budgeted costs for Improvement Area No. 1 shall equal (i) the greater of (A) 50% of the budgeted costs for maintenance of the Public Urban Parks Property and (B) 100% of such budgeted costs minus the City Share; plus (ii) the budget costs of landscape maintenance, street frontage maintenance, bio-retention maintenance, storm water maintenance, and the maintenance, repair and replacement of the facilities and improvements, other than the Public Urban Parks Property, which have been accepted and or maintained by the CFD during the current Fiscal Year; plus (iii) the budgeted Administrative Expenses for the current Fiscal Year in which Special Taxes are levied.

**"Improvement Area No. 1 Reserve Fund"** means a fund that shall be maintained for the CFD for Improvement Area No. 1 for each Fiscal Year to provide necessary cash flow for the first six months of each Fiscal Year, reserve capital to cover monitoring, maintenance and repair cost overruns and delinquencies in the payment of Special Taxes within Improvement Area No. 1 and a reasonable buffer to prevent large variations in annual Special Tax levies within Improvement Area No. 1.

**"Improvement Area No. 1 Reserve Fund Requirement"** means an amount equal to up to 100% of the Improvement Area No. 1 Operating Fund Requirement for any Fiscal Year.

**"Improvement Area No. 1 Special Tax Requirement"** means that amount required in any Fiscal Year for the CFD to: (i) pay the Improvement Area No. 1 Operating Fund Requirement; (ii) pay any amounts required to establish or replenish the Improvement Area No. 1 Reserve Fund to the Improvement Area No. 1 Reserve Fund Requirement; (iii) pay for reasonably anticipated delinquent Special Taxes within Improvement Area No. 1 based on the delinquency rate for Special Taxes levied in the previous Fiscal Year within Improvement Area No. 1; less (b) a credit for funds available to reduce the annual Special Tax levy, including the excess, if any, in the Improvement Area No. 1 Reserve Fund above the Improvement Area No. 1 Reserve Fund Requirement and any amount remaining in the Improvement Area No. 1 Operating Fund that is available to pay the Improvement Area No. 1 Operating Fund Requirement in such Fiscal Year.

**"Improvement Area No. 2"** means all property within the district boundaries that is owned by the City and classified as Public Urban Parks Property.

**"Improvement Area No. 2 Operating Fund"** means a fund that shall be maintained for the CFD for each Fiscal Year to pay for the authorized maintenance services for Improvement Area No. 2 as described in the CFD special tax report.

**"Improvement Area No. 2 Operating Fund Requirement"** means, for any Fiscal Year, an amount equal to the City Share.

**"Improvement Area No. 2 Special Tax Requirement"** means that amount required in any Fiscal Year for the CFD to pay the Improvement Area No. 2 Operating Fund Requirement less a credit for funds, if any, available to reduce the annual Special Tax levy within Improvement Area No. 2 and any amount remaining in the Improvement Area No. 2 Operating Fund that is available to pay the Improvement Area No. 2 Operating Fund Requirement in such Fiscal Year.

**"Land Use Class"** means any of the classes listed in Table 1.

**"Maximum Special Tax"** means the maximum Special Tax, determined in accordance with Section C below, that may be levied in any Fiscal Year on any Assessor's Parcel of Taxable Property.

**"Mixed Use Property"** means all Assessor's Parcels that have been classified by the City to allow both Residential Property and Non-Residential Property uses on each such Assessor's Parcel. For an Assessor's Parcel of Mixed Use Property, only the Residential Land Use Class thereon is subject to taxation pursuant to the provisions of Section C.

**"Multi-Family Property"** means all Assessor's Parcels of Developed Property for which a building permit has been issued for a residential structure consisting of two or more residential dwelling units that share common walls, including, but not limited to, duplexes, triplexes, townhomes, and condominiums.

**"Non-Residential Property"** means all Assessor's Parcels of Developed Property for which a building permit(s) has been issued for a structure or structures for non-residential use.

**"Ordinance"** means the Chula Vista Community Facilities District Ordinance, being Ordinance No. 2730 enacted on April 28, 1998, as modified and supplemented by Ordinance No. \_\_\_\_, enacted on January \_\_\_\_, 2014.

**"Property Owner Association Property"** means any property within the CFD boundaries that is owned by, or irrevocably dedicated as indicated in an instrument recorded with the County Recorder to, a property owner association, including any master or sub-association.

**"Proportionately"** means in a manner such that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor's Parcels of Taxable Property within each Land Use Class.

**"Public Property"** means any property within the CFD boundaries that has provided proof to the City prior to March 1st preceding the Fiscal Year in which the Special Tax is being levied, that it is expected to be used for any public purpose and is owned by or dedicated to the federal government, the State, the County, the City or any other public agency, excluding Public Urban Parks Property.

**"Public Urban Parks"** means those parks to which the City accepts title pursuant to the Eastern Urban Center Parks Agreement.

**"Public Urban Parks Property"** means all Assessor's Parcels that are owned by the City and upon which the Public Urban Parks are located or to be located.

**"Residential Property"** means all Assessor's Parcels of Developed Property classified as Apartment Property or Multi-Family Property for which a building permit(s) has been issued for purposes of constructing one or more residential dwelling units.

**"Special Tax"** means the Special Tax levied pursuant to the provisions of sections D and E below in each Fiscal Year on each Assessor's Parcel of Developed Property, Approved Property, and Undeveloped Property in Improvement Area No. 1 to fund the Improvement Area No. 1 Special Tax Requirement and the Public Urban Parks Property to fund the Improvement Area No. 2 Special Tax Requirement.



**"State"** means the State of California.

**"Taxable Property"** means, as to Improvement Area No. 1, all of the Assessor's Parcels within the boundaries of Improvement Area No. 1 that are not exempt from the Special Tax pursuant to law or as defined below under Tax-Exempt Property and, as to Improvement Area No. 2, all Assessor's Parcels of Public Urban Parks Property.

**"Tax-Exempt Property"** means an Assessor's Parcel not subject to the Special Tax. Tax-Exempt Property includes: (i) Public Property, or (ii) Property Owner Association Property excluding Taxable Property Owner Association Property, or (iii) Assessor's Parcels of Taxable CPF Property that is owned by a non-profit organization and has provided proof to the City prior to the March 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied of the organization's non-profit status, or (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement.

**"Taxable Property Owner Association Property"** means all Association Property which is not exempt from the Special Tax pursuant to Section F below.

**"Undeveloped Property"** means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Approved Property or Taxable Property Owner Association Property.

## **B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year using the definitions above, all Taxable Property within the CFD shall be (a) categorized as being located in either Improvement Area No. 1 or Improvement Area No. 2; (b) classified as Developed Property, Public Urban Parks Property, Approved Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable CPF Property, and (c) subject to the levy of Special Taxes pursuant to Sections D and E below.

Developed Property shall be further assigned to a Land Use Class as specified in Table 1. The Land Use Class of each Assessor's Parcel of Residential Property or Mixed Use Property shall be determined based on the records of the San Diego County Assessor, or other such information provided by the City. Assessor's Parcels of CPF Property not classified as exempt in accordance with Section F below shall be taxed as Non-Residential Property when such Assessor's Parcel is classified as Developed Property. If the Assessor's Parcel is undeveloped it shall be classified as Undeveloped Property.

**C. MAXIMUM SPECIAL TAX RATE**

**1. Improvement Area No. 1**

a. Developed Property

**TABLE 1  
Maximum Special Tax for Developed Property  
Community Facilities District No. 14M  
within Improvement Area No. 1**

<b>Land Use Class</b>	<b>Description</b>	<b>Maximum Special Tax</b>
1	Apartment Property	\$189.00 per Dwelling Unit
2	Multi-Family Property	\$252.00 per Dwelling Unit
3	Non-Residential Property	\$1,259.00 per Acre

Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax that may be levied on an Assessor's Parcel shall only be levied on the Residential Property Land Use Class located on that Assessor Parcel(s).

Sample Maximum Special Tax Calculation for Mixed Use (Non-Residential Property and Apartment Property)

Under the proposed example, assume that Assessor's Parcel Number 1 is classified as a Mixed Use Property. Assessor's Parcel Number 1 is a 2 Acre parcel that contains 10,000 square feet of retail shops and Apartment Property with 10 residential dwelling units. The following table shows what the expected annual Maximum Special Tax would be for Assessor's Parcel Number 1.

<b>Assessor Parcel No.</b>	<b>Parcel Acreage</b>	<b>No. of Residential Dwelling Units</b>	<b>Non-Residential Property Maximum Special Tax</b>	<b>Residential Property Maximum Special Tax</b>	<b>Total Annual Maximum Special Tax</b>
1	2.00	10	\$0.00	\$1,890.00	\$1,890.00

(1) The Maximum Special Tax is based upon the initial Maximum Special Tax rates as defined in Table 1.



- b. Approved Property, Undeveloped Property and Taxable Property Owner Association Property within Improvement Area No. 1

The Maximum Special Tax for Approved Property, Undeveloped Property and Taxable Property Owner Association Property shall be \$4,359.00 per Acre.

**2. Improvement Area No. 2**

- a. Public Urban Parks Property

**TABLE 2**  
**Maximum Special Tax for Public Urban Parks Property**  
**Community Facilities District No. 14M**  
**within Improvement Area No. 2**

Land Use Class	Description	Maximum Special Tax
1	Public Urban Parks Property	\$33,049.00 per Acre

**3. Annual Escalation of Maximum Special Tax**

The Maximum Special Tax for Improvement Area No. 1 and Improvement Area No. 2 as shown in Tables 1 and 2 above that may be levied on each Assessor's Parcel in the CFD shall be adjusted each Fiscal Year beginning in Fiscal Year 2014-15 and thereafter by a factor equal to the greater of, the positive percentage change in the San Diego Metropolitan Area All Urban Consumer Price Index (All Items) from the base date of June 1, 2013 through June 1 of the prior Fiscal Year, or 0%, provided the Maximum Special Tax shall never be less than the amounts shown in Tables 1 and 2, respectively.

**D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR IMPROVEMENT AREA NO. 1**

Commencing with Fiscal Year 2014-15, and for each following Fiscal Year, the Council shall levy the Special Tax in Improvement Area No. 1 at the rates established pursuant to steps 1 through 4 below so that the amount of the Special Tax levied equals the Improvement Area No. 1 Special Tax Requirement. The Special Tax in Improvement Area No. 1 shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property within Improvement Area No. 1 up to 100% of the applicable Maximum Special Tax;

Second: If additional monies are needed to satisfy the Improvement Area No. 1 Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax for Approved Property;

Third: If additional monies are needed to satisfy the Improvement Area No. 1 Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Fourth: If additional moneys are needed to satisfy the Improvement Area No. 1 Special Tax Requirement after the first three steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property at up to 100% of the Maximum Special Tax for Taxable Property Owner Association Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Multi-Family Property or Apartment Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent annually up to the Maximum Special Tax as a consequence of delinquency or default by the owner of any other Assessor's Parcel within Improvement Area No. 1.

**E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR IMPROVEMENT AREA NO. 2**

Commencing with Fiscal Year 2014-15, and for each following Fiscal Year, the Council shall levy the Special Tax Proportionately on all Public Urban Parks Property within Improvement Area No. 2 up to 100% of the Maximum Special Tax as necessary to fully fund the Improvement Area No. 2 Special Tax Requirement.

For the purposes of determining the Improvement Area No. 1 Operating Fund Requirement and the Improvement Area No. 2 Operating Fund Requirement, the City Share shall be the lesser of the amount determined in Step One and Step Two below.

Step One: The City shall calculate the amount equal to 50% of the budgeted costs for maintenance of the Public Urban Parks Property that has been accepted and or maintained by the CFD during the current fiscal year, for the current fiscal year in which the Special Taxes are being levied, and for Public Urban Parks Property that the City anticipates accepting during the upcoming Fiscal Year.

Step Two: As outlined in Section 5.1(a) of the Eastern Urban Center Parks Agreement, each Fiscal Year, after the Council adopts the City's annual operating budget, the City shall calculate the City's total annual public park maintenance cost included in the budget. The City shall also calculate the acreage of public parks that are maintained and

owned by the City and included in the budget (including the Public Urban Parks Property for which the City has accepted title). The total annual cost shall be divided by the total park acreage to determine the City's average annual park maintenance cost per acre for that Fiscal Year. This amount shall be multiplied by 21.51 acres and then multiplied by a fraction, the numerator of which is the acreage of the Public Urban Parks Property for which the City has accepted title and for which the City is currently assessing a Special Tax in anticipation of acceptance by the City and the denominator of which is 10.60 acres. If the amount calculated pursuant to this Step Two is lower than the amount calculated under Step One above, it shall be the City Share unless the City Manager, at his or her own sole discretion, elects to use the higher amount as the City Share in order to maintain the fifty/fifty (50-50) split of maintenance costs as outlined in Section 5.1(a) of the Eastern Urban Parks Agreement.

**F. EXEMPTIONS**

The CFD Administrator shall classify as Tax-Exempt Property (i) Assessor's Parcels defined as Public Property, (ii) Assessor's Parcels defined as CPF Property that are owned by a non-profit organization which provides proof to the City prior to March 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied of the organization's non-profit status, and (iii) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement.

The CFD Administrator shall classify as Tax-Exempt Property within Improvement Area No. 1 those Assessor's Parcels defined as Property Owner's Association Property provided that no such classification would reduce the sum of all Taxable Property within Improvement Area No. 1 to less than 130.39 Acres. Assessor's Parcels defined as Property Owner Association Property and CPF Property that cannot be classified as Tax-Exempt Property will be classified as Taxable Property Owner Association Property and shall be taxed as part of the fourth step in Section D.

The CFD Administrator will assign tax-exempt status in the chronological order in which property becomes exempt Public Property or CPF Property or Tax-Exempt Property Owner Association Property. However, should an Assessor's Parcel no longer be classified as Public Property or CPF Property or Tax-Exempt Property Owner Association Property, its tax-exempt status will be revoked.

Taxable Property Owner Association Property that is not exempt from the Special Tax under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fourth step in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Property Owner Association Property and Taxable CPF Property. There shall be no Tax-Exempt Property within Improvement Area No. 2.

**G. APPEALS**

Any landowner or resident who pays the Special Tax and believes that the amount of the Special Tax levied on their Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error. If following such consultation, the CFD Administrator determines that an error has occurred; the CFD Administrator may amend the amount of the Special Tax levied on such Assessor's Parcel. If following such consultation and action, if any by the CFD Administrator, the landowner or resident believes such error still exists; such person may file a written notice with the City Clerk of the City appealing the amount of the Special Tax levied on such Assessor's Parcel. Upon the receipt of any such notice, the City Clerk shall forward a copy of such notice to the City Manager who shall establish as part of the proceedings and administration of the CFD, a special three-member Review/Appeal Committee. The Review/Appeal Committee may establish such procedures, as it deems necessary to undertake the review of any such appeal. The Review/Appeal Committee shall interpret this Rate and Method of Apportionment and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals, as herein specified. The decision of the Review/Appeal Committee shall be final and binding as to all persons.

**H. MANNER OF COLLECTION**

Special Taxes levied in Improvement Area No. 1 pursuant to Section D above shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that the CFD Administrator may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet the financial obligations of the CFD or as otherwise determined appropriate by the CFD Administrator. Special Taxes levied in Improvement Area No. 2 pursuant to Section E above shall be collected by direct billing by the CFD Administrator, such Special Taxes to be due and payable and shall become delinquent at the same time as Special Taxes levied within Improvement Area No. 1.

**I. TERM OF SPECIAL TAX**

Taxable Property in Improvement Area No. 1 and Improvement Area No. 2 of the CFD shall remain subject to the Special Tax in perpetuity or until the Council takes appropriate actions to terminate the Special Tax in both Improvement Areas pursuant to the Act.

**EXHIBIT C**

**NOTICE OF SPECIAL TAX LIEN**

**CITY OF CHULA VISTA  
COMMUNITY FACILITIES DISTRICT NO. 14M  
(EASTERN URBAN CENTER/MILLENIA)  
IMPROVEMENT AREA NO. 1**

**NAME OF PROPERTY OWNER WITHIN IMPROVEMENT AREA NO. 1  
AND ASSESSORS' TAX PARCEL NUMBER**

Owner: SLF IV MCMILLIN MILLENIA JV LLC

APN: 643-060-25-00







# UPCOMING SEMINAR

SPECIAL ASSESSMENT DISTRICTS: APPROACHES  
FOR ACHIEVING SUCCESSFUL OUTCOMES

September 18, 2014 | Sacramento, CA | UC Davis Extension  
September 23, 2014 | Los Angeles, CA | UCLA Extension

In recent years special assessments have become vulnerable to legal challenges as a result of appellate court decisions. These challenges, along with the court decisions, are based on interpretations and applications of Proposition 218. The state of uncertainty that currently surrounds special assessment districts in California has led to a decline in the use of this tool to pay for public maintenance and capital improvement projects. This seminar considers the implications of the court's actions, how practicing assessment engineers and other public finance professionals have responded, and the opportunities to use assessment districts in the future to fund and finance public infrastructure.

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