



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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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:

- Publishes a summary of bond and tax measures considered by the voters at general and primary elections.
 - Sponsors seminars and conferences such as *Municipal Debt Essentials*, *Municipal Disclosure* and *The Bond Buyer Pre-Conference* for government officials. CDIAC 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.
- 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.

CONTINUING EDUCATION CREDIT

Participants in CDIAC seminars may receive continuing education credit. Please see the registrar to sign in and receive your certificate of attendance.

FOR MORE INFORMATION

For more information about CDIAC services and our upcoming seminar schedule please visit www.treasurer.ca.gov/cdiac or call (916) 653-3269.

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AGENDA

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

8:30 AM SEMINAR WELCOME AND OPENING REMARKS

Mark Campbell, *Executive Director, CDIAC*

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.

12:00 PM LUNCHEON FOR ALL PARTICIPANTS AND SPEAKERS

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 including refunding, and the bond sale process, including whether the bonds ought to 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:

Jim Francis, *Chief Financial Officer, City of Folsom*

Tim Seufert, *Managing Director, NBS*

Debra Riley, *Partner, Allen Matkins*

Bob Whalen, *Partner, Stradling Yocca Carlson and Rauth*

Assessment District Financing Team:

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

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

Jim Francis, *Chief Financial Officer, City of Folsom*

Debra Riley, *Partner, Allen Matkins*

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 California State Code. 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.

JAMES V. FABIAN

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Jim Fabian is a principal and the Secretary of the Board of Directors 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 in 1999 and has extensive experience with the operational considerations of local government and the administration of land-secured special districts.

Mr. Fabian has been involved in over 75 land secured financings totaling over \$1.0 billion in par value in his career.

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

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

JIM FRANCIS

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Jim Francis is the chief financial officer at the City of Folsom, having held the position since 2008. Previously, he was town manager of West Hartford, Connecticut. During his 28-year tenure in West Hartford, Mr. Francis also served as the director of finance, director of health and the director of employee services before assuming the chief executive officer position.

Mr. Francis was an adjunct professor in the University of Connecticut's Department of Public Policy. He holds a Master of Arts in social ecology from the University of California at Irvine and a Bachelor of Business Administration in management from Western Michigan University.

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Debra Riley is a partner at Allen Matkins and works in the firm's San Diego office. She represents municipi-

palities, special districts, developers, and bondholders in connection with public finance issues, including out-of-court restructuring of community facilities districts and assessment district bonds, refunding/refinancing of public bonds, the purchase and sale of defaulted public securities, and the use of chapter 9 proceedings to restructure public securities. Ms. Riley regularly handles issues involving adequate disclosure, indentures, fiscal agent agreements, rate method and apportionment of special taxes, development agreements, acquisition agreements, reimbursement agreements, subdivision improvement agreements, surety bonds, and lien contracts.

Ms. Riley has also served as counsel for municipalities, special districts, developers, institutional investors, debtors, creditors' committees, and secured and unsecured creditors in complex out-of-court restructurings and chapter 11 proceedings throughout the country, including California, Delaware and New York. Her experience covers a wide array of industries, including real estate, manufacturing, dietary supplements, subprime lending, technology, and healthcare.

Ms. Riley also has commercial and real estate litigation experience, including prosecuting judicial and non-judicial foreclosures and guaranty actions, and handling pre- and post-judgment enforcement and collections matters. Prior to joining Allen Matkins, Ms. Riley was a partner at McDermott Will & Emery in Chicago where she was involved in many nationally prominent bankruptcy cases and out-of-court restructurings of public and private debt. Before embarking on the practice of law, Ms. Riley was a certified public accountant in Connecticut and maintained an audit and consulting practice with a predecessor to Ernst & Young.

TIM SEUFERT

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Tim Seufert is a managing director with NBS and has over 20 years of experience working with public agen-

cies all over California on special financing districts (special assessments and taxes) and other types of revenue mechanisms. He has addressed the California Society of Municipal Finance Officers, League of California Cities, California Special District Association, and other working groups, and authored articles on this topic. Prior to working in local government finance, Mr. Seufert worked for a decade in corporate finance and analysis.

Mr. Seufert holds a Master of Arts in public administration from San Francisco State University as well as a Bachelor of Science in business finance and German language studies from the University of Southern California.

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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 CDIAC, 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, Mr. Whalen obtained his law degree from the Boalt Hall School of Law at the University of California, Berkeley.

**California Debt and Investment
Advisory Commission**
Fundamentals of Land Secured Financing
April 28, 2016

Introduction

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**California Debt and Investment
Advisory Commission**
Fundamentals of Land Secured Financing
April 28, 2016

Session I

*Basic Structures of Assessment
and Community Facilities
Districts*

2

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

3

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
10. Annual continuing disclosure reports prepared

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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



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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



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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

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California Debt and Investment Advisory Commission Fundamentals of Land Secured Financing

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Session II

Pre-Formation Considerations

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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

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Acquisition vs. Construction

- ACQUISITION:
 - Developer advances \$s, 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
- Developer/Developer's Counsel/Developer's Consultant
 - Provide the required information about the Developer and the project

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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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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 (some counsel require 0 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

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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

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CFD Public Hearing Report

- Description of Facilities
- Boundary Map
- Rate and Method of Apportionment
- Rationale for Rate and Method of Apportionment

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Rate and Method of Apportionment

- Approved by public agency at ROF and by 2/3 vote of qualified electors
- Describes methodology used to calculate the annual special tax levy
- Must generate amount needed each year to pay bond debt service and admin expenses, to replenish reserve fund, and to pay directly for facilities and/or services.

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CFD Special Tax Formulas: Developed Property Special Tax

- Applies after building permit, recordation of map, or other defined event
- Can be spread based on benefit or market considerations, not property value
- Categories based on: land use, size of home, type of home, lot size, density, etc.
- Total tax not to exceed 2% of home's sales price
- Should be stable; no fluctuation due to additional bond sales, changes in land use, delinquencies, etc.

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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

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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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Engineer's Report

S&H Code §2960 (1931 Debt Limitation Act)

- Total principal amount of Unpaid Assessments on parcels
- Total true value of parcels
- Total Lien / Value (must be less than 50%, by Code)

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Engineer's Report

- Key information document in a dispute
- Prepared by a Registered Prof. Engineer
- Proposition 218 requirements
 - Special Benefit should be clearly defined
 - General Benefit should be identified, quantified and discussed
 - Assessment spread clearly detailed
 - Special treatment of public parcels should be discussed

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Advisory Commission**
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Session IV

Project Implementation

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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

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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

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Mission Bay Development CFD No. 6

- Developer submitted payment request for park improvements
 - Facilities included grading, drainage, water, lighting, hardscape, landscape, and irrigation
 - Documentation included contracts, change orders, invoices, canceled checks and lien releases covering \$1.6 million
 - The final recommended payment was \$586,000



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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



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**California Debt and Investment
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Session V

Bond Issuance

43

Bond or Debt Issuance

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

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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)
- Developer/Developer's Counsel/Developer's Consultant
 - Provides the required information about the Project, the Developer, and the Developer's financing for the Project

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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

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Bond or Debt Issuance Process (Cont.)

- Overview: How is it done?
 6. Issuer receives \$s 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)

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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

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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

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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

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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*

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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

(Typically a Developer Questionnaire is sent from Disclosure Counsel to the Developer to get a complete package of information about the Project)

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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

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California Debt and Investment Advisory Commission Fundamentals of Land Secured Financing

April 28, 2016

Session VI

Administration of Liens and Bonds

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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)

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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

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Delinquency Management

- Accelerated judicial foreclosure
- The delinquency process
 - Notice to delinquent owners
 - Identify and contact mortgage lender
 - Strip special tax / assessment levy off tax roll
- Foreclosure Counsel
- Thresholds
- Teeter Plan or not?

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Continuing Disclosure

- SEC Rule 15c2-12
- Obligated Persons - Issuer & Developer
- What to disclose
 - Material events
 - Items in Continuing Disclosure Certificate
- Information Repository – MSRB (Municipal Securities Rule-making Board)
- Reports must be filed on time!

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Annual Special Tax Reports - CFD

- Summary of development
- Summary of account balances
- Status of improvements
- Summary of financial obligations
- List of parcels and levy

Plus: CDIAC reporting requirements

- Annual report to governing board (Gov. Code §§ 50075.3 and 53411)

Plus AB 2109 Reporting to State Controller

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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

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Consultants or Staff?

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

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**California Debt and Investment
Advisory Commission**
Fundamentals of Land Secured Financing
April 28, 2016



*Workshop Conclusion
and Evaluation*

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TOPICAL OUTLINE

SESSION I: Basic Structures of Assessment and Community Facilities Districts

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

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

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

- 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

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

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 ASSESSMENTS DISTRICTS
Eligible Assets		
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.
Eligible Services		
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.
Apportionment of Assessments/ Special Taxes		
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.
Financing District Boundaries		
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.
Formation Process		
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.
Maximum Residential Property Tax as Percentage of Sales Price		
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.
Homeowner Property Tax Bills		
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
Public Property		
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.
Land Use Changes		
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.
Cross Collateralization & Debt Service Coverage		
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.
Pay-as-you-go financing of infrastructure		
11	Yes.	No.
Pay-off or Prepayment of Lien		
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.
Public Agency Financing Guidelines		
13	Must be adopted by agency prior to initiation of proceedings to establish a CFD.	None required by law. Often imposed as policy matter.
Acceptance by Public		
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.
Assessment/ Taxation of Undeveloped Property		
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.
Debt Service Structure		
16	Usually either level debt service or increasing debt service of 2% per year.	Usually level debt service.

Revised Agenda Report Transmittal Sheet

Date: December 5, 2013

To: Mayor and City Council Members
City Manager
Deputy City Manager
City Attorney
City Clerk

From: David E. Miller, Public Works and Community Development Director

**Subject: Item No. 8.b.
COMMUNITY FACILITIES DISTRICT / PROPERTY ASSESSED CLEAN
ENERGY (PACE)**

**RESOLUTION NO. 9281 – A RESOLUTION AUTHORIZING EXECUTION OF
AN ADMINISTRATION AGREEMENT WITH PLACER COUNTY FOR
ESTABLISHMENT AND OPERATION OF A PACE PROGRAM**

**RESOLUTION NO. 9282 – A RESOLUTION APPROVING GOALS AND
POLICIES FOR THE MPOWER PACE PROGRAM**

**RESOLUTION NO. 9283 – A RESOLUTION TO ESTABLISH A COMMUNITY
FACILITIES DISTRICT NO. 2014-1**

**RESOLUTION NO. 9284 – A RESOLUTION OF INTENTION TO INCUR
BONDED INDEBTEDNESS AND OTHER DEBT NO. 2014-1**

Attached please find Resolution No. 9282 - A Resolution Approving Goals and Policies for Community Facilities Districts and for the mPower PACE Program, along with associated Appendix A and B.

Please disregard Resolution No. 9282 contained in your Agenda Packet for December 10, 2013. This attachment completely replaces the resolution contained in your packet.

Also please note new title of this resolution.

Respectfully submitted:



David E. Miller, AICP
Public Works and Community Development Director

RESOLUTION NO. 9282

**A RESOLUTION APPROVING GOALS AND POLICIES FOR
COMMUNITY FACILITIES DISTRICTS AND FOR THE MPOWER
PACE PROGRAM**

WHEREAS, this City Council is intending to consider the conduct of proceedings under the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5, commencing with Section 53311 of Part 1, Division 2, Title 5 of the California Government Code) (the “Act”); and,

WHEREAS, the City of Folsom (the “City”) may initiate proceedings to establish a community facilities district under the Act (a “CFD”) only if it has first considered and adopted local goals and policies (the “CFD Goals and Policies”), and a form of such CFD Goals and Policies are attached to this Resolution as Appendix A; and,

WHEREAS, this City Council is considering initiating proceedings to establish a CFD to finance and refinance the acquisition, installation, and improvement of energy efficiency, water conservation, and renewable energy improvements that are affixed, as specified in Section 660 of the Civil Code, to or on real property and in buildings, whether the real property or buildings are privately or publicly owned (the “mPOWER Folsom Program”); and,

WHEREAS, this City Council wishes to establish specific goals, objectives and policies for the mPOWER Folsom Program (the “mPOWER Goals, Objectives and Policies”), and a form of such mPOWER Goals, Objectives and Policies are attached to this Resolution as Appendix B; and,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Folsom that the City Council hereby finds that the CFD Goals and Policies meet the requirements of the Act and this Council hereby adopts the Goals and Policies for purposes of compliance with the Act, subject to further amendment by this Council as may be required from time to time; and,

BE IT FURTHER RESOLVED that this Council hereby adopts the mPOWER Goals, Objectives and Policies to govern operation of the mPOWER Folsom Program, subject to further amendment by this Council as may be required from time to time; and,

BE IT FURTHER RESOLVED that this resolution, the CFD Goals and Policies and the mPOWER Goals, Objectives and Policies shall be effective from and after the date of the adoption of this resolution by this Council.

PASSED AND ADOPTED on this 10th day of December, 2013, by the following roll-call vote:

AYES: Council Member(s)

NOES: Council Member(s)

ABSENT: Council Member(s)

ABSTAIN: Council Member(s)

Stephen E. Miklos, MAYOR

ATTEST:

Christa Saunders, CITY CLERK

APPENDIX A
CFD GOALS AND POLICIES

**APPENDIX A
CITY OF FOLSOM**

**LOCAL GOALS AND POLICIES FOR
COMMUNITY FACILITIES DISTRICTS**

Adopted December 10, 2013

I. GENERAL.

Section 53312.7(a) of the California Government Code requires that the City of Folsom (the "City") consider and adopt local goals and policies concerning the use of the Mello-Roos Community Facilities Act of 1982 (the "Act") prior to the initiation of proceedings on or after January 1, 1994 to establish a new community facilities district ("CFD") under the Act. The City of Folsom adopted Finance Policies in 2004 pursuant to Resolution No. 7332- which address Use of Public Financing for Public Facilities.

The Local Goals and Policies contained herein for Community Facilities Districts (the "Policies") provide guidance and conditions for the conduct by the City of proceedings for, and the issuance of bonds secured by special taxes levied in, a community facilities district ("CFD") established under the Act. The Policies are intended to be general in nature; specific details will depend on the nature of each particular financing. The Policies are applicable to financings under the Act and are intended to comply with Section 53312.7 (a) of the Act. These Policies shall not apply to any assessment financing or any certificate of participation or similar financings involving leases of or security in public property or, unless required by law, to financing under the City of Folsom Community Facilities Financing Law provided in Folsom Municipal Code Chapter 3.110. The Policies are subject to amendment by the City Council at any time.

Nothing in these policies creates or is intended to create any rights, duties or liabilities beyond that specifically required by statute. The purpose of these policies is solely intended to meet the minimum legal requirements as provided in Section 53312.7.

II. FINANCING PRIORITIES.

Eligible Facilities.

The eligible public facilities include, but are not limited to, those listed in the Act.

It is acknowledged that the Act permits the financing of fee obligations imposed by governmental agencies the proceeds of which fees are to be used to fund public capital improvements of the nature listed above. The City will consider an application to finance fee obligations on a case-by-case basis. The City will prioritize financing fees to be paid to the City because of the administrative burden associated with financing fees payable to other local agencies.

The funding of public facilities to be owned and operated by public agencies other than the City shall be considered on a case-by-case basis. If the proposed financing is consistent with a public facilities financing plan approved by the City, or the proposed facilities are otherwise consistent with approved land use plans for the property, the City may consider, but is in no way obligated to enter into a joint financing agreement or joint powers authority in order to finance these facilities. A joint agreement with the public agency that will own and operate any such facility must be entered into at the time specified in the Act.

A CFD may also be formed for the purpose of refinancing any fixed special assessment or other governmental lien on property, to the extent permitted under the Act, as applicable.

Priority Facilities. Priority for CFD financing of public facilities shall be given to public facilities that: (a) are necessary for development to proceed in an orderly fashion, or (b) are otherwise coordinated to correspond to the phasing of the related private development project. If appropriate, the City shall prepare a public facilities financing plan as a part of the specific plan or other land use document that identifies the public facilities required to serve a project, and the type of financing to be utilized for each facility.

Eligible Services; Priority Services. The services eligible to be financed by a CFD (the "Services") are those identified in the Act. Subject to the conditions set forth in the Act, priority for public services to be financed by a CFD shall be given to services that (a) are necessary for the public health, safety and welfare and (b) would otherwise be paid from the City's general fund. The City may finance services to be provided by another local agency if it determines the public convenience and necessity require it to do so, although the City prioritizes financing services to be provided by the City. If appropriate, the City shall prepare a public services financing plan as a part of the specific plan or other land use document that identifies the public services required to serve a project and the source of funding for each such service.

Eligible Private Facilities. Financed improvements may be privately owned in the specific circumstances, and subject to the conditions, set forth in the Act.

III. BOND FINANCINGS; CREDIT QUALITY.

Value-to-Public Lien Ratio. All CFD bond issues should have at least a three to one property value to public lien ratio after calculating the value of the financed public improvements to be installed, unless otherwise specifically approved by the City Council as provided in Section 53345.8(b) or (c) of the Act. Property value may be based on either an appraisal (as described in VI below) or on assessed values as indicated on the county assessor's tax roll. The public lien amount shall include the bond issue currently being sold plus any public indebtedness secured by a lien on the properties to be taxed.

Entitlement Status. Except as otherwise approved by the City Council, the City will require all major land use approvals and governmental permits necessary for development of land in the CFD to be substantially in place before bonds may be issued.

Reserve Fund. In most cases, a reserve fund equal to the lesser of (i) 10% of the original proceeds of the bond issue, (ii) the maximum annual debt service on the bonds, or (iii) 125% of

the average annual debt service on the bonds will be required. A smaller reserve fund may be required by the City for bond issues where development thresholds identified by the City have been met. A reserve fund may not be required for the financing of privately owned improvements if it is not required by a bond purchaser that the City concludes has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of the bonds.

Failure to Meet Credit Criteria. Less than a three to one property value to public lien ratio, excessive tax delinquencies, or projects of uncertain economic viability may cause the City to disallow the sale of bonds or require credit enhancement prior to bond sale. The City may consider exceptions to the above policies for bond issues that do not represent an unusual credit risk, either due to credit enhancement or other reasons specified by the City, and/or which otherwise provide extraordinary public benefits, to the extent permitted by and subject to any applicable requirements of the Act.

If the City requires letters of credit or other security, the credit enhancement shall be issued by an institution, in a form and upon terms and conditions satisfactory to the City. Any security required to be provided by the applicant may be discharged by the City upon satisfaction of the applicable credit criteria specified by the City.

As an alternative to providing other security, and subject to federal tax law, the applicant may request that a portion of the bond proceeds be placed in escrow with a trustee or fiscal agent in an amount sufficient to assure the financing will meet the applicable credit criteria, including, but not limited to, meeting a value-to-lien ratio of at least three to one on the outstanding proceeds. The escrowed proceeds shall be released at such times and in such amounts as may be necessary to assure the applicable credit criteria has been met.

The City will require that bond financings be structured so that bonds are purchased and owned by suitable investors. For example, the City may require placement of bonds with a limited number of sophisticated investors, large bond denominations and/or transfer restrictions in situations where there is an insufficient value-to-lien ratio, where a substantial amount of the property within a CFD is undeveloped, where tax delinquencies are present in parcels within the CFD, and in any other situation identified by the City.

IV. DISCLOSURES

Purchasers of Property. Any disclosures mandated by applicable state law to inform prospective purchasers of their obligations under the CFD shall apply to each CFD. In addition, there may be additional requirements mandated by the City for particular kinds of financings on a case-by-case basis. The City may prescribe specific forms to be used to disclose the existence and extent of obligations imposed by CFD.

Disclosure Requirements for the Resale of Lots. The City shall upon request provide a notice of special taxes to sellers of property (other than developers) which will enable them to comply with their notice requirements under Section 1102.6 of the Civil Act. This notice shall be provided by the City within five working days of receiving a written request for the notice. A

reasonable fee may be charged for providing the notice, not to exceed any maximum fee specified in the Act. Nothing in this section is intended to require the City to provide any notice, except upon request and only with respect to the information provided herein.

Continuing Bond Disclosure. Landowners in a CFD that are responsible for 10% (10%) or more of the annual special taxes must agree to provide: (i) initial disclosure at the time of issuance of any bonds; and (ii) annual disclosure as required under Rule 15c2-12 of the Securities Exchange Commission until the special tax obligation of the property owned by such owner drops below 10%.

V. EQUITY OF SPECIAL TAX FORMULAS AND MAXIMUM SPECIAL TAXES

Minimum Special Tax Levels. Special tax formulas shall provide for minimum special tax levels which satisfy the following payment obligations of a CFD: (a) 110% gross debt service coverage for all CFD bonded indebtedness, (b) the administrative expenses of the CFD (which may be covered in the 10% debt service coverage described in clause (a)), and (c) amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on related bonds of the CFD. Debt service coverage as described in the previous sentence will not be required for the financing of privately owned improvements if it is not required by a bond purchaser that the City concludes has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of the bonds.

In addition, the special tax formula may provide for the following to be included in the special tax levels: (a) any amounts required to establish or replenish any reserve fund established in association with the indebtedness of the CFD, (b) the accumulation of funds reasonably required for future debt service, (c) amounts equal to projected delinquencies of special tax payments, (d) the costs of remarketing, credit enhancement and liquidity facility fees, (e) the cost of acquisition, construction, furnishing or equipping of authorized Facilities, (f) lease payments for existing or future facilities, (g) costs associated with the release of funds from an escrow account, (h) the costs of Services, and (i) any other costs or payments permitted by law.

Equity of Special Tax Allocation Formula. The special tax formula shall be reasonable in allocating the CFD's payment obligations to parcels within the CFD. Exemptions from the special tax may be given to parcels which are publicly owned, are held by a property owners' association, are used for a public purpose such as open space or wetlands, are affected by public utility easements making impractical their utilization for other than the purposes set forth in the easements, or have insufficient value to support bonded indebtedness.

Aggregate Tax Burden. The total projected non-residential property tax levels for any CFD (including ad valorem taxes, any maintenance, landscaping or other impositions on the land in the CFD and other similar annual government charges levied on parcels in the CFD, but excluding property owners' association annual levies and as to any special tax levies, based on the expected special tax rates and not any "back-up" special taxes) must be reasonable, and will be considered by the City Council on a case-by-case basis.

The total projected residential property tax levels (including ad valorem taxes, any maintenance, landscaping or other impositions on the land in the CFD and other similar annual government charges levied on parcels in the CFD, but excluding homeowners' association annual levies and as to any special tax levies, based on the expected special tax rates and not any "back-up" special taxes) for any CFD (or, if a CFD has multiple improvement areas, for each improvement area and not the entire CFD) shall not exceed the lesser of (i) 2.0% of the estimated sales prices of the respective homes to be constructed in the CFD (with such prices to be determined by reference to an absorption study or appraisal prepared for the CFD or such other information as the City shall determine), or (ii) any maximum specified in the Act. The annual increase, if any, in the maximum special tax for any parcel shall not exceed any maximum specified in the Act. The increase in the special tax levied on any residential parcel as a consequence of delinquency or default by the owner of any other parcel shall not exceed any maximum specified in the Act.

Levy on Entire Parcels. Special taxes will only be levied on an entire county assessor's parcel, and any allocation of special tax liability of a county assessor's parcel to leasehold or possessory interest in the fee ownership of such county assessor's parcel shall be the responsibility of the fee owner of such parcel and the City shall have no responsibility therefore and has no interest therein. Failure of the owner of any county assessor's parcel to pay or cause to be paid any special taxes in full when due, shall subject the entire parcel to foreclosure in accordance with the Act.

Feasibility Analysis. The City may retain a special tax consultant to prepare a report which: (a) recommends a special tax for the proposed CFD, and (b) evaluates the special tax proposed to determine its ability to adequately fund identified public facilities, City administrative costs, services (if applicable) and other related expenditures. Such analysis shall also address the resulting aggregate tax burden of all proposed special taxes plus existing special taxes, ad valorem taxes and assessments on the properties within the CFD.

VI. APPRAISALS

The definitions, standards and assumptions to be used for appraisals shall be determined by City staff on a case-by-case basis, with input from City consultants and CFD applicants, and by reference to relevant materials and information promulgated by the State of California (including, but not limited to, the California Debt Investment and Advisory Commission). The appraiser shall be selected by or otherwise acceptable to the City, and the appraisal shall be coordinated by and under the direction of, or otherwise as acceptable to, the City.

The appraisal must be dated within three months of the date the bonds are priced, unless the City Council determines a longer time is appropriate.

All costs associated with the preparation of the appraisal report shall be paid by the entity requesting the establishment of the CFD, if applicable, through the advance deposit mechanism described below.

VII. CITY PROCEEDINGS.

Petition. For new development projects, a petition meeting the requirements of the applicable authorizing law will be required. The applicant is urged to obtain unanimous waivers of the election waiting period. In applying to the City for formation of a CFD, the applicant must specify any reasonably expected impediments to obtaining petitions, including from co-owners and/or lenders of record (where required). Waiver of the petition shall be made only upon showing of extraordinary hardship. For existing development, petitions are preferred, but may be waived, depending on the nature of the project and degree of public importance.

Deposits and Reimbursements. All City staff and consultant costs incurred in the evaluation of CFD applications and the establishment of the CFD will be paid by the entity, if any, requesting the establishment of the CFD by advance deposit increments. The City shall not incur any expenses for processing and administering a CFD that are not paid by the applicant or from CFD bond proceeds. In general, expenses not chargeable to the CFD shall be directly borne by the proponents of the CFD.

The City may require that any petition for formation of a CFD be accompanied by an initial deposit in the amount determined by the City to fund initial staff and consultant costs associated with CFD review and implementation. If additional funds are needed to off-set costs and expenses incurred by the City, the City shall make written demand upon the applicant for such funds. If the applicant fails to make any deposit of additional funds for the proceedings, the City may suspend all proceedings until receipt of such additional deposit.

The City shall not accrue or pay any interest on any portion of the deposit refunded to any applicant or the costs and expenses reimbursed to an applicant. Neither the City nor the CFD shall be required to reimburse any applicant or property owner from any funds other than the proceeds of bonds issued by the CFD or special taxes levied in the CFD.

Representatives. The City and the applicant shall each designate a representative for each financing district proceeding. The representatives shall be responsible for coordinating the activities of their respective interests and shall be the spokespersons for each such interest. The purpose of this requirement is to avoid duplication of effort and misunderstandings from failure to communicate effectively. In the case of the City, it allows the City's consultants to report to a single official who will, in turn, communicate with other staff members.

Time Schedule. The final schedule of events for any proceeding shall be determined by the City, in consultation with its financing team and the applicant. Any changes will require approval by the appropriate City official. Time schedules will (unless specific exceptions are allowed) observe established City Council meeting schedules and agenda deadlines. To the extent possible, financings will be scheduled to allow debt service to be placed on the tax rolls with a minimum of capitalized interest.

VIII. FINANCING TERMS

All terms and conditions of any CFD bonds shall be established by the City. The City will control, manage and invest all CFD issued bond proceeds. Each bond issue shall be structured to adequately protect bond owners and to not negatively impact the bonding capacity or credit rating of the City through the special taxes, credit enhancements, foreclosure covenant, and reserve funds.

All statements and material related to the sale of bonds shall emphasize and state that neither the faith, credit nor the taxing power of the City is pledged to security or repayment of the Bonds. The sole source of pledged revenues to repay CFD bonds are special taxes, bond proceeds and reserve funds held under the bond document, and the proceeds of foreclosure proceedings and additional security instruments provided at the time of bond issuance.

The City shall select all consultants necessary for the formation of the CFD and the issuance of bonds, including the underwriter(s), bond counsel, disclosure counsel, financial advisors, appraiser, market absorption/pricing consultant and the special tax consultant. Prior consent of the applicant shall not be required in the determination by the City of the consulting and financing team.

IX. EXCEPTIONS TO THESE POLICIES

The City may find in limited and exceptional instances that a waiver to any of the above stated policies is reasonable given identified special benefits to be derived from such waiver. Such waivers only will be granted by action of the City Council.

APPENDIX B

mPOWER GOALS AND POLICIES

Goal, Objectives, and Policies to Support mPOWER Folsom – Property Assessed Clean Energy Program

November 12, 2013

GOAL: *To promote energy efficiency, water conservation, and renewable energy, and contribute to the reduction of greenhouse gas emissions.*

Objective 1: To decrease the consumption of energy and water in existing residential development.

Objective 2: To increase energy independence through reduced reliance on fossil fuels and increased generation of renewable energy.

Objective 3: To reduce greenhouse gas emissions related to energy consumption in existing residential development.

Objective 4: To decrease utility costs for property owners through the reduced consumption of water and energy.

Objective 5: To improve the local economy through job growth, increased property values, and energy savings.

Policies

Policy 1: The City shall enter into a Memorandum of Understanding with Placer County to provide financing for energy efficiency, water conservation, and renewable energy improvements to property owners in Folsom.

Policy 2: The City shall work with Placer County to encourage participation in the mPOWER Folsom program by marketing the program to Folsom residents, property owners, and contractors.

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)¹ or the California Municipal Finance Authority (CMFA)² 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

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

²CMFA 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”)³ and 1913/1915 Act⁴ 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

³ 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.

⁴ 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 law⁵, 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

⁵ 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**

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.

**REIMBURSEMENT AGREEMENT
RE PROPOSED
COMMUNITY FACILITIES DISTRICTS
FOR
VILLAGE OF ESENCIA**

THIS REIMBURSEMENT AGREEMENT RE PROPOSED RANCHO MISSION VIEJO COMMUNITY FACILITIES DISTRICTS (the "Agreement") dated as of 10/28/14, 2014 is entered into by and between the County of Orange, a political subdivision of the State of California (the "County"), and RMV PA 2 Development, LLC, a Delaware limited liability company (the "Master Developer").

RECITALS:

A. The County and DMB San Juan Investment North, LLC, a Delaware limited liability company, RMV Middle Chiquita, LLC, a California limited liability company, RMV Ranch House, LLC, a California limited liability company, RMV Headquarters, LLC, a California limited liability company, RMV San Juan Watershed, LLC, a California limited liability company, RMV San Mateo Watershed, LLC, a California limited liability company, and RMV Blind Canyon, LLC, a California limited liability company (collectively, the "Owner") have entered into that certain Rancho Mission Viejo Development Agreement dated November 8, 2004 and recorded in the Official Records of the County of Orange as Document No. 2004001082094, covering that area referred to as the "Ranch Plan Planned Community" (the "Development Agreement").

B. The Development Agreement provides that, if requested by the Owner, the County and the Owner shall cooperate in exploring the use of special districts, community facilities districts, assessment districts or other similar project-related public financing districts for the purpose of financing the Owner's obligations to provide various public facilities in connection with the development of the Ranch Plan Planned Community. Certain of the proposed public facilities to be financed (the "Facilities") are set forth in Exhibit A hereto, which is incorporated by reference herein.

C. The Master Developer (which is affiliated with the Owner) has filed an application requesting the County to form one or more community facilities districts (individually a "District" and collectively the "Districts") pursuant to the Mello-Roos Community Facilities Act of 1982 (Government Code Section 53311 et seq.) (the "Act") to finance infrastructure improvements related to the development of a portion of the Ranch Plan Planned Community known as Planning Area 2 Master Plan Area Plan (PA 130006) and referred to as the "Village of Esencia."

D. Pursuant to Government Code Section 53314.9, the Board of Supervisors is authorized to accept advances of funds or work-in-kind from any source, including, but not limited to, private persons or private entities, and may provide, by resolution, for the use of those funds or that work-in-kind for any authorized purpose, including, but not limited to, paying any costs incurred by the local agency and creating a district. The legislative body may also enter into an agreement, by resolution, with the person or entity advancing the funds or work-in-kind, to repay all or a portion of the funds advanced or to reimburse the person or entity for the cost or value of the work-in-kind, provided that certain conditions are met. The conditions to be satisfied require that (1) the proposal to repay the funds or the value or cost of the work-in-kind must be included in the resolution of

intention for the proposed district and in the resolution of formation for the proposed district, (2) that any proposed special tax is approved by the qualified electors of the district pursuant to the Act and that, if not approved, any funds which have not been committed for any authorized purpose by the time of the election must be returned to the person or entity advancing funds, and (3) any work-in-kind accepted shall have been performed or constructed as if the work had been performed or constructed under the direction and supervision, or under the authority, of the local agency.

E. The County and the Master Developer are desirous of entering into this Agreement in accordance with Government Code Section 53314.9 in order to provide a mechanism by which the Master Developer may advance certain costs related to the formation of the Districts and the Facilities to be financed by the Districts, when and if formed, and to provide that the Districts, when and if bonds are issued and/or special tax revenues are available, will reimburse the Master Developer for the amounts advanced.

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 Formation of the Districts and Issuance of Bonds.

(a) At the request of the Owner and/or the Master Developer, the County will undertake to analyze the appropriateness of forming the Districts to finance, among other items, the Facilities. The County will retain, at the Master Developer's expense, the necessary consultants to analyze the proposed formation of the Districts 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 County. In addition, County staff time spent in connection with the formation of the Districts and bond issuance shall be at the Master Developer's expense.

(b) In order to begin the process of analyzing the formation of one or more Districts, within 10 days following execution of this Agreement, the Master Developer will advance to the County the sum of \$100,000. From time to time, the Master Developer shall make additional advances to the County within 15 days following receipt from the County of a request for an additional advance to cover the costs of forming one or more Districts and/or issuing bonds. In the event the Master Developer does not deliver the requested amount to the County within such 15-day period, the County will have no obligation to proceed with the formation of any District and/or the issuance of bonds unless and until such additional advance is received. The Master Developer shall have the right to notify the County at any time, in writing, of its intention to abandon the formation of the Districts or the issuance of bonds. Upon receipt of such notice, the County shall instruct its consultants to cease work as soon as practicable. The Master Developer shall be responsible to pay all costs and expenses incurred by the County or any County consultant or advisor relating to the proposed formation and/or bond issuance for the Districts until work with respect to the proposed formation or bond issuance ceases following the receipt of the Master Developer's notice of abandonment. Notwithstanding a decision of the Master Developer to abandon the District formation process or the issuance of bonds, the County may, in its sole discretion, elect to proceed with formation of one or more Districts and/or the issuance of bonds with funds other than those of the Master Developer; provided, however, that, in executing this Agreement, the Master Developer shall

not be deemed to have waived its right to object to the formation of a District or the issuance of bonds.

(c) The County will provide written notice to the Master Developer when the balance of the remaining advance is reduced to \$10,000. The County will provide to the Master Developer on request a summary of how the advances have been spent and the unexpended balance remaining. The amounts advanced by the Master Developer will be reimbursable to the Master Developer, without interest, from the proceeds of bonds issued by the Districts when and if formed and/or from the proceeds of special taxes collected by the Districts. In the event that bonds are not issued to provide a source of reimbursement to the Master Developer and special taxes are not collected by the Districts, the County shall have no liability to the Master Developer to reimburse it for any of amounts previously advanced by the Master Developer and expended by the County.

3. Reimbursement Procedure. In accordance with Government Code Section 53314.9, it is hereby agreed by the parties hereto that, if the qualified electors of any proposed District do not approve the proposed special tax to be levied within the District, the County shall return any funds which have been advanced by the Master Developer for such proposed District and have not been committed for any authorized purpose by the time of the election. Such returned funds shall be without interest. The Master Developer agrees that any work-in-kind to be performed by or on behalf of it and to be accepted by any District or the County shall be performed or constructed as if the work had been performed or constructed under the direction and supervision, or under the authority, of the County. In the event it is not so performed or constructed, the Master Developer shall not be entitled to reimbursement for it. It is the intention of the parties to make any work that is undertaken or expenses that are incurred by or on behalf of the Master Developer with respect to the Facilities eligible for reimbursement when and if a District is formed and bonds are sold for such Facilities. It is agreed that any "cost" or "incidental expense" (as those terms are defined in Government Code Section 53317) incurred with respect to any of the Facilities shall be eligible for reimbursement when and if a District is formed and bonds are sold for such Facilities or when special taxes are collected by the Districts for such purpose. Any such costs or incidental expenses will be reimbursed only if all County policies with respect to reimbursement have been satisfied as of the date that reimbursement is to be made.

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

5. Indemnification and Hold Harmless. The Master Developer hereby assumes the defense of, and indemnifies and saves harmless, the County 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 the Master Developer or any of the Master Developer's officers, employees, contractors and agents with respect to the formation of the Districts and the design, engineering and construction of the Facilities by Master Developer.

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

Master Developer: Rancho Mission Viejo
28811 Ortega Highway
San Juan Capistrano, California 92675
Attention: Cynthia Tessin

County: County of Orange
County Executive Officer
333 W. Santa Ana Blvd.
Santa Ana, CA 92701
Attention: Public Finance Manager

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. The Master Developer may not assign its interest in this Agreement without the prior written consent of the County.

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 County, the Districts and the Master Developer, 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 December 31, 2019 unless expressly amended by the parties; provided, however, that the Master Developer's obligations under Section 5 shall survive the termination and the County'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.

COUNTY OF ORANGE, CALIFORNIA

By: Suzanne Luster 11/3/14
Public Finance Manager

ATTEST:

[Signature]
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

NICHOLAS S. CHRISOS

By: [Signature]
Deputy

Dated: 10-07-14

RMV PA 2 DEVELOPMENT, LLC, a Delaware Limited Liability Company

By: Rancho Mission Viejo, LLC, a Delaware limited liability company, its authorized agent and manager

By: [Signature]
Its: Elise Millington, SVP and CFO

By: [Signature]
Its: Richard Broming SVP-Planning; entitlement

EXHIBIT A

LIST OF FACILITIES ELIGIBLE FOR REIMBURSEMENT

Direct and indirect costs related to the following:

	<i>Estimated Eligible Facilities</i>
I. ONSITE AND OFFSITE FACILITIES – COUNTY FACILITIES	
<u>Roadways</u>	
1. Cow Camp Road	\$ 25,000,000
2. Street Improvements (including, without limitation, those listed on Schedule I)	<u>30,000,000</u>
Subtotal	55,000,000
<u>Public Facilities</u>	
3. Sheriff Substations	840,000
4. Libraries	<u>817,000</u>
Subtotal	1,657,000
<u>Storm Drains</u>	15,000,000
<u>Gobernadora Basin</u>	<u>3,300,000</u>
Subtotal County Facilities	74,957,000
III. DRY UTILITIES	2,700,000
IV. JCFA – ORANGE OCUNTY FIRE AUTHORITY – FIRE FACILITIES	
1. Fire Station Facilities	5,500,000
V. JCFA – SANTA MARGARITA WATER DISTRICT	
1. Domestic and Recycled Water Facilities	22,000,000
2. Domestic Water Turnout Facility, Sewer Lift Station and Force Main	2,600,000
3. Chiquita Water Reclamation Plant Improvements	<u>1,100,000</u>
Subtotal SMWD Facilities	25,700,000
VI. JCFA – CAPISTRANO UNIFIED SCHOOL DISTRICT	
1. School Facility (Construction of K-8 School)	<u>21,000,000</u>
TOTAL	<u>\$ 129,857,000</u>

SCHEDULE 1

1. Major Roadways
 - a. Cow Camp Road
 - b. Ortega Highway
 - c. Antonio Parkway

2. Collector Roadways/Trail and Fire Access Roads
 - a. Chiquita Canyon Drive
 - b. Airoso Street
 - c. Algazara Street
 - d. Andaza Street
 - e. Esencia Drive
 - f. Tierno Road
 - g. Aprender Street

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

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

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** (1)
- **Arrange for refreshments if appropriate** (1)

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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 After Proposition 218
 (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

Receive construction bids

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

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	Novato Council Meeting – 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	Novato Council Meeting – 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	Novato Council Meeting – 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	Novato Council Meeting – Adopt CFD Ordinance, adopt Resolution Authorizing Bond Issuance

\$90,845,000
COMMUNITY FACILITIES DISTRICT NO. 2015-1
OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA)
SERIES A OF 2015 SPECIAL TAX BONDS

CLOSING INDEX

RESOLUTIONS, ORDINANCES & MINUTES

1. Resolution No. 15-012; Resolution of Intention to Establish the District, adopted March 3, 2015; Minute Order.
2. Resolution No. 15-013; Resolution of Intention to Incur Bonded Indebtedness, adopted March 3, 2015; Minute Order. (See Tab No. 1)
3. Resolution No. 15-028; Resolution Establishing the District, Authorizing the Levy of a Special Tax, Calling an Election and Approving and Authorizing Certain Actions Related Thereto, adopted April 14, 2015; Minute Order.
4. Resolution No. 15-029; Resolution Determining Necessity to Incur Bonded Indebtedness and Calling an Election, adopted April 14, 2015; Minute Order (See Tab No. 3).
5. Resolution No. 15-031; Resolution Certifying the Results of the Election and Authorizing Filing of Validation Action, adopted April 21, 2015, Minute Order.
6. Ordinance No. 15-007; Authorizing Levy of a Special Tax, adopted May 5, 2015; Minute Order.
7. Resolution No. 15-107; Resolution Authorizing Issuance of Series 2015 Special Tax Bonds, adopted September 22, 2015, Minute Order.
8. Certificate of Interim Clerk of Board of Supervisors Bringing Forward Resolutions and Ordinance
9. Supplement to Resolution No. 15-107

DOCUMENTS RELATING TO FORMATION PROCEEDINGS

10. Petition of Landowners to Establish District
11. Joint Community Facilities Agreement among the County of Orange, Santa Margarita Water District and RMV PA 2 Development, LLC
12. Affidavit of Publication Re Notice of Public Hearing
13. Engineer's Report

14. Landowner Waivers of Certain Election Procedures (9)
15. Certificate of Registrar of Voters Re Less than 12 Persons Registered to Vote in District; Certificate of Registrar of Voters Re Election Date; Certificate of Registrar of Voters Re Election Returns
16. Ballot Pamphlet and Instructions to Voter; Ballots (On File with Registrar of Voters)
17. Evidence of Recordation of District Map
18. Notice of Special Tax Lien Recorded April 30, 2015
19. Certificate of Reduction in Special Taxes
20. Amended Notice of Special Tax Lien Recorded October 28, 2015
21. Judgment
22. Acquisition, Funding and Disclosure Agreement; Tri-Party Agreement

DOCUMENTS TO BE DELIVERED BY THE DISTRICT

23. CDIAC Report of Proposed Debt Issuance, Acknowledgment from CDIAC and Report of Final Sale
24. Certificate as to Finality of Preliminary Official Statement
25. Incumbency and Signature Certificate of the County/District
26. District Continuing Disclosure Certificate
27. Closing Certificate of the District
28. District's Instructions to Paying Agent, Underwriters, Treasurer-Tax Collector and COI Custodian
29. District's Receipt for the Purchase Price
30. Tax Certificate, together with Certificate of the Underwriters; Post Issuance Compliance Certificate; IRS Form 8038-G
31. DTC Blanket Issuer Letter of Representations
32. Facsimile Signature Filings of the Chairman and Interim Clerk of the Board of Supervisors
33. Specimen Bond

DOCUMENTS RELATING TO THE SALE OF THE BONDS

- 34. Bond Purchase Agreement
- 35. Preliminary Official Statement, together with Supplement to Preliminary Official Statement
- 36. Official Statement
- 37. Underwriters' Receipt for the Bonds

DOCUMENTS TO BE DELIVERED BY THE PAYING AGENT

- 38. Authorized Signer(s) Certificate
- 39. Paying Agent/Bond Registrar Agreement
- 40. Closing Certificate of Paying Agent
- 41. Costs of Issuance Agreement
- 42. Receipt of COI Custodian

DOCUMENTS TO BE DELIVERED BY THE DEVELOPER

- 43. Developer Letter of Representations
- 44. Closing Certificate of Developer
- 45. Developer Continuing Disclosure Agreement

OPINIONS

- 46. Opinion of Bond Counsel
- 47. Supplemental Opinion
- 48. Disclosure Counsel Letter
- 49. Opinion of County Counsel
- 50. Opinion of Underwriters' Counsel
- 51. Opinion of Developer's Counsel (2)

MISCELLANEOUS

- 52. Closing Certificate of Financial Advisor
- 53. Certificate of Special Tax Consultant

54. Certificate of Appraiser
55. Certificate of Market Absorption Analyst
56. Price Point Study Update
57. Continuing Disclosure Review Letter
58. Continuing Disclosure Compliance Report
59. Distribution List

\$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

**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 2015-1
OF THE COUNTY OF ORANGE
(VILLAGE OF ESENCIA)**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Community Facilities District No. 2015-1 of the County of Orange (Village of Esencia) ("CFD No. 2015-1") and collected each Fiscal Year commencing in Fiscal Year 2015-16, in an amount determined by the Board through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 2015-1, unless exempted by law or by the provisions hereof, 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:

"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 map, parcel map, condominium plan, or other recorded County parcel map.

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2015-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the County or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the County, CFD No. 2015-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the County, CFD No. 2015-1 or any designee thereof of complying with disclosure requirements of the County, CFD No. 2015-1 or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the County, CFD No. 2015-1 or any designee thereof related to an appeal of any Special Tax levy; the costs associated with the release of funds from an escrow account; and the County's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the County or CFD No. 2015-1 for any other administrative purposes of CFD No. 2015-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure action to collect delinquent Special Taxes.

"Affordable Property" means, for each Fiscal Year, any Assessor's Parcel of Residential Property that is subject to a restrictive covenant, or similar covenant in a grant deed or other instrument, in satisfaction of Section IV (Provision of Site(s) for Affordable Housing) of Exhibit D of the Development Agreement that was recorded prior to January 1 of the prior Fiscal Year and that limits the use of such Assessor's Parcel for affordable housing. In order to ensure that such property is correctly classified as Affordable Property, the owner of such property shall provide the CFD Administrator with a copy of any applicable deed restrictions, resale restrictions, and/or regulatory agreements. For each Fiscal Year after the January 1 following the termination of the covenants, Assessor's Parcels previously classified as Affordable Property shall no longer be considered Affordable Property and shall be assigned to the appropriate Land Use Class based on its Residential Floor Area and/or use.

"Apartment Property" means any Assessor's Parcel of Residential Property, exclusive of Affordable Property, for which one or more building permits have been issued for attached residential units, all of which are made available for rental, but not purchase, by the general public.

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's parcel number.

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

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C below.

"Board" means the Board of Supervisors of the County of Orange, acting as the legislative body of CFD No. 2015-1.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2015-1 under the Act.

"CFD Administrator" means the County Executive Officer, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 2015-1" means Community Facilities District No. 2015-1 of the County of Orange (Village of Esencia).

"Conservation Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2015-1, excluding Property Owner Association Property, Public

Property and Religious Property, that is subject to a declaration of irrevocable covenant, conservation easement deed, or similar document that was recorded restricting the use of such property to open space, habitat preservation, or other conservation purposes as of January 1 of the prior Fiscal Year. In order to ensure that such property is correctly classified as Conservation Property, the owner of such property shall provide the CFD Administrator with a copy of a declaration of irrevocable covenant, conservation easement deed, or similar document.

"County" means the County of Orange.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, for which a building permit for new construction was issued prior to January 1 of the prior Fiscal Year. Notwithstanding the foregoing, (a) if a building permit is revoked, expired or otherwise cancelled and a new building permit is issued for the same property prior to the issuance of Bonds, then, the building square footage and building type as indicated on the new building permit shall thereafter be used for purposes of determining the Land Use Class, (b) if a building permit is revoked, expired or otherwise cancelled and a new building permit is issued for the same property after the issuance of Bonds, and the amount of Assigned Special Taxes which may be levied pursuant to the new building permit is greater than the Assigned Special Taxes which may be levied pursuant to the original building permit, then the building square footage and building type as indicated on the new building permit shall thereafter be used for purposes of determining the Land Use Class, otherwise the Land Use Class pursuant to the original building permit shall continue to be used, and (c) if a building permit is revoked, expired or otherwise cancelled and no new building permit is issued for the same property, then the property will continue to be considered Developed Property and taxed based on the original building permit.

"Development Agreement" means the development agreement by and between the County, DMB San Juan Investments North, LLC, RMV Middle Chiquita, LLC, RMV Ranch House, LLC, RMV Headquarters, LLC, RMV San Juan Watershed, LLC, RMV San Mateo Watershed, LLC, and RMV Blind Canyon, LLC recorded on December 6, 2004 as Instrument No.2004001082094.

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

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Land Use Class" means any of the classes within each Zone listed in Tables 1 through 7 below.

Maximum Special Tax" means for each fiscal year for each Assessor's Parcel, the maximum Special Tax, determined in accordance with Section C below, that can be levied on such Assessor's Parcel in such fiscal year.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit(s) was issued for a non-residential use.

"Outstanding Bonds" means all Bonds which are deemed to be outstanding under the Indenture.

"Property Owner Association Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2015-1 that is owned in fee or by easement, or dedicated to, a property owner association, including any master or sub-association as of January 1 of the prior Fiscal Year.

"Proportionately" means for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property within CFD No. 2015-1. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property in CFD No. 2015-1. For Taxable Conservation Property, Taxable Public Property, Taxable Property Owner Association Property and Taxable Religious Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Taxable Conservation Property, Taxable Public Property, Taxable Property Owner Association Property or Taxable Religious Property, as applicable.

"Public Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2015-1 that is used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County or any other public agency as of January 1 of the prior Fiscal Year; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. In order to ensure that such property is correctly classified as Public Property, the owner of such property shall provide the CFD Administrator with a copy of any applicable documents.

"Religious Property" means, for each Fiscal Year, all property within the boundaries of CFD No. 2015-1 which (i) is either (a) used primarily as a place of worship or (b) vacant land or land under construction that is intended to be used primarily as a place of worship as determined by the CFD Administrator; and (ii) is exempt from *ad valorem* property taxes because it is owned by a religious organization as of January 1 of the prior Fiscal Year. Religious Property, without limitation, does not include any Assessor's Parcels used primarily for religious schools, day care centers, or congregate care facilities.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for 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 to fund the Special Tax Requirement.

"Special Tax Requirement" means for each Fiscal Year, that amount required for CFD No. 2015-1 to pay the sum of: (i) debt service on all Outstanding Bonds or Bonds expected to be issued in such Fiscal Year; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) any amounts required to establish or replenish any reserve funds for all Outstanding Bonds or Bonds expected to be issued in such Fiscal Year by CFD No. 2015-1; and (v) any amounts required for construction of facilities eligible to be constructed or acquired by CFD No. 2015-1 under the Act. In arriving at the Special Tax Requirement, the CFD Administrator shall take into account the reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year and shall give a credit for funds available to reduce the annual Special Tax levy.

"State" means the State of California.

"Taxable Conservation Property" means all Assessor's Parcels of Conservation Property that are not exempt pursuant to Section E below.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2015-1 which are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Taxable Religious Property" means all Assessor's Parcels of Religious Property that are not exempt pursuant to Section E below.

"Trustee" means the trustee, fiscal agent, or paying agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property.

"Zone" means any one of the separate geographic areas within CFD No. 2015-1 designated on Exhibit A herein as: Zone 1, Zone 2, Zone 3, Zone 4, Zone 5, Zone 6, Zone 7, or Zone E.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within Zones 1 through 7 of CFD No. 2015-1 shall be classified as Developed Property, Taxable Conservation Property, Taxable Public Property, Taxable Property Owner Association Property, Taxable Religious Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

The Assigned Special Tax for Residential Property shall be based on the Zone in which the Assessor's Parcel is located, the number of dwelling units, and the Residential Floor Area of the dwelling units located on the Assessor's Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Zone in which the Assessor's Parcel is located and the Acreage of the Assessor's Parcel.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property within a particular Zone shall be the greater of (i) the amount derived by application of the Assigned Special Tax for such Zone or (ii) the amount derived by application of the Backup Special Tax for such Zone.

b. Assigned Special Tax

The Assigned Special Tax for each Land Use Class within each Zone for Fiscal Year 2015-16 is shown below in Tables 1 through 7.

TABLE 1
Zone 1
(All Ages - Traditional Single Family Attached)
For Fiscal Year 2015-16
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,750 SF	Residential Property	\$4,893 per unit
2	1,601 – 1,750 SF	Residential Property	\$4,499 per unit
3	1,451 – 1,600 SF	Residential Property	\$4,302 per unit
4	< 1,451 SF	Residential Property	\$3,710 per unit
5	N/A	Non-Residential Property	\$16,028 per Acre
6	N/A	Affordable Property	\$927 per unit
7	N/A	Apartment Property	\$1,624 per unit

TABLE 2
Zone 2
(All Ages – Cluster Single Family Detached)
For Fiscal Year 2015-16
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,900 SF	Residential Property	\$8,046 per unit
2	2,701 – 2,900 SF	Residential Property	\$7,641 per unit
3	2,501 – 2,700 SF	Residential Property	\$7,447 per unit
4	2,301 – 2,500 SF	Residential Property	\$7,036 per unit
5	2,101 – 2,300 SF	Residential Property	\$6,319 per unit
6	1,901 – 2,100 SF	Residential Property	\$5,617 per unit
7	1,801 – 1,900 SF	Residential Property	\$5,438 per unit
8	1,601 – 1,800 SF	Residential Property	\$5,108 per unit
9	< 1,601 SF	Residential Property	\$4,636 per unit
10	N/A	Non-Residential Property	\$16,028 per Acre
11	N/A	Affordable Property	\$927 per unit
12	N/A	Apartment Property	\$1,624 per unit

TABLE 3
Zone 3
(All Ages – Traditional Single Family Detached)
For Fiscal Year 2015-16
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 3,700 SF	Residential Property	\$10,234 per unit
2	3,501 – 3,700 SF	Residential Property	\$9,675 per unit
3	3,301 – 3,500 SF	Residential Property	\$9,093 per unit
4	3,101 – 3,300 SF	Residential Property	\$8,634 per unit
5	2,901 – 3,100 SF	Residential Property	\$8,101 per unit
6	2,701 – 2,900 SF	Residential Property	\$7,641 per unit
7	2,501 – 2,700 SF	Residential Property	\$7,503 per unit
8	2,301 – 2,500 SF	Residential Property	\$6,942 per unit
9	< 2,301 SF	Residential Property	\$6,337 per unit
10	N/A	Non-Residential Property	\$16,028 per Acre
11	N/A	Affordable Property	\$927 per unit
12	N/A	Apartment Property	\$1,624 per unit

TABLE 4
Zone 4
(Age Qualified – Traditional Single Family Attached)
For Fiscal Year 2015-16
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,900 SF	Residential Property	\$4,319 per unit
2	1,701 – 1,900 SF	Residential Property	\$4,078 per unit
3	1,501 – 1,700 SF	Residential Property	\$3,743 per unit
4	< 1,501 SF	Residential Property	\$3,578 per unit
5	N/A	Non-Residential Property	\$16,028 per Acre
6	N/A	Affordable Property	\$927 per unit
7	N/A	Apartment Property	\$1,624 per unit

TABLE 5
Zone 5
(Age Qualified – Cluster Single Family Detached)
For Fiscal Year 2015-16
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,300 SF	Residential Property	\$6,036 per unit
2	2,201 – 2,300 SF	Residential Property	\$5,800 per unit
3	2,001 – 2,200 SF	Residential Property	\$5,564 per unit
4	1,801 – 2,000 SF	Residential Property	\$5,170 per unit
5	1,601 – 1,800 SF	Residential Property	\$5,061 per unit
6	< 1,601 SF	Residential Property	\$4,457 per unit
7	N/A	Non-Residential Property	\$16,028 per Acre
8	N/A	Affordable Property	\$927 per unit
9	N/A	Apartment Property	\$1,624 per unit

TABLE 6
Zone 6
(Age Qualified – Traditional Single Family Detached)
For Fiscal Year 2015-16
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,400 SF	Residential Property	\$7,466 per unit
2	≤ 2,400 SF	Residential Property	\$6,732 per unit
3	N/A	Non-Residential Property	\$16,028 per Acre
4	N/A	Affordable Property	\$927 per unit
5	N/A	Apartment Property	\$1,624 per unit

TABLE 7
Zone 7
(Other Property)
For Fiscal Year 2015-16
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	N/A	Residential Property	\$2,000 per unit
2	N/A	Affordable Property	\$927 per unit
3	N/A	Apartment Property	\$1,624 per unit
4	N/A	Non-Residential Property	\$16,028 per Acre

c. Multiple Land Use Classes

In some instances an Assessor's Parcel may contain both Undeveloped Property and Developed Property. Furthermore, Developed Property may contain more than one Land Use Class.

In such cases, the Acreage of the Assessor's Parcel shall be allocated between Developed Property and Undeveloped Property based on the portion of the Assessor's Parcel for which building permits had been issued prior to January 1 of the prior Fiscal Year and the portion of the Assessor's Parcel for which building permits had not been issued prior to January 1 of the prior Fiscal Year. The Acreage that is considered Developed Property shall be allocated between Residential Property and Non-Residential Property based on the site plan. The Maximum Special Tax that can be levied on such Assessor's Parcel shall be the sum of the Maximum Special Tax that can be levied on each type of property located on that Assessor's Parcel.

d. Backup Special Tax

The Backup Special Tax in CFD No. 2015-1 shall equal an amount per Acre for each Zone as shown below in Table 8.

TABLE 8
All Zones
Fiscal Year 2015-16
Backup Special Tax

Zone	FY 2015-16 Backup Special Tax
1	\$81,454 per Acre
2	\$89,605 per Acre
3	\$67,406 per Acre
4	\$26,663 per Acre
5	\$50,564 per Acre
6	\$45,802 per Acre
7	\$33,976 per Acre

e. Increase in the Assigned Special Tax and Backup Special Tax

On each July 1, commencing on July 1, 2016, the Assigned Special Tax and the Backup Special Tax for Developed Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

2. **Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property**

a. Maximum Special Tax

The Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property within each Zone is shown below in Table 9.

TABLE 9
All Zones
Fiscal Year 2015-16
Maximum Special Taxes for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, or Undeveloped Property

Zone	FY 2015-16 Maximum Special Tax
1	\$81,454 per Acre
2	\$89,605 per Acre
3	\$67,406 per Acre
4	\$26,663 per Acre
5	\$50,564 per Acre
6	\$45,802 per Acre
7	\$33,976 per Acre

b. Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2016, the Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property and shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2015-16 and for each following Fiscal Year, the Board shall levy the Special Tax until the amount of Special Taxes levied 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;

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 monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's

Parcel of Developed Property for which the Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Conservation Property, Taxable Property Owner Association Property or Taxable Religious Property at up to the Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property or Taxable Religious Property.

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property at up to the Maximum Special Tax for Taxable Public Property.

Notwithstanding the above, under no circumstances will the Special Tax levied in a Fiscal Year 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%) above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2015-1. To the extent that the levy of the Special Tax on Residential Property is limited by the provision in the previous sentence, the levy of the Special Tax on all other Assessor's Parcels shall continue in equal percentages at up to 100% of the Maximum Special Tax.

E. EXEMPTIONS

No Special Tax shall be levied on (1) any property in Zone E and (2) Conservation Property, Property Owner Association Property, Public Property, and/or Religious Property in Zones 1 through 7 at up to the Acreage amounts shown in Table 10 below:

TABLE 10

Zone	Exempt Acreage
1	0.271 Acres
2	20.473 Acres
3	19.338 Acres
4	0.743 Acres
5	17.920 Acres
6	11.018 Acres
7	21.424 Acres

Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property within each Zone becomes Conservation Property, Property Owner Association Property, Public Property, or Religious Property. However, should an Assessor's Parcel no longer be classified as Conservation Property, Property Owner Association Property, Public Property, or Religious Property its tax-exempt status will be revoked and it will thereafter be classified as Developed Property or Undeveloped Property in accordance with Section D above.

Conservation Property, Property Owner Association Property, Public Property, or Religious Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fourth or fifth steps, respectively, in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2015-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

Tenders of Bonds may be accepted for payment of Special Taxes upon the terms and conditions established by the Act and permitted by CFD No. 2015-1. The use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Board.

G. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section G:

"CFD Public Facilities Cost" means either \$98.4 million in 2015 dollars, which shall increase by the Construction Inflation Index on July 1, 2016, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 2015-1 under the authorized bonding program for CFD No. 2015-1, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section D.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

"Construction Inflation Index" means, for a Fiscal Year, the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Future Facilities Costs" means the CFD Public Facilities Cost minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

"Outstanding Bonds" means all Previously Issued Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all Bonds that have been issued by CFD No. 2015-1 prior to the date of prepayment.

1. Prepayment in Full

The obligation to pay the Special Tax for an Assessor's Parcel may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made only for Assessor's Parcels of Developed Property and/or Undeveloped Property for which a building permit has been issued, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this figure. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
<u>less</u>	<u>Capitalized Interest Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be calculated as follows:

Paragraph No.:

1. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax and Backup Special Tax applicable for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property for which a building permit has been issued, compute the Assigned Special Tax and Backup Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.
2. (a) Divide the Assigned Special Tax computed pursuant to paragraph 1 by the total estimated Assigned Special Taxes for the entire CFD No. 2015-1 based on the Developed Property Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 2015-1, excluding any Assessor's Parcels which have been prepaid, and

(b) Divide the Backup Special Tax computed pursuant to paragraph 1 by the total estimated Backup Special Taxes for the entire CFD No. 2015-1 based on the Backup Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 2015-1, excluding any Assessor's Parcels which have been prepaid.
3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
5. Compute the current Future Facilities Costs.
6. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the amount determined pursuant to paragraph 5 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
7. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
8. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.

9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 7 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of CFD No. 2015-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
15. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 6, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Prepayment Amount").
16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 6 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2015-1.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be

retained in the appropriate fund established under the Indenture to be used with the next prepayment of Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel for which the Special Tax is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation to pay the Special Tax for such Assessor's Parcel shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless (i) the amount of Maximum Special Tax that may be levied on Taxable Property (based on expected development at build out), after the proposed prepayment, less expected Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year and (ii) the amount of Maximum Special Tax that may be levied on non-delinquent Taxable Property (based on expected development at build out) after the proposed prepayment, less expected Administrative Expenses, shall be at least equal to the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year.

2. Prepayment in Part

The Special Tax for an Assessor's Parcel of Developed Property and/or Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section G.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = [(P_E - AE) \times F] + AE$$

These terms have the following meaning:

- AE = the Administrative Fees and Expenses
- PP = the partial prepayment amount
- P_E = the Prepayment Amount calculated according to Section G.1
- F = the percentage by which the owner of the Assessor's Parcel is partially prepaying the Special Tax.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel

for which the Special Tax is partially prepaid, CFD No. 2015-1 shall (i) distribute the funds remitted to it according to Section G.1, and (ii) indicate in the records of CFD No. 2015-1 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the Assigned Special Tax and Backup Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

Notwithstanding the foregoing, no partial prepayment will be allowed unless (i) the amount of Maximum Special Tax that may be levied on Taxable Property (based on expected development at build out), after the proposed partial prepayment, less expected Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year and (ii) the amount of Maximum Special Tax that may be levied on non-delinquent Taxable Property (based on expected development at build out) after the proposed partial prepayment, less expected Administrative Expenses, shall be at least equal to the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year.

H. SPECIAL TAX REDUCTION

The following definitions apply to this Section H:

"Issuance Date" means the date a bond purchase contract related to the sale of the Bonds is entered into between the underwriter of the Bonds and CFD No. 2015-1.

"Plan Type" means a discrete residential plan type (generally consisting of residential dwelling units that share a common product type (e.g., detached, attached, cluster) and that have nearly identical amounts of living area) that is constructed or expected to be constructed within CFD No. 2015-1 as identified in the Price Point Study.

"Price Point" means, with respect to the residential dwelling units in each Plan Type, as of the date of the applicable Price Point Study, the base price of such residential dwelling units, estimated by the Price Point Consultant as of such date, including any incentives and concessions, but excluding potential appreciation or premiums, options or upgrades, based upon their actual or expected characteristics, such as living area, view, or lot size.

"Price Point Consultant" means any consultant or firm of such consultants selected by CFD No. 2015-1 that (a) has substantial experience in performing price point studies for residential units within community facilities districts or otherwise estimating or confirming pricing for residential units in community facilities districts, (b) is well versed in analyzing economic and real estate data that relates to the pricing of residential units in community facilities districts, (c) is in fact independent and not under the control of CFD No. 2015-1 or the County, (d) does not have any substantial interest, direct or indirect, with or in (i) CFD No. 2015-1, (ii) the County, (iii) any owner of real property in CFD

No. 2015-1, or (iv) any real property in CFD No. 2015-1, and (e) is not connected with CFD No. 2015-1 or the County as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 2015-1 or the County.

"Price Point Study" means a price point study or a letter updating a previous price point study, which (a) has been prepared by the Price Point Consultant, (b) sets forth the Plan Types constructed or expected to be constructed within Zones 1 through 7 in CFD No. 2015-1, (c) sets forth the estimated number of constructed and expected residential dwelling units for each Plan Type, (d) sets forth such Price Point Consultant's estimate of the Price Point for each Plan Type and (e) uses a date for establishing such Price Points that is no earlier than 30 days prior to the date the Price Point Study is delivered to the CFD Administrator pursuant to Section H herein. The Price Point Study will only include the for-sale Residential Property in Zones 1 through 7.

"Total Effective Tax Rate" means, for a Plan Type, the quotient of (a) the Total Tax and Assessment Obligation for such Plan Type divided by (b) the Price Point for such Plan Type, converted to a percentage.

"Total Tax and Assessment Obligation" means, with respect to a Plan Type in a Zone, for the Fiscal Year for which the calculation is being performed, the quotient of (a) the sum of the Assigned Special Tax and estimated *ad valorem* property taxes, special assessments, special taxes for any overlapping community facilities districts, and any other governmental taxes, fees and charges levied or imposed on all residential dwelling units of such Plan Type in such Zone in such Fiscal Year or that would have been levied or imposed on all such residential dwelling units had such residential dwelling units been completed, sold and subject to such levies and impositions in such Fiscal Year divided by (b) the number of residential dwelling units in such Plan Type in such Zone. The Total Tax and Assessment Obligation for each Plan Type shall be calculated based on the applicable Residential Floor Area, Price Point, and number of constructed and expected residential dwelling units for such Plan Type in such Zone as identified in the Price Point Study.

Prior to the issuance of the first series of Bonds, the following steps shall be taken for each Land Use Class of for-sale Residential Property in Zones 1 through 7:

Step No.:

1. At least 30 days prior to the expected Issuance Date of the first series of Bonds, CFD No. 2015-1 shall cause a Price Point Study to be delivered to the CFD Administrator.
2. As soon as practicable after receipt of the Price Point Study, the CFD Administrator shall calculate the Total Tax and Assessment Obligation and Total Effective Tax Rate for each Plan Type in each Zone.
3. Separately, for each Land Use Class of for-sale Residential Property in each Zone,

the CFD Administrator shall determine whether or not the Total Effective Tax Rate for all Plan Types in a Land Use Class is less than or equal to 2.00%.

- a. If the Total Effective Tax Rate for all Plan Types in a Land Use Class in a Zone is less than or equal to 2.00%, then there shall be no change in the Assigned Special Tax for such Land Use Class in such Zone.
 - b. If the Total Effective Tax Rate for any Plan Type in a Land Use Class in a Zone is greater than 2.00%, the CFD Administrator shall calculate a revised Assigned Special Tax for such Land Use Class in such Zone, which revised Assigned Special Tax shall be the highest amount (rounded to the nearest whole dollar) that will not cause the Total Effective Tax Rate for any Plan Type in such Land Use Class in such Zone to exceed 2.00%.
4. If the Assigned Special Tax for any Land Use Class in a Zone is revised pursuant to step 3.b. above, the CFD Administrator shall calculate a revised Backup Special Tax for all property within such Zone. The revised Backup Special Tax per Acre for such Zone shall be an amount (rounded to the nearest whole dollar) equal to the Backup Special Tax per Acre for such Zone as set forth in Table 8 above, reduced by a percentage equal to the weighted average percentage reduction in the Assigned Special Taxes for all Land Use Classes of Residential Property in such Zone resulting from the calculations in steps 3.a. and 3.b. above. The weighted average percentage will be calculated by taking the sum of the products of the number of units constructed or expected to be constructed in each Land Use Class in such Zone multiplied by the percentage change in the Assigned Special Tax (pursuant to step 3.b. above) for each Land Use Class in such Zone (or 0 for Land Use Classes that are not changing). This amount is then divided by the total number of units constructed or expected to be constructed within the Zone and converted to a percentage.
5. If the Assigned Special Tax for any Land Use Class in any Zone is revised pursuant to step 3.b. above, the CFD Administrator shall prepare and execute a Certificate of Reduction in Special Taxes substantially in the form of Exhibit B hereto and shall deliver such Certificate of Reduction in Special Taxes to CFD No. 2015-1. The Certificate of Reduction in Special Taxes shall be completed for all Land Use Classes in all Zones and shall set forth, as applicable, either (i) the reduced Assigned Special Tax for a Land Use Class in a Zone as calculated pursuant to step 3.b., or (ii) the Assigned Special Tax as identified in Tables 1 through 7 in Section C for a Land Use Class in a Zone that was not revised as determined pursuant to step 3.a.; as well as either (i) the revised Backup Special Tax for a Zone as calculated pursuant to step 4, or (ii) the Backup Special Tax as identified in Table 8 in Section C.1.(d) for a Zone that was not revised as determined pursuant to step 4.
6. If the Issuance Date of the first series of Bonds is within 120 days of the date of receipt of the Price Point Study by the CFD Administrator, CFD No. 2015-1 shall

execute the acknowledgement on such Certificate of Reduction in Special Taxes, dated as of the closing date of such Bonds, and upon the closing of such first series of Bonds, the Assigned Special Tax for each Land Use Class and the Backup Special Tax shall be, for all purposes, as set forth in such Certificate of Reduction in Special Taxes. If the Issuance Date of the first series of Bonds is not within 120 days of the date of receipt of the Price Point Study by the CFD Administrator, such Certificate of Reduction in Special Taxes shall not be acknowledged by CFD No. 2015-1 and shall, as of such date, be void and of no further force and effect. In such case, if subsequently a first series of Bonds is expected to be issued, at least 30 days prior to the expected Issuance Date of such first series of Bonds, the CFD Administrator shall cause a new Price Point Study to be delivered to the CFD Administrator and, following such delivery, steps 2 through 5 of this section shall be performed based on such new Price Point Study.

7. As soon as practicable after the execution by CFD No. 2015-1 of the acknowledgement on the Certificate of Reduction in Special Taxes, CFD No. 2015-1 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for CFD No. 2015-1 reflecting the Assigned Special Taxes and the Backup Special Tax for each Zone set forth in such Certificate of Reduction in Special Taxes.
8. If the Assigned Special Tax is not required to be changed for any Land Use Class in any Zone based on the calculations performed under step 3 above, there shall be no reduction in the Maximum Special Tax, and no Certificate of Reduction in Special Taxes shall be required. However the CFD Administrator shall prepare and deliver to CFD No. 2015-1 a Certificate of No Reduction in Special Taxes substantially in the form of Exhibit C hereto dated as of the closing date of the first series of Bonds that states that the calculations required pursuant to this Section H have been made and that no changes to the Maximum Special Tax are necessary.
9. CFD No. 2015-1 and the CFD Administrator shall take no further actions under this Section H upon the earlier to occur of the following: (i) the execution of the acknowledgement by CFD No. 2015-1 on a Certificate of Reduction in Special Taxes pursuant to step 6; or (ii) the delivery by the CFD Administrator of a Certificate of No Reduction in Special Taxes pursuant to step 8.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied on an Assessor's Parcel for a period not to exceed forty years from the Fiscal Year in which such Assessor's Parcel first becomes Developed Property.

J. DETERMINATIONS OF CFD ADMINISTRATOR CONSIDERED FINAL

Any determinations made by CFD Administrator under terms of this Rate and Method of Apportionment shall be final.

EXHIBIT A
ZONE DESIGNATION

EXHIBIT B

CERTIFICATE OF REDUCTION IN SPECIAL TAXES

**Community Facilities District No. 2015-1 of the County of Orange
(Village of Esencia)**

1. Pursuant to Section H of the Rate and Method of Apportionment, the Maximum Special Tax for Developed Property for [certain or all] Land Use Classes within CFD No. 2015-1 has been reduced.
2. The calculations made pursuant to Section H were based upon a Price Point Study that was received by the CFD Administrator on _____.
3. Tables 1A through 7A below show the Assigned Special Tax for each Land Use Class in Zones 1 through 7 after such reduction.

**Table 1A
Assigned Special Tax for Developed Property in Zone 1
Fiscal Year 2015-16**

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,750 SF	Residential Property	\$ _____ per unit
2	1,601 – 1,750 SF	Residential Property	\$ _____ per unit
3	1,451 – 1,600 SF	Residential Property	\$ _____ per unit
4	< 1,451 SF	Residential Property	\$ _____ per unit
5	N/A	Non-Residential Property	\$ _____ per Acre
6	N/A	Affordable Property	\$ _____ per unit
7	N/A	Apartment Property	\$ _____ per unit

Table 2A
Assigned Special Tax for Developed Property in Zone 2
Fiscal Year 2015-16

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,900 SF	Residential Property	\$ _____ per unit
2	2,701 – 2,900 SF	Residential Property	\$ _____ per unit
3	2,501 – 2,700 SF	Residential Property	\$ _____ per unit
4	2,301 – 2,500 SF	Residential Property	\$ _____ per unit
5	2,101 – 2,300 SF	Residential Property	\$ _____ per unit
6	1,901 – 2,100 SF	Residential Property	\$ _____ per unit
7	1,801 – 1,900 SF	Residential Property	\$ _____ per unit
8	1,601 – 1,800 SF	Residential Property	\$ _____ per unit
9	< 1,601 SF	Residential Property	\$ _____ per unit
10	N/A	Non-Residential Property	\$ _____ per Acre
11	N/A	Affordable Property	\$ _____ per unit
12	N/A	Apartment Property	\$ _____ per unit

**Table 3A
Assigned Special Tax for Developed Property in Zone 3
Fiscal Year 2015-16**

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 3,700 SF	Residential Property	\$ _____ per unit
2	3,501 – 3,700 SF	Residential Property	\$ _____ per unit
3	3,301 – 3,500 SF	Residential Property	\$ _____ per unit
4	3,101 – 3,300 SF	Residential Property	\$ _____ per unit
5	2,901 – 3,100 SF	Residential Property	\$ _____ per unit
6	2,701 – 2,900 SF	Residential Property	\$ _____ per unit
7	2,501 – 2,700 SF	Residential Property	\$ _____ per unit
8	2,301 – 2,500 SF	Residential Property	\$ _____ per unit
9	< 2,301 SF	Residential Property	\$ _____ per unit
10	N/A	Non-Residential Property	\$ _____ per Acre
11	N/A	Affordable Property	\$ _____ per unit
12	N/A	Apartment Property	\$ _____ per unit

**Table 4A
Assigned Special Tax for Developed Property in Zone 4
Fiscal Year 2015-16**

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,900 SF	Residential Property	\$ _____ per unit
2	1,701 – 1,900 SF	Residential Property	\$ _____ per unit
3	1,501 – 1,700 SF	Residential Property	\$ _____ per unit
4	< 1,501 SF	Residential Property	\$ _____ per unit
5	N/A	Non-Residential Property	\$ _____ per Acre
6	N/A	Affordable Property	\$ _____ per unit
7	N/A	Apartment Property	\$ _____ per unit

Table 5A
Assigned Special Tax for Developed Property in Zone 5
Fiscal Year 2015-16

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,300 SF	Residential Property	\$ _____ per unit
2	2,201 – 2,300 SF	Residential Property	\$ _____ per unit
3	2,001 – 2,200 SF	Residential Property	\$ _____ per unit
4	1,801 – 2,000 SF	Residential Property	\$ _____ per unit
5	1,601 – 1,800 SF	Residential Property	\$ _____ per unit
6	< 1,601 SF	Residential Property	\$ _____ per unit
7	N/A	Non-Residential Property	\$ _____ per Acre
8	N/A	Affordable Property	\$ _____ per unit
9	N/A	Apartment Property	\$ _____ per unit

Table 6A
Assigned Special Tax for Developed Property in Zone 6
Fiscal Year 2015-16

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,400 SF	Residential Property	\$ _____ per unit
2	≤ 2,400 SF	Residential Property	\$ _____ per unit
3	N/A	Non-Residential Property	\$ _____ per Acre
4	N/A	Affordable Property	\$ _____ per unit
5	N/A	Apartment Property	\$ _____ per unit

**Table 7A
Assigned Special Tax for Developed Property in Zone 7
Fiscal Year 2015-16**

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	N/A	Residential Property	\$ _____ per unit
2	N/A	Affordable Property	\$ _____ per unit
3	N/A	Apartment Property	\$ _____ per unit
4	N/A	Non-Residential Property	\$ _____ per Acre

4. The Backup Special Tax for each Assessor's Parcel of Developed Property shall equal an amount per Acre after such reduction as shown in Table 8A below.

**Table 8A
Backup Special Tax
Fiscal Year 2015-16**

Zone	Backup Special Tax
1	\$ _____ per Acre
2	\$ _____ per Acre
3	\$ _____ per Acre
4	\$ _____ per Acre
5	\$ _____ per Acre
6	\$ _____ per Acre
7	\$ _____ per Acre

5. Upon execution of this certificate by CFD No. 2015-1, CFD No. 2015-1 shall cause an amended notice of Special Tax lien for CFD No. 2015-1 to be recorded reflecting the Assigned Special Tax and Backup Special Tax set forth herein.

Certificate of Reduction in Special Taxes
Page 6

Submitted

CFD ADMINISTRATOR

By: _____ Date: _____

By execution hereof, the undersigned acknowledges, on behalf of CFD No. 2015-1, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

**Community Facilities District No. 2015-1 of the County of Orange
(Village of Esencia)**

By: _____ Date as of: [closing date of Bonds]

EXHIBIT C

CERTIFICATE OF NO REDUCTION IN SPECIAL TAXES

**Community Facilities District No. 2015-1 of the County of Orange
(Village of Esencia)**

1. All calculations required pursuant to Section H of the Rate and Method of Apportionment have been made based upon a Price Point Study that was received by the CFD Administrator on _____.
2. Total Effective Tax Rate for all Plan Types in all Land Use Classes in all Zones is less than or equal to 2.00%
3. The Maximum Special Tax for Developed Property within CFD No. 2015-1, including the Assigned Special Taxes set forth in Sections C.1.(b) and the Backup Special Tax set forth in Section C.1.(d) of the Rate and Method of Apportionment, shall remain in effect and not be reduced.

Submitted

CFD ADMINISTRATOR

By: _____

Date as of: [closing date of Bonds]

ENGINEER'S REPORT

CDIAC Presentation



Harris & Associates®

ABOUT THE ENGINEER'S REPORT

- Key information document
- Most important exhibit in a dispute
- Must comply with procedural act, Proposition 218 and case law
- Must be prepared by a Registered Professional Engineer
- Important content:
 - Special benefits must be clearly defined
 - General benefits must be discussed and quantified
 - Assessment spread must be laid out in detail
 - Exemptions to public parcels must be justified

ENGINEER'S REPORT CONTENTS (CAPITAL PROJECTS)

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

- Plans and specifications (project description)
- Estimate of cost 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 ≥ 2



ENGINEER'S REPORT CONTENTS (M&O)

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

- Plans and 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 NOVEMBER 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 to properties
- **Burden of proof that special benefit exists**
 - Shifted to the public agency

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
 - May have to pay out of general fund
 - Public agencies get to cast a ballot if their property is assessed

JULY 2008 CALIFORNIA SUPREME COURT RULING

- **“General Benefit” more defined**
 - General enhancement of property value is not a special benefit
 - Must look at benefits inside and outside AD boundary
- **If all properties benefit, is it special?**
 - Agency-wide AD (city, county, special district)
 - Boundary defined by special benefits
- **“People” benefits vs. “Property” benefits**
 - Benefits to the public-at-large are general benefits
 - Benefits to property are special benefits

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

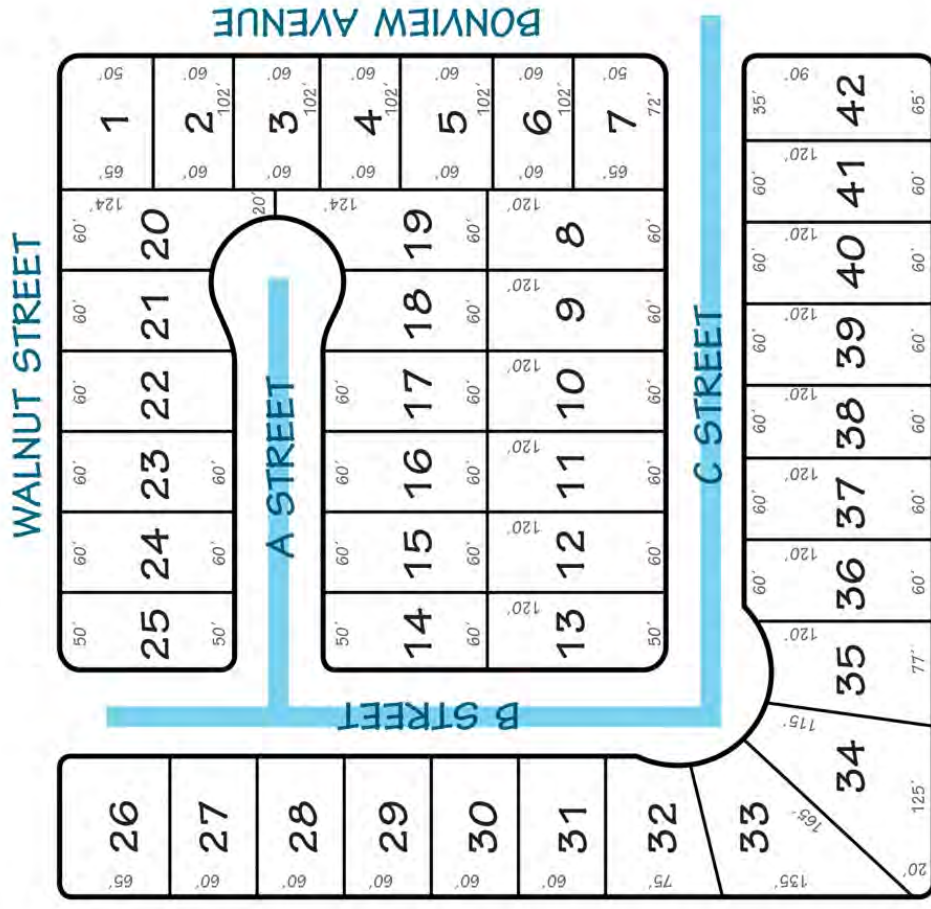


ANNUAL ADMINISTRATION COSTS

- 1913 Act allows the collection of an annual amount for administration
- Financing the annual administration can get very expensive
 - \$10,000 x 30 years = \$300,000
- Maximum \$ amount per parcel
 - \$500 per parcel
 - 5% of original lien
- Annual Escalator may be applied to the per parcel administration amount

PLANNING FOR FUTURE COST INCREASES

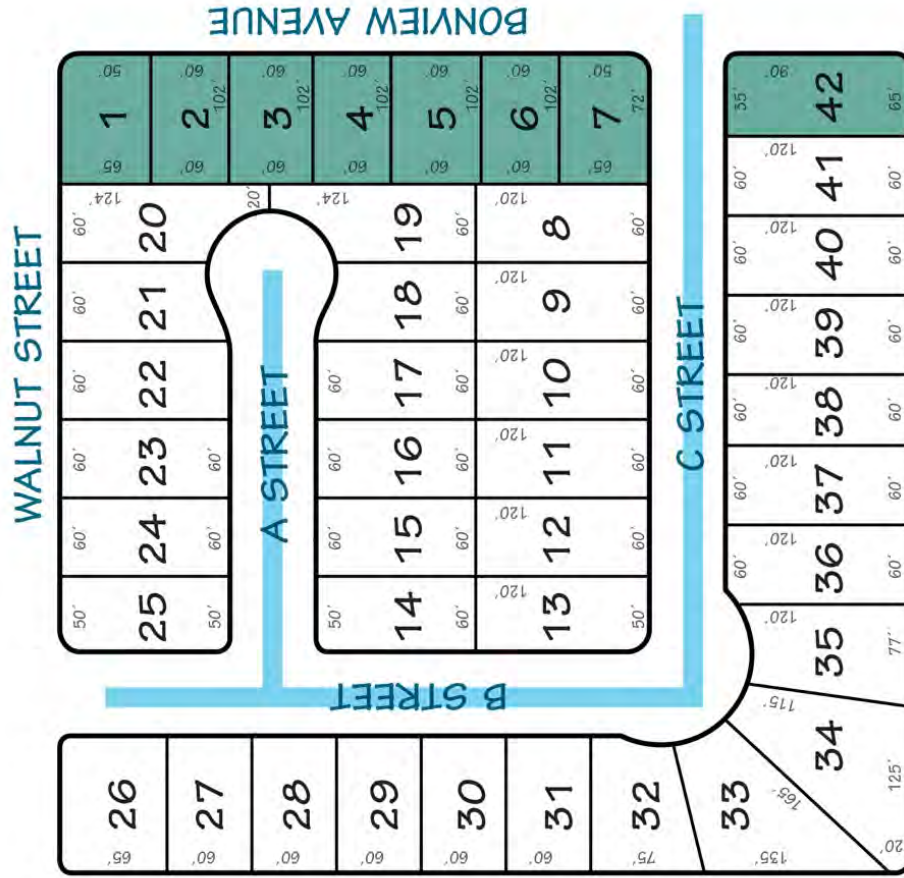
- **Maintenance District**
 - Annual escalation of assessment rate (allowed under Gov't Code 53753.5 & 53739)
 - By formula or on an index
 - Consumer Price Index (CPI)
 - Engineering News Record (ENR) construction cost index
 - Straight percentage (like 2%)
 - Combination (CPI + 3%)
- **What is an increase in assessment? Gov't Code Section 53750 (h)**
 - When increased amount is result of pre-218 provisions
 - When increased amount is attributable to certain changes



GETTING STARTED (IMPROVEMENT ASSESSMENT):

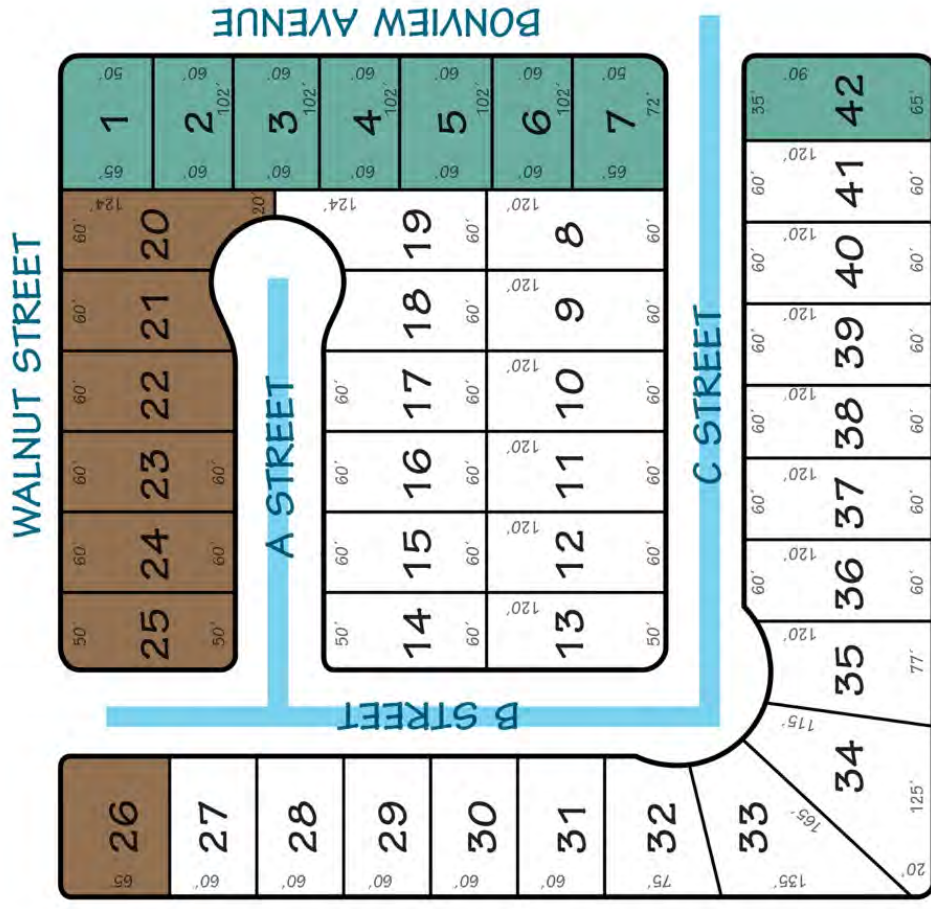
- Identify the project(s) to be funded





GETTING STARTED WITH THE ENGINEER'S REPORT

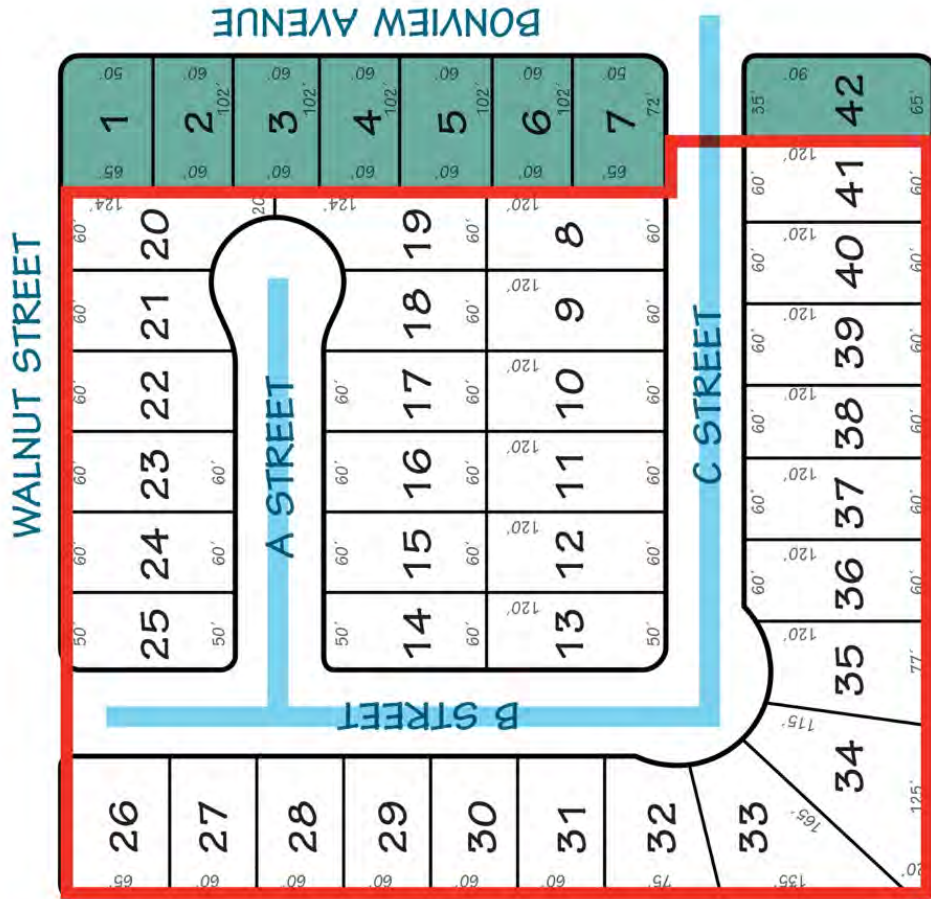
- Identify the project(s) to be funded
- Determine who benefits from the improvements



LOOK AT THE WHOLE PICTURE

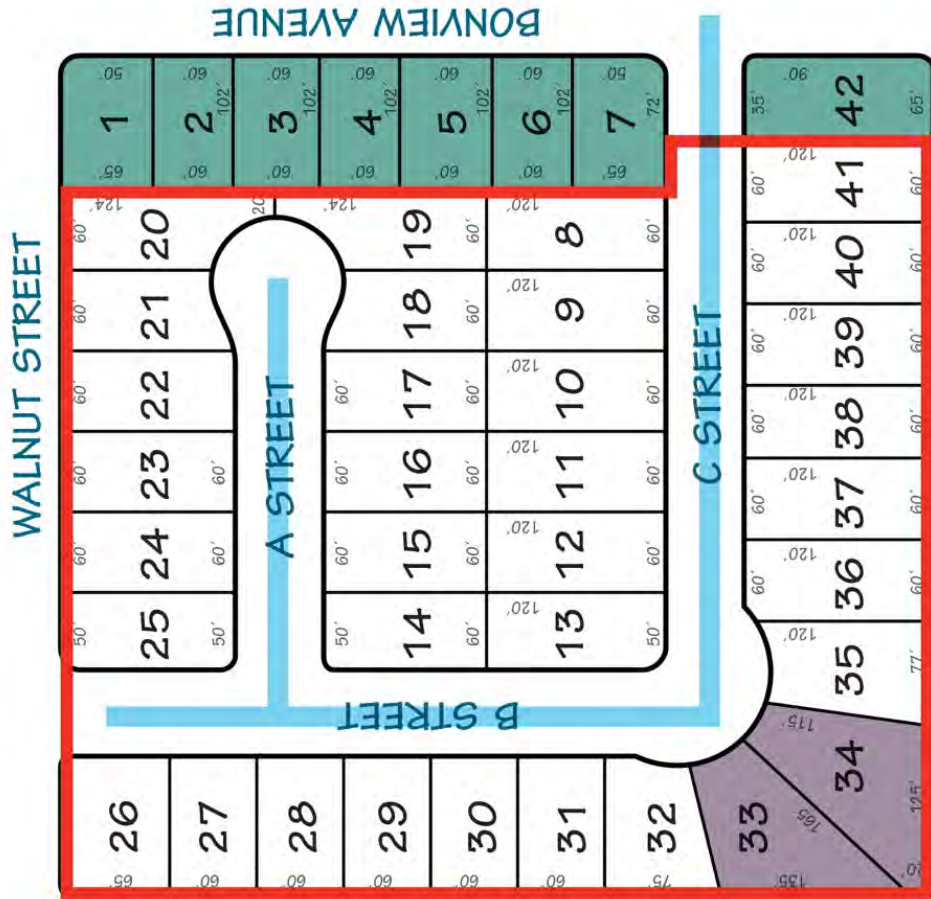
- Who else may or may not benefit?





LOOK AT THE WHOLE PICTURE

- Who else may or may not benefit?
- Look at the physical restraints
- Draw your boundary



SPREADING THE BENEFIT

- Method of spread/benefit formula
 - Identify benefits
 - Special and general
 - Quantify benefits



LARGE O&M PROCESSES

- Building the database
 - County Assessor's data
 - Assessor's parcel number
 - Land uses
 - Confirm use with field review, if necessary, especially public property
- Benefit Determination
 - May create benefit zones
 - Zones cannot be based on cost
- Benefit Formula
 - Use property characteristics: Equivalent dwelling units, frontage, building size, lot size, etc.
 - Use benefit factors to proportionally assess between land use types





Final Engineer's Report

for

Underground Utility Assessment District No. 111 (Newport Blvd / 23rd St / Ocean Front W / 31st St)

Prepared under the provisions of the
Municipal Improvement Act of 1913

For the

City of Newport Beach
County of Orange, California

December 22, 2015

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AGENCY: CITY OF NEWPORT BEACH

PROJECT: ASSESSMENT DISTRICT NO. 111

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 Newport Boulevard, 23rd Street, Ocean Front W and 31st Street. 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. The proposed improvements are of special and direct benefit to the properties within the boundary of the proposed assessment district.

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 Underground Utility Assessment District No. 111 (hereinafter referred to as the "Assessment District"), I, Alison M. Bouley, 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.

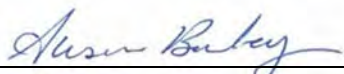
PART VI

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 December 22, 2015.

HARRIS & ASSOCIATES


ALISON M. BOULEY, P.E.
R.C.E. No. C61383
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 _____, 2015.

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 _____, 2015.

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 Underground Utility Assessment District No. 111, (Newport Boulevard, 23rd Street, Ocean Front W and 31st Street), 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 shown on the assessment diagram. Final plans and specifications will be prepared by the City in conjunction with the utility companies and will be on file in the office of the Superintendent of Streets when completed.



**Part II
 Cost Estimate**

	<u>Length in ft.</u>	<u>CALCULATION</u> <u>Cost per ft.</u>	<u>TOTAL</u>
<u>Utility Engineering & Construction</u>			
Southern California Edison	4400	\$352	\$1,550,000.00
AT&T	4400	\$175	\$769,000.00
Time Warner	4400	\$61	\$268,000.00
			<u>\$2,587,000.00</u>
Contingency	10%		\$250,886.00
TOTAL CONSTRUCTION			\$2,837,886.00
 <u>INCIDENTIAL EXPENSES:</u>			
Assessment Engineering			\$75,000.00
Contract Inspection			\$75,000.00
City Administration			\$75,000.00
Financial Advisor			\$20,000.00
Bond and Disclosure Counsel			\$55,000.00
Underwriter's Council			\$15,000.00
Paying Agent			\$2,500.00
Credit Rating Fee			\$15,000.00
Printing, Advertising, Notices			\$2,500.00
Miscellaneous			<u>\$5,300.00</u>
		Subtotal Incidental Expenses	\$340,300.00
		Construction	<u>\$2,837,886.00</u>
		Subtotal Incidental & Construction	<u>\$3,178,186.00</u>
 <u>FINANCIAL COSTS</u>			
Underwriter's Discount		1.0%	\$34,000.00
Bond Reserve		5.0%	\$171,000.00
Capitalized Interest - 5% for 3 months		1.3%	\$43,000.00
		Subtotal & Financial Costs	<u>7.3% \$248,000.00</u>
TOTAL ESTIMATE			<u>\$3,426,186.00</u>

Part III Assessment Roll and Method of Assessment Spread

WHEREAS, on November 10, 2015 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. 2015-96, 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. 111 (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 and Specifications;
- b. A general description of works or appliances already installed and any other property necessary or convenient for the operation of the improvement, if the works, appliances, or property are to be acquired as part of the improvement;
- 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, Alison M. Bouley, P.E., 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.
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:

	As Preliminarily Approved	As Confirmed
Estimated Cost of Design and Construction:	\$2,845,700	\$2,837,886
Estimated Incidental Expenses:	\$340,300	\$340,300
Estimated Financial Costs:	\$249,000	\$248,000
Estimated Contribution:	\$0	\$0
Estimated Total to Assessment:	\$3,435,000	\$3,426,186

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

Asmt No.	Assessor's Parcel Number	Total True Value	Existing Liens	Assessments as Preliminarily Approved	Assessments as Confirmed and Recorded	Value to Lien Ratio
1	04707103	\$ 753,176	\$ -	\$15,800.06	\$15,800.05	48
2	04707104	\$ 532,895	\$ -	\$13,365.15	\$13,365.14	40
3	93971015	\$ 482,115	\$ -	\$7,830.05	\$7,830.04	62
4	93971016	\$ 495,676	\$ -	\$7,830.05	\$7,830.04	63
5	93971001	\$ 710,669	\$ -	\$6,953.87	\$6,953.87	102
6	93971002	\$ 553,133	\$ -	\$6,953.87	\$6,953.87	80
7	93971003	\$ 722,000	\$ -	\$6,712.30	\$6,712.29	108
8	93971004	\$ 901,750	\$ -	\$6,712.30	\$6,712.29	134
9	93971005	\$ 203,046	\$ -	\$6,712.30	\$6,712.29	30
10	93971006	\$ 253,991	\$ -	\$6,712.30	\$6,712.29	38
11	04707108	\$ 373,625	\$ -	\$13,365.15	\$13,365.15	28
12	04707109	\$ 513,156	\$ -	\$13,365.15	\$13,365.15	38
13	04707112	\$ 154,662	\$ -	\$13,309.56	\$13,309.54	12
14	04707113	\$ 964,147	\$ -	\$8,811.68	\$8,811.67	109
15	04707114	\$ 476,436	\$ -	\$8,811.68	\$8,811.67	54
16	93971025	\$ 614,766	\$ -	\$6,744.89	\$6,744.88	91
17	93971026	\$ 614,766	\$ -	\$6,744.89	\$6,744.88	91
18	93971023	\$ 1,108,638	\$ -	\$6,744.89	\$6,744.88	164
19	93971024	\$ 1,050,000	\$ -	\$6,744.89	\$6,744.88	156
20	93971029	\$ 939,775	\$ -	\$6,681.62	\$6,681.61	141
21	93971030	\$ 1,000,000	\$ -	\$6,681.62	\$6,681.61	150
22	93971027	\$ 874,123	\$ -	\$6,681.62	\$6,681.61	131
23	93971028	\$ 1,000,000	\$ -	\$6,681.62	\$6,681.61	150
24	04707204	\$ 381,745	\$ -	\$13,365.15	\$13,365.15	29
25	04707205	\$ 420,097	\$ -	\$13,365.15	\$13,365.15	31
26	04707206	\$ 1,325,974	\$ -	\$13,365.15	\$13,365.15	99
27	04707221	\$ 635,969	\$ -	\$13,365.15	\$13,365.15	48
28	04707222	\$ 901,657	\$ -	\$13,365.15	\$13,365.15	67
29	04707224	\$ 945,817	\$ -	\$13,365.15	\$13,365.15	71
30	04707223	\$ 60,655	\$ -	\$13,365.15	\$13,365.15	5
31	04707209	\$ 422,361	\$ -	\$13,365.15	\$13,365.15	32
32	04707210	\$ 616,760	\$ -	\$13,365.15	\$13,365.15	46
33	04707211	\$ 1,591,168	\$ -	\$13,365.15	\$13,365.15	119
34	04707212	\$ 210,149	\$ -	\$13,365.15	\$13,365.15	16
35	04707213	\$ 1,405,000	\$ -	\$13,365.15	\$13,365.15	105
36	04707214	\$ 423,493	\$ -	\$13,365.15	\$13,365.15	32
37	04707215	\$ 512,818	\$ -	\$13,365.15	\$13,365.15	38
38	04707216	\$ 772,853	\$ -	\$13,365.15	\$13,365.15	58
39	04707217	\$ 586,645	\$ -	\$13,365.15	\$13,365.15	44
40	04707218	\$ 719,553	\$ -	\$13,365.15	\$13,365.15	54
41	04707219	\$ 551,928	\$ -	\$13,365.15	\$13,365.15	41
42	04707220	\$ 117,818	\$ -	\$11,662.63	\$11,662.62	10
43	04710101	\$ 78,827	\$ -	\$12,966.37	\$12,966.35	6
44	04710102	\$ 425,288	\$ -	\$13,802.29	\$13,802.28	31
45	04710103	\$ 519,167	\$ -	\$13,802.29	\$13,802.28	38



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	04710104	\$ 617,974	\$ -	\$13,802.29	\$13,802.28	45
47	04710105	\$ 126,849	\$ -	\$13,802.29	\$13,802.28	9
48	04710106	\$ 1,067,385	\$ -	\$13,802.29	\$13,802.28	77
49	04710107	\$ 1,375,000	\$ -	\$13,802.29	\$13,802.28	100
50	04710108	\$ 237,970	\$ -	\$13,802.29	\$13,802.28	17
51	04710118	\$ 402,280	\$ -	\$13,802.29	\$13,802.28	29
52	04710119	\$ 612,322	\$ -	\$13,802.29	\$13,802.28	44
53	04710110	\$ 100,316	\$ -	\$13,802.29	\$13,802.28	7
54	04710111	\$ 399,171	\$ -	\$13,802.29	\$13,802.28	29
55	04710112	\$ 102,040	\$ -	\$13,802.29	\$13,802.28	7
56	04710113	\$ 1,739,079	\$ -	\$13,840.63	\$13,840.63	126
57	04710114	\$ 452,858	\$ -	\$14,049.61	\$14,049.60	32
58	04710115	\$ 501,679	\$ -	\$14,396.63	\$14,396.62	35
59	93284082	\$ 1,193,919	\$ -	\$7,450.44	\$7,450.43	160
60	93284083	\$ 382,733	\$ -	\$7,450.44	\$7,450.43	51
61	93284076	\$ 1,188,000	\$ -	\$8,665.97	\$8,665.96	137
62	93284077	\$ 1,047,177	\$ -	\$8,665.98	\$8,665.96	121
63	04708201	\$ 1,419,604	\$ -	\$13,365.16	\$13,365.15	106
64	04708202	\$ 1,652,307	\$ -	\$13,365.16	\$13,365.15	124
65	04708203	\$ 1,681,653	\$ -	\$13,365.16	\$13,365.15	126
66	04708240	\$ 777,337	\$ -	\$13,365.16	\$13,365.15	58
67	04708239	\$ 568,566	\$ -	\$13,365.16	\$13,365.15	43
68	04708205	\$ 1,229,188	\$ -	\$13,365.16	\$13,365.15	92
69	04708206	\$ 594,658	\$ -	\$13,365.16	\$13,365.15	44
70	04708207	\$ 233,143	\$ -	\$13,365.16	\$13,365.15	17
71	04708208	\$ 135,052	\$ -	\$13,365.16	\$13,365.15	10
72	04708209	\$ 644,517	\$ -	\$13,365.16	\$8,959.32	72
73	04708219	\$ 1,895,529	\$ -	\$13,365.16	\$8,959.32	212
74	04708228	\$ 189,793	\$ -	\$13,365.16	\$13,365.15	14
75	04708222	\$ 767,304	\$ -	\$13,365.16	\$13,365.15	57
76	04708223	\$ 1,409,839	\$ -	\$13,365.16	\$13,365.15	105
77	04708235	\$ 856,180	\$ -	\$13,365.16	\$13,365.15	64
78	04708236	\$ 188,140	\$ -	\$13,365.16	\$13,365.15	14
79	04708225	\$ 511,371	\$ -	\$13,365.16	\$13,365.15	38
80	04708226	\$ 508,181	\$ -	\$13,365.16	\$13,365.15	38
81	93284080	\$ 568,658	\$ -	\$6,683.55	\$6,683.54	85
82	93284081	\$ 758,211	\$ -	\$6,683.55	\$6,683.54	113
83	04708231	\$ 951,043	\$ -	\$13,365.16	\$13,365.15	71
84	04708330	\$ 855,610	\$ -	\$13,365.16	\$13,365.15	64
85	04708331	\$ 1,530,079	\$ -	\$13,365.15	\$13,365.15	114
86	04708302	\$ 1,700,000	\$ -	\$13,365.15	\$13,365.15	127
87	04708333	\$ 1,193,613	\$ -	\$13,365.15	\$13,365.15	89
88	04708332	\$ 167,706	\$ -	\$13,365.15	\$13,365.15	13
89	93284021	\$ 596,152	\$ -	\$6,683.54	\$6,683.53	89
90	93284022	\$ 721,809	\$ -	\$6,683.54	\$6,683.53	108



Asmt No.	Assessor's Parcel Number	Total True Value	Existing Liens	Assessments as Preliminarily Approved	Assessments as Confirmed and Recorded	Value to Lien Ratio
91	04708336	\$ 1,472,500	\$ -	\$15,186.55	\$15,186.54	97
92	04708307	\$ 626,121	\$ -	\$14,275.85	\$14,275.84	44
93	04708308	\$ 293,481	\$ -	\$14,275.85	\$14,275.84	21
94	04708312	\$ 418,033	\$ -	\$13,125.50	\$13,125.49	32
95	04708313	\$ 3,993,895	\$ -	\$13,125.50	\$13,125.49	304
96	04708314	\$ 229,374	\$ -	\$17,439.32	\$17,439.30	13
97	04708315	\$ 2,497,123	\$ -	\$13,067.98	\$13,067.97	191
98	04708316	\$ 693,789	\$ -	\$13,365.15	\$13,365.15	52
99	04708317	\$ 402,934	\$ -	\$13,365.15	\$13,365.15	30
100	04708318	\$ 1,147,563	\$ -	\$13,365.15	\$13,365.15	86
101	04708319	\$ 620,238	\$ -	\$13,365.15	\$13,365.15	46
102	04708320	\$ 917,026	\$ -	\$13,365.15	\$13,365.15	69
103	04708321	\$ 684,820	\$ -	\$13,365.15	\$13,365.15	51
104	93284073	\$ 1,220,674	\$ -	\$6,685.45	\$6,685.44	183
105	93284072	\$ 467,524	\$ -	\$6,685.45	\$6,685.44	70
106	93284071	\$ 510,909	\$ -	\$6,685.45	\$6,685.45	76
107	93284070	\$ 529,689	\$ -	\$6,685.45	\$6,685.45	79
108	04708328	\$ 1,149,612	\$ -	\$13,365.15	\$13,365.15	86
109	04708329	\$ 684,820	\$ -	\$13,365.15	\$13,365.15	51
110	04709101	\$ 963,909	\$ -	\$13,365.15	\$13,365.15	72
111	04709102	\$ 1,797,702	\$ -	\$13,365.15	\$13,365.15	135
112	04709103	\$ 389,377	\$ -	\$13,365.15	\$13,365.15	29
113	04709104	\$ 95,557	\$ -	\$13,365.15	\$13,365.15	7
114	04709105	\$ 129,254	\$ -	\$13,365.15	\$13,365.15	10
115	04709106	\$ 831,250	\$ -	\$13,365.15	\$13,365.15	62
116	04709107	\$ 1,092,816	\$ -	\$13,365.15	\$13,365.15	82
117	04709108	\$ 1,558,000	\$ -	\$15,642.85	\$15,642.84	100
118	04709133	\$ 1,755,772	\$ -	\$15,642.85	\$15,642.84	112
119	04709110	\$ 200,883	\$ -	\$13,067.98	\$13,067.97	15
120	04709111	\$ 666,106	\$ -	\$13,125.50	\$13,125.49	51
121	04709112	\$ 102,047	\$ -	\$13,125.50	\$13,125.49	8
122	04709113	\$ 612,386	\$ -	\$13,125.50	\$13,125.49	47
123	04709114	\$ 152,033	\$ -	\$13,125.50	\$13,125.49	12
124	04709115	\$ 808,553	\$ -	\$13,125.50	\$13,125.49	62
125	04709116	\$ 3,091,413	\$ -	\$13,125.50	\$13,125.49	236
126	04709137	\$ 1,564,962	\$ -	\$13,125.50	\$13,125.49	119
127	04709136	\$ 4,493,206	\$ -	\$13,129.33	\$13,129.33	342
128	04709118	\$ 1,734,870	\$ -	\$13,265.46	\$13,265.45	131
129	04709119	\$ 892,790	\$ -	\$13,656.58	\$13,656.56	65
130	04709135	\$ 165,866	\$ -	\$13,704.51	\$13,704.50	12
131	04709134	\$ 576,713	\$ -	\$13,752.44	\$13,752.43	42
132	93284090	\$ 398,954	\$ -	\$6,911.69	\$6,911.68	58
133	93284091	\$ 1,202,914	\$ -	\$6,911.69	\$6,911.68	174
134	04709123	\$ 185,099	\$ -	\$13,848.30	\$13,848.29	13
135	04709124	\$ 1,567,654	\$ -	\$13,848.30	\$13,848.29	113

Asmt No.	Assessor's Parcel Number	Total True Value	Existing Liens	Assessments as Preliminarily Approved	Assessments as Confirmed and Recorded	Value to Lien Ratio
136	04709125	\$ 295,623	\$ -	\$13,848.30	\$13,848.29	21
137	04709126	\$ 76,477	\$ -	\$13,848.30	\$13,848.29	6
138	04709131	\$ 1,200,000	\$ -	\$14,145.47	\$14,145.46	85
139	04709233	\$ 1,223,976	\$ -	\$12,786.15	\$12,786.14	96
140	04709202	\$ 1,229,532	\$ -	\$13,365.15	\$13,365.15	92
141	04709203	\$ 565,467	\$ -	\$13,365.15	\$13,365.15	42
142	04709204	\$ 1,400,000	\$ -	\$13,365.15	\$13,365.15	105
143	04709205	\$ 1,548,800	\$ -	\$13,365.15	\$13,365.15	116
144	04709206	\$ 442,107	\$ -	\$13,365.15	\$13,365.15	33
145	04709207	\$ 718,251	\$ -	\$13,365.15	\$13,365.15	54
146	04709208	\$ 244,861	\$ -	\$13,365.15	\$13,365.15	18
147	04709209	\$ 260,866	\$ -	\$13,365.15	\$13,365.15	20
148	04709210	\$ 1,000,020	\$ -	\$17,590.78	\$17,590.76	57
149	04709235	\$ 3,637,368	\$ -	\$12,406.54	\$12,406.52	293
150	04709234	\$ 1,622,845	\$ -	\$12,406.54	\$12,406.52	131
151	04709212	\$ 645,729	\$ -	\$12,406.54	\$12,406.52	52
152	04709213	\$ 1,755,285	\$ -	\$12,406.54	\$12,406.52	141
153	04709214	\$ 229,605	\$ -	\$16,001.37	\$16,001.37	14
154	04709226	\$ 508,565	\$ -	\$12,406.54	\$12,406.52	41
155	04709227	\$ 107,623	\$ -	\$12,406.54	\$12,406.52	9
156	04709216	\$ 1,114,419	\$ -	\$13,106.33	\$13,106.31	85
157	04709217	\$ 605,669	\$ -	\$13,365.15	\$13,365.15	45
158	04709218	\$ 642,897	\$ -	\$13,365.15	\$13,365.15	48
159	04709219	\$ 483,349	\$ -	\$13,365.15	\$13,365.15	36
160	04709220	\$ 689,297	\$ -	\$13,365.15	\$13,365.15	52
161	04709238	\$ 811,944	\$ -	\$13,365.15	\$13,365.15	61
162	04709236	\$ 903,178	\$ -	\$13,365.15	\$13,365.15	68
163	04709237	\$ 826,636	\$ -	\$13,365.15	\$13,365.15	62
164	04709229	\$ 1,599,007	\$ -	\$13,365.15	\$13,365.15	120
165	04709228	\$ 221,152	\$ -	\$13,365.15	\$13,365.15	17
166	04709224	\$ 180,976	\$ -	\$13,365.15	\$13,365.15	14
167	04709225	\$ 749,802	\$ -	\$12,855.17	\$12,855.16	58
168	04709301	\$ 1,338,000	\$ -	\$12,166.87	\$12,166.86	110
169	04709302	\$ 468,423	\$ -	\$12,166.87	\$12,166.86	38
170	04709303	\$ 375,191	\$ -	\$12,166.87	\$12,166.86	31
171	04709304	\$ 1,133,936	\$ -	\$12,166.87	\$12,166.86	93
172	04709305	\$ 406,038	\$ -	\$12,166.87	\$12,166.86	33
173	04709306	\$ 256,867	\$ -	\$12,166.87	\$12,166.86	21
174	04709307	\$ 64,043	\$ -	\$12,166.87	\$12,166.86	5
175	04709308	\$ 95,108	\$ -	\$12,166.87	\$12,166.86	8
176	04709309	\$ 244,895	\$ -	\$12,166.87	\$12,166.86	20
177	04709310	\$ 1,249,475	\$ -	\$12,166.87	\$12,166.86	103
178	04709311	\$ 327,892	\$ -	\$12,166.87	\$12,166.86	27
179	04709312	\$ 438,611	\$ -	\$11,982.81	\$11,982.81	37
180	04709331	\$ 1,185,769	\$ -	\$12,406.54	\$12,406.52	96



Asmt No.	Assessor's Parcel Number	Total True Value	Existing Liens	Assessments as Preliminarily Approved	Assessments as Confirmed and Recorded	Value to Lien Ratio
181	04709337	\$ 3,304,614	\$ -	\$12,406.54	\$12,406.52	266
182	04709314	\$ 620,491	\$ -	\$12,406.54	\$12,406.52	50
183	93284074	\$ 59,647	\$ -	\$6,204.22	\$6,204.21	10
184	93284075	\$ 463,783	\$ -	\$6,292.34	\$6,292.34	74
185	04709316	\$ 2,349,927	\$ -	\$12,406.54	\$12,406.52	189
186	04709317	\$ 3,073,832	\$ -	\$12,406.54	\$12,406.52	248
187	04709318	\$ 1,229,532	\$ -	\$11,998.16	\$11,998.15	102
188	04709319	\$ 450,232	\$ -	\$12,166.87	\$12,166.86	37
189	04709320	\$ 107,923	\$ -	\$12,166.87	\$12,166.86	9
190	04709321	\$ 569,082	\$ -	\$12,166.87	\$12,166.86	47
191	04709322	\$ 959,404	\$ -	\$12,166.87	\$12,166.86	79
192	04709323	\$ 66,459	\$ -	\$12,166.87	\$12,166.86	5
193	04709324	\$ 811,863	\$ -	\$12,166.87	\$12,166.86	67
194	04709333	\$ 201,813	\$ -	\$12,166.87	\$12,166.86	17
195	04709334	\$ 669,469	\$ -	\$12,166.87	\$12,166.86	55
196	04709327	\$ 84,224	\$ -	\$12,166.87	\$12,166.86	7
197	04709328	\$ 1,253,245	\$ -	\$12,166.87	\$12,166.86	103
198	04709329	\$ 262,801	\$ -	\$12,166.87	\$12,166.86	22
199	04709401	\$ 527,155	\$ -	\$12,166.87	\$12,166.86	43
200	04709402	\$ 1,362,000	\$ -	\$12,166.87	\$12,166.86	112
201	04709403	\$ 1,279,205	\$ -	\$12,166.87	\$12,166.86	105
202	04709404	\$ 122,474	\$ -	\$12,166.87	\$12,166.86	10
203	04709405	\$ 279,788	\$ -	\$12,166.87	\$12,166.86	23
204	04709406	\$ 1,313,000	\$ -	\$12,166.87	\$12,166.86	108
205	04709429	\$ 882,583	\$ -	\$12,166.87	\$12,166.86	73
206	04709428	\$ 1,111,620	\$ -	\$12,166.87	\$12,166.86	91
207	04709408	\$ 67,287	\$ -	\$12,166.87	\$12,166.86	6
208	04709409	\$ 66,459	\$ -	\$12,166.87	\$12,166.86	5
209	04709410	\$ 959,404	\$ -	\$12,166.87	\$12,166.86	79
210	04709411	\$ 2,421,835	\$ -	\$11,975.15	\$11,975.13	202
211	04709412	\$ 119,691	\$ -	\$12,406.54	\$12,406.52	10
212	04709413	\$ 2,169,195	\$ -	\$12,406.54	\$12,406.52	175
213	04709414	\$ 1,341,706	\$ -	\$12,406.54	\$12,406.52	108
214	04709415	\$ 3,638,620	\$ -	\$12,406.54	\$12,406.52	293
215	04709416	\$ 1,159,932	\$ -	\$12,406.54	\$12,406.52	93
216	04709417	\$ 224,247	\$ -	\$12,406.54	\$12,406.52	18
217	04709418	\$ 272,888	\$ -	\$11,990.49	\$11,990.48	23
218	04709419	\$ 484,363	\$ -	\$12,166.87	\$12,166.86	40
219	04709420	\$ 80,932	\$ -	\$12,166.87	\$12,166.86	7
220	04709421	\$ 731,522	\$ -	\$12,166.87	\$12,166.86	60
221	04709432	\$ 435,407	\$ -	\$12,166.87	\$12,166.86	36
222	04709433	\$ 968,981	\$ -	\$12,166.87	\$12,166.86	80
223	04709423	\$ 370,670	\$ -	\$12,166.87	\$12,166.86	30
224	04709431	\$ 476,110	\$ -	\$12,166.87	\$12,166.86	39
225	04709430	\$ 143,582	\$ -	\$12,166.87	\$12,166.86	12

Asmt No.	Assessor's Parcel Number	Total True Value	Existing Liens	Assessments as Preliminarily Approved	Assessments as Confirmed and Recorded	Value to Lien Ratio
226	04709425	\$ 103,318	\$ -	\$12,166.87	\$12,166.86	8
227	04709426	\$ 1,136,941	\$ -	\$12,166.87	\$12,166.86	93
228	04709427	\$ 1,408,234	\$ -	\$12,166.87	\$12,166.86	116
229	04714101	\$ 689,574	\$ -	\$12,071.02	\$12,071.00	57
230	04714102	\$ 130,391	\$ -	\$12,166.87	\$12,166.86	11
231	04714103	\$ 261,952	\$ -	\$12,166.87	\$12,166.86	22
232	04714104	\$ 862,209	\$ -	\$12,166.87	\$12,166.86	71
233	04714105	\$ 577,004	\$ -	\$12,166.87	\$12,166.86	47
234	04714106	\$ 867,661	\$ -	\$12,166.87	\$12,166.86	71
235	04714107	\$ 499,230	\$ -	\$12,166.87	\$12,166.86	41
236	04714108	\$ 1,544,056	\$ -	\$12,166.87	\$12,166.86	127
237	04714109	\$ 71,884	\$ -	\$12,166.87	\$12,166.86	6
238	04714110	\$ 1,127,731	\$ -	\$12,166.87	\$12,166.86	93
239	04714111	\$ 101,517	\$ -	\$12,166.87	\$12,166.86	8
240	04714112	\$ 226,416	\$ -	\$12,001.99	\$12,001.99	19
241	04714113	\$ 101,209	\$ -	\$12,406.54	\$12,406.52	8
242	04714114	\$ 101,209	\$ -	\$12,406.54	\$12,406.52	8
243	04714115	\$ 3,073,832	\$ -	\$12,406.54	\$12,406.52	248
244	04714116	\$ 2,786,934	\$ -	\$12,406.54	\$12,406.52	225
245	04714117	\$ 695,287	\$ -	\$12,406.54	\$12,406.52	56
246	04714118	\$ 3,800,000	\$ -	\$12,406.54	\$12,406.52	306
247	04714119	\$ 978,675	\$ -	\$12,025.00	\$12,024.98	81
248	04714120	\$ 114,404	\$ -	\$12,166.87	\$12,166.86	9
249	04714121	\$ 311,680	\$ -	\$12,166.87	\$12,166.86	26
250	04714130	\$ 423,931	\$ -	\$12,166.87	\$12,166.86	35
251	04714129	\$ 80,631	\$ -	\$12,166.87	\$12,166.86	7
252	04714123	\$ 203,225	\$ -	\$12,166.87	\$12,166.86	17
253	04714124	\$ 1,755,000	\$ -	\$12,166.87	\$12,166.86	144
254	04714125	\$ 389,377	\$ -	\$12,166.87	\$12,166.86	32
255	04714132	\$ 665,253	\$ -	\$12,166.87	\$12,166.86	55
256	04714131	\$ 1,413,962	\$ -	\$12,166.87	\$12,166.86	116
257	04714127	\$ 692,923	\$ -	\$12,166.87	\$12,166.86	57
258	04714128	\$ 888,615	\$ -	\$11,562.94	\$11,562.94	77
259	04714201	\$ 772,412	\$ -	\$15,853.75	\$15,853.73	49
260	04714226	\$ 934,925	\$ -	\$13,365.15	\$13,365.15	70
261	04714227	\$ 1,750,000	\$ -	\$13,365.15	\$13,365.15	131
262	04714204	\$ 942,203	\$ -	\$13,365.15	\$13,365.15	70
263	04714205	\$ 1,850,000	\$ -	\$13,365.15	\$13,365.15	138
264	04714206	\$ 982,146	\$ -	\$13,365.15	\$13,365.15	73
265	04714229	\$ 1,524,715	\$ -	\$13,365.15	\$13,365.15	114
266	04714208	\$ 1,450,000	\$ -	\$13,365.15	\$13,365.15	108
267	04714209	\$ 1,477,513	\$ -	\$13,365.15	\$13,365.15	111
268	04714210	\$ 757,747	\$ -	\$13,365.15	\$13,365.15	57
269	04714211	\$ 1,193,796	\$ -	\$13,119.75	\$13,119.75	91
270	04714212	\$ 2,525,717	\$ -	\$12,406.54	\$12,406.53	204



Asmt No.	Assessor's Parcel Number	Total True Value	Existing Liens	Assessments as Preliminarily Approved	Assessments as Confirmed and Recorded	Value to Lien Ratio
271	04714213	\$ 2,976,584	\$ -	\$12,406.54	\$12,406.53	240
272	04714214	\$ 2,855,944	\$ -	\$12,406.54	\$12,406.53	230
273	04714215	\$ 1,989,030	\$ -	\$12,406.54	\$12,406.53	160
274	04714228	\$ 2,080,759	\$ -	\$20,336.28	\$20,336.27	102
275	04714222	\$ 1,529,970	\$ -	\$18,374.93	\$18,374.92	83
276	04714223	\$ 338,013	\$ -	\$15,642.85	\$15,642.84	22
277	04714224	\$ 534,088	\$ -	\$16,007.12	\$16,007.11	33
278	04714225	\$ 552,888	\$ -	\$16,089.57	\$16,089.56	34
		\$242,137,779	\$ -	\$3,435,000.00	\$3,426,186.00	71



Table 2
Debt Limit Valuation

A. ESTIMATED BALANCE TO ASSESSMENT	\$3,426,186
B. UNPAID SPECIAL ASSESSMENTS	\$0 *
TOTAL A & B	\$3,426,186
C. TRUE VALUE OF PARCELS	\$242,137,779 **
AVERAGE VALUE TO LIEN RATIO	71 :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 December 22, 2015.

HARRIS & ASSOCIATES



ALISON M. BOULEY, P.E.
R.C.E. NO. C61383
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 XIII D 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 XIII D 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. For the purposes of this report, a street is defined as either a street or alley. 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 directly adjacent to overhead facilities receive an aesthetic benefit. This benefit is based on the area of the parcel.
- **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 the 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. This benefit is equal for all parcels receiving this benefit and is therefore based on the average parcel area within the assessment district boundary.
- **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. This benefit is equal for all parcels receiving this benefit and is therefore based on the average parcel area within the assessment district boundary.

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. In addition, properties will receive easier access to garage parking within the residential alleyways. 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 other 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 certain properties (Assessment Numbers 30, 274, 275, 277, and 278), the properties situated within the Assessment District are used 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. This general benefit portion of the cost is more than offset by the estimated 20 percent (20%) utility company contribution. Therefore, the remainder of the project design and construction costs represents the local and special benefits to the parcels within the Assessment District. Because only the net amount of \$3,435,000 is apportioned to the parcels within the District, no parcel is assessed more than its proportional share of the special benefits from the improvements.

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.

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 or the existence of easements within those setbacks.

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.

For the Improved Aesthetics Benefit the parcel area is multiplied by 1 to calculate the "Aesthetics Benefit Area".

For the "Additional Safety Benefit", each parcel is considered to receive 1 unit of benefit. For condominiums, each unit is assigned 0.5 safety benefit unit. The average parcel size, 2,298 square feet, is multiplied by the safety benefit factor to calculate the "Safety Benefit Area".

For the Connection Benefit, each lot is assigned 1 benefit unit. For condominiums, each unit is assigned a 0.5 connection benefit. The average parcel area, 2,298 square feet, within the district is multiplied by the benefit unit for each parcel to determine "Connection Benefit Area".

The Assessed Benefit Area per parcel is equal to the Aesthetics Benefit Area plus the Safety Benefit Area plus the Connection Benefit Area, divided by 3. See Appendix A for the assessment calculations for each parcel within the District.

Exceptions

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

1. Assessment Nos. 14 & 15. These properties are deemed to receive no Improved Aesthetic Benefit from the undergrounding project, as they have no direct frontage on the utility lines being undergrounded. The properties are considered to receive full Additional Safety and Connection Benefits from the undergrounding project.
2. Assessment Nos. 72 & 73: These properties are deemed to receive no Additional Safety Benefit from the undergrounding project, as there are no utility lines directly adjacent to the property. The properties are considered to receive full Improved Aesthetics and Connection Benefits from the undergrounding project.
3. 107 23rd Street, 2300 to 2306 West Oceanfront, 2713 Balboa Boulevard, and 125 28th Street are excluded from the assessment district boundary since their adjacent utilities will be undergrounded by Southern California Edison through a Rule 20A process. They receive no benefits from this Assessment District.

ASSESSMENT APPORTIONMENT

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

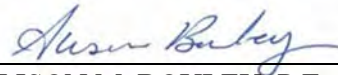
Incidental Expenses and Financial Costs have been assessed to the entire Assessment District on a prorata basis relative to the total construction cost allocations.

The individual assessment calculations are provided in Appendix A. 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: December 22, 2015

HARRIS & ASSOCIATES



ALISON M. BOULEY, P.E.
R.C.E. No. C61383
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 _____, 20__.

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 _____, 20__.

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 _____, 20__.

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 _____, 2015.

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.

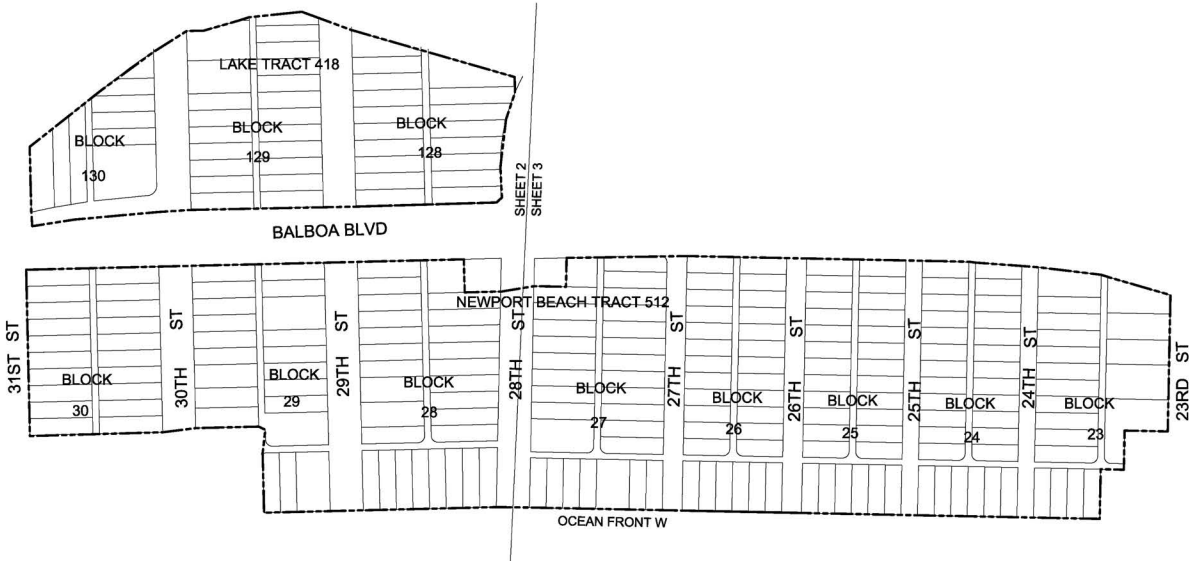
The annual administrative assessment will be collected in the same manner and in the same installments as the assessment levied to pay for the cost of the works of improvement.

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.

ASSESSMENT DIAGRAM FOR
 ASSESSMENT DISTRICT NO. 111
 (NEWPORT BLVD / 23RD ST / OCEAN FRONT W / 31ST ST)
 CITY OF NEWPORT BEACH, COUNTY OF ORANGE
 STATE OF CALIFORNIA



THE BOUNDARY OF THE PROPOSED ASSESSMENT DISTRICT COINCIDES WITH THE ASSESSOR'S PARCELS WITHIN THE BOUNDARY SHOWN ON THIS MAP. FOR PARTICULARS OF LINES AND DIMENSIONS OF ASSESSOR'S PARCELS, REFERENCE IS MADE TO THE MAPS OF THE ORANGE COUNTY ASSESSOR, SPECIFICALLY BOOK 423 PAGES 29, 30, AND 36. ALL DIMENSIONS SHOWN HEREIN ARE PER THE ASSESSOR'S PARCEL MAPS.

ACCEPTED AND FILED AT THE REQUEST OF
 CITY OF NEWPORT BEACH

DATE _____ FEE \$ _____
 TIME _____ INSTRUMENT # _____
 BOOK _____ PAGE _____
 OF THE ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE RECORDER OF THE COUNTY OF ORANGE, STATE OF CALIFORNIA.

HUGH NGUYEN
 COUNTY CLERK RECORDER

BY _____ DEPUTY _____

EXEMPT RECORDING PER
 C.G. 6153

RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS, CITY OF NEWPORT BEACH, THIS ____ DAY OF _____, 20____.

 SUPERINTENDENT OF STREETS

AN ASSESSMENT WAS LEVIED BY THE CITY COUNCIL ON THE LOTS, PIECES AND PARCELS OF LAND SHOWN ON THIS ASSESSMENT DIAGRAM. SAID ASSESSMENT WAS LEVIED ON THE ____ DAY OF _____, 20____. REFERENCE IS MADE TO THE ASSESSMENT ROLL RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS FOR THE EXACT AMOUNT OF EACH ASSESSMENT LEVIED AGAINST THE PARCELS SHOWN ON THIS ASSESSMENT DIAGRAM.

 CITY CLERK

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF NEWPORT BEACH THIS ____ DAY OF _____, 20____.

 CITY CLERK

LEGEND

- ASSESSOR'S PARCEL LINE
- ASSESSMENT DISTRICT BOUNDARY

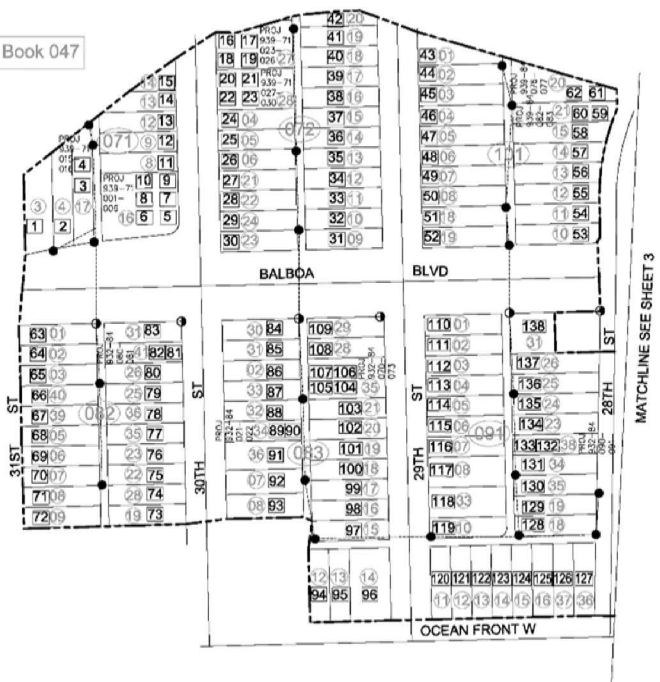
Harris & Associates.
 22 Executive Park, Suite 200
 Irvine, California 92614
 949-827-4501

DATE 9/11/15 SHEET 1 OF 3



ASSESSMENT DIAGRAM FOR
 ASSESSMENT DISTRICT NO. 111
 (NEWPORT BLVD/23RD ST/OCEAN FRONT W/31ST ST)
 CITY OF NEWPORT BEACH, COUNTY OF ORANGE
 STATE OF CALIFORNIA

Assessor's Map Book 047



THE BOUNDARY OF THE PROPOSED ASSESSMENT DISTRICT COINCIDES WITH THE ASSESSOR'S PARCELS WITHIN THE BOUNDARY SHOWN ON THIS MAP. FOR PARTICULARS OF LINES AND DIMENSIONS OF ASSESSOR'S PARCELS, REFERENCE IS MADE TO THE MAPS OF THE ORANGE COUNTY ASSESSOR, SPECIFICALLY BOOK 423 PAGES 29, 30, AND 36. ALL DIMENSIONS SHOWN HEREIN ARE PER THE ASSESSOR'S PARCEL MAPS.

——— STREET CENTERLINE
 - - - - - WIRES TO BE REMOVED
 - - - - - ASSESSOR'S PARCEL LINE
 - - - - - ASSESSMENT DISTRICT BOUNDARY
 ● POLE TO BE REMOVED
 ○ RULE 20A TO BE REMOVED
 ○ ASSESSOR'S PARCEL NUMBER
 □ ASSESSOR'S PAGE SECTION
 □ ASSESSMENT NUMBER

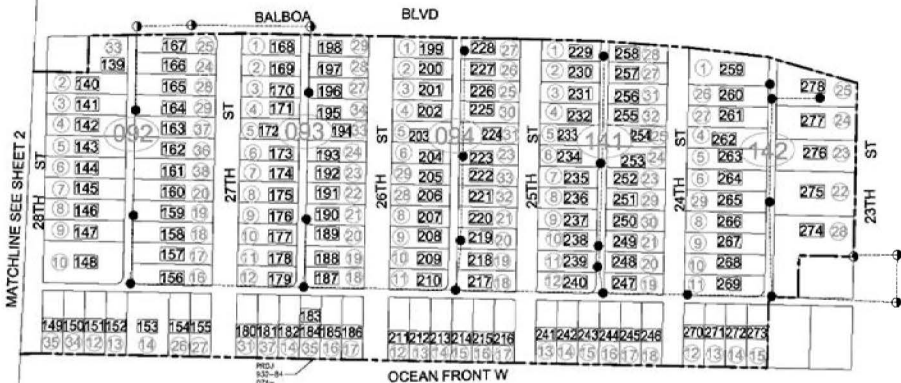
GRAPHIC SCALE
 0 10 20 30 40 50
 FEET
 0 10 20 30 40 50
 METERS

Harris & Associates.
 22 Executive Park, Suite 200
 Irvine, California 92614
 949-227-4901

DATE 9/11/15 SHEET 2 OF 3

ASSESSMENT DIAGRAM FOR
 ASSESSMENT DISTRICT NO. 111
 (NEWPORT BLVD/23RD ST/OCEAN FRONT W/31ST ST)
 CITY OF NEWPORT BEACH, COUNTY OF ORANGE
 STATE OF CALIFORNIA

Assessor's Map Book 047



- WIRES TO BE REMOVED
- ASSESSOR'S PARCEL LINE
- ASSESSMENT DISTRICT BOUNDARY
- POLE TO BE REMOVED
- RULE 20A TO BE REMOVED
- ASSESSOR'S PARCEL NUMBER
- 1 ASSESSOR'S PAGE SECTION
- ASSESSMENT NUMBER

GRAPHIC SCALE
 1" = 100' ±

Harris & Associates.
 72 Executive Park, Suite 200
 Irvine, California 92614
 800-827-4901

DATE 9/11/15 SHEET 3 OF 3

THE BOUNDARY OF THE PROPOSED ASSESSMENT DISTRICT COINCIDES WITH THE ASSESSOR'S PARCELS WITHIN THE BOUNDARY SHOWN ON THIS MAP. FOR PARTICULARS OF LINES AND DIMENSIONS OF ASSESSOR'S PARCELS, REFERENCE IS MADE TO THE MAPS OF THE ORANGE COUNTY ASSESSOR, SPECIFICALLY BOOK 423 PAGES 29, 30, AND 35. ALL DIMENSIONS SHOWN HEREIN ARE PER THE ASSESSOR'S PARCEL MAPS.



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. 111.

1. Acquisition of any required easements or rights-of-way.
2. Removal of existing utility poles.
3. Removal of overhead resident service drops.
4. Construction of mainline underground power, telephone and cable conduit, with appurtenant manholes and pullboxes, and installation of cabling, wiring and other facilities.
5. Construction of service conduit and appurtenances.

The improvements will be designed by the Southern California Edison Company, AT&T and Time Warner Cable. The utility companies will be responsible for inspecting the work for their facilities and 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. 111 (hereinafter referred to as the "Assessment District").

THE UNDERSIGNED STATES AND CERTIFIES AS FOLLOWS:

All easements or right-of-way necessary for the construction and installation of the public improvements of the Assessment District either have been obtained or are in process of being obtained and will be obtained and in the possession of the affected utility company, the City, the County of Orange or the State of California prior to commencement of the construction and installation of such public improvements.

EXECUTED this _____ day of _____, 2015, at CITY OF NEWPORT BEACH, CALIFORNIA.

SUPERINTENDENT OF STREETS
CITY OF NEWPORT BEACH
STATE OF CALIFORNIA

By: _____
DAVID WEBB, 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 UNDERGROUND UTILITY ASSESSMENT DISTRICT NO. 111 (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 _____, 2015, at CITY OF NEWPORT BEACH, CALIFORNIA.

By: _____
DAVID WEBB, P.E.
CITY OF NEWPORT BEACH
STATE OF CALIFORNIA

Appendix A - Assessment Calculations

Property Address	Assessor's			Aesthetics			Safety			Connection			Assessed			Total			Final	
	Asmt No.	Parcel Number	Parcel Size (sf)	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Area	Area	Area	Benefit Area	Benefit Area	Benefit Area	Construction Costs	Incidental Expenses	Financial Costs	Total Assessment	Total		
3012 & 1/2 BALBOA BLVD	1	04707103	3,645	3645	2298	2298	2298	2298	2298	2298	2,747	\$13,087.07	\$1,569.31	\$1,143.67	\$15,800.05					
3010 BALBOA BLVD	2	04707104	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.46	\$967.42	\$13,365.15						
3008 A BALBOA BLVD	3	93971015	1,786	1786	1149	1149	1149	1149	1149	1,361	\$6,485.56	\$777.71	\$566.77	\$7,830.04						
3008 B BALBOA BLVD	4	93971016	1,786	1786	1149	1149	1149	1149	1149	1,361	\$6,485.56	\$777.71	\$566.77	\$7,830.04						
201 A 30TH ST	5	93971001	1,329	1329	1149	1149	1149	1149	1149	1,209	\$5,759.84	\$690.68	\$503.35	\$6,953.87						
201 B 30TH ST	6	93971002	1,329	1329	1149	1149	1149	1149	1149	1,209	\$5,759.84	\$690.68	\$503.35	\$6,953.87						
203 A 30TH ST	7	93971003	1,203	1203	1149	1149	1149	1149	1149	1,167	\$5,559.74	\$666.69	\$485.86	\$6,712.29						
203 B 30TH ST	8	93971004	1,203	1203	1149	1149	1149	1149	1149	1,167	\$5,559.74	\$666.69	\$485.86	\$6,712.29						
205 A 30TH ST	9	93971005	1,203	1203	1149	1149	1149	1149	1149	1,167	\$5,559.74	\$666.69	\$485.86	\$6,712.29						
205 B 30TH ST	10	93971006	1,203	1203	1149	1149	1149	1149	1149	1,167	\$5,559.74	\$666.69	\$485.86	\$6,712.29						
207 A & B 30TH ST	11	04707108	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
209 30TH ST	12	04707109	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
213 30TH ST	13	04707112	2,346	2346	2298	2298	2298	2298	2298	2,314	\$11,024.20	\$1,321.95	\$963.39	\$13,309.54						
215 30TH ST	14	04707113	1,855	0	2298	2298	2298	2298	2298	1,532	\$7,298.65	\$875.20	\$637.82	\$8,811.67						
217 30TH ST	15	04707114	1,178	0	2298	2298	2298	2298	2298	1,532	\$7,298.65	\$875.20	\$637.82	\$8,811.67						
222 1 30TH ST	16	93971025	1,220	1220	1149	1149	1149	1149	1149	1,173	\$5,586.74	\$669.92	\$488.22	\$6,744.88						
222 2 30TH ST	17	93971026	1,220	1220	1149	1149	1149	1149	1149	1,173	\$5,586.74	\$669.92	\$488.22	\$6,744.88						
220 30TH ST	18	93971023	1,220	1220	1149	1149	1149	1149	1149	1,173	\$5,586.74	\$669.92	\$488.22	\$6,744.88						
220 & 1/2 30TH ST	19	93971024	1,220	1220	1149	1149	1149	1149	1149	1,173	\$5,586.74	\$669.92	\$488.22	\$6,744.88						
216 30TH ST	20	93971029	1,187	1187	1149	1149	1149	1149	1149	1,162	\$5,534.33	\$663.64	\$483.64	\$6,681.61						
216 & 1/2 30TH ST	21	93971030	1,187	1187	1149	1149	1149	1149	1149	1,162	\$5,534.33	\$663.64	\$483.64	\$6,681.61						
214 30TH ST	22	93971027	1,187	1187	1149	1149	1149	1149	1149	1,162	\$5,534.33	\$663.64	\$483.64	\$6,681.61						
214 & 1/2 30TH ST	23	93971028	1,187	1187	1149	1149	1149	1149	1149	1,162	\$5,534.33	\$663.64	\$483.64	\$6,681.61						
212 & 1/2 30TH ST	24	04707204	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
210 A & B 30TH ST	25	04707205	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
208 30TH ST	26	04707206	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
206 30TH ST	27	04707221	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
204 A & B 30TH ST	28	04707222	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
202 A & B 30TH ST	29	04707224	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
200 30TH ST	30	04707223	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
201 29TH ST	31	04707209	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
203 & 1/2 29TH ST	32	04707210	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
205 A & B 29TH ST	33	04707211	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
207 29TH ST	34	04707212	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
209 29TH ST	35	04707213	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
211 & 1/2 29TH ST	36	04707214	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
213 & 1/2 29TH ST	37	04707215	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
215 & 1/2 29TH ST	38	04707216	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
217 & 1/2 29TH ST	39	04707217	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
219 29TH ST	40	04707218	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
221 29TH ST	41	04707219	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
223 29TH ST	42	04707220	1,487	1487	2298	2298	2298	2298	2298	2,028	\$9,660.07	\$1,158.37	\$844.18	\$11,662.62						
218 & 1/2 29TH ST	43	04710101	2,167	2167	2298	2298	2298	2298	2298	2,254	\$10,739.94	\$1,287.86	\$938.55	\$12,966.35						
216 A & B 29TH ST	44	04710102	2,603	2603	2298	2298	2298	2298	2298	2,400	\$11,432.33	\$1,370.89	\$999.06	\$13,802.28						
214 & 1/2 29TH ST	45	04710103	2,603	2603	2298	2298	2298	2298	2298	2,400	\$11,432.33	\$1,370.89	\$999.06	\$13,802.28						



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Property Address	Assessor's		Parcel		Aesthetics		Safety		Connection		Assessed		Total		Final	
	Asmt No.	Parcel Number	Parcel Size (sf)	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Construction Costs	Incidental Expenses	Financial Costs	Total Assessment	Total
212 & 1/2 29TH ST	46	04710104	2,603	2603	2298	2298	2,400	2,400	\$11,432.33	\$1,370.89	\$999.06	\$13,802.28				
210 & 1/2 29TH ST	47	04710105	2,603	2603	2298	2298	2,400	2,400	\$11,432.33	\$1,370.89	\$999.06	\$13,802.28				
208 & 1/2 29TH ST	48	04710106	2,603	2603	2298	2298	2,400	2,400	\$11,432.33	\$1,370.89	\$999.06	\$13,802.28				
206 & 1/2 29TH ST	49	04710107	2,603	2603	2298	2298	2,400	2,400	\$11,432.33	\$1,370.89	\$999.06	\$13,802.28				
204 29TH ST	50	04710108	2,603	2603	2298	2298	2,400	2,400	\$11,432.33	\$1,370.89	\$999.06	\$13,802.28				
202 29TH ST	51	04710118	2,603	2603	2298	2298	2,400	2,400	\$11,432.33	\$1,370.89	\$999.06	\$13,802.28				
200 29TH ST	52	04710119	2,603	2603	2298	2298	2,400	2,400	\$11,432.33	\$1,370.89	\$999.06	\$13,802.28				
201 A&B 28TH ST	53	04710110	2,603	2603	2298	2298	2,400	2,400	\$11,432.33	\$1,370.89	\$999.06	\$13,802.28				
203 & 1/2 28TH ST	54	04710111	2,603	2603	2298	2298	2,400	2,400	\$11,432.33	\$1,370.89	\$999.06	\$13,802.28				
205 ABC 28TH ST	55	04710112	2,603	2603	2298	2298	2,400	2,400	\$11,432.33	\$1,370.89	\$999.06	\$13,802.28				
207 28TH ST	56	04710113	2,623	2623	2298	2298	2,406	2,406	\$11,464.09	\$1,374.70	\$1,001.84	\$13,840.63				
209 A&B 28TH ST	57	04710114	2,732	2732	2298	2298	2,443	2,443	\$11,637.19	\$1,395.45	\$1,016.96	\$14,049.60				
211 A&B 28TH ST	58	04710115	2,913	2913	2298	2298	2,503	2,503	\$11,924.62	\$1,429.92	\$1,042.08	\$14,396.62				
213 A 28TH ST	59	93284082	1,588	1588	1149	1149	1,295	1,295	\$6,171.14	\$740.00	\$539.29	\$7,450.43				
213 B 28TH ST	60	93284083	1,588	1588	1149	1149	1,295	1,295	\$6,171.14	\$740.00	\$539.29	\$7,450.43				
215 28TH ST	61	93284076	2,222	2222	1149	1149	1,507	1,507	\$7,177.96	\$860.73	\$627.27	\$8,665.96				
217 28TH ST	62	93284077	2,222	2222	1149	1149	1,507	1,507	\$7,177.96	\$860.73	\$627.27	\$8,665.96				
126 A&B 31ST ST	63	04708201	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
124 A&B 31ST ST	64	04708202	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
122 A&B 31ST ST	65	04708203	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
120 A&B 31ST ST	66	04708240	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
118 31ST ST	67	04708239	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
116 31ST ST	68	04708205	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
114 31ST ST	69	04708206	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
112 31ST ST	70	04708207	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
110 31ST ST	71	04708208	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
108 31ST ST	72	04708209	2,375	2375	0	2298	1,558	1,558	\$7,420.93	\$889.88	\$648.51	\$8,959.32				
109 A&B 30TH ST	73	04708219	2,375	2375	0	2298	1,558	1,558	\$7,420.93	\$889.88	\$648.51	\$8,959.32				
111 A&B 30TH ST	74	04708228	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
113 A&B 30TH ST	75	04708222	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
115 ABC 30TH ST	76	04708223	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
117 30TH ST	77	04708235	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
119 A&B 30TH ST	78	04708236	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
121 A&B 30TH ST	79	04708225	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
123 A&B 30TH ST	80	04708226	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
125 A 30TH ST	81	93284080	1,188	1188	1149	1149	1,162	1,162	\$5,535.92	\$663.83	\$483.79	\$6,683.54				
125 B 30TH ST	82	93284081	1,188	1188	1149	1149	1,162	1,162	\$5,535.92	\$663.83	\$483.79	\$6,683.54				
127 A&B 30TH ST	83	04708231	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
126 & 1/2 30TH ST	84	04708330	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
124 A&B 30TH ST	85	04708331	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
122 A&B 30TH ST	86	04708302	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
120 & 1/2 30TH ST	87	04708333	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
118 30TH ST	88	04708332	2,375	2375	2298	2298	2,324	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15				
116 A 30TH ST	89	93284021	1,188	1188	1149	1149	1,162	1,162	\$5,535.92	\$663.83	\$483.78	\$6,683.53				
116 B 30TH ST	90	93284022	1,188	1188	1149	1149	1,162	1,162	\$5,535.92	\$663.83	\$483.78	\$6,683.53				



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Property Address	Asmt No.	Parcel Number	Parcel Size (sf)	Aesthetics			Safety			Connection			Assessed			Total Construction Costs	Incidental Expenses	Financial Costs	Final Total Assessment
				Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area					
112 30TH ST	91	04708336	3,325	325	2298	2298	2298	2,640	\$12,578.90	\$1,508.38	\$1,099.26	\$15,186.54							
110 A&B 30TH ST	92	04708307	2,850	2850	2298	2298	2,482	\$11,824.58	\$1,417.92	\$1,033.34	\$14,275.84								
108 A&B 30TH ST	93	04708308	2,850	2850	2298	2298	2,482	\$11,824.58	\$1,417.92	\$1,033.34	\$14,275.84								
2906 W OCEAN FRONT	94	04708312	2,250	2250	2298	2298	2,282	\$10,871.75	\$1,303.67	\$950.07	\$13,125.49								
2904 W OCEAN FRONT	95	04708313	2,250	2250	2298	2298	2,282	\$10,871.75	\$1,303.67	\$950.07	\$13,125.49								
2900 W OCEAN FRONT	96	04708314	4,500	4500	2298	2298	3,032	\$14,444.85	\$1,732.13	\$1,262.32	\$17,439.30								
107 29TH ST	97	04708315	2,220	2220	2298	2298	2,272	\$10,824.11	\$1,297.95	\$945.91	\$13,067.97								
109 29TH ST	98	04708316	2,375	2375	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15								
111 29TH ST	99	04708317	2,375	2375	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15								
113 A&B 29TH ST	100	04708318	2,375	2375	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15								
115 A&B 29TH ST	101	04708319	2,375	2375	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15								
117 29TH ST	102	04708320	2,375	2375	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15								
119 29TH ST	103	04708321	2,375	2375	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15								
121 & 1/2 29TH ST	104	93284073	1,189	1189	1149	1149	1,162	\$5,537.50	\$664.02	\$483.92	\$6,685.44								
121 29TH ST	105	93284072	1,189	1189	1149	1149	1,162	\$5,537.50	\$664.02	\$483.92	\$6,685.44								
123 29TH ST	106	93284071	1,189	1189	1149	1149	1,162	\$5,537.50	\$664.02	\$483.92	\$6,685.44								
123 29TH ST	107	93284070	1,189	1189	1149	1149	1,162	\$5,537.50	\$664.02	\$483.92	\$6,685.44								
125 29TH ST	108	04708328	2,375	2375	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15								
127 A&B 29TH ST	109	04708329	2,375	2375	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15								
128 29TH ST	110	04709101	2,375	2375	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15								
126 29TH ST	111	04709102	2,375	2375	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15								
124 & 1/2 29TH ST	112	04709103	2,375	2375	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15								
122 A&B 29TH ST	113	04709104	2,375	2375	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15								
120 29TH ST	114	04709105	2,375	2375	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15								
118 A&B 29TH ST	115	04709106	2,375	2375	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15								
116 & 1/2 29TH ST	116	04709107	2,375	2375	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15								
114 29TH ST	117	04709108	3,563	3563	2298	2298	2,720	\$12,956.85	\$1,553.70	\$1,132.29	\$15,642.84								
108 & 110 29TH ST	118	04709133	3,563	3563	2298	2298	2,720	\$12,956.85	\$1,553.70	\$1,132.29	\$15,642.84								
106 A&B 29TH ST	119	04709110	2,220	2220	2298	2298	2,272	\$10,824.11	\$1,297.95	\$945.91	\$13,067.97								
2814 W OCEAN FRONT	120	04709111	2,250	2250	2298	2298	2,282	\$10,871.75	\$1,303.67	\$950.07	\$13,125.49								
2812 W OCEAN FRONT	121	04709112	2,250	2250	2298	2298	2,282	\$10,871.75	\$1,303.67	\$950.07	\$13,125.49								
2810 W OCEAN FRONT	122	04709113	2,250	2250	2298	2298	2,282	\$10,871.75	\$1,303.67	\$950.07	\$13,125.49								
2808 W OCEAN FRONT	123	04709114	2,250	2250	2298	2298	2,282	\$10,871.75	\$1,303.67	\$950.07	\$13,125.49								
2806 W OCEAN FRONT	124	04709115	2,250	2250	2298	2298	2,282	\$10,871.75	\$1,303.67	\$950.07	\$13,125.49								
2804 W OCEAN FRONT	125	04709116	2,250	2250	2298	2298	2,282	\$10,871.75	\$1,303.67	\$950.07	\$13,125.49								
2802 W OCEAN FRONT	126	04709137	2,250	2250	2298	2298	2,282	\$10,871.75	\$1,303.67	\$950.07	\$13,125.49								
2800 W OCEAN FRONT	127	04709136	2,252	2252	2298	2298	2,283	\$10,874.93	\$1,304.05	\$950.35	\$13,129.33								
107 & 1/2 28TH ST	128	04709118	2,323	2323	2298	2298	2,306	\$10,987.68	\$1,317.57	\$960.20	\$13,265.45								
109 & 1/2 28TH ST	129	04709119	2,527	2527	2298	2298	2,374	\$11,311.64	\$1,356.41	\$988.51	\$13,656.56								
111 & 1/2 28TH ST	130	04709135	2,552	2552	2298	2298	2,383	\$11,351.34	\$1,361.18	\$991.98	\$13,704.50								
113 & 1/2 28TH ST	131	04709134	2,577	2577	2298	2298	2,391	\$11,391.04	\$1,365.94	\$995.45	\$13,752.43								
115 A 28TH ST	132	93284090	1,307	1307	1149	1149	1,202	\$5,724.90	\$686.49	\$500.29	\$6,911.68								
115 B 28TH ST	133	93284091	1,307	1307	1149	1149	1,202	\$5,724.90	\$686.49	\$500.29	\$6,911.68								
117 A&B 28TH ST	134	04709123	2,627	2627	2298	2298	2,408	\$11,470.44	\$1,375.46	\$1,002.39	\$13,848.29								
119 A&B 28TH ST	135	04709124	2,627	2627	2298	2298	2,408	\$11,470.44	\$1,375.46	\$1,002.39	\$13,848.29								



Appendix A - Assessment Calculations

Property Address	Assessor's			Aesthetics			Safety			Connection			Assessed			Total			Final	
	Asmt No.	Parcel Number	Parcel Size (sf)	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Construction Costs	Incidental Expenses	Financial Costs	Total Assessment	Total
121 A&B 28TH ST	136	04709125	2,627	2627	2298	2298	2298	2298	2298	2298	2,408	\$11,470.44	\$1,375.46	\$1,002.39	\$13,848.29			\$1,002.39	\$13,848.29	
123 28TH ST	137	04709126	2,627	2627	2298	2298	2298	2298	2298	2298	2,408	\$11,470.44	\$1,375.46	\$1,002.39	\$13,848.29			\$1,002.39	\$13,848.29	
2801 & 2805 BALBOA BLVD	138	04709131	2,782	2782	2298	2298	2298	2298	2298	2298	2,459	\$11,716.59	\$1,404.97	\$1,023.90	\$14,145.46			\$1,023.90	\$14,145.46	
2711 A&B BALBOA BLVD	139	04709233	2,073	2073	2298	2298	2298	2298	2298	2,223	\$10,590.67	\$1,269.96	\$925.51	\$12,786.14			\$925.51	\$12,786.14		
124 A&B 28TH ST	140	04709202	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
122 A&B 28TH ST	141	04709203	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
120 A&B 28TH ST	142	04709204	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
118 A&B 28TH ST	143	04709205	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
116 & 1/2 28TH ST	144	04709206	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
114 A&B 28TH ST	145	04709207	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
112 A&B 28TH ST	146	04709208	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
110 A&B 28TH ST	147	04709209	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
106 & 108 28TH ST	148	04709210	4,579	4579	2298	2298	2298	2298	2298	3,058	\$14,570.31	\$1,747.17	\$1,273.28	\$17,590.76			\$1,273.28	\$17,590.76		
2714 W OCEAN FRONT	149	04709235	1,875	1875	2298	2298	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52			\$898.03	\$12,406.52		
2710 W OCEAN FRONT	150	04709234	1,875	1875	2298	2298	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52			\$898.03	\$12,406.52		
2708 W OCEAN FRONT	151	04709212	1,875	1875	2298	2298	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52			\$898.03	\$12,406.52		
2706 W OCEAN FRONT	153	04709214	3,750	3750	2298	2298	2298	2298	2298	2,782	\$13,253.82	\$1,589.31	\$1,158.24	\$16,001.37			\$1,158.24	\$16,001.37		
2702 W OCEAN FRONT	154	04709226	1,875	1875	2298	2298	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52			\$898.03	\$12,406.52		
2700 W OCEAN FRONT	155	04709227	1,875	1875	2298	2298	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52			\$898.03	\$12,406.52		
107 A&B 27TH ST	156	04709216	2,240	2240	2298	2298	2298	2298	2298	2,279	\$10,855.87	\$1,301.76	\$948.68	\$13,106.31			\$948.68	\$13,106.31		
109 27TH ST	157	04709217	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
111 27TH ST	158	04709218	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
113 27TH ST	159	04709219	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
115 27TH ST	160	04709220	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
117 A&B 27TH ST	161	04709238	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
119 A&B 27TH ST	162	04709236	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
121 A&B 27TH ST	163	04709237	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
123 27TH ST	164	04709229	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
125 A&B 27TH ST	165	04709228	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
127 & 1/2 27TH ST	166	04709224	2,375	2375	2298	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15			\$967.42	\$13,365.15		
129 A&B 27TH ST	167	04709225	2,109	2109	2298	2298	2298	2298	2298	2,235	\$10,647.84	\$1,276.82	\$930.50	\$12,855.16			\$930.50	\$12,855.16		
128 27TH ST	168	04709301	1,750	1750	2298	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86			\$880.68	\$12,166.86		
126 27TH ST	169	04709302	1,750	1750	2298	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86			\$880.68	\$12,166.86		
124 & 1/2 27TH ST	170	04709303	1,750	1750	2298	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86			\$880.68	\$12,166.86		
122 27TH ST	171	04709304	1,750	1750	2298	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86			\$880.68	\$12,166.86		
120 27TH ST	172	04709305	1,750	1750	2298	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86			\$880.68	\$12,166.86		
118 27TH ST	173	04709306	1,750	1750	2298	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86			\$880.68	\$12,166.86		
116 27TH ST	174	04709307	1,750	1750	2298	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86			\$880.68	\$12,166.86		
114 27TH ST	175	04709308	1,750	1750	2298	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86			\$880.68	\$12,166.86		
112 27TH ST	176	04709309	1,750	1750	2298	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86			\$880.68	\$12,166.86		
110 27TH ST	177	04709310	1,750	1750	2298	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86			\$880.68	\$12,166.86		
108 27TH ST	178	04709311	1,750	1750	2298	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86			\$880.68	\$12,166.86		
106 27TH ST	179	04709312	1,654	1654	2298	2298	2298	2298	2298	2,083	\$9,925.28	\$1,190.17	\$867.36	\$11,982.81			\$867.36	\$11,982.81		
2610 W OCEAN FRONT	180	04709331	1,875	1875	2298	2298	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52			\$898.03	\$12,406.52		



City of Newport Beach
Underground Utility Assessment District No. 111 (Newport Blvd / 23rd St / Ocean Front W / 31st St)
Final Engineer's Report

Appendix A - Assessment Calculations

Property Address	Assessor's		Aesthetics				Safety				Connection				Assessed		Total		Final	
	Asmt No.	Parcel Number	Parcel Size (sf)	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Construction Costs	Expenditures	Financial Costs	Total Assessment
2608 W OCEAN FRONT	181	04709337	1,875	1875	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52	
2606 W OCEAN FRONT	182	04709314	1,875	1875	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52	
2604 A W OCEAN FRONT	183	93284074	938	938	1149	1149	1149	1149	1149	1149	1149	1149	1149	1149	1149	\$5,138.91	\$616.22	\$449.08	\$6,204.21	
2604 B W OCEAN FRONT	184	93284075	938	938	1149	1149	1195	1195	1195	1195	1195	1195	1195	1195	1195	\$5,211.90	\$624.98	\$455.46	\$6,292.34	
2602 W OCEAN FRONT	185	04709316	1,875	1875	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52	
2600 W OCEAN FRONT	186	04709317	1,875	1875	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52	
107 A&B 26TH ST	187	04709318	1,662	1662	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$9,937.98	\$1,191.70	\$868.47	\$11,998.15	
109 & 1/2 26TH ST	188	04709319	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
111 26TH ST	189	04709320	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
113 26TH ST	190	04709321	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
115 26TH ST	191	04709322	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
117 26TH ST	192	04709323	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
119 26TH ST	193	04709324	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
121 26TH ST	194	04709333	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
123 26TH ST	195	04709334	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
125 26TH ST	196	04709327	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
127 26TH ST	197	04709328	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
129 26TH ST	198	04709329	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
128 26TH ST	199	04709401	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
126 26TH ST	200	04709402	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
124 26TH ST	201	04709403	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
122 26TH ST	202	04709404	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
120 A&B 26TH ST	203	04709405	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
118 26TH ST	204	04709406	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
116 26TH ST	205	04709429	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
114 26TH ST	206	04709428	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
111 26TH ST	207	04709408	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
110 26TH ST	208	04709409	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
108 A&B 26TH ST	209	04709410	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
106 26TH ST	210	04709411	1,650	1650	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$9,918.92	\$1,189.41	\$866.80	\$11,975.13	
2510 W OCEAN FRONT	211	04709412	1,875	1875	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52	
2508 W OCEAN FRONT	212	04709413	1,875	1875	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52	
2506 W OCEAN FRONT	213	04709414	1,875	1875	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52	
2504 W OCEAN FRONT	214	04709415	1,875	1875	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52	
2502 A&B W OCEAN FRONT	215	04709416	1,875	1875	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52	
2500 W OCEAN FRONT	216	04709417	1,875	1875	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52	
107 25TH ST	217	04709418	1,658	1658	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$9,931.63	\$1,190.93	\$867.92	\$11,990.48	
109 & 1/2 25TH ST	218	04709419	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
113 A&B 25TH ST	219	04709420	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
113 25TH ST	220	04709421	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
115 A&B 25TH ST	221	04709432	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
117 & 1/2 25TH ST	222	04709433	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
119 25TH ST	223	04709423	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
121 A&B 25TH ST	224	04709431	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	
123 A&B 25TH ST	225	04709430	1,750	1750	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	2298	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86	



Appendix A - Assessment Calculations

Property Address	Asmt No.	Parcel Number	Parcel Size (sf)	Aesthetics			Safety			Connection			Assessed			Total Construction Costs	Incidental Expenses	Financial Costs	Final Total Assessment
				Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area					
125 A&B 25TH ST	226	04709425	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
127 25TH ST	227	04709426	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
129 25TH ST	228	04709427	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
128 25TH ST	229	04714101	1,700	1700	2298	2298	2298	2298	2,099	\$9,998.33	\$1,198.93	\$873.74	\$12,071.00						
126 25TH ST	230	04714102	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
124 25TH ST	231	04714103	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
122 & 1/2 25TH ST	232	04714104	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
120 A&B 25TH ST	233	04714105	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
118 A&B 25TH ST	234	04714106	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
116 25TH ST	235	04714107	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
114 25TH ST	236	04714108	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
112 25TH ST	237	04714109	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
110 A&B 25TH ST	238	04714110	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
108 A&B 25TH ST	239	04714111	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
106 & 1/2 25TH ST	240	04714112	1,664	1664	2298	2298	2298	2298	2,087	\$9,941.16	\$1,192.08	\$868.75	\$12,001.99						
2410 A&B W OCEAN FRONT	241	04714113	1,875	1875	2298	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52						
2408 W OCEAN FRONT	242	04714114	1,875	1875	2298	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52						
2406 W OCEAN FRONT	243	04714115	1,875	1875	2298	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52						
2404 W OCEAN FRONT	244	04714116	1,875	1875	2298	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52						
2402 W OCEAN FRONT	245	04714117	1,875	1875	2298	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52						
2400 W OCEAN FRONT	246	04714118	1,875	1875	2298	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.03	\$12,406.52						
107 24TH ST	247	04714119	1,676	1676	2298	2298	2298	2298	2,091	\$9,960.21	\$1,194.36	\$870.41	\$12,024.98						
109 24TH ST	248	04714120	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
111 24TH ST	249	04714121	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
113 A&B 24TH ST	250	04714130	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
115 A&B 24TH ST	251	04714129	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
117 24TH ST	252	04714123	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
119 24TH ST	253	04714124	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
121 24TH ST	254	04714125	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
123 24TH ST	255	04714132	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
125 24TH ST	256	04714131	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
127 A&B 24TH ST	257	04714127	1,750	1750	2298	2298	2298	2298	2,115	\$10,077.73	\$1,208.45	\$880.68	\$12,166.86						
129 24TH ST	258	04714128	1,435	1435	2298	2298	2298	2298	2,010	\$9,577.50	\$1,148.47	\$836.97	\$11,562.94						
126 & 1/2 24TH ST	259	04714201	3,673	3673	2298	2298	2298	2298	2,756	\$13,131.54	\$1,574.64	\$1,147.55	\$15,853.73						
124 A&B 24TH ST	260	04714226	2,375	2375	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
122 A&B 24TH ST	261	04714227	2,375	2375	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
120 & 1/2 24TH ST	262	04714204	2,375	2375	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
118 A&B 24TH ST	263	04714205	2,375	2375	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
116 & 1/2 24TH ST	264	04714206	2,375	2375	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
114 & 1/2 24TH ST	265	04714229	2,375	2375	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
112 24TH ST	266	04714208	2,375	2375	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
110 & 1/2 24TH ST	267	04714209	2,375	2375	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
108 A&B 24TH ST	268	04714210	2,375	2375	2298	2298	2298	2298	2,324	\$11,070.26	\$1,327.47	\$967.42	\$13,365.15						
106 A&B 24TH ST	269	04714211	2,247	2247	2298	2298	2298	2298	2,281	\$10,866.99	\$1,303.10	\$949.66	\$13,119.75						
2314 A&B W OCEAN FRONT	270	04714212	1,875	1875	2298	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.04	\$12,406.53						



City of Newport Beach
Underground Utility Assessment District No. 111 (Newport Blvd / 23rd St / Ocean Front W / 31st St)
Final Engineer's Report

Appendix A - Assessment Calculations

Property Address	Assessor's		Aesthetics		Safety		Connection		Assessed		Total Construction Costs	Incidental Expenses	Financial Costs	Final Total Assessment
	Asmt No.	Parcel Number	Parcel Size (sf)	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area	Benefit Area					
2312 W OCEAN FRONT	271	04714213	1,875	1875	2298	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.04	\$12,406.53	
2310 W OCEAN FRONT	272	04714214	1,875	1875	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.04	\$12,406.53		
2308 W OCEAN FRONT	273	04714215	1,875	1875	2298	2298	2298	2,157	\$10,276.23	\$1,232.26	\$898.04	\$12,406.53		
111 23RD ST	274	04714228	6,011	6011	2298	2298	2298	3,536	\$16,844.39	\$2,019.86	\$1,472.02	\$20,336.27		
115 & 117 23RD ST	275	04714222	4,988	4988	2298	2298	2298	3,195	\$15,219.82	\$1,825.06	\$1,330.04	\$18,374.92		
119 23RD ST	276	04714223	3,563	3563	2298	2298	2298	2,720	\$12,956.85	\$1,553.70	\$1,132.29	\$15,642.84		
123 & 125 23RD ST	277	04714224	3,753	3753	2298	2298	2298	2,783	\$13,258.58	\$1,589.88	\$1,158.65	\$16,007.11		
2301 & 2307&9 BALBOA BLVD	278	04714225	3,796	3796	2298	2298	2298	2,797	\$13,326.87	\$1,598.07	\$1,164.62	\$16,089.56		
Total								2,797	\$2,837,886.00	\$340,300.00	\$248,000.00	\$3,426,186.00		

Outline for Notice, Hearing and Assessment Ballot Procedures

Under Proposition 218 for Assessment Districts

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 XIID 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 web-site at 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.

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

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.

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 prorata 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.

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. ⁽¹⁾
- (2) Sewer improvements within Pine Avenue, Bickmore, Mill Creek and West Preserve Loop as required to serve Tract 17055. ⁽¹⁾
- (3) Water improvements within Pine Avenue, Bickmore, Mill Creek and West Preserve Loop as required to serve Tract 17055. ⁽¹⁾
- (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. ⁽¹⁾
- (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.

⁽¹⁾ 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 ¹
(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>	No. and Description of Lots/DUs for which Fees Requested

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

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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

among

COUNTY OF ORANGE

and

SANTA MARGARITA WATER DISTRICT

and

RMV PA 2 DEVELOPMENT, LLC,
a Delaware Limited Liability Company

relating to

**COMMUNITY FACILITIES DISTRICT NO. 2015-1
OF THE COUNTY OF ORANGE
(VILLAGE OF ESENCIA – PA 2.1)**

JOINT COMMUNITY FACILITIES AGREEMENT

THIS JOINT COMMUNITY FACILITIES AGREEMENT (the "Agreement") is entered into effective as of the 14th day of April, 2015, by and among the COUNTY OF ORANGE, a political subdivision of the State of California (the "County"), the SANTA MARGARITA WATER DISTRICT, a California water district ("SMWD"), and RMV PA 2 DEVELOPMENT, LLC, a Delaware limited liability company (the "Company"), and relates to the proposed formation by the County of COMMUNITY FACILITIES DISTRICT NO. 2015-1 OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA – PA 2.1) (the "District") for the purpose of financing certain facilities more particularly described on Exhibit A hereto (the "Water Facilities") to be constructed by, or on behalf of, SMWD.

RECITALS:

- A. The Company is the master developer of the land described in Exhibit B hereto (the "Property") which is located in the unincorporated area of the County of Orange and is being developed into the master-planned community known as "Esencia."
- B. The Company as the master developer of the Property intends to obtain, or has obtained, the necessary development approvals to construct approximately 1,102 residential units and 15 acres of commercial improvements on the Property and to provide the required infrastructure for such units and improvements. The required infrastructure includes the Water Facilities.
- C. The County will have primary responsibility for the formation and administration of the District.
- D. The Company has requested the Board of Supervisors of the County (the "Board") to form and establish the District on a portion of the Property pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, Chapter 2.5 (commencing with Section 53311) of Part I of Division 2 of Title 5 of the California Government Code (the "Act").
- E. The provision of the Water Facilities is necessitated by the development of the Property and the parties hereto find and determine that the residents residing within the boundaries of the District will be benefited by the construction and/or acquisition of the Water Facilities and that this Agreement is beneficial to the interests of such residents.
- F. The parties hereto intend to have the District assist in financing the construction and/or acquisition of the Water Facilities by disbursing to SMWD proceeds of bonds issued by the District up to the amount of \$29,000,000 (the "Water Facilities Amount").
- G. The District, when formed, is authorized by California Government Code Section 53313.5 to assist in the financing of the acquisition and/or construction of the Water Facilities. This Agreement constitutes a joint community facilities agreement, within the meaning of California Government Code Section 53316.2, by and among the County, SMWD and the Company, pursuant to which the District, when formed, will be authorized to finance the costs of the construction and/or acquisition of the Water Facilities in the amount of up to the Water Facilities Amount. As authorized by California Government Code Section 53316.6,

responsibility for constructing and/or acquiring, providing for and operating the Water Facilities is delegated to SMWD to the extent set forth herein.

H. The parties hereto intend to have the District assist in financing the Water Facilities by transferring to SMWD (or directly to others at SMWD's request) a portion of the bond proceeds of the District, in accordance with the terms of this Agreement and pursuant to the Act.

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 Formation of the District. At the request of the Company, the County will undertake to analyze the appropriateness of forming the District to finance the Water Facilities and other facilities. The County will retain, at the Company's expense, the necessary consultants to analyze the proposed formation of the District, including an engineer, special tax consultant, bond counsel, appraiser and other consultants deemed necessary by the County.
3. Sale of Bonds and Use of Proceeds. The purpose of this Agreement is to provide a mechanism by which the Company may request the District to issue bonds to provide funds to finance the Water Facilities.

In the event that the District is formed, the Board of the County, acting as the legislative body of the District, may, in its sole discretion, finance the construction and acquisition of the Water Facilities by issuing bonds (the "Bonds"). To the extent that the District determines, in its sole discretion, that Bond proceeds are available to finance the Water Facilities, it shall reserve an amount not to exceed the Water Facilities Amount for such purpose; provided, however, that SMWD agrees that, without the prior written consent of the Company, the Water Facilities Amount to be funded by the District shall not exceed \$29,000,000. Upon consent of the Company, the Water Facilities Amount may be increased. In the event that any proceeds of the Bonds (including interest earnings thereon) reserved to pay for Water Facilities have not been disbursed by the date that is thirty-four (34) months following the date of issuance of the Bonds, the District may, in its sole discretion, apply any remaining undisbursed amount to pay principal due on the Bonds at maturity or by redemption.

The Company and SMWD acknowledge that the timing of the disbursement of the Water Facilities Amount to SMWD (or directly to others at SMWD's request) shall be in all respects subject to the sole discretion and approval of the County. In no event will an act, or an omission or failure to act, by the County or the District with respect to the disbursement or non-disbursement of the Water Facilities Amount subject the District or the County to pecuniary liability hereunder.

The Bonds shall be issued only if, in its sole discretion, the Board determines that all requirements of state and federal law and all County policies have been satisfied or have been waived by the County. In no event shall the Company or SMWD have a right to compel the

issuance of the Bonds or the disbursement of Bond proceeds to fund the Water Facilities Amount. This Agreement does not release Company from any obligation it may have to provide any Water Facilities.

4. Disbursements

(a) Bond proceeds of the District designated for the Water Facilities shall be held by the District in a special fund (the "Water Facilities Account of the Acquisition and Construction Fund") which shall be invested by the County Treasurer and earn and accumulate its own interest. In the event that the District has deposited Bond proceeds to the Water Facilities Account of the Acquisition and Construction Fund to fund all or a portion of the Water Facilities Amount, the County shall notify SMWD and the Company, in writing, as to the amount of Bond proceeds so deposited. All interest earnings on amounts in the Water Facilities Account of the Acquisition and Construction Fund shall remain in the Water Facilities Account and will be available for disbursement for the Water Facilities as described below.

(b) The Treasurer shall make disbursements from the Water Facilities Account of the Acquisition and Construction Fund in accordance with the terms of this Agreement and neither the County nor the District shall be responsible to SMWD for costs incurred by SMWD as a result of withheld or delayed disbursements.

(c) SMWD agrees that it will request a disbursement of Bond proceeds only for costs related to the Water Facilities that are eligible for financing under the Act which include the costs of acquiring the land for the Water Facilities (if applicable), constructing or acquiring the Water Facilities including the cost of planning and designing the Water Facilities, the cost of environmental evaluation of the Water Facilities and other expenses incidental to the construction, completion and inspection of the authorized work. SMWD agrees that prior to requesting disbursement from the District it shall review and approve all costs included in its request, and either SMWD or third parties constructing the Water Facilities will have already paid such costs of the Water Facilities. Bond proceeds shall be paid directly to SMWD only to reimburse it for costs previously paid by SMWD. All other Bond proceeds to be disbursed shall be paid at the direction of SMWD to third parties, which may include the Company, who have previously paid costs of the Water Facilities. SMWD agrees that in processing disbursements it will comply with all legal requirements for the expenditure of Bond proceeds under the Act and the Internal Revenue Code of 1986 and any amendments thereto. Further, the Company agrees that if it requests that SMWD make any submissions for a disbursement under this Agreement for any Water Facilities constructed by the Company, the Company will have already paid for the costs included in such disbursement request, and the Company will comply with all legal requirements for the expenditure of Bond proceeds under the Act and the Internal Revenue Code of 1986 and any amendments thereto in connection with the construction of such Water Facilities. Without limiting the foregoing, if SMWD elects to purchase the Water Facilities from a third party, SMWD may request disbursements in connection with improvements based upon the discrete portion or phases of a partially completed project as set forth on Exhibit A and as permitted by California Government Code Section 53313.51. In such event, (i) the discrete portions or phases shall be constructed pursuant to plans, standards, specifications and other requirements that satisfy the provisions of Section 5 below, (ii) the price for each discrete portion or phase shall equal the lesser of the cost or the value thereof, and shall be in no event in excess

of the amount set forth on Exhibit A, and (iii) SMWD shall have inspected and approved of such discrete portion or phase and accepted conveyance or dedication thereof (or shall have an irrevocable commitment to convey or dedicate for SMWD's benefit), all pursuant to SMWD's normal procedures and in accordance with California Government Code Section 53313.51.

(d) SMWD will not use or permit the Water Facilities to be used for any activity that would constitute a "Private Use" in violation of legal requirements for the expenditure of Bond proceeds under the Act and the Internal Revenue Code of 1986 and any amendments thereto. SMWD understands (i) that the term "Private Use" means any activity that constitutes a trade or business that is carried on by persons or entities, other than governmental entities; (ii) that the leasing of the Water Facilities or access by persons or entities other than a governmental unit to the Water Facilities on a basis other than as a member of the general public ("General Public Use") would constitute a Private Use; and (iii) that the use of the Water Facilities in a trade or business would constitute a General Public Use only if the Water Facilities are intended to be available and are in fact reasonably available for use on the same basis by natural persons not engaged in a trade or business. SMWD represents to the District that SMWD's employer identification number is 95-6269461. As a condition to receiving proceeds of the Bonds pursuant to this Agreement, SMWD agrees that it shall provide to the District a certificate confirming the representations contained in clauses (i) and (ii) of this Section 4(d) and such other matters as the District may reasonably request upon which the District and its bond counsel may rely in connection with the issuance of such Bonds and their conclusion that interest on such Bonds is not included in gross income for purposes of federal income taxation.

(e) SMWD agrees to maintain adequate internal controls over its payment function and to maintain accounting records in accordance with generally accepted accounting procedures. The District and the County shall have the right to conduct their own audit of SMWD's records related to the expenditure of the Water Facilities Amount at reasonable times during normal business hours.

(f) SMWD shall submit a request for payment to the District along with adequate supporting documentation acceptable to the District which shall be in the form attached hereto as Exhibit C (a "Disbursement Request"), which shall be signed by the Finance Director of SMWD, or written designee, and which shall be for the exact amount to be reimbursed to SMWD (or to other parties, with the name and address to which such reimbursement should be made), which costs shall in no event exceed the amount remaining on deposit in the Water Facilities Account of the Acquisition and Construction Fund. Upon receipt of an approved Disbursement Request completed in accordance with the terms of this Agreement, the Treasurer of the County shall transfer such portion of requested funds in an ACH transaction (or, in his discretion, issue a warrant if the transfer is less than \$50,000) as are then available for release pursuant to the documents pursuant to which the Bonds are issued to SMWD's bank account (or to such other party or such other parties' bank account, as directed by SMWD).

(g) If, for any reason whatsoever, there are insufficient funds to complete the Water Facilities, or any portion thereof, neither the County, nor the District shall have any obligation to fund any such shortfall under this Agreement.

5. Construction and Ownership of Facilities. SMWD will complete, or cause the Company to complete, the design of the Water Facilities and the plans and specifications for construction of the Water Facilities and will be responsible for constructing, or causing the Company to construct, the Water Facilities, and will be responsible for inspecting the Water Facilities. SMWD covenants and agrees that with respect to the Water Facilities it will comply with all statutory provisions applicable to the design and construction of public works projects. The Water Facilities shall be and remain the property of SMWD.

6. Indemnification. The County shall assume the defense of, indemnify and save harmless, SMWD, its 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 County with respect to this Agreement and the issuance of the Bonds. No provision of this Agreement shall in any way limit the extent of the County's responsibility for payment of damages resulting from the operations of the County and its contractors; provided, however, that the County 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 agents or employees. SMWD shall assume the defense of, indemnify and save harmless, the County, its 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 SMWD with respect to this Agreement, and the design, engineering, inspection, construction and acquisition of the Water Facilities. No provision of this Agreement shall in any way limit the extent of SMWD's responsibility for payment of damages resulting from the operations of SMWD and its contractors; provided, however, that SMWD 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 agents or employees.

7. Allocation of Special Taxes. The Board, as the legislative body of the District, shall annually levy a special tax as provided for in the formation proceedings of the District. The entire amount of any special tax levied by the District to repay Bonds, or to fund other obligations, shall be allocated to the District.

8. Amendment. This Agreement may be amended at any time but only in writing signed by each party hereto.

9. 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.

10. Notices. Any notice, payment or instrument required or permitted by this Agreement to be given or delivered to any 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:

County: Orange County Public Works Department
300 N. Flower Street, 6th Floor
Santa Ana, California 92701

Attn: Planned Communities Division Manager

With a copy to: County of Orange
10 Civic Center Plaza, 3rd Floor
Santa Ana, California 92701
Attn: County Executive Office-Public Finance

SMWD: Santa Margarita Water District
26111 Antonio Parkway
Rancho Santa Margarita, CA 92688
Attention: Chief Financial Officer

Company: RMV PA 2 Development, LLC
c/o Rancho Mission Viejo
28811 Ortega Highway
San Juan Capistrano, California 92675
Attn: Elise Millington

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

11. Exhibits. All exhibits attached hereto are incorporated into this Agreement by reference.

12. 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 reasonably possible.

13. Governing Law and Venue. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of California. In the event of any legal action to enforce or interpret this Agreement, the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California, and the parties hereto agree to and do hereby submit to the jurisdiction of such court, notwithstanding Code of Civil Procedure Section 394. Furthermore, the parties specifically agree to waive any and all rights to request that an action be transferred for trial to another county.

14. Waiver. Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by the other parties 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 parties with the terms of this Agreement thereafter.

15. No Third Party Beneficiaries. No person or entity other than the District, 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 SMWD, the County, the District and the Company (and their respective successors and assigns), any rights, remedies, obligations or liabilities under or by reason of this Agreement.

16. 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.

17. 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 first year written above.

COUNTY OF ORANGE

By: [Signature]
Chair of the Board of Supervisors



APPROVED AS TO FORM
Office of County Counsel
Orange County California

SIGNED AND CERTIFIED THAT A COPY
OF THIS DOCUMENT HAS BEEN DELIVERED
TO THE CHAIR OF THE BOARD PER
G.C. SEC 25103, RESOLUTION 79-1535

By: [Signature]
Deputy

By: [Signature]
Clerk of the Board of Supervisors
County of Orange, California

SANTA MARGARITA WATER DISTRICT

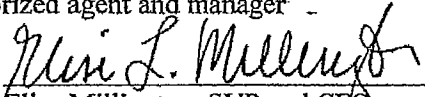
By: [Signature]
Its: General Manager

ATTEST:

By: [Signature]
Board Secretary
Santa Margarita Water District

RMV PA 2 DEVELOPMENT, LLC, a Delaware
limited liability company

By: RANCHO MISSION VIEJO, LLC, a
Delaware limited liability company, its
authorized agent and manager -

By: 
Elise Millington, SVP and CFO


By: 
Richard Broming
SVP – Planning and Entitlement

EXHIBIT A
LIST OF FACILITIES
(INCLUDING SEGMENTS AND PRICES)

PA2 Major Infrastructure Projects	Prices
a) Sewers - PA2 SW Lift Station	\$ 3,080,000
b) DW - PA2 zone 2 Reservoir No. 1	3,430,000
c) DW - Zone 2 - 24" Pipeline from PA2 to Reservoir No 2	3,610,575
d) ND - PA2 Zone B Reservoir Site 1	2,310,000
e) ND - PA2 Zone B Pump Station No 1	1,701,700
f) ND - Zone B - 20" Pipeline from CWRP to Reservoir No 1	4,166,400
g) Grading	4,556,804
Subtotal	<u><u>22,855,479</u></u>

PA2.1 In-Tract Projects	Prices
a) Domestic Water Improvements	\$ 2,988,881
b) Reclaimed Water Improvements	1,792,132
c) Sewer Improvements	1,776,462
Subtotal	<u><u>6,557,475</u></u>
Total	<u><u>\$ 29,412,954</u></u>
Rounded	<u><u>\$ 29,000,000</u></u>

EXHIBIT B

DESCRIPTION OF PROPERTY

All of Tract No. 17561, in the Unincorporated Territory of the County of Orange, State of California, as shown on the map recorded October 27, 2014 in Book 932, Pages 1 through 38, inclusive, of Miscellaneous Maps, in the office of the County Recorder of said County.

EXHIBIT C

DISBURSEMENT REQUEST FORM

1. Community Facilities District No. 2015-1 of the County of Orange (Village of Esencia PA 2.1) ("CFD No. 2015-1") is hereby requested to pay from the Water Facilities Account of the Acquisition and Construction Fund established by the Board of Supervisors of the County of Orange (the "County") in connection with its CFD No. 2015-1 Special Tax Bonds (the "Bonds"), directly to the person or entity listed below, as Payee, the sum set forth below in payment of project costs described below:

Payee: _____ Amount: \$ _____

Payee: _____ Amount: \$ _____

Payee: _____ Amount: \$ _____

2. The undersigned certifies that the amount requested has been expended for the purposes of constructing and completing Water Facilities. The amount requested is (or was) due and payable under a purchase order, contract or other authorization with respect to the project costs described below and has not formed the basis of a prior request or payment. SMWD has confirmed that the Water Facilities covered by this request, or the discrete portion or phase thereof, has been constructed as required and SMWD has either obtained fee title or an easement to the underlying land, or SMWD has received an irrevocable offer of dedication for the fee title or an easement to the underlying land.

3. Description of Water Facilities Costs:

4. The amount set forth is authorized and payable pursuant to the terms of the Joint Community Facilities Agreement among the County, RMV PA 2 Development, LLC and SMWD dated as of _____ 1, 2015 (the "Agreement"). Capitalized terms not defined herein shall have the meaning set forth in the Agreement.

5. Total payments for the Water Facilities from CFD No. 2015-1, including the amount to be paid under paragraph 1 above, will not exceed the maximum amount to be disbursed for Water Facilities under the Agreement.

Executed by an authorized representative of SMWD.

By: _____

Name: _____

Title: _____

Date: _____

Request No. _____



City and County of San Francisco
Mission Bay Development

**Reimbursement Audit Report for
Payment Request
MB2014-26-S-Park P6**

**Community Facilities District No. 6
(Mission Bay South Public Improvements)**

**Portions of Facility:
Park P6**

May 1, 2015



May 1, 2015

Ms. Grace Kwak, Project Manager
Department of Public Works
Mission Bay Task Force
City and County of San Francisco
30 Van Ness Avenue, Suite 4200
San Francisco, CA 94102

**Re: Mission Bay Payment Request No. MB2014-26-S-Park P6
Reimbursement Audit Report
Community Facilities District No. 6**

Dear Ms. Kwak:

We hereby submit this Reimbursement Audit Report for the Mission Bay Public Improvements for Payment Request No. MB2014-26-S-Park P6. This audit has been conducted to ensure that the purchase price for the improvements is appropriate and reasonable. The following audit summarizes the Facility components recommended for acquisition and the District Engineer's recommendation for total purchase price for the components, at this time.

This report recommends the following amounts for reimbursement at this time:

CFD	Facility	Requested Amount	Total Recommended Amount
6	Park P6	\$586,508.35	\$586,508.35

We hereby state to the best of our knowledge, information and belief, based upon the documentation provided by the City and County of San Francisco (City) and the Office of Community Investment and Infrastructure (Successor to the Redevelopment Agency) (Agency) and FOCIL – MB, LLC (Developer) that the Developer has complied with what we perceive as the requirements of the Acquisition Agreement for public improvements.

Per Acquisition Agreement Section 4 (Acquisition and Payment), Subsection 4.4 (Processing Payment Requests), and Section 2 (Funding), Subsection 2.4 (Reimbursements), we recommend that reimbursement for the subject projects be approved in the amount of **\$586,508.35**.

Ms. Grace Kwak, Project Manager
Department of Public Works
May 1, 2015
Page 2 of 2

Respectfully submitted,

Harris & Associates



Anna C. Tan-Gatue, P.E.
Deputy Project Manager

- c: Edward Yee, Department of Public Works, BCM
- Kelley Kahn, Office of Community Investment and Infrastructure
- Stephanie Williams, Mission Bay Development Group, LLC
- Josh Dapice, Farallon Capital Management, LLC
- K. Dennis Klingelhofer, Harris & Associates
- Mission Bay Task Force File

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APPENDIX

- Section 1 Map of Facilities
- Section 2 Request For Payment
- Section 3 Agency Approvals
- Section 4 Pertinent Correspondence
- Section 5 Summary of Supporting Documentation

I. INTRODUCTION

The Mission Bay Public Improvements listed in the Acquisition Agreements, dated June 1, 2001 (CFD No. 6), Supplement No.1 to Acquisition Agreement dated October 1, 2002 (CFD No. 6), the “Mission Bay Infrastructure Program Request for Approval of Exhibits B and B-1 – Park P6 Project”, dated September 18, 2013 and Infrastructure Plans, dated January 4, 2001 (CFD No.6), between the Office of Community Investment and Infrastructure (Successor to the Redevelopment Agency) (Agency) and FOCIL – MB, LLC (Developer) consist of the construction of streets, curbs, landscaping, water, sewer, storm drain, and other public improvements within the limits of the Mission Bay Development.

The following describes the facilities, and components of facilities, being requested for reimbursement:

1. CFD No. 6 – Mission Bay Park P6 Public Improvements (Park P6)

The public improvements for Park P6 include construction of subsurface utility components and surface improvements located at Long Bridge Street and China Basin Street.

The components of Park P6 being reimbursed as part of this payment recommendation are described below.

- a. Component 7200 – Site Prep, Demo, and Grading: Includes but not limited to clear & grub and grading.
- b. Component 7201 – Storm Drain: Includes but not limited to trenching, soil spoil off-haul and stockpile, pipe, backfill, compaction, structures, manholes, joints, inlets, cleanouts, and service stubs.
- c. Component 7202 – Low Pressure and Domestic Water: Includes but not limited to trenching, soil spoil off haul and stockpile, pipe, backfill, compaction, valves, corrosion protection, service stubs and hydrants.
- d. Component 7204 – Site Electrical and Lighting: Includes but not limited to installations of conduit, junction boxes, wiring, concrete pedestals, concrete encasements, light poles, and other related hardware required to provide site lighting and electrical.
- e. Component 7205 – Hardscape: Includes but not limited to minor fine grading, concrete curb, CIP Concrete Walks, concrete planters and Architectural Vault Covers.
- f. Component 7206 – Architectural Pavers: Includes but not limited to minor fine grading, Unit Pavers, and Architectural Vault Covers.
- g. Component 7207 – Landscape and Irrigation: Includes but not limited to all irrigation, landscape soil preparations, landscape maintenance, trees, and planting.

A Map of Facilities is provided in Appendix 1.

Construction was started on the facilities as indicated below:

<u>Facility</u>	<u>Construction Start Date</u>
Park P6	05/05/14

The City substantially approved all of the aforementioned components between August 14, 2014 and March 31, 2015. The City intends to acquire the improvements and related work as identified in the Acquisition Agreements with bond proceeds funded by Community Facility District No. 6.

The Developer who is requesting reimbursement of these costs is FOCIL – MB, LLC.

Previously, Catellus Development Corporation had been responsible for the design and construction of the public improvements and had requested the reimbursements. According to the Agency, as of November 22, 2004, FOCIL – MB, LLC is now the owner of the Mission Bay Project, replacing Catellus Development Corporation. FOCIL – MB, LLC then authorized that ProLogis/Catellus Development Corporation act as Agent on behalf for FOCIL – MB, LLC in submitting payment requests. As of February 24, 2009, the Mission Bay Development Group, LLC replaces Catellus Development Corporation as Agent on behalf of FOCIL – MB, LLC in submitting payment requests.

The Developer has submitted for approval the contracts, change orders, invoices, lien releases, and cancelled checks for components within Park P6.

This Reimbursement Audit Report has been prepared pursuant to the Acquisition Agreements between the Agency and the Developer. This Report analyzes and evaluates the construction costs and incidental expenses incurred for the Mission Bay Public Improvements and makes recommendations regarding purchase prices.

A copy of the Developer’s Payment Request is provided in Appendix 2.

II. ANALYSIS OF PAYMENT REQUEST

The following documents were provided by the City & County of San Francisco (City) and the Developer and reviewed as part of our analysis of the Developer's payment request.

- Copies of engineering, consulting, and construction contract documents with change orders, between the Developer and their consultants and contractors for the design and construction of the improvements.
- Copies of invoices, cancelled checks (or other proofs of payment received), lien releases, and other information supporting the amounts in the payment requests.

Below are details regarding the reimbursement analysis by Acquisition Facility and Component. A summary of eligible and ineligible costs for each component and facility is shown on page 7.

Construction Costs

Each Acquisition Agreement in Section 1.1 (Definitions) Actual Costs, identifies as "clause i" the actual hard costs incurred by the Developer for construction of an Acquisition Facility or Component and associated demolition, environmental investigation, remediation and response activities. There is one element which comprise the "clause i" costs associated with this payment request.

- The element is the actual costs from invoices submitted by the Developer incurred by the contractor responsible for the construction of the specific public improvements for each facility. These costs clearly identified which component they were associated with.

After each element was validated, they were summed together to form the eligible "clause i" amount reimbursable for construction costs related to the Acquisition Facility or Component being requested for reimbursement.

The total hard cost amount eligible for reimbursement is capped by the Maximum Hard Cost Reimbursement Budget. Per the Acquisition Agreement, the Maximum Hard Cost Reimbursement Budget is limited to the sum of the Construction Contract(s), BCM Approved Change Orders, and BCM Verified Owner Supplied Costs.

CFD No. 6 – Park P6 (Components 7200 – 7202 and 7204-7207)

The Developer submitted a contract for Park P6 from McGuire & Hester in the amount of \$1,612,140.00. Along with the contract and change orders, the Developer also submitted McGuire & Hester invoices, lien releases, and canceled checks. An audit was conducted on the provided information to confirm the amount of work performed on each component, that payments were made and received on the preformed work and that appropriate lien releases were received.

Soft Costs

The Acquisition Agreement, in section 1.1 (Definitions), identifies various categories of Actual Costs by numbered “clauses.” As stated above, “clause i” costs are the hard construction costs. The term “soft costs” is used to denote other costs incurred by the Developer, as described below:

Clause ii amounts – Pre-Construction Start Costs

“Clause ii amounts” are specifically defined as:

- Out-of-pocket costs (including professional costs) incurred by the Developer prior to the commencement of construction,
- Preparing the Plans for such Acquisition Facility or Component,
- The related costs of environmental evaluations of the Acquisition Facility or Component,
- The design, engineering, architectural, legal, accounting, consulting and similar professional services.

Clause iii amounts – Agency Fees and Permit Costs

“Clause iii amounts” are specifically defined as:

- Fees paid to governmental agencies for obtaining permits, licenses or other governmental approvals for such Acquisition Facility or Component,
- Inspection fees payable pursuant to Section 4.1 of the Acquisition Agreement.

Clause v amounts – Post-Construction Start Costs

“Clause v amounts” are specifically defined as:

- Professional costs incurred by the Developer, the City or Agency associated with construction of such Acquisition Facility or Component,
- Design, engineering, architectural, legal, accounting, inspection, construction staking, materials testing, consulting, and similar professional services excluding the cost of any such services provided directly by the Developer or and Affiliate.

The Soft Costs submittal information was provided by the Developer in Payment MB2014-16-S-Park P6. Each submittal was audited at the invoice level, and then segregated into “clause ii”, clause “iii” and “clause v” soft cost categories. The table below summarizes the approved “Soft Costs” as of September 19, 2014.

Park P6				
	Clause ii - Pre- Construction Start Costs	Clause v - Post- Construction Start Costs	City Permits	Total Soft Costs Pre- Approved
Approved 09/19/14	\$ 376,212.65	\$ -	\$ 1,203.85	\$ 377,416.50

The soft cost amounts shown above have been allocated to the various facilities based on information included in invoices, task orders and other provided documentation. For soft costs associated with all of the listed facilities, the costs have been prorated per the base contract amounts for each of the facilities, excluding any additive or deductive items. For specific details, see Appendix 4 for the following letter:

- “Mission Bay Soft Cost Approval for Payment Request MB2014-16-S-Park P6”, dated September 19, 2014

The total soft cost amount eligible for reimbursement is capped by the Maximum Soft Cost Reimbursement Budget. Per correspondence received from the City, dated April 21, 2009, the Maximum Soft Cost Reimbursement Budget is limited to 50% of the Maximum Hard Cost Budget. The soft costs identified with each Facility have been prorated to each component with the Facility based on the Maximum Soft Cost Reimbursement Budget.

Management Fee

Pursuant to the Acquisition Agreement Section 1.1 (Definitions), Actual Costs “clause iv” allows a construction and project management fee to be retained by the Developer not to exceed 4% of the costs described in “clause i” for each Acquisition Facility or Component.

The Developer has requested a 4% management fee for each Component included as part of this payment request.

Retention

Pursuant to Acquisition Agreement Section 4.6D (Retention), the City’s policy for retention on payment requests is as follows: the City will withhold a 10% retention until 50% of the contract (not component) has been completed. The retention will be reduced thereafter pending satisfactory progress.

The Park P6 Facility has not met the aforementioned standards; therefore the Retention to be withheld for the Park P6 Facility will remain at 10%.

III. SUMMARY OF PAYMENT REQUEST ANALYSIS

The table below provides an overall summary of the Reimbursement Audit Process, by Facility and Component. The tables on the following pages provide a line item detail, by Component, of the eligible costs.

MB2014-26-S-Park P6 Payment Request Analysis Summary									
Previous Park P6 Reimbursement					Current Park P6 Reimbursement				
CFD No. 6 Park P6	Total Requested for Reimb to Date	Total Recommended for Reimb to Date	City of SF Retention to Date	Actual Total Reimb to Date	MB2014-26-S- Park P6 Requested Amount	MB2014-26-S- Park P6 Eligible Amount	MB2014-26-S- Park P6 Recommende d Amount	Disallowed Amount	Current Allowable Max
Components									
7200	\$ 127,971.21	\$ 123,040.56	\$ (12,304.06)	\$ 110,736.50	\$ 4,930.65	\$ 4,930.65	\$ 4,930.65	\$ 0.00	\$208,083.88
7201	\$ 141,843.08	\$ -	\$ -	\$ -	\$ 141,843.08	\$ 141,843.08	\$ 141,843.08	\$ (0.00)	\$221,100.88
7202	\$ 8,415.58	\$ -	\$ -	\$ -	\$ 8,415.58	\$ 8,415.58	\$ 8,415.58	\$ 0.00	\$ 33,168.52
7204	\$ 128,245.66	\$ -	\$ -	\$ -	\$ 128,245.66	\$ 128,245.66	\$ 128,245.66	\$ (0.00)	\$306,578.58
7205	\$ 51,534.44	\$ -	\$ -	\$ -	\$ 51,534.44	\$ 51,534.44	\$ 51,534.44	\$ (0.00)	\$376,667.06
7206	\$ 3,705.76	\$ -	\$ -	\$ -	\$ 3,705.76	\$ 3,705.76	\$ 3,705.76	\$ (0.00)	\$ 27,085.52
7207	\$ 247,833.18	\$ -	\$ -	\$ -	\$ 247,833.18	\$ 247,833.19	\$ 247,833.18	\$ 0.00	\$584,945.59
Subtotal	\$ 709,548.91	\$ 123,040.56	\$ (12,304.06)	\$ 110,736.50	\$ 586,508.35	\$ 586,508.36	\$ 586,508.35	\$ 0.00	
						Facility Total	\$ 586,508.35		
MB2014-26-S-Park P6 Total Recommended Reimbursement:							\$586,508.35		

CFD No. 6 – Park P6 Component Detail

Park P6 Eligible Hard & Soft Cost Detail				
Component	7200	7201	7202	7204
MBDG 2014-26-S-Park P6 Requested Amounts				
Hard Costs (clause i)	\$ 5,267.79	\$ 119,223.00	\$ 4,142.70	\$ 92,201.40
Management Fee (4% of Hard Costs)	\$ 210.71	\$ 4,768.92	\$ 165.71	\$ 3,688.06
Soft Costs (clause ii, iii, & v)	\$ -	\$ 33,611.50	\$ 5,042.24	\$ 46,605.72
Agency Held Retention Held (10%)	\$ (547.85)	\$ (15,760.34)	\$ (935.06)	\$ (14,249.52)
2014-26-S-Park P6 Requested Amount	\$ 4,930.65	\$ 141,843.08	\$ 8,415.58	\$ 128,245.66
Hard Costs (clause i)				
Maximum Eligible Hard Cost Amount	\$ 135,119.40	\$ 143,572.00	\$ 21,538.00	\$ 199,077.00
McGuire & Hester Contract Costs	\$ 94,901.06	\$ 130,657.98	\$ 4,142.70	\$ 92,201.40
Unapproved McGuire & Hester Costs	\$ (1,741.07)	\$ (11,434.98)	\$ -	\$ -
Excess of Eligible Hard Cost Amount	\$ -	\$ -	\$ -	\$ -
Previously Recommended Hard Costs	\$ (87,892.20)	\$ -	\$ -	\$ -
Disallowed due to Unapprove Component	\$ -	\$ -	\$ -	\$ -
Excess of Requested Hard Cost Amount	\$ -	\$ -	\$ -	\$ -
Eligible 2014-26-S-Park P6 Hard Cost Amount	\$ 5,267.79	\$ 119,223.00	\$ 4,142.70	\$ 92,201.40
Management Fee (4% of Hard Costs)				
Maximum Eligible Management Fee Amount	\$ 3,726.40	\$ 4,768.92	\$ 165.71	\$ 3,688.06
Previously Recommended Management Fee	\$ (3,515.69)	\$ -	\$ -	\$ -
Disallowed due to Unapprove Component	\$ -	\$ -	\$ -	\$ -
Excess of Requested Management Fee Amount	\$ -	\$ -	\$ -	\$ -
Eligible 2014-26-S-Park P6 Management Fee	\$ 210.71	\$ 4,768.92	\$ 165.71	\$ 3,688.06
Soft Costs				
Allocation Percentage (based on Maximum)	8.38%	8.91%	1.34%	12.35%
Maximum Eligible Soft Cost Amount	\$ 67,559.70	\$ 71,786.00	\$ 10,769.00	\$ 99,538.50
Pre-Construction Start (clause ii) - 09/19/14	\$ 31,531.77	\$ 33,504.29	\$ 5,026.16	\$ 46,457.06
Permit costs (clause iii) - 09/19/14	\$ 100.90	\$ 107.21	\$ 16.08	\$ 148.66
Post-Construction Start (clause v) - 09/19/14	\$ -	\$ -	\$ -	\$ -
Excess of Eligible B-1 Soft Cost Amount	\$ -	\$ -	\$ -	\$ -
Previously Recommended Soft Costs	\$ (31,632.67)	\$ -	\$ -	\$ -
Disallowed due to Unapprove Component	\$ -	\$ -	\$ -	\$ -
Excess of Requested Soft Cost Amount	\$ -	\$ -	\$ -	\$ -
Eligible 2014-26-S-Park P6 Soft Cost Amount	\$ -	\$ 33,611.50	\$ 5,042.24	\$ 46,605.72
Agency Held Retention (10% of total costs)				
Maximum Eligible Agency Retention (10%)	\$ (12,851.91)	\$ (15,760.34)	\$ (935.07)	\$ (14,249.52)
Previously Recommended Agency Retention (10%)	\$ 12,304.06	\$ -	\$ -	\$ -
Eligible 2014-26-S-Park P6 Held Retention	\$ (547.85)	\$ (15,760.34)	\$ (935.07)	\$ (14,249.52)
Eligible Hard & Soft Cost Amounts	\$ 4,930.65	\$ 141,843.08	\$ 8,415.58	\$ 128,245.66

CFD No. 6 – Park P6 Component Detail (continued)

Park P6 Eligible Hard & Soft Cost Detail			
Component	7205	7206	7207
MBDG 2014-26-S-Park P6 Requested Amounts			
Hard Costs (clause i)	\$ -	\$ -	\$ 179,276.40
Management Fee (4% of Hard Costs)	\$ -	\$ -	\$ 7,171.06
Soft Costs (clause ii, iii, & v)	\$ 57,260.49	\$ 4,117.51	\$ 88,922.75
Agency Held Retention Held (10%)	\$ (5,726.05)	\$ (411.75)	\$ (27,537.02)
2014-26-S-Park P6 Requested Amount	\$ 51,534.44	\$ 3,705.76	\$ 247,833.18
Hard Costs (clause i)			
Maximum Eligible Hard Cost Amount	\$ 244,589.00	\$ 17,588.00	\$ 379,834.80
McGuire & Hester Contract Costs	\$ -	\$ -	\$ 179,276.40
Unapproved McGuire & Hester Costs	\$ -	\$ -	\$ -
Excess of Eligible Hard Cost Amount	\$ -	\$ -	\$ -
Previously Recommended Hard Costs	\$ -	\$ -	\$ -
Disallowed due to Unapprove Component	\$ -	\$ -	\$ -
Excess of Requested Hard Cost Amount	\$ -	\$ -	\$ -
Eligible 2014-26-S-Park P6 Hard Cost Amount	\$ -	\$ -	\$ 179,276.40
Management Fee (4% of Hard Costs)			
Maximum Eligible Management Fee Amount	\$ -	\$ -	\$ 7,171.06
Previously Recommended Management Fee	\$ -	\$ -	\$ -
Disallowed due to Unapprove Component	\$ -	\$ -	\$ -
Excess of Requested Management Fee Amount	\$ -	\$ -	\$ -
Eligible 2014-26-S-Park P6 Management Fee	\$ -	\$ -	\$ 7,171.06
Soft Costs			
Allocation Percentage (based on Maximum)	15.17%	1.09%	23.56%
Maximum Eligible Soft Cost Amount	\$ 122,294.50	\$ 8,794.00	\$ 189,917.40
Pre-Construction Start (clause ii) - 09/19/14	\$ 57,077.84	\$ 4,104.38	\$ 88,639.11
Permit costs (clause iii) - 09/19/14	\$ 182.64	\$ 13.13	\$ 283.64
Post-Construction Start (clause v) - 09/19/14	\$ -	\$ -	\$ -
Excess of Eligible B-1 Soft Cost Amount	\$ -	\$ -	\$ -
Previously Recommended Soft Costs	\$ -	\$ -	\$ -
Disallowed due to Unapprove Component	\$ -	\$ -	\$ -
Excess of Requested Soft Cost Amount	\$ -	\$ -	\$ -
Eligible 2014-26-S-Park P6 Soft Cost Amount	\$ 57,260.49	\$ 4,117.51	\$ 88,922.75
Agency Held Retention (10% of total costs)			
Maximum Eligible Agency Retention (10%)	\$ (5,726.05)	\$ (411.75)	\$ (27,537.02)
Previously Recommended Agency Retention (10%)	\$ -	\$ -	\$ -
Eligible 2014-26-S-Park P6 Held Retention	\$ (5,726.05)	\$ (411.75)	\$ (27,537.02)
Eligible Hard & Soft Cost Amounts	\$ 51,534.44	\$ 3,705.76	\$ 247,833.19

IV. REIMBURSEMENT RECOMMENDATION

We hereby state to the best of our knowledge, information and belief, based upon the documentation provided by the City and County of San Francisco and the Office of Community Investment and Infrastructure (Successor to the Redevelopment Agency) (City) and FOCIL – MB, LLC (Developer) that the Developer has complied with what we perceive as the requirements of the Acquisition Agreement for public improvements.

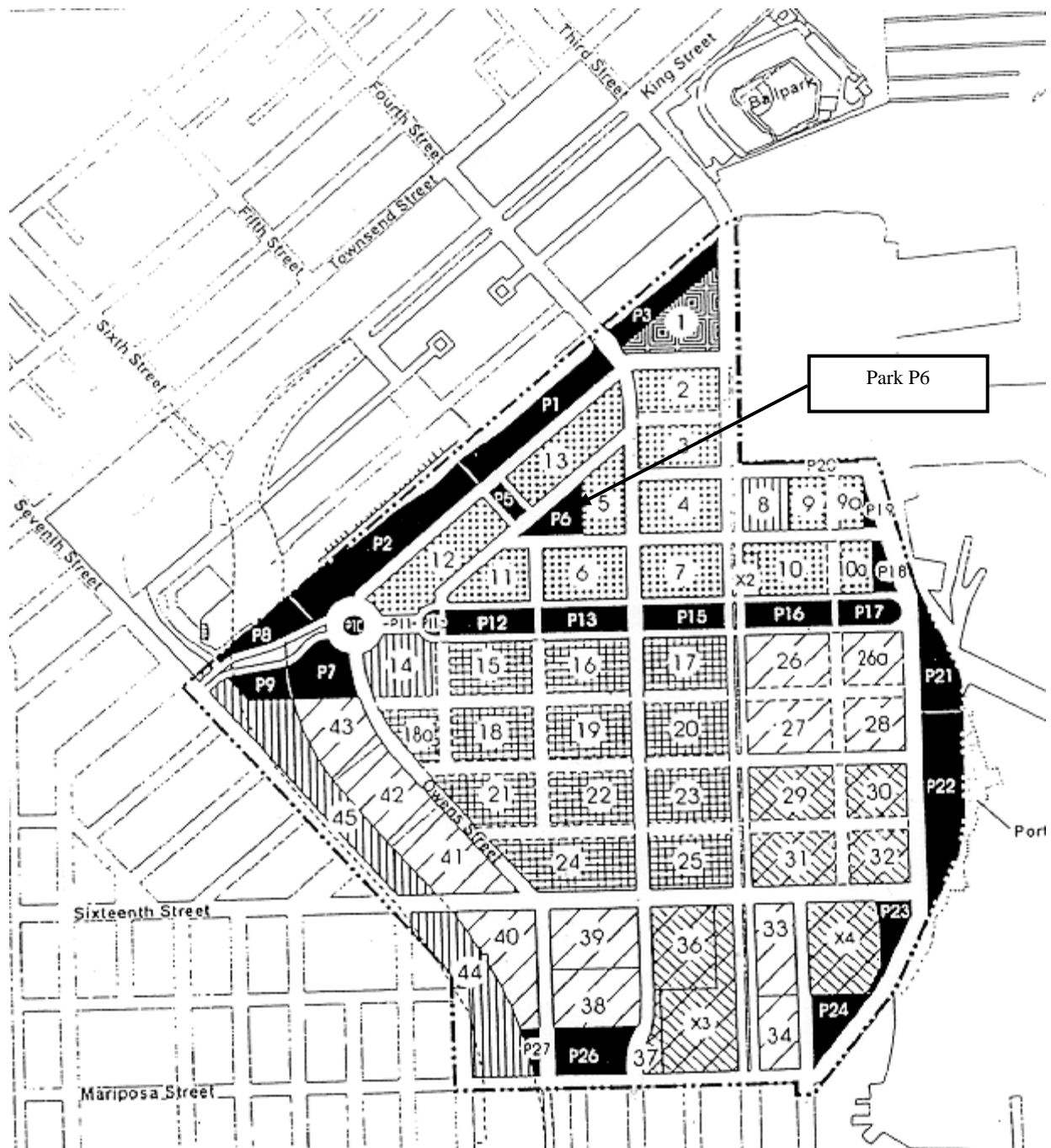
Per Acquisition Agreement Section 4 (Acquisition and Payment), Subsection 4.4 (Processing Payment Requests), and Section 2 (Funding), Subsection 2.4 (Reimbursements), we recommend that reimbursement for the subject projects be approved in the amount of **\$586,508.35**.

APPENDIX 1

Map of Facilities

San Francisco Mission Bay CFD No. 6 – South of Channel

MB2014-26-S-Park P6 Map of Facilities



APPENDIX 2
Request For Payment

APPENDIX 3

Agency Approvals

Agency Approvals

DATE	TO	FROM	SUBJECT
03/31/15	Stephanie Williams, Mission Bay Development Group (MBDG), LLC	Grace Kwak, Mission Bay Task Force (MBTF)	Mission Bay Infrastructure Program – Substantial Completion Confirmation Notice #120
12/23/14	Stephanie Williams, MBDG, LLC	Grace Kwak, MBTF	Mission Bay Infrastructure Program – Substantial Completion Confirmation Notice #116
10/24/14	Stephanie Williams, MBDG, LLC	Grace Kwak, MBTF	Mission Bay Infrastructure Program – Substantial Completion Confirmation Notice #114
08/14/14	Stephanie Williams, MBDG, LLC	Grace Kwak, MBTF	Mission Bay Infrastructure Program – Substantial Completion Confirmation Notice #111
09/18/13	Joe Antonio, MBDG, LLC	Grace Kwak, MBTF	Mission Bay Infrastructure Program Request for Approval of Exhibits B and B-1 – Park P6 Project

APPENDIX 4

Pertinent Correspondence

Pertinent Correspondence

DATE	TO	FROM	SUBJECT
09/30/14	Anna Tan-Gatue, Harris & Associates (H&A)	Stephanie Williams, Mission Bay Development Group (MBDG), LLC	Revised Payment Request Package 2014-26 – South of Channel, Park P6
03/31/15	Anna Tan-Gatue, H&A	Stephanie Williams, MBDG, LLC	Response to Mission Bay Payment Request No. MB2014-26-S-Park P6 for Components Associated with Facility: Mission Bay Park P6 (Hard Costs) – Additional Information Request (AIR)#1
03/10/15	Stephanie Williams, MBDG, LLC	Anna Tan-Gatue, H&A	Mission Bay Payment Request No. MB2014-26-S-Park P6 for Components Associated with Facility: Mission Bay Park P6 (Hard Costs) – AIR #1
10/01/14	Anna Tan-Gatue, H&A	Stephanie Williams, MBDG, LLC	RE: Submittal rec'd today 09/30/14 – MB2014-26 Part 1
09/30/14	Anna Tan-Gatue, H&A	Stephanie Williams, MBDG, LLC	Payment Request Package 2014- 26 – South of Channel, Park P6
09/19/14	Stephanie Williams, MBDG, LLC	Anna Tan-Gatue, H&A	Mission Bay Soft Cost Approval for Payment Request MB2011-12-S- Blocks 2-13

APPENDIX 5

Summary of Supporting Documentation

Mission Bay
Park P6
McGuire&Hester Contract

Mission Bay South
Park P6
McGuire & Hester Contract #88031

Contract Sum non-inclusive of OCIP	Contract Amount	Contract Date	Fully Executed
Base Contract:	\$ 1,612,140.00	2/24/2014	
Additive/Deductive alternatives:			
Allowances:			
Textura			
Less OCIP			
Total Contract Amount	\$ 1,612,140.00		

Invoice Number	Invoice Date	Invoice Amount	Bank Reference or Check No.	Check Amount	Check Date	Proof Pmt Made	To:	Non-eligible	Lien Release	Comments
1	5/31/2014	\$ 143,557.20	90019143854	\$ 143,557.20	07/09/14	YES	McGuire & Hester	\$ -	cond	
2	6/30/2014	\$ 54,286.20	24011709777	\$ 54,286.20	08/13/14	YES	McGuire & Hester	\$ -	uncond	
3	7/31/2014	\$ 160,090.29	65021910272	\$ 160,090.29	09/22/14	YES	McGuire & Hester	\$ -	uncond	
4	8/31/2014	\$ 143,245.85	940089XXXX3	\$ 143,245.85	10/21/14	YES	McGuire & Hester	\$ -	uncond	PoP provided in AIR #1 response
5								\$ -		
6								\$ -		
7								\$ -		
8								\$ -		
9								\$ -		
10								\$ -		
11								\$ -		
12								\$ -		
13								\$ -		
Total Amts		\$ 501,179.54		\$ 501,179.54				\$ -		

Mission Bay
Block 13, Phase 1
McGuire&Hester Components

Mission Bay Park P6 Component 7200

Description: Site Preparation & Demolition, includes sawcut, removal and disposal of existing asphalt, concrete, and aggregate base, removal and abandonment of underground utilities, clearing of all existing vegetation, trees and debris or rubble. Any above-ground utilities and poles to be removed and disposed of. Also includes removal and disposal of existing fencing. Rough grading includes all work associated to meet grades shown on the plan as well as importing Mission Bay Screened material to meet grades as necessary. (Complete)

Bid Item	Component	Description	QTY	Units	Unit Price	Extended Price	Eligible Price	% Complete	Invoice No. 1 05/31/14	Invoice No. 2 6/30/14	Invoice No. 3 7/31/14	Invoice No. 4 8/31/14	Sub-Component Totals
7200	SITE PREPARATION AND DEMO							76.61%	\$ 97,658.00	\$ 4,400.00	\$ 1,453.10		\$ 103,511.10
	7200.01	Site Preparation, Demolition and Site Erosion Control (Complete)	47,850	SF	\$ 0.60	\$ 28,710.00	\$ 28,710.00						\$ -
	7200.02	Rough Grading for Park Area, includes Berms (Complete)	36,321	SF	\$ 1.10	\$ 39,953.10	\$ 39,953.10						\$ -
	7200.03	Fine Grading for Hard Scapes Areas (Complete)	11,529	SF	\$ 2.70	\$ 31,128.30	\$ 31,128.30						\$ -
	7200.04	Demolish Sidewalk at Long Bridge Street for the RWL re-route (Complete)	240	SF	\$ 2.00	\$ 480.00	\$ 480.00						\$ -
	7200.99	Miscellaneous Site Prep. And Demo (Complete)	1	LS	\$ 34,848.00	\$ 34,848.00	\$ 34,848.00						\$ -
	CO 001	CO MH MB PARK P6 001	1	LS	\$ 1,934.52	\$ 1,934.52						\$ 1,934.52	\$ 1,934.52
		SUBTOTAL ITEM 7200				\$ 137,053.92	\$ 135,119.40	76.94%	\$ 97,658.00	\$ 4,400.00	\$ 1,453.10	\$ 1,934.52	\$ 105,445.62
		Invoice Retention							\$ (9,765.80)	\$ (440.00)	\$ (145.31)	\$ (193.45)	\$ (10,544.56)
		Invoice Total							\$ 87,892.20	\$ 3,960.00	\$ 1,307.79	\$ 1,741.07	\$ 94,901.06
									Unapproved Change Order Total				\$ (1,934.52)
									Eligible Amount For Reimbursement				\$ 92,966.54

Mission Bay Park P6 Component 7201

Description: Sanitary Sewer & Storm Drain: includes trenching, shoring, soil spoil off-haul, stockpiling and screening, pipe, import and native backfill, fabric, compaction, structures, manholes, joints, inlets, cleanouts, service stubs, connections to existing systems, and testing of system (Complete).

Bid Item	Component	Description	QTY	Units	Unit Price	Extended Price	Eligible Price	% Complete	Invoice No. 1 05/31/14	Invoice No. 2 6/30/14	Invoice No. 3 7/31/14	Invoice No. 4 8/31/14	Sub-Component Totals
7201	SANITARY SEWER AND STORM DRAIN							92.27%	\$ 61,850.00	\$ 51,315.00	\$ 19,305.00		\$ 132,470.00
	7201.01	4" HDPE SS Lateral, including clean outs (Complete)	166	LF	\$ 156.00	\$ 25,896.00	\$ 25,896.00						\$ -
	7201.02	4" Perforated PVC Pipe with clean outs - Sand Area and French Drain at Conc. Band (Complete)	95	LF	\$ 35.00	\$ 3,325.00	\$ 3,325.00						\$ -
	7201.03	4" HDPE, including cleanouts (Complete)	330	LF	\$ 117.00	\$ 38,610.00	\$ 38,610.00						\$ -
	7201.04	6" HDPE, including PD units and clean outs (Complete)	404	LF	\$ 40.00	\$ 16,160.00	\$ 16,160.00						\$ -
	7201.05	8" HDPE, including clean outs (Complete)	230	LF	\$ 42.00	\$ 9,660.00	\$ 9,660.00						\$ -
	7201.06	10" HDPE, including clean outs and 12x10 reducers (Complete)	183	LF	\$ 83.00	\$ 15,189.00	\$ 15,189.00						\$ -
	7201.07	Sand Trap (Complete)	3	EA	\$ 3,050.00	\$ 9,150.00	\$ 9,150.00						\$ -
	7201.08	Storm Drain Inlet (Complete)	27	EA	\$ 811.00	\$ 21,897.00	\$ 21,897.00						\$ -
	7201.09	Connection to Sanitary Sewer System (Complete)	1	EA	\$ 478.00	\$ 478.00	\$ 478.00						\$ -
	7201.10	Connection to Storm Drain System (Complete)	3	EA	\$ 369.00	\$ 1,107.00	\$ 1,107.00						\$ -
	7201.99	Testing of Storm Drain System (Complete)	1	LS	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00						\$ -
	CO 002	CO MH MB PARK P6 002	1	LS	\$ 2,389.82	\$ 2,389.82						\$ 2,389.82	\$ 2,389.82
	CO 003	CO MH MB PARK P6 003	1	LS	\$ 10,315.71	\$ 10,315.71						\$ 10,315.71	\$ 10,315.71
		SUBTOTAL ITEM 7201				\$ 156,277.53	\$ 143,572.00	92.90%	\$ 61,850.00	\$ 51,315.00	\$ 19,305.00	\$ 12,705.53	\$ 145,175.53
		Invoice Retention							\$ (6,185.00)	\$ (5,131.50)	\$ (1,930.50)	\$ (1,270.55)	\$ (14,517.55)
		Invoice Total							\$ 55,665.00	\$ 46,183.50	\$ 17,374.50	\$ 11,434.98	\$ 130,657.98
									Unapproved Change Order Total				\$ (12,705.53)
									Eligible Amount For Reimbursement				\$ 117,952.45

Mission Bay
Block 13, Phase 1
McGuire&Hester Components

Mission Bay Park P6 Component 7202

Description: Low pressure and domestic water. Includes trenching, soil spoil off-haul, stockpiling and screening, pipe, fittings, backfill, compaction, valves, drinking fountains, backflow preventer, connectors, and testing of system (Complete)

Bid Item	Component	Description	QTY	Units	Unit Price	Extended Price	Eligible Price	% Complete	Invoice No. 1 05/31/14	Invoice No. 2 6/30/14	Invoice No. 3 7/31/14	Invoice No. 4 8/31/14	Sub-Component Totals
7202	7202.01	LOW PRESSURE AND DOMESTIC WATER Furnish and Install Drinking Fountain & CF of Cobbles and 1-1/2" Drain Line (Complete)	2	EA	\$ 6,810.00	\$ 13,620.00	\$ 13,620.00	21.37%		\$ 4,603.00			\$ 4,603.00
	7202.02	Furnish & install 1/2" Copper Line & Connection to LPW at Meter Box (Complete)	200	LF	\$ 11.20	\$ 2,240.00	\$ 2,240.00						\$ -
	7202.03	Furnish and Install Backflow Preventer with cage and pad (Complete)	1	EA	\$ 4,370.00	\$ 4,370.00	\$ 4,370.00						\$ -
	7202.04	Connection to Existing System (Complete)	1	EA	\$ 178.00	\$ 178.00	\$ 178.00						\$ -
	7202.99	Testing and Miscellaneous Low Pressure Water System (Complete)	1	LS	\$ 1,130.00	\$ 1,130.00	\$ 1,130.00						\$ -
		SUBTOTAL ITEM 7202				\$ 21,538.00	\$ 21,538.00	21.37%		\$ 4,603.00			\$ 4,603.00
		Invoice Retention								\$ (460.30)			\$ (460.30)
		Invoice Total								\$ 4,142.70			\$ 4,142.70
											Unapproved Change Order Total		\$ -
											Eligible Amount For Reimbursement		\$ 4,142.70

Mission Bay Park P6 Component 7203

Description: Reclaimed Water. Includes trenching, soil spoil off-haul, screening and stockpiling, pipe, backfill, compaction, valves, corrosion protection, removing existing pipe as shown and disposing, replacing sidewalk. (Complete)

Bid Item	Component	Description	QTY	Units	Unit Price	Extended Price	Eligible Price	% Complete	Invoice No. 1 05/31/14	Invoice No. 2 6/30/14	Invoice No. 3 7/31/14	Invoice No. 4 8/31/14	Sub-Component Totals
7203	7203.01	RECLAIMED WATER 3 inch Reclaimed Water Lateral, including removal of existing line and connection to existing. See irrigation for backflow preventer. (Complete)	1	LS	\$ 1,310.00	\$ 1,310.00							\$ -
	7203.99	Miscellaneous Reclaimed Water System (Complete)	1	LS	\$ 500.00	\$ 500.00							\$ -
		SUBTOTAL ITEM 7203				\$ 1,810.00	\$ -	0.00%		\$ -			\$ -
		Invoice Retention								\$ -			\$ -
		Invoice Total								\$ -			\$ -
											Unapproved Change Order Total		\$ -
											Eligible Amount For Reimbursement		\$ -

Mission Bay Park P6 Component 7204

Description: Site Electrical: Including foundations, trenching, soil spoil off-haul, soil screening and stockpiling, pipe, backfill, compaction, conduit pull boxes, equipment, conductors, various underground costs, miscellaneous structures, concrete pedestals, light poles, luminaires, anchor bolts, requirements to make a complete and accepted system. (Complete)

Bid Item	Component	Description	QTY	Units	Unit Price	Extended Price	Eligible Price	% Complete	Invoice No. 1 05/31/14	Invoice No. 2 6/30/14	Invoice No. 3 7/31/14	Invoice No. 4 8/31/14	Sub-Component Totals
7204	7204.01	SITE ELECTRICAL Install pole, foundation, anchorage, and luminaire (Complete)	19	EA	\$ 7,460.00	\$ 141,740.00							\$ -
	7204.02	GFI Receptacles (Complete)	11	EA	\$ 373.00	\$ 4,103.00							\$ -
	7204.03	Electrical Conduit, Conductors, Cable (Complete)	1	LS	\$ 31,400.00	\$ 31,400.00							\$ -
	7204.04	Street Light Pull Box (Complete)	19	EA	\$ 426.00	\$ 8,094.00							\$ -
	7204.05	Fuse Boxes - CCSF Type 1 (Complete)	19	EA	\$ 160.00	\$ 3,040.00							\$ -
	7204.99	Miscellaneous Site Electrical (Complete)	1	LS	\$ 10,700.00	\$ 10,700.00							\$ -
		SUBTOTAL ITEM 7204				\$ 199,077.00	\$ -	51.46%		\$ -	\$ 97,760.00	\$ 4,686.00	\$ 102,446.00
		Invoice Retention								\$ -	\$ (9,776.00)	\$ (468.60)	\$ (10,244.60)
		Invoice Total								\$ -	\$ 87,984.00	\$ 4,217.40	\$ 92,201.40
											Unapproved Change Order Total		\$ -
											Eligible Amount For Reimbursement		\$ 92,201.40

Mission Bay
Block 13, Phase 1
McGuire&Hester Components

Mission Bay Park P6 Component 7205

Description: Hardscape including finish grading and aggregate base, standard and upgraded concrete, placing and finishing sandblasting. Including but not limited to pedestrian and recreational surfaces such as sidewalks, plazas, playgrounds, bikeways, seating areas, curbs, curb ramps, gutters, CIP concrete retaining walls and planters, foundations, stairway, metal edging, stainless steel railing and metal sleeves, Architectural Vault Covers and other surfaces. Also includes vehicular concrete paving, slab for drinking fountain, concrete collars for pre-cast pull boxes. (Complete)

Bid Item	Component	Description	QTY	Units	Unit Price	Extended Price	Eligible Price	% Complete	Invoice No. 1 05/31/14	Invoice No. 2 6/30/14	Invoice No. 3 7/31/14	Invoice No. 4 8/31/14	Sub-Component Totals
7205	HARDSCAPE												
	7205.01	Pedestrian Concrete Paving (Complete)	6,615	SF	\$ 17.00	\$ 112,455.00							\$ -
	7205.02	Vehicular Concrete Paving (Complete)	4,914	SF	\$ 21.00	\$ 103,194.00							\$ -
	7205.03	Laser Etched Stencil Images (Complete)	13	EA	\$ 1,080.00	\$ 14,040.00							\$ -
	7205.05	6" Concrete Band at resilient matting (Complete)	360	LF	\$ 40.00	\$ 14,400.00							\$ -
	7205.99	Miscellaneous Hardscape (Complete)	1	LS	\$ 500.00	\$ 500.00							\$ -
		SUBTOTAL ITEM 7205				\$ 244,589.00	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
		Invoice Retention							\$ -	\$ -	\$ -	\$ -	\$ -
		Invoice Total							\$ -	\$ -	\$ -	\$ -	\$ -
									Unapproved Change Order Total				\$ -
									Eligible Amount For Reimbursement				\$ -

Mission Bay Park P6 Component 7206

Description: Architectural Pavers: Furnish and install concrete pavers, including but not limited to fine grading and compaction of sub grade, geotextile fabric, graded aggregate base, sand setting bed, joint treatment and additional surplus to account for damage pavers from shipping and handling. (Complete)

Bid Item	Component	Description	QTY	Units	Unit Price	Extended Price	Eligible Price	% Complete	Invoice No. 1 05/31/14	Invoice No. 2 6/30/14	Invoice No. 3 7/31/14	Invoice No. 4 8/31/14	Sub-Component Totals
7206	ARCHITECTURAL PAVERS												
	7206.02	Concrete Unit Pavers (Complete)	712	SF	\$ 24.00	\$ 17,088.00							\$ -
	7206.99	Miscellaneous Paver Items (Complete)	1	LS	\$ 500.00	\$ 500.00							\$ -
		SUBTOTAL ITEM 7206				\$ 17,588.00	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
		Invoice Retention							\$ -	\$ -	\$ -	\$ -	\$ -
		Invoice Total							\$ -	\$ -	\$ -	\$ -	\$ -
									Unapproved Change Order Total				\$ -
									Eligible Amount For Reimbursement				\$ -

Mission Bay
Block 13, Phase 1
McGuire&Hester Components

Mission Bay Park P6 Component 7207

Description: Landscape & Irrigation: Furnish and install all necessary equipment, and material including but not limited to import soil, landscape soil amendments, mulch, soil spoil off-haul, irrigation piping, fittings, and components, trees, shrubs and ground covers, plant staking, rough and finish grading, clearing, grubbing, testing of the irrigation system, training of Owners Representatives and landscape maintenance as specified in the Specifications (Complete)

Bid Item	Component	Description	QTY	Units	Unit Price	Extended Price	Eligible Price	% Complete	Invoice No. 1 05/31/14	Invoice No. 2 6/30/14	Invoice No. 3 7/31/14	Invoice No. 4 8/31/14	Sub-Component Totals
7207		LANDSCAPE AND IRRIGATION											
	7207.01	Finish Grade Native Subgrade, Soil Preparation and Soil Amendment, Including Indicator Fabric (Complete)	27,288	SF	\$ 0.70	\$ 19,101.60					\$ 59,360.00	\$ 139,836.00	\$ 199,196.00
	7207.02	24" Thick Landscaping Soil (Complete)	1,437	CY	\$ 52.00	\$ 74,724.00							\$ -
		Irrigation System (Complete)											\$ -
	7207.03	Main Line and Lateral Piping, Valves, Nozzles, and Valve Boxes (Complete)	27,288	SF	\$ 4.30	\$ 117,338.40							\$ -
	7207.04	Irrigation Controller / Pedestal Assembly (Complete)	1	EA	\$ 7,580.00	\$ 7,580.00							\$ -
	7207.05	3" RWL Line with Backflow Preventer, Cage and Concrete Pad, Meter Valve and Flow Sensor (Complete)	1	LS	\$ 7,760.00	\$ 7,760.00							\$ -
	7207.06	Bubbler Irrigation to Trees (Complete)	43	EA	\$ 110.00	\$ 4,730.00							\$ -
		Planting (Complete)											\$ -
	7207.07	2" Mulch (Complete)	168	CY	\$ 52.00	\$ 8,736.00							\$ -
	7207.08	Root Barrier (Complete)	60	EA	\$ 70.00	\$ 4,200.00							\$ -
	7207.09	Trees 15 Gal (Complete)	31	EA	\$ 329.00	\$ 10,199.00							\$ -
	7207.10	24" Box Trees (Complete)	11	EA	\$ 622.00	\$ 6,842.00							\$ -
	7207.11	1 Gallon Shrubs (Complete)	2,311	EA	\$ 12.60	\$ 29,118.60							\$ -
	7207.12	Turf in Park	6,786	SF	\$ 0.70	\$ 4,750.20							\$ -
	7207.13	No-Mow Fescue - sod (Complete)	4,835	SF	\$ 1.80	\$ 8,703.00							\$ -
	7207.14	Bio Swale (Complete)	524	CY	\$ 123.00	\$ 64,452.00							\$ -
	7207.15	4" Perf PVC Pipe including clean-outs and connections to catchbasins for Bio Swales (Complete)	300	LF	\$ 22.00	\$ 6,600.00							\$ -
	7207.99	90 - Day Post Installation Plant Establishment Period (Complete)	1	LS	\$ 5,000.00	\$ 5,000.00							\$ -
		SUBTOTAL ITEM 7207				\$ 379,834.80	\$ -	52.44%	\$ -	\$ -	\$ 59,360.00	\$ 139,836.00	\$ 199,196.00
		Invoice Retention							\$ -	\$ -	\$ (5,936.00)	\$ (13,983.60)	\$ (19,919.60)
		Invoice Total							\$ -	\$ -	\$ 53,424.00	\$ 125,852.40	\$ 179,276.40
												Unapproved Change Order Total	\$ -
												Eligible Amount For Reimbursement	\$ 179,276.40

DEPARTMENT OF INDUSTRIAL RELATIONS

OFFICE OF THE DIRECTOR

455 Golden Gate Avenue, Tenth Floor

San Francisco, CA 94102

(415) 703-5050



May 9, 2012

David Gehrig
Hanson Bridgett LLP
425 Market Street, 26th Floor
San Francisco, CA 94105

Re: Public Works Case No. 2011-033
Blue Diamond Agricultural Processing Facility
City of Turlock

This constitutes the determination of the Director of Industrial Relations regarding coverage of the above-referenced project under California's prevailing wage laws and is made pursuant to California Code of Regulations, title 8, section 16001(a). Based on my review of the facts of this case and an analysis of the applicable law, it is my determination that construction of the Blue Diamond Agricultural Products Processing Facility (Project) is not a public work subject to prevailing wage requirements.

FACTS

The Project entails the construction of a 215,548 square foot industrial food processing plant in the City of Turlock (City) by Blue Diamond Growers, a California nonprofit cooperative association (Company). The Project will also involve the construction of truck loading docks, truck parking spaces, and employee and visitor parking spaces as well as public improvements, including drainage work, wet and dry utilities, street widening and landscaping. The current total estimated cost of the Project is \$95,300,000. Approximately \$38,400,000 of this amount will be used to purchase agricultural processing equipment to be installed as fixtures in the facility. Construction of the Project began in April 2012.

Company will receive three types of public financial assistance in connection with the Project: (1) a Turlock Regional Industrial Park fee credit for the cost of offsite improvements completed by the Company; (2) a transfer of reserved sewer capacity; and (3) a County of Stanislaus Public Facilities Fee Discount.

The Project will be located within the Turlock Regional Industrial Park formally known as the "City of Turlock West Side Industrial Plan" or "WISP." WISP requires property developers to pay for the construction of certain pre-planned public infrastructure improvements. These infrastructure improvement costs are apportioned to property owners on a square footage basis as compared to all properties in the WISP. Proposed developers are assessed a fee to pay for the

City's construction of these improvements. Developers are given a choice of paying the fee or constructing the necessary improvements themselves. When a developer constructs the required improvements, it receives a fee credit (WISP Fee Credit) in an amount equal to the lesser of City's estimated construction cost and the developer's actual construction cost. Company intends to construct the required improvements for the entire Project, and the City has estimated a corresponding WISP Fee Credit in the amount of \$437,871, subject to adjustment on completion of construction.

City established a Wastewater Capacity Fee for connecting to its original wastewater treatment plant. In connection with the opening of an improved wastewater treatment plant, City rescinded the pre-existing Wastewater Capacity Fee rate and adopted a new one. City's Municipal Code allows for transfer of reserved capacity attributable to the original wastewater treatment plant from user to user. City allows for transfer of this reserved capacity to new users at the original rate on a first come first served basis. In this case, reserved capacity is available for use by Company in connection with the Project, and City has approved the transfer. The total Wastewater Capacity Fee for the entire Project (Phase I, II and III) based on the original fee is \$1,050,548.33, while the total Wastewater Capacity Fee based on the current rate is \$31,344.00. Accordingly, the amount of the public subsidy is the differential (Wastewater Capacity Fee Differential) which comes to \$1,019,204.

The County of Stanislaus (County) had adopted a Large Industrial Investment Incentive Program to facilitate job creation by promoting development of new industrial facilities in the County. Eligible participants in the program are entitled to a deduction in the amount of Public Facilities Fees otherwise payable to the County in connection with the proposed facility improvement. Based on discussions with the County of Stanislaus, Company should be eligible for a deduction in the approximate amount of \$207,729 in conjunction with the Project. Thus, the total proposed public subsidy to the Project is \$1,664,804.

DISCUSSION

Labor Code section 1771¹ generally requires the payment of prevailing wages to workers employed on public works. Section 1720, subdivision (a)(1)² defines public works to include: "Construction, alteration, demolition, installation, or repair work done under contract and paid for in whole or in part out of public funds" Subdivision (b) provides:

(b) For purposes of this section, "paid for in whole or in part out of public funds" means all of the following:

(1) The payment of money or the equivalent of money by the state or political subdivision directly to or on behalf of the public works contractor, subcontractor, or developer.

¹Subsequent statutory references are to the Labor Code unless otherwise indicated.

²Subsequent subdivision references are to section 1720.

...

(4) Fees, costs, rents, insurance or bond premiums, loans, interest rates, or other obligations that would normally be required in the execution of the contract, that are paid, reduced, charged at less than fair market value, waived, or forgiven by the state or political subdivision.

Subdivision (c), however, provides:

(c) Notwithstanding subdivision (b):

...

(3) If the state or a political subdivision reimburses a private developer for costs that would normally be borne by the public, or provides directly or indirectly a public subsidy to a private development project that is de minimis in the context of the project, an otherwise private development project shall not thereby become subject to the requirements of this chapter.

It is undisputed that the Project is a public work under subdivision (a)(1) ["Construction . . . done under contract and paid for in whole or in part out of public funds . . ."].³ The issues are whether the above-described WISP Fee Credit entails a payment of public funds as defined by subdivision (b)(4) and whether the Project is exempt from prevailing wage requirements under the exemption provided in subdivision (c)(3).

The WISP Fee Credit for the entire Project will be \$437,871. On its face, it appears that this credit constitutes a payment of public funds under subdivision (b)(4). Company argues, however, upon closer examination, that the WISP Fee Credit can be distinguished from public funds in that City is only agreeing to provide a credit *if* Company constructs the infrastructure improvements at its own cost. As a result, the Company is effectively paying the WISP fee in the form of the completed infrastructure. According to Company, the WISP Fee Credit is simply an accounting reconciliation to acknowledge that Company has already funded the infrastructure improvements. In that sense, Company argues, it should not be viewed as a waiver of a fee, but rather as a choice for the Company as to how the fee is paid. Similarly, if the Company had chosen to pay the WISP fee, waiver of the requirement to construct the infrastructure improvements also would not be characterized as the payment of public funds. Accordingly, Company requests a determination that the WISP Fee Credit does not constitute a payment of public funds pursuant to subdivision (b)(4). This request must be denied for the following reason.

³ It is undisputed that the Wastewater Capacity Fee Differential of \$1,019,204 and the County's \$207,729 deduction in Public Facilities Fees constitute payments of public funds under subdivision (b).

In *Hensel Phelps Construction Company v. San Diego Unified Port District* (2011) 197 Cal.App.4th 1020 (*Hensel Phelps*), the Fourth District Court of Appeal explained that subdivision (b) does not require that the amount forgiven be an actual tangible net payment by the awarding body to a contractor. As explained in *Hensel Phelps*:

Petitioners also contend that in interpreting the phrase “rents ... that are ... reduced, waived or forgiven” we must incorporate the concept of fair market value. Specifically, Petitioners argue that we may not conclude that the Port District provided a *reduction* in rent within the meaning of section 1720, subdivision (b)(4) unless the total amount of the rent received by the Port District *over the total term of the Lease* is at less than fair market value. We find no support for Petitioners' proposed approach in the text of section 1720, subdivision (b)(4). In fact, the opposite is the case. The statute refers, *in the alternative*, to “rents ... that are paid, reduced, charged at less than fair market value, waived, or forgiven by the state or political subdivision.” Therefore, a public agency may pay for construction out of public funds either by reducing rent *or* by charging rent at less than fair market value. There is no requirement that both conditions be present. (*Id.* at 1039.)

The WISP Fee Credit is analogous to the rent reduction in *Hensel Phelps*. It does not matter that Company is performing infrastructure improvements itself or that Company could have elected to simply pay the fee and let the City perform the infrastructure improvement work. Company plans to accept the fee waiver. Therefore, it has received or will receive public funds within the meaning of subdivision (b)(4).

With respect to the exemption from prevailing wages for certain private development projects, subdivision (c)(3) states that if the public entity “provides directly or indirectly a public subsidy to a private development project that is de minimis in the context of the project, an otherwise private development project shall not thereby become subject to” prevailing wages. Here, the Project involves the construction of a new agricultural processing facility, which includes the procurement and installation of agricultural processing equipment as fixtures within the new facility. The estimated cost of the procurement and installation of this processing equipment is \$38,400,000. The installation of this equipment must be deemed part of the overall Project and included in the total project cost for the reasons discussed below.

In a recent case, *Oxbow Carbon & Minerals, LLC v. Department of Indus. Relations* (2011) 194 Cal.App.4th 538, the Second District Court of Appeal affirmed an administrative determination by the Director that construction work on a single facility done under two main contracts was a single public works project subject to the California Prevailing Wage Law. The owner, Oxbow, argued that the construction of a privately funded roof enclosure was separate and independent from the construction of a conveyor system that was paid for with public funds. As such, the roof enclosure could not be considered paid for out of public funds. The Court disagreed. It endorsed the application of the dictionary definition of “construction” that led to a view of the “complete integrated object” being constructed and focused on the significance of functionality of the parts being constructed.

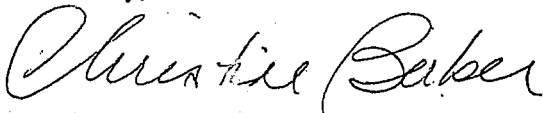
Letter to David S. Gehrig
Re: Public Works Case No. 2011-033
Page 5

Similarly, here, the agricultural processing equipment is part of the entire functional structure and must be included as part of the Project. The equipment will be bolted, secured or otherwise permanently affixed to the new facility.⁴ Accordingly, this work constitutes installation and is included in the total Project cost for the purpose of determining whether the "de minimis" exception in subdivision (c)(3) applies.

The total amount of public assistance to the Project, considering all three types of subsidies constituting "public funds," is \$1,664,804. This amounts to approximately 1.75 percent of the total estimated Project cost of \$95,300,000. The amount of public funds is proportionately small enough in relation to the overall cost of the Project, such that the availability of the subsidy does not significantly affect the economic viability of this Project. As such, under subdivision (c)(3), the public subsidy is considered de minimis in the context of the "otherwise private development project" and the Project is exempt from prevailing wage requirements. This result is consistent with prior coverage determinations addressing the "de minimis" exception.⁵

I hope this determination satisfactorily answers your inquiry.

Sincerely,



Christine Baker
Director

⁴ See, e.g., Public Works Case No. 2005-041, *Pre-rinse Spray Valve Program (Phase II) California Urban Water Conservation Council* (5/11/2006) or Public Works Case No. 2008-035, *Open Item Contract WA00023961 - Modular Furniture - County of Sacramento* (11/24/2009) for a discussion of the definition of installation.

⁵ See PW 2008-037, *The Commons at Elk Grove, City of Elk Grove* (January 2, 2009) (sewer impact fee credit representing 1.1 percent of the total project costs was found to be de minimis); PW 2008-010, *Sewer Line Construction, City of Corona* (August 4, 2008) (public subsidy representing four-tenths of one percent of the total project costs was found to be de minimis); PW 2007-012, *Sand City Design Center, Sand City Redevelopment Agency* (May 15, 2008) (public subsidy representing 1.4 percent of the total project costs was found to be de minimis); PW 2004-024, *New Mitsubishi Auto Dealership, Victorville Redevelopment Agency* (March 18, 2005) (public subsidy representing 1.64 percent of the total project costs was found to be de minimis); Public Works Case No. 2008-038, *Solar Photovoltaic Distributed Generation Facility - Santa Cruz School District* (4/21/2010) (public subsidy representing 0.99 percent of the total project costs was found to be de minimis); and Public Works Case No. 2009-005, *Solar Photovoltaic Distributed Generation Facility - West County Wastewater District* (4/21/2010) (public subsidy representing 1.2 percent of the total project costs was found to be de minimis).

Why Registering Your Jobsite Makes a Difference



MUNISERVICES

Discover. Recover. Prosper.

What allows you to register?

- Regulation 1806
- Construction contractors and subs can request “nexus” at jobsite for construction contracts over \$5M.

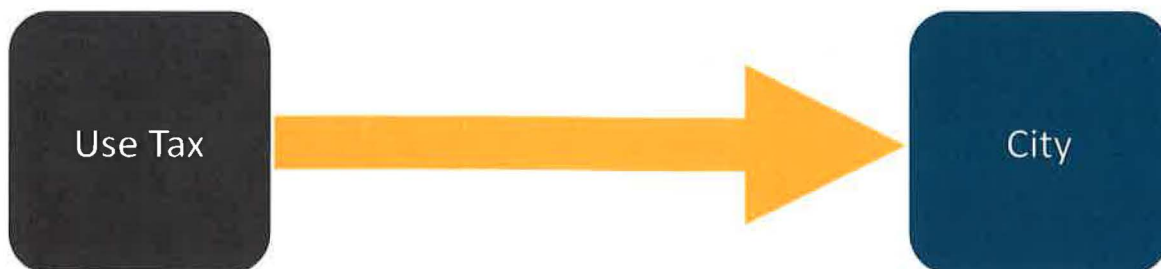
When you do not register?

The use tax you already pay on some purchases is distributed through County Pool. On average the City receives only **10%** of the County Pool.



When you do register?

The City receives the full local use tax you already pay, a **90%** recapture.



Taxable Purchases

Registering a jobsite affects the **GREEN** groups. Items in black are much less likely to be allocated directly to the City. The amount of allocation to the City is also affected by whether the jobsite is registered.

	Local	In State	Out of State
Materials	Sales tax to seller location	Sales tax to seller location	Use tax to job site
Fixtures*	Sales tax to jobsite	Sales tax to jobsite	Sales tax to jobsite
Machinery or Equipment	Normal allocation rules apply	Normal allocation rules apply	Normal allocation rules apply
	Influenced by whether a lease or sale	Influenced by whether a lease or sale	Influenced by whether a lease or sale

* Assumes fixtures purchased under a resale certificate. Not all contractors are eligible to use a resale certificate.

More on Taxable Purchases

In State – Materials & Fixtures

If the materials and fixtures are purchased from a California location of the seller but not within your jurisdiction, **then** the local tax would typically be sales tax and would be reported at the point of sale of the seller rather than the jobsite.

Out of State – Materials & Fixtures

If the materials and fixtures are shipped from outside of California (title passes outside the State) **or** if they are purchased from someone at a place of sale in your jurisdiction, **then** the local tax could be allocated directly to your jurisdiction.

Helpful Websites

MuniServices

www.MuniServices.com

State Board of Equalization

<http://www.boe.ca.gov>

Sellers Permit Online Registration

<http://www.boe.ca.gov/electsv/ereg/index.html>

Direct Pay Permit

<http://www.boe.ca.gov/pdf/boe400dp.pdf>

State, Local & District Sales & Use Tax Return

<http://www.boe.ca.gov/pdf/boe401a2.pdf>

The Primary Regulation

<http://www.boe.ca.gov/lawguides/business/current/btlg/vol1/sutr/1521.html>

State Board of Equalization's Publication on Construction Contractors

<http://www.boe.ca.gov/pdf/pub9.pdf>

State Board of Equalization

OPERATIONS MEMO

For Public Release

No: 1023

Date: February 3, 1995

SUBJECT: LOCAL TAX ALLOCATION BY CONSTRUCTION CONTRACTORS

GENERAL

Uniform Local Sales and Use Tax Regulation 1806 provides that the place of sale of fixtures that a construction contractor purchases for resale and the place of use for the consumption of materials is the jobsite.

Since its inception, local tax generated by the sale or use of tangible personal property at construction sites has been added to the countywide unallocated pool as the most practical method for allocating tax to each jurisdiction.

BOARD RESOLUTION

The Board has passed a resolution, effective January 1, 1995, which allows local tax from construction contractors to be allocated to the local jurisdiction of the specific construction jobsite. This is accomplished by a contractor, or sub-contractor, electing to obtain a sub-permit for the jobsite. The Contracts, or sub-contracts, that are for \$5,000,000 (5 million dollars) or more are eligible for this election. This qualifying contract price applies to each contract or sub-contract for work performed at the jobsite; and not to the total value of the prime contract. Contractors, or sub-contractors, who are already fulfilling a construction contract on January 1, 1995, must have work remaining with a value of \$5,000,000 or more.

The object of the resolution is to allocate local tax to the local jurisdiction where the jobsite is located. Registration area coding must be for the jobsite even if the project address is in another jurisdiction. Likewise, coding for a sub-jobsite of the prime project, even if the prime project location is in another jurisdiction, must be for the sub-jobsite location.

CONDITIONS OF THE SUB-PERMIT

- If the contractor elects to obtain a sub-permit for a jobsite, the sub-permit account indicator BC-IND should be marked with a "Y".

CONDITIONS OF THE SUB-PERMIT (Cont.)

- The estimated completion date of the contract is to be obtained at the time of registration. The sub-permit shall be closed-out by the district office immediately after the sub-permit is registered using a future close-out date of the estimated completion date of the contract, plus six months.
- The contractor's election to obtain a sub-permit for a jobsite is irrevocable and the sub-permit may not be cancelled or closed-out for the life of the construction contract.
- The sub-permit is subject to revocation action as provided by the Sales and Use Tax Law.
- Permits should not be issued to contractors who only install materials purchased in-state and are not normally retailers of materials. The resolution does not allow contractors to purchase tangible personal property for resale, including materials, which they will consume at the jobsite.
- Contractors may not purchase machinery and equipment to be used on the construction job without payment of sales tax in order to allocate the use tax to the specific jobsite.
- Regarding machinery and equipment sold by the contractor as part of the contract, local tax should continue to be allocated to the contractor's permanent place of business where the principal negotiations take place in accordance with Regulation 1802.
- Per Regulation 1806, local tax must still be allocated countywide for jobsites which have contracts of \$5,000,000 or more where the contractor has elected not to obtain a sub-permit. However, if the election is made, no local tax will be reallocated for periods prior to the reporting period for the start date of the sub-permit.
- No documentation of the \$5,000,000 contract price or value of work remaining is required to issue a sub-permit for a jobsite unless the value of the work appears to be substantially less than \$5,000,000.

EXPLANATION OF ALLOCATION ELECTIONS

Construction contractors may elect to allocate local tax to a specific jurisdiction on Schedule C by obtaining a sub-permit for a specific jobsite. If this election is not made local tax will be allocated in the usual manner by using Schedule B. A copy of the attached notice should be discussed with the contractor, if possible, and handed out for all construction contractor sub-permits until Pamphlet 9 is revised. Board staff should not stress one election over the other.

OBSOLESCENCE

Changes to Regulations 1802 and 1806 may be considered in the future. This operations memo will be obsolete upon incorporation into those regulations, if changed, and the appropriate compliance and audit manuals.

Sue Coty
Compliance Program Manager
Sales and Use Tax Department

DISTRIBUTION 1-D



Notice

STATE BOARD OF EQUALIZATION

450 N Street
Sacramento
California 95814

BOARD MEMBERS

JOHAN KLEHS
First District
Hayward

DEAN F. ANDAL
Second District
Stockton

ERNEST J.
DRONENBURG, JR.
Third District
San Diego

BRAD SHERMAN
Fourth District
Los Angeles

Kathleen Connell
State Controller
Sacramento

Executive Director
BURTON W. OLIVER

Sales Tax Jobsite Sub-Permits for Construction Contractors

Some construction contractors are liable for sales or use tax on materials and fixtures consumed or sold on construction contracts. A portion of that tax, the local tax, is distributed to the county government, and city governments within the county, of the jobsite location. The allocation of the local tax is performed by listing the amount of local tax due to each county on Schedule B of the sales and use tax return.

Effective January 1, 1995, construction contractors may elect to allocate the local sales and use tax derived from construction contracts of \$5,000,000 (five million dollars) or more directly to the local jurisdiction where the jobsite is located. This is accomplished by obtaining a sub-permit of their seller's permit for a specific jobsite and allocating the local tax to that jobsite on Schedule C of their sales and use tax return. This qualifying contract price applies to each contract or sub-contract for work performed at the jobsite. Contractors who are already fulfilling a construction contract on January 1, 1995, must have work remaining with a value of \$5,000,000 or more. The sub-permit will be automatically closed-out six months after the estimated completion date of the contract. If delays extend the completion date, contractors should contact the Board of Equalization to extend the active period of the sub-permit.

Permits will not to be issued to contractors who are not normally sellers of materials. Contractors may not purchase tangible personal property for resale, including materials, which they will install or consume at the jobsite.

Contractors may not purchase machinery and equipment, to be used on the construction job, without payment of sales tax in order to allocate the use tax to the specific jobsite.

Local tax on sales of machinery and equipment by the contractor as part of the contract, should continue to be allocated to the contractor's permanent place of business where the principal negotiations of the contract take place in accordance with Regulation 1802.

In accordance with Regulation 1806, where the contractor has not elected to obtain a sub-permit, local tax must still be allocated countywide using Schedule B for jobsites which have contracts of \$5,000,000 or more along with smaller contracts of less than \$5,000,000.

If you have any questions regarding a sub-permit for construction jobsites, please contact the nearest Board of Equalization office.

Laws, Regulations & Annotations

BTLG Table of Contents ([../business-taxes-law-guide.html](#)) > Uniform Local Sales And Use Tax Regulations ([uniform-local-sales-and-use-tax-regulations.html](#)) > Regulation 1806

**BUSINESS TAXES LAW GUIDE –
REVISION 2015**

Uniform Local Sales And Use Tax Regulations

ARTICLE 19. BRADLEY-BURNS UNIFORM LOCAL SALES AND USE TAXES REGULATION 1806

Regulation 1806. CONSTRUCTION CONTRACTORS.

Reference: Sections 6006–6010, inclusive, 6012.6, 6015, 6384, 7202, and 7203, Revenue and Taxation Code.

Construction Contractors, see Regulation 1521.

United States Contractors.

(a) IN GENERAL. All of the provisions of the State Sales and Use Tax Law and regulations adopted thereunder relating to construction contractors (other than those relating to the rate of tax) are applicable to state-administered local sales and use taxes.

(b) JOBSITE IS PLACE OF BUSINESS. The jobsite is regarded as a place of business of a construction contractor or subcontractor and is the place of sale of "fixtures" furnished and installed by contractors or subcontractors. The place of use of "materials" is the jobsite. Accordingly, if the jobsite is in a county having a state-administered local tax, the sales tax applies to the sale of the fixtures, and the use tax applies to the use of the materials unless purchased in a county having a state-administered local tax and not purchased under a resale certificate. If the jobsite is in a county without a state-administered local tax, state-administered local sales tax will not apply to the sale of the fixtures even though the contractor's principal place of business is in a county with such a tax.

If fixtures are purchased by a contractor tax paid in a county having a state-administered local tax, the contractor, upon installing the fixtures in a county without such a tax, is entitled to a credit for the local tax of the place of purchase.

The place of sale or purchase of a factory-built school building (relocatable classroom) as defined in paragraph (c)(4)(B) of Regulation 1521 (18 CCR 1521), Construction Contractors, is the place of business of the retailer of the factory-built school building regardless of whether sale of the building includes installation or whether the building is placed upon a permanent foundation.

(c) UNITED STATES CONTRACTORS. United States contractors are consumers of both materials and fixtures, and the place of use of both is the jobsite. Accordingly, if the jobsite is in a county having a state-administered local tax, the use

tax applies to the use of the materials and fixtures unless purchased in a county having a state-administered local tax and not purchased under a resale certificate.

History: Adopted May 1, 1956.

Amended and renumbered January 6, 1970, effective February 25, 1970.

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. CDIAC 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

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.

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DEFINITIONS

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ARTICLE II

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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

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

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.

MERCHANT BUILDER INFORMATION FORM

This questionnaire is intended to provide information that will be used by Disclosure Counsel in connection with the preparation of the Preliminary Official Statement and the final Official Statement for the bonds proposed to be issued by the **Community Facilities District No. 2015-1 of the County of Orange (Village of Esencia) (the “District”)**. Although the bonds are exempt from the requirement that they be registered with the Securities and Exchange Commission, they are subject to the anti-fraud provisions of the federal securities laws and the laws of the State of California. It is critical that the Preliminary Official Statement and final Official Statement not contain any material misstatements or omissions. Accordingly, the information that you provide in response to this Questionnaire must be complete and accurate in every respect.

I. OWNERSHIP

- (a) Name of owner (the “Developer”) of the property (the “Property”) being developed within the District:

Please describe the ownership structure of the Developer and its relationship to any parent company. Include a description of any partnership, limited liability company or other arrangements, and names of all general partners, members and officers. Attach a copy of any operating agreements or articles of incorporation.

- (b) Who is the contact person for the Project?

Name: _____
Title: _____
Phone Number: _____
E-Mail: _____

- (c) Please provide the contact information of the attorney who will be representing the Developer in connection with the financing by the District.

Name: _____
Title: _____
Phone Number: _____
E-Mail: _____

- (d) Please attach your most recent copy of a preliminary title report for the Property.

- (e) Have you prepared a business plan and/or pro forma for the proposed Project? ____ YES ____ NO. If YES, please attach a copy.

II. PROJECT INFORMATION

(a) Name of Project:

(b) Size of Project

(i) Number of gross acres:

(ii) Number of developable acres:

(c) Describe the expected timing of Project buildout as follows.

<u>Construction Phase</u>	<u>Number of Units</u>	<u>Actual/Projected Start Date</u>	<u>Actual/Projected Construction Completion Date</u>
---------------------------	------------------------	------------------------------------	--

(i) If available, please also list projected sales by year.

(d) Please provide the following for each type of residential unit planned:

<u>Plan</u>	<u>Number of Lots in Each Plan</u>	<u>Square Footage</u>	<u>Base Home Price (please specify if this includes or excludes concessions)</u>
-------------	------------------------------------	-----------------------	--

(i) If concessions are being offered, please describe.

(e) Has the Developer begun any development with respect to the Project? ___ YES ___ NO. If yes, please provide a brief summary of the current status of construction including information as to the number of finished lots/graded pads, building permits issued, units under construction, units completed, sold, closed escrow, and the estimated construction value of any improvements made by the Developer to the Property to date.

(f) Please answer the following questions and provide copies of the documents described below, if any, received after the date of the Developer's purchase of the Property.

- (i) Has a supplemental environmental impact report or negative declaration been approved for the Project? YES NO. If yes, please provide a copy.
- (ii) Has a Phase I Environmental Site Assessment been prepared for the Project? YES NO. If yes, please provide a copy thereof.
- (iii) Has a soils report been prepared for the Project? YES NO. If yes, please provide copies of all reports.
- (g) Are there any geological impediments (earthquake faults, flood zones, high ground water, soil slippage, etc.) to buildout of the Project? YES NO. If yes, please explain:
- (h) Are there any legal impediments that could delay or prevent the buildout of the Project as planned? YES NO. If yes, please describe.
- (i) Are you aware of any proposed restrictions on the rate of future growth from any public agency which may impact the development of the Project (i.e., proposed growth control ordinances or initiatives)? YES NO. If yes, please explain:
- (j) Are there any existing trust deeds/loans on the Property? YES NO. If yes, please state the name of the lending institution, the maximum loan amount and approximate current balance of the loan.
- (k) Has construction financing for the Project been obtained? YES NO. If yes, please describe the lender and amount of such loan and provide copies of all loan agreements and promissory notes. If no, describe the amount and source of funding to be used to build the Project.
- (l) Other than the District, are you aware of any existing or proposed community facilities district or assessment district that includes all or a portion of the Property? YES NO. If yes, please list the public agency that is responsible for the district.
- (m) Are there any unpaid taxes or assessments owing on the Property? YES NO. If yes, please describe.

- (n) Has any claim been made or suit been filed, or is any claim or suit now threatened against the Developer or the Property with respect to the Project? YES NO

If yes, please attach a copy of the complaint, or if unavailable, please list the court in which the action is pending and the case number, or if the claim or action has not yet been filed please attach any documents summarizing the claim or action:

III. RELATED PROJECT INFORMATION

- (a) Have you had an absorption study prepared for the Project? YES NO. If yes, please provide a copy.
- (b) Has an appraisal been done for the Property within the last two years? YES NO. If yes, please provide a copy.
- (c) Have you listed the Property for sale since you purchased it? YES NO. If yes, please provide a copy of the listing.
- (d) Please provide a copy of any sales brochures or materials for the Project.

IV. EXPERIENCE AND FINANCIAL CAPACITY OF DEVELOPER

- (a) Has the Developer, or any individual or entity which has an ownership interest in the Developer, ever defaulted in the payment of a special tax or an assessment on property owned by it? YES NO.
- (b) Is the Developer (or related entity) now in default on any loans, lines of credit or other obligation, or has the Developer (or related entity) been in default on any loans lines of credit or other obligation in the past five years? YES NO. If yes, please explain.
- (c) Has the Developer, or any individual or entity which has an ownership interest in the Developer, ever filed for bankruptcy or been declared a bankrupt? YES NO. If yes, specify date and location of court where bankruptcy action took place:
- (d) Please provide a list of other projects currently underway or recently closed by the Developer. Please include: (1) name, (2) location, (3) number of units, and (4) the sales price range for the project.

The undersigned hereby certifies that all responses provided herein are true and correct.

[NAME OF ENTITY]

By: _____
Name: _____
Its: _____

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, subject to certain qualifications described in the Official Statement, under existing statutes, regulations, rules and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in the Official Statement, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from State of California personal income taxes. See "TAX MATTERS" herein.



\$90,845,000
COMMUNITY FACILITIES DISTRICT NO. 2015-1
OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA)
SERIES A OF 2015 SPECIAL TAX BONDS

Dated: Delivery Date

Due: August 15, as shown on the inside cover page

This Official Statement describes bonds that are being issued by Community Facilities District No. 2015-1 of the County of Orange (Village of Esencia) (the "District"). The Community Facilities District No. 2015-1 of the County of Orange (Village of Esencia) Series A of 2015 Special Tax Bonds (the "Bonds") are being issued by the District to (a) pay the costs of forming the District; (b) pay the cost and expense of acquisition and construction of certain public facilities required in connection with the development of the District; (c) fund a reserve account securing the Bonds; (d) pay costs of issuance of the Bonds and (e) make an initial deposit to the Administrative Expense Account.

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 pursuant to Resolution No. 15-107 and the Supplement to Resolution No. 15-107 adopted by the Board of Supervisors of the County of Orange (the "County"), acting as the legislative body of the District on September 22, 2015 (together, the "Resolution").

The Bonds are limited obligations of the District and are payable solely from revenues derived from certain annual Special Taxes (as defined herein) to be levied on and collected from the owners of parcels within the District subject to the Special Taxes and from certain other funds pledged under the Resolution, all as further described herein. The Special Taxes are to be levied according to the rate and method of apportionment approved by the Board of Supervisors of the County and the qualified electors within the District. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes." The Board of Supervisors of the County is the legislative body of the District.

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. Interest on the Bonds will be payable semiannually on each February 15 and August 15, commencing February 15, 2016. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS — General Provisions" and APPENDIX H — "BOOK-ENTRY ONLY SYSTEM" herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY OF ORANGE, 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 COUNTY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES TO BE LEVIED IN THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE RESOLUTION AS MORE FULLY DESCRIBED HEREIN.

The Bonds are subject to optional redemption, extraordinary redemption from prepaid Special Taxes and mandatory sinking fund redemption prior to maturity as set forth herein. See "THE BONDS — Redemption" herein.

THE BONDS ARE NOT RATED BY ANY RATING AGENCY, AND INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT 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.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriters, 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, Newport Beach, California is serving as Disclosure Counsel to the District with respect to the Bonds. Certain legal matters will be passed on for the County and the District by the Office of the County Counsel, and for the Underwriters by Best Best & Krieger LLP, Riverside, California, as counsel to the Underwriters. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about October 28, 2015.

STIFEL

PiperJaffray®

\$90,845,000
COMMUNITY FACILITIES DISTRICT NO. 2015-1
OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA)
SERIES A OF 2015 SPECIAL TAX BONDS

MATURITY SCHEDULE

Base CUSIP No.†: 68423P

Serial Bonds

<i>Maturity Date</i> <i>(August 15)</i>	<i>Principal</i> <i>Amount</i>	<i>Interest</i> <i>Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.†</i>
2016	\$ 1,115,000	2.00%	0.61%	101.103	VF4
2017	305,000	2.00	1.26	101.310	VG2
2018	405,000	4.00	1.68	106.311	VH0
2019	520,000	4.00	2.05	107.086	VJ6
2020	635,000	4.00	2.39	107.253	VK3
2021	760,000	4.00	2.68	107.040	VL1
2022	895,000	5.00	2.88	112.998	VM9
2023	1,045,000	5.00	3.02	113.659	VN7
2024	1,200,000	5.00	3.14	114.196	VP2
2025	1,370,000	5.00	3.30	114.127	VQ0
2026	1,550,000	5.00	3.48	112.522 ^c	VR8
2027	1,740,000	5.00	3.64	111.117 ^c	VS6
2028	1,945,000	5.00	3.75	110.164 ^c	VT4
2029	2,155,000	5.00	3.84	109.391 ^c	VU1
2030	2,385,000	5.00	3.93	108.625 ^c	VV9
2031	2,625,000	4.00	4.05	99.415	VW7
2032	2,855,000	4.00	4.11	98.670	VX5
2033	3,095,000	5.00	4.11	107.112 ^c	VY3
2034	3,380,000	5.00	4.14	106.862 ^c	VZ0
2035	3,680,000	5.00	4.16	106.696 ^c	WA4

Term Bonds

\$12,940,000 4.25% Term Bonds due August 15, 2038, Yield: 4.29% Price: 99.416 CUSIP No.† 68423P WB2
 \$44,245,000 5.25% Term Bonds due August 15, 2045, Yield: 4.27% Price: 107.772^c CUSIP No.† 68423P WC0

^c Priced to the optional redemption date of August 15, 2025, at par.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by S&P Capital I.Q. Copyright© 2015 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for CGS. CUSIP® numbers are provided for convenience of reference only. Neither the District nor the Underwriters take any responsibility for the accuracy of such numbers.

**COUNTY OF ORANGE
STATE OF CALIFORNIA**

**BOARD OF SUPERVISORS
Serving as the Legislative Body of
Community Facilities District No. 2015-1
of the County of Orange (Village of Esencia)**

Todd Spitzer (Third District), Chairman
Lisa Bartlett (Fifth District), Vice Chair
Andrew Do (First District)
Shawn Nelson (Fourth District)
Michelle Steel (Second District)

COUNTY OFFICIALS

Frank Kim, County Executive Officer
Shari L. Freidenrich, Treasurer-Tax Collector
Eric H. Woolery, Auditor-Controller
Leon J. Page, County Counsel

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth,
a Professional Corporation,
Newport Beach, California

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

SPECIAL TAX CONSULTANT

David Taussig & Associates, Inc.
Newport Beach, California

REAL ESTATE APPRAISER

Harris Realty Appraisal
Newport Beach, California

MARKET ABSORPTION ANALYST

Empire Economics, Inc.
Capistrano Beach, California

PAYING AGENT

U.S. Bank National Association
Los Angeles, California

Except where otherwise indicated, all information contained in this Official Statement has been provided by the County and the District. No dealer, broker, salesperson or other person has been authorized by the County, the District, the Paying Agent or the Underwriters to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the County, the District, the Paying Agent or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org.

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable, but such information is not guaranteed as to accuracy or completeness by the County or the District. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the District or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Resolution or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is made by this Official Statement to such documents on file with the County for further information. While the County maintains an internet website for various purposes, none of the information on that website is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the County. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

The Underwriters have provided the following sentence for inclusion in this Official Statement:

The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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 "plan," "expect," "estimate," "project," "budget" or other 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" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

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 COUNTY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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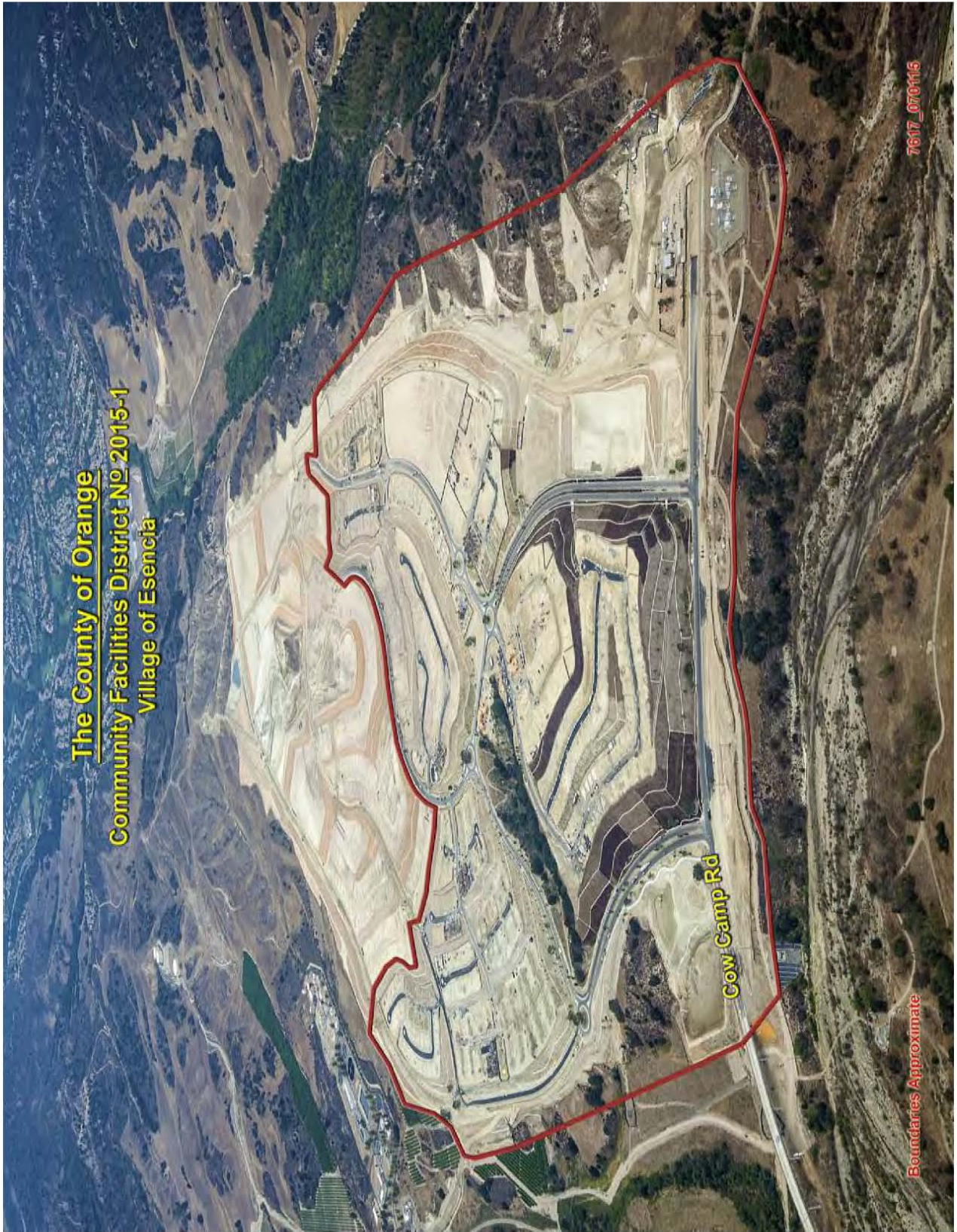
Regional Map



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The County of Orange
Community Facilities District No 2015-1
Village of Esencia



Boundaries Approximate

7617_070116

\$90,845,000
COMMUNITY FACILITIES DISTRICT NO. 2015-1 (VILLAGE OF ESENCIA)
OF THE COUNTY OF ORANGE
SERIES A OF 2015 SPECIAL TAX BONDS

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by Community Facilities District No. 2015-1 of the County of Orange (Village of Esencia) (the “District”) of its Series A of 2015 Special Tax Bonds (the “Bonds”) in the aggregate principal amount of \$90,845,000. The proceeds of the Bonds will be used to (a) pay the costs of forming the District; (b) pay the cost and expense of acquisition and construction of certain public facilities required in connection with the development of the District; (c) fund a reserve account securing the Bonds; (d) pay costs of issuance of the Bonds and (e) make an initial deposit to the Administrative Expense Account. 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 pursuant to Resolution No. 15-107 and the Supplement to Resolution No. 15-107 adopted by the Board of Supervisors of the County (the “Board of Supervisors”), acting as the legislative body of the District on September 22, 2015 (together, the “Resolution”).

The Bonds are secured under the Resolution by a pledge of and lien upon Net Taxes (as defined herein) levied on parcels within the District and all moneys in the Special Tax Fund (other than the Administrative Expense Account therein) as described in the Resolution. See “SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds are being issued and delivered pursuant to the provisions of the Act and the Resolution. The Bonds are being sold pursuant to a Bond Purchase Agreement between the Underwriters and the District. For more complete information, see “THE BONDS — General Provisions” herein.

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 E — “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — DEFINITIONS” herein.

Changes Since the Date of the Preliminary Official Statement and Supplement to Preliminary Official Statement

Changes have been made in this Official Statement since the Preliminary Official Statement dated September 24, 2015, as supplemented by the Supplement to Preliminary Official Statement dated October 5, 2015, to reflect the approval of the Merger Agreement (as defined herein) by the respective shareholders of The Ryland Group, Inc. (the “Ryland Group”) and Standard Pacific Corp. (“Standard Pacific”) on September 28, 2015. Such changes have been made under the captions “INTRODUCTION — Property Ownership and Development Status,” “PROPERTY OWNERSHIP AND DEVELOPMENT STATUS — Merchant Builders in the Development,” “SPECIAL RISK FACTORS — Concentration of Ownership” and in Tables 4, 5, 6 and 7 herein. In addition, Tables 3 and 5 have been updated to reflect Fiscal Year 2015-16 levy information for overlapping districts that was previously unavailable.

The District

General. The District is located in the southern portion of the County of Orange (the “County”), in the vicinity of Ortega Highway (Route 74) and Antonio Parkway, south of Ladera Ranch and east of the City of San Juan Capistrano. The District consists of approximately 417 gross acres. Approximately 98.1 acres of property in the District are expected to be subject to the Special Tax (as defined herein) at build-out. The property within the District which is not subject to the levy of the Special Tax consists primarily of open space/conservation property, property owned by the owners association and public property, including a parcel of approximately 14.1 acres planned to be conveyed by the Developer (defined below) to the Capistrano Unified School District for use as a school site. RMV PA2 Development, LLC, a Delaware limited liability company (the “Developer”) is the master developer of property in the District. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

Formation Proceedings. The District was formed by the County pursuant to the Act and constitutes a governmental entity separate and apart from the County.

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 March 3, 2015, the Board of Supervisors adopted Resolution No. 15-012 (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. On March 3, 2015 the Board of Supervisors also adopted Resolution No. 15-013, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$110,000,000 for the purpose of financing the acquisition, construction, expansion, improvement, or rehabilitation of certain public facilities to serve the area within the District and its neighboring areas. See “THE COMMUNITY FACILITIES DISTRICT — Description of Authorized Facilities.”

Subsequent to a noticed public hearing, the Board of Supervisors adopted Resolution Nos. 15-028 and 15-029 on April 14, 2015 (the “Resolution of Formation” and the “Resolution to Incur Debt,” respectively) which established the District, authorized the levy of a special tax within the District, determined the necessity to incur bonded indebtedness 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 within the District.

On April 16, 2015, an election was held within the District at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not to exceed \$110,000,000. A Notice of Special Tax Lien was recorded in the office of the County Recorder on April 30, 2015 as Document No. 2015000224778. On May 5, 2015, the Board, acting as the legislative body of the District, adopted Ordinance No. 15-007 (the “Ordinance”) which authorizes the levy of a special tax pursuant to the Rate and Method of Apportionment of Special Tax within the District approved at the April 16, 2015 election and revised in accordance therewith as described below (as revised, the “Rate and Method”), a copy of which is attached hereto as APPENDIX A.

In accordance with Section H of the Rate and Method, the County caused a price point study dated August 7, 2015 and updated on August 21, 2015 (the “Price Point Study”) to be prepared by Empire Economics, Inc. Capistrano Beach, California. Based on the Price Point Study, the Assigned Special Tax rates (as defined in the Rate and Method) were reduced in accordance with the Rate and Method. In accordance with the Rate and Method, upon the issuance of the Bonds, a notice of the revised Assigned

Special Tax rates will be recorded in the office of the County Recorder. The revised Assigned Special Tax rates for each zone are set forth in the Rate and Method attached hereto as APPENDIX A.

Validation Proceedings. On May 12, 2015, the County, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure and Government Code Section 53359, filed a complaint in the Superior Court of the State of California for the County of Orange seeking judicial validation of the formation of the District, the authorization of the issuance of bonds for the District and the levy of the special tax within the District. On July 16, 2015, the court entered a default judgment (the “Validation Judgment”) to the effect, among other things, that the proceedings conducted by the Board of Supervisors in connection with the establishment of the District, the authorization to incur bonded indebtedness for the District through the issuance of bonds and the levy of the Special Tax within the District were valid and in conformity with the Constitution of the State and applicable laws of the State. The last day of the appeal period for the validation action was August 15, 2015. As of the date of this Official Statement, no appeal has been filed with respect to the Validation Judgment. See the section entitled “VALIDATION” herein for additional information regarding the legal effects of the Validation Judgment.

Property Ownership and Development Status

The District encompasses the Village of Esencia development (“Esencia”), which is a portion of the second phase of development of the Rancho Mission Viejo Ranch Plan Planned Community. The Rancho Mission Viejo Ranch Plan Planned Community is a proposed 22,815-acre master planned community, which will consist of the final build-out of Rancho Mission Viejo. Other Rancho Mission Viejo projects within the County have included the City of Rancho Santa Margarita, Ladera Ranch, Las Flores and Sendero.

The residential development within the District is planned for 12 residential projects consisting of 840 for-sale residential units, a 113-unit affordable apartment complex and a 150-unit market-rate apartment complex. In addition, an approximately one-acre parcel owned by the Developer is currently planned for use as a daycare center. The remaining nonresidential property within the District is owned by the Developer. The Developer expects to convey approximately 14.1 acres of such property to the Capistrano Unified School District to be used as a K-8 school site. The balance of the property within the District is anticipated to be used for recreational facilities, parks and open space.

All property planned for residential development in the 12 for-sale projects has been conveyed to merchant builders. Four of the developments planned for for-sale residential units totaling 318 units are designated as age-qualified for residents age 55 or older. Property planned for the age-qualified developments has been sold to CalAtlantic Group, Inc. (formerly Standard Pacific), Shea Homes and William Lyon Homes (or their homebuilding subsidiaries and divisions, as further described herein). The remaining property planned for for-sale residential developments are owned by William Lyon Homes, Shea Homes, TRI Pointe Homes, Ryland Homes of California, Inc. (“Ryland Homes”) (which, pursuant to the October 1, 2015 merger between the Ryland Group and Standard Pacific as described herein, became a wholly-owned subsidiary of CalAtlantic Group, Inc.), Warmington and Meritage (or their homebuilding subsidiaries and divisions, as further described herein). The sites planned for the two apartment complexes are owned by the Developer and are expected to be developed by joint ventures between the Developer, Western National Group and Lewis Operating Company. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT — Merchant Builders in the Development.”

On September 28, 2015, the respective shareholders of the Ryland Group and Standard Pacific approved the Merger Agreement. On October 1, 2015, the Ryland Group (the parent company of Ryland Homes) merged with and into Standard Pacific, with Standard Pacific continuing as the surviving corporation. At the same time, Standard Pacific changed its name to CalAtlantic Group, Inc. (“CalAtlantic”). Pursuant to such merger, Ryland Homes will remain a separate legal entity operating as a wholly-owned subsidiary of CalAtlantic (see “PROPERTY OWNERSHIP AND THE DEVELOPMENT — Merchant

Builders in the Development — Standard Pacific/Ryland Merger” for a discussion of the merger between the Ryland Group and Standard Pacific).

The area included in the District has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer within the District has been substantially completed. Construction of the centrally located recreational facilities such as the community hall with coffee house and farm and associated landscaping was substantially complete as of September 18, 2015. Residential lots are expected to be finished in phases by the merchant builders and the first phase of residential lots is in finished or near finished condition. All of the merchant builders within the District have commenced vertical construction of model homes within the District. The public grand opening for the Esencia development was held on September 20, 2015 with the exception of Ryland Homes’ MR-19 (Heirloom) product which is expected to open in November 2015. As of August 26, 2015, merchant builders had pulled 203 building permits within the District, including building permits for 51 planned model homes. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT” herein.

In May 2015, the Developer started pre-opening marketing efforts including advertising and creating a website for Esencia. As of August 5, 2015, the Developer represents that more than 5,000 people have visited the website and signed up to receive more information on the new homes in Esencia. Of these, more than 3,000 have chosen to become a “Pathfinder” and receive invitations to preview events. During the month of August 2015, a series of five builder fairs were held to introduce each homebuilder in Esencia to the Pathfinders.

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 captions “THE COMMUNITY FACILITIES DISTRICT,” “PROPERTY OWNERSHIP AND THE DEVELOPMENT” and APPENDIX B — “APPRAISAL REPORT.”

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.

Sources of Payment for the Bonds

General. The Bonds and any Parity Bonds are limited obligations of the District, and the interest on and principal of and redemption premiums, if any, on the Bonds and any Parity Bonds are payable solely from the Special Taxes to be levied annually against the property in the District, or, to the extent necessary, from the moneys on deposit in the Reserve Account. As described herein, the Special Taxes are collected along with *ad valorem* property taxes on the tax bills mailed by the Treasurer-Tax Collector of the County. Although the Special Taxes will constitute a lien on the property subject to taxation in the District, they will not constitute a personal indebtedness of the owners of such property. There is no assurance that such owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if they are financially able to do so.

Limited Obligations. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds and any Parity Bonds. The Bonds and any Parity Bonds are not general or special obligations of the County nor general obligations of the District, but are special obligations of the District payable solely from Special Taxes and amounts held under the Resolution as more fully described herein

Special Tax. As used in this Official Statement, the term “Special Tax” is that tax which has been authorized pursuant to the Act to be levied against certain land within the District pursuant to the Act and in accordance with the Rate and Method, but excluding penalties and interest imposed upon delinquent installments. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” and APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Under the Resolution, the District will pledge to repay the Bonds and any Parity Bonds from the Special Tax revenues remaining after the payment of certain annual Administrative Expenses of the District (the “Net Taxes”) and from amounts on deposit in the Special Tax Fund (other than the Administrative Expense Account therein) established under the Resolution.

The Special Taxes are the primary security for the repayment of the Bonds and any Parity 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 and any Parity Bonds are amounts held by the Treasurer in the Special Tax Fund, including amounts held in the Reserve Account therein. See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund.”

Foreclosure Proceeds. The District will covenant for the benefit of the owners of the Bonds and Parity Bonds that it will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$25,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due and 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, and diligently pursue to completion such foreclosure proceedings.

Notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement. The District may, but shall not be obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account at the Reserve Requirement or to avoid a default in payment on the Bonds and any Parity Bonds. As the first installment of Special Tax payments is not due until December 10, 2015, there are no delinquent parcels within the District at this time. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*” herein and APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — COVENANTS AND WARRANTY — Covenants — Commence Foreclosure Proceedings.” There is no assurance that the property within the District can be sold for the appraised value described herein, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current landowner or future landowners within the District. See “SPECIAL RISK FACTORS — Land Values” and APPENDIX B — “APPRAISAL REPORT” herein.

The District participates in the County’s Teeter Plan (as defined herein). See “SOURCES OF PAYMENT FOR THE BONDS — Teeter Plan” and “SPECIAL RISK FACTORS — Teeter Plan Termination.”

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE COUNTY OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY

FROM NET TAXES AND CERTAIN AMOUNTS HELD UNDER THE RESOLUTION AS MORE FULLY DESCRIBED HEREIN.

Parity Bonds and Liens. Under the terms of the Resolution, the District may issue additional bonds secured by the Net Taxes on a parity with the Bonds (“Parity Bonds”) if certain conditions are met but only for the purpose of refunding the Bonds or Parity Bonds. See “SOURCES OF PAYMENT FOR THE BONDS — Issuance of Parity Bonds for Refunding Only.” Parity Bonds may be issued by means of a supplemental resolution and without any requirement for the consent of any Bond owners. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — DEFEASANCE AND PARITY BONDS.” Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes have been levied and may also be levied in the future on the property within the District which could adversely affect the willingness of the landowners to pay the Special Taxes when due. See “SPECIAL RISK FACTORS — Parity Taxes and Special Assessments” herein.

Appraisal Report

An MAI appraisal of the land and existing improvements within the District was prepared by Harris Realty Appraisal, Newport Beach, California (the “Appraiser”). The appraisal is dated July 15, 2015, and entitled “Appraisal Report County of Orange Community Facilities District No. 2015-1 (Village of Esencia),” (the “Appraisal Report”). See APPENDIX B — “APPRAISAL REPORT.” The Appraisal Report provides an estimate of the approximate market value of the property in the District, assuming development of the property as currently planned. As currently planned, development in the District will consist of 840 residential units (including 318 age-qualified units), a 113-unit affordable apartment complex and a 150-unit market-rate apartment complex. In addition, a parcel of approximately one-acre is owned by the Developer and is expected to be developed into a daycare center. As of July 1, 2015, the Appraiser estimates that the market value of all of the Parcels within the District subject to the Special Tax was \$290,200,000.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in APPENDIX B. The County and the District make no representations as to the accuracy of the Appraisal Report. See “THE COMMUNITY FACILITIES DISTRICT — Appraisal Report” and “— Appraised Value-to-Lien Ratios.” There is no assurance that property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by the land owner. See “THE COMMUNITY FACILITIES DISTRICT,” “SPECIAL RISK FACTORS — Land Values” and APPENDIX B — “APPRAISAL REPORT” herein.

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 Resolution. See APPENDIX H — “BOOK-ENTRY ONLY SYSTEM.”

Principal of, premium, if any, and interest on the Bonds is payable by the Paying Agent 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. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Paying Agent, all as described in the

Resolution. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — GENERAL AUTHORIZATION AND BOND TERMS — Transfers Outside Book-Entry System” herein.

The Bonds are subject to optional redemption, extraordinary redemption, and mandatory sinking fund redemption as described herein. See “THE BONDS — Redemption.” For a more complete descriptions of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see “THE BONDS” and APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION” herein.

Tax Exemption

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, the interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with certain covenants described in the Official Statement, is excluded from gross income for federal income tax purposes, and is not a specific preference item for purposes of the federal alternative minimum tax; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations. Set forth in APPENDIX C is the form of 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 incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, see “TAX MATTERS.”

Professionals Involved in the Offering

U.S. Bank National Association, Los Angeles, California, will act as Paying Agent under the Resolution. Stifel, Nicolaus & Company, Incorporated and Piper Jaffray & Co., are the underwriters (together, the “Underwriters”) of the Bonds. Certain 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 to the District in connection with the issuance of the Bonds. Certain legal matters will be passed on for the District and the County by the Office of the County Counsel and for the Underwriters by Best Best & Krieger LLP, Riverside, California, as counsel to the Underwriters. Other professional services have been performed by Harris Realty Appraisal, Newport Beach, California, as the Appraiser, Empire Economics, Inc., Capistrano Beach, California as Market Absorption Consultant, Fieldman, Rolapp & Associates, Inc., Irvine, California as financial advisor to the County and David Taussig & Associates, Inc., Newport Beach, California, as Special Tax Consultant, and initial dissemination agent under the Developer Continuing Disclosure Agreement, dated as of October 1, 2015, by and between the Special Tax Consultant and the Developer (the “Developer Continuing Disclosure Agreement”).

For information concerning respects in which 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 has agreed to provide, or cause to be provided, pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission (the “Rule”) certain financial information and operating data on an annual basis (the “District Reports”). The District has further agreed to provide, in a timely manner, notice of certain events with respect to the Bonds (the “Listed Events”). These covenants have been made in order to assist the Underwriters in complying with the Rule. The District Reports will be filed with the Electronic Municipal Market Access System (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”) available on the Internet at <http://emma.msrb.org>. Notices of Listed Events will also be filed with the MSRB. The District has not entered into any prior continuing disclosure obligations. The County will assist the

District in preparing the District Reports. Within the last five years, the County and certain related entities have failed to comply in certain respects with prior continuing disclosure undertakings.

The Underwriters do not consider the Developer to be an “obligated person” with respect to the Bonds for purposes of the Rule. However, to assist in the marketing of the Bonds, the Developer has agreed to provide, or cause to be provided on EMMA, updated information with respect to the development within the District (the “Developer Reports” and together with the District Report, the “Reports”), on a semiannual basis during the development period and notices of certain events.

See “CONTINUING DISCLOSURE” herein and APPENDIX F and APPENDIX G hereto for a description of the specific nature of the annual reports to be filed by the District and the Developer and notices of Listed Events and a copy of the continuing disclosure undertakings pursuant to which such Reports are to be made.

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 significant risks, and the Bonds may not be appropriate investments for certain investors. See “SPECIAL RISK FACTORS” herein.

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 Resolution are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Resolution, the Bonds and the constitution and laws of the State as well as the proceedings of the Board, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Resolution. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Resolution.

Copies of the Resolution, the Appraisal Report 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 Clerk of the Board of Supervisors’ office at 333 West Santa Ana Boulevard, Santa Ana, California 92702.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of Bond proceeds.

Sources of Funds:

Principal Amount of Bonds	\$ 90,845,000.00
Plus Net Original Issue Premium	<u>5,802,809.55</u>
Total Sources	<u>\$ 96,647,809.55</u>

Uses of Funds:

Acquisition and Construction Fund ⁽¹⁾	\$ 87,701,058.22
Administrative Expense Account	75,000.00
Costs of Issuance ⁽²⁾	998,943.75
Reserve Account	<u>7,872,807.58</u>
Total Uses	<u>\$ 96,647,809.55</u>

⁽¹⁾ Acquisition and Construction Fund includes the County Facilities Account, the Water Facilities Account and the Project Facilities Account.

⁽²⁾ Includes Underwriters' Discount, Bond Counsel fees, Disclosure Counsel Fees, Special Tax Consultant fees, Financial Advisor fees, Paying Agent fees, printing costs and other issuance costs.

Source: The Underwriters.

THE BONDS

General Provisions

The Bonds will be dated as of their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each February 15 and August 15, commencing on February 15, 2016 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement.

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on that Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment.

As used herein, Record Date means the first day of the month in which any Interest Payment Date occurs, regardless of whether such day is a Business Day.

Interest on any Bond will be paid to the person whose name appears in the Bond Register as the Owner of such Bond as of the close of business on the Record Date. Such interest will be paid by check of the Paying Agent mailed by first class mail, postage prepaid, to the Bondowner at its address on the Bond Register. In addition, with respect to any Bonds owned by the District and upon a request in writing received by the Paying Agent on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds, payment will be made by wire transfer in immediately available funds to an account designated by such Owner.

Principal of the Bonds and any premium due upon redemption is payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Paying Agent in Los Angeles, California.

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of 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 DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC’s procedures and the procedures of DTC’s Participants. See APPENDIX H — “BOOK-ENTRY-ONLY SYSTEM.”

Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemption), assuming there are no optional or extraordinary redemptions. See “SOURCES OF PAYMENT FOR THE BONDS” and “THE BONDS — Redemption.”

<i>Date</i> <i>(August 15)</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$ 1,115,000	\$ 3,535,849.97	\$ 4,650,849.97
2017	305,000	4,412,912.50	4,717,912.50
2018	405,000	4,406,812.50	4,811,812.50
2019	520,000	4,390,612.50	4,910,612.50
2020	635,000	4,369,812.50	5,004,812.50
2021	760,000	4,344,412.50	5,104,412.50
2022	895,000	4,314,012.50	5,209,012.50
2023	1,045,000	4,269,262.50	5,314,262.50
2024	1,200,000	4,217,012.50	5,417,012.50
2025	1,370,000	4,157,012.50	5,527,012.50
2026	1,550,000	4,088,512.50	5,638,512.50
2027	1,740,000	4,011,012.50	5,751,012.50
2028	1,945,000	3,924,012.50	5,869,012.50
2029	2,155,000	3,826,762.50	5,981,762.50
2030	2,385,000	3,719,012.50	6,104,012.50
2031	2,625,000	3,599,762.50	6,224,762.50
2032	2,855,000	3,494,762.50	6,349,762.50
2033	3,095,000	3,380,562.50	6,475,562.50
2034	3,380,000	3,225,812.50	6,605,812.50
2035	3,680,000	3,056,812.50	6,736,812.50
2036	4,000,000	2,872,812.50	6,872,812.50
2037	4,310,000	2,702,812.50	7,012,812.50
2038	4,630,000	2,519,637.50	7,149,637.50
2039	4,970,000	2,322,862.50	7,292,862.50
2040	5,380,000	2,061,937.50	7,441,937.50
2041	5,810,000	1,779,487.50	7,589,487.50
2042	6,265,000	1,474,462.50	7,739,462.50
2043	6,750,000	1,145,550.00	7,895,550.00
2044	7,265,000	791,175.00	8,056,175.00
2045	<u>7,805,000</u>	409,762.50	8,214,762.50
Total	<u>\$90,845,000</u>	<u>\$96,825,237.47</u>	<u>\$187,670,237.47</u>

Source: The Underwriters.

Redemption

Optional Redemption. The Bonds maturing on or after August 15, 2026 may be redeemed, at the option of the District from any source of funds, on any date on or after August 15, 2025, in whole, or in part in

the order of maturity selected by the District and by lot within a maturity, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Extraordinary Redemption from Special Tax Prepayments. The Bonds are subject to extraordinary redemption from Special Tax Prepayments as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date, and shall be redeemed from Special Tax Prepayments deposited to the Redemption Account pursuant to the Resolution, plus amounts transferred from the Reserve Account pursuant to the Resolution, at the following redemption prices, expressed as a percentage of the principal amount of the Bonds to be redeemed, together with accrued interest to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Price</i>
February 15, 2016 through February 15, 2023	103%
August 15, 2023 and February 15, 2024	102
August 15, 2024 and February 15, 2025	101
August 15, 2025 and any Interest Payment Date thereafter	100

Mandatory Sinking Fund Redemption. The Bonds maturing on August 15, 2038 (the “2038 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on August 15, 2036, and on each August 15 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 Paying Agent 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>Sinking Fund Redemption Date (August 15)</i>	<i>Sinking Fund Payments</i>
2036	\$ 4,000,000
2037	4,310,000
2038 (maturity)	4,630,000

The Bonds maturing on August 15, 2045 (the “2045 Term Bonds” and together with the 2038 Term Bonds, the “Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on August 15, 2039, and on each August 15 thereafter prior to maturity, and will be paid at maturity in accordance with the schedule of Sinking Fund Payments set forth below. The 2045 Term Bonds so called for redemption will be selected by the Paying Agent by lot and will be redeemed at a redemption price for each redeemed 2045 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

<i>Sinking Fund Redemption Date (August 15)</i>	<i>Sinking Fund Payments</i>
2039	\$ 4,970,000
2040	5,380,000
2041	5,810,000
2042	6,265,000
2043	6,750,000
2044	7,265,000
2045 (maturity)	7,805,000

In the event of a partial optional redemption or extraordinary redemption of Term Bonds, each of the remaining Sinking Fund Payments for such Term Bonds will be reduced, as nearly as practicable, on a pro rata basis, in integral multiples of \$5,000.

Notice of Redemption. So long as the Bonds are held in book-entry form, the Beneficial Owners will not be mailed any notice of redemption by the Paying Agent. It is the responsibility of DTC Participants to provide such notice. See APPENDIX H — “BOOK-ENTRY ONLY SYSTEM.” The Paying Agent is obligated to provide at least 30 days but not more than 60 days prior to the date of redemption, notice of intended redemption, by first-class mail, postage prepaid, to the respective registered owners of the Bonds at the addresses appearing on the Bond registration books; provided, however, so long as the Bonds and Parity Bonds are registered in the name of the Nominee, such notice shall be given in such manner as complies with the requirements of the Depository. The notice of redemption must: (i) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds selected for redemption, except that where all of the Bonds are subject to redemption, or all the Bonds of one maturity, are to be redeemed, the bond numbers of such issue need not be specified; (ii) state the date fixed for redemption and surrender of the Bonds to be redeemed; (iii) state the redemption price; (iv) state the place or places where the Bonds are to be redeemed; (v) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (vi) state the date of issue of the Bonds as originally issued; (vii) state the rate of interest borne by each Bond being redeemed; and (viii) state any other descriptive information needed to identify accurately the Bonds being redeemed as shall be specified by the Paying Agent. Such notice must further state that on the date fixed for redemption, there will become due and payable on each Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon will cease to accrue and be payable.

So long as notice of redemption has been provided as set forth in the Resolution, the actual receipt by the owner of any Bond of notice of such redemption is not a condition precedent to redemption, and neither the failure to receive such notice nor any defect therein will affect the validity of the proceedings for redemption of such Bonds or the cessation of interest on the date fixed for redemption.

Any redemption notice for an optional redemption of the Bonds delivered in accordance with the Resolution may be conditional, and, if any condition stated in the redemption notice has not been satisfied on or prior to the redemption date: (i) the redemption notice will be of no force and effect, (ii) the District will not be required to redeem such Bonds, (iii) the redemption will not be made, and (iv) the Paying Agent will within a reasonable time thereafter give notice to the persons to whom such conditional redemption notice was given in the manner in which the conditional redemption notice was given that such condition or conditions were not met and that the redemption was canceled.

Effect of Redemption. When notice of redemption has been given, and when the amount necessary for redemption has been made available for that purpose and is available therefor on the date fixed for such redemption, the Bonds designated for redemption will become due and payable on the date fixed for redemption upon presentation and surrender of the Bonds at the place specified in the notice of redemption. Bonds or portions thereof so designated for redemption will be deemed to be no longer Outstanding and such Bonds, or portions thereof, will cease to bear further interest. As of the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption will be entitled to any of the benefits of the Resolution, 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.

Purchase in lieu of Redemption. The Bonds may be purchased by the District in lieu or partially in lieu of redemption of Bonds. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — CREATION OF FUNDS AND APPLICATION OF NET TAXES — Redemption Account of the Special Tax Fund.”

Registration, Transfer and Exchange

Registration. The Paying Agent will keep sufficient books for the registration and transfer of the Bonds. The ownership of the Bonds will be established by the Bond registration books held by the Paying Agent.

Transfer or Exchange. Whenever any Bond is surrendered for registration of transfer or exchange, the Paying Agent will authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount of authorized denominations; provided that the Paying Agent will 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.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

The Bonds are special, limited obligations of the District payable only from amounts pledged under the Resolution and from no other sources.

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 Treasurer 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 foreclosure proceeds resulting from the sale of delinquent parcels if and when available.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY, 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 COUNTY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES TO BE LEVIED IN THE DISTRICT AND CERTAIN OTHER AMOUNTS HELD UNDER THE RESOLUTION AS MORE FULLY DESCRIBED HEREIN.

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the County established the District on April 14, 2015 for the purpose of financing the various public improvements required in connection with the proposed development within the District. On April 16, 2015, an election was held within the District at which the landowners eligible to vote approved the issuance of bonds for the District in an amount not to exceed \$110,000,000, secured by special taxes levied on property within the District to finance the Facilities. The landowners within the District also voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness of the District, including the Bonds. In accordance with Section H of the Rate and Method and the Price Point Study, certain of the Assigned Special Tax rates have been reduced. The revised Assigned Special Tax rates are included in the Rate and Method attached hereto as APPENDIX A.

The District will covenant in the Resolution that 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 the principal of and interest on any Outstanding Bonds, to maintain the Reserve Account at the Reserve Requirement and to pay the estimated Administrative Expenses.

The "Special Taxes" are the special taxes authorized to be levied and collected by the District in accordance with the Ordinance, the Resolution of Formation and the Act. The Special Taxes are collected in

the manner and at the same time as *ad valorem* property taxes are collected and are 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. See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The “Net Taxes” pledged by the District to the Bonds (and any Parity Bonds) is defined in the Resolution as the “Gross Taxes” minus amounts permitted to be set aside prior to the payment of the principal of and interest on the Bonds and Parity Bonds in order to pay Administrative Expenses.

“Gross Taxes” is defined in the Resolution as the amount of all Special Taxes received by the District from the Treasurer, together with all payments made with respect to tax-defaulted parcels (including all delinquent and redemption penalties, fees and costs) and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Resolution, but excluding any payment of Special Taxes on tax-defaulted parcels, including all delinquent and redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Resolution, so long as the County has paid to the District the Special Taxes levied for a tax defaulted parcel pursuant to the Teeter Plan (as defined herein).

The Treasurer, under the Resolution will, on each date on which the Special Taxes are apportioned to the District, deposit the Special Taxes in the Special Tax Fund. The Treasurer will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Resolution, in the following order of priority, to:

- (1) The Administrative Expense Account of the Special Tax Fund in an amount needed to pay Administrative Expenses when due (not to exceed 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 Rebate Fund; and
- (7) The Special Reserve Fund.

See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.”

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 the caption “*Limitation on Special Tax Levy and Potential Impact on Coverage*” below and “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 in an amount determined according to a methodology, i.e., the Rate and Method which the Board of Supervisors and the electors within the District have approved. The Rate and Method apportions the total amount of Special Taxes to be collected among the taxable parcels in the District as more particularly described below.

The District is comprised of eight tax zone areas (each a “Zone”) (pursuant to the Rate and Method, no Special Tax shall be levied within Zone E). The Zones generally coincide with the different product types that are being developed within the District and the different merchant builders that have purchased properties in the District.

The following is a synopsis of the provisions of the Rate and Method for the District, which should be read in conjunction with the complete text of the Rate and Method which is attached as APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” 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.

Assignment to Land Use Categories. Each Fiscal Year, commencing Fiscal Year 2015-16, all Taxable Property within each Zone of the District shall be classified as Developed Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with the Rate and Method determined pursuant to Sections C and D of APPENDIX A. The Assigned Special Tax for Residential Property shall be based on the Zone in which the Assessor’s Parcel is located, the number of dwelling units, and the Residential Floor Area of the dwelling units located on the Assessor’s Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Zone in which the Assessor’s Parcel is located and the Acreage of the Assessor’s Parcel.

Exemptions. No Special Tax shall be levied on property that is located in Zone E. No Special Tax shall be levied on Assessor’s Parcels of Conservation Property, Property Owner Association Property, Public Property and/or Religious Property, that is within a Zone; provided that an Assessor’s Parcel shall not be exempt and shall be classified as Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property and/or Taxable Religious Property if exempting such property would increase the sum of all property exempt from the Special Tax within the applicable Zone to greater than the corresponding Acreage amount listed Table 10 of the Rate and Method of Apportionment of Special Tax attached as APPENDIX A.

Maximum Special Tax, Assigned Annual Special Tax and Backup Special Tax.

Maximum Special Tax. The Maximum Special Tax for each Assessor’s Parcel classified as Developed Property within a particular Zone shall be the greater of (i) the amount derived by application of the Assigned Special Tax for such Zone or (ii) the amount derived by application of the Backup Special Tax for such Zone. The Maximum Special Tax for an Assessor’s Parcel of Undeveloped Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property or Taxable Religious Property within each Zone is shown in Table 9 of the Rate and Method of Apportionment of Special Tax attached as APPENDIX A and ranges from \$26,663 to \$89,605 per acre.

Assigned Special Tax. The Fiscal Year 2015-16 Assigned Special Tax for each Land Use Class within each Zone is shown in Tables 1 through 7 of the Rate and Method of Apportionment of Special Tax attached as APPENDIX A. Assigned Special Tax rates have been established for Residential Property, Non-Residential Property, Apartment Property and Affordable Property in the seven taxable Zones. The number of units projected in each of the foregoing land use classes within each Zone are as follows:

<i>Zone</i>	<i>Projected Residential Development</i>
1	94
2	244
3	184
4	90
5	158
6	70
7	263
Total Residential Units	1,103

The Assigned Special Tax levied against Developed Property that is Residential Property will generally correlate with the residential square footage of the unit in question. Units classified as Apartment Property and Affordable Property are levied on a per unit basis without regard to unit square footage. For a detailed description of Assigned Special Taxes for Developed Property in the residential zones, see the Rate and Method attached as APPENDIX A.

The Assigned Special Tax levied against Non-Residential parcels of Developed Property within each Zone will generally be determined on a per acre basis. For a detailed description of Assigned Special Taxes for Non-Residential property that is Developed Property, see the Rate and Method attached as APPENDIX A.

Multiple Land Use Classes. In some instances an Assessor's Parcel may contain both Undeveloped Property and Developed Property. Furthermore, Developed Property may contain more than one Land Use Class. In such cases, the Acreage of the Assessor's Parcel will be allocated between Developed Property and Undeveloped Property based on the portion of the Assessor's Parcel for which building permits had been issued prior to January 1 of the prior Fiscal Year and the portion of the Assessor's Parcel for which building permits had not been issued prior to January 1 of the prior Fiscal Year. The Acreage that is considered Developed Property will be allocated between Residential Property and Non-Residential Property based on the site plan. The Maximum Special Tax that can be levied on such Assessor's Parcel will be the sum of the Maximum Special Tax that can be levied on each type of property located on that Assessor's Parcel.

Backup Special Tax. The Fiscal Year 2015-16 Backup Special Taxes are detailed in Table 8 of the Rate and Method of Apportionment of Special Tax attached as APPENDIX A and range from \$26,663 to \$83,506 per acre.

Annual Increases. On each July 1, commencing on July 1, 2016, the Assigned Special Tax and the Backup Special Tax for Developed Property will be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year. On each July 1, commencing July 1, 2016, the Maximum Special Tax for Undeveloped Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property and Taxable Religious Property will be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

Method of Apportionment of Special Tax. Commencing with Fiscal Year 2015-16 and for each following Fiscal Year, the Board of Supervisors shall levy the Special Tax until the amount of Special Taxes levied 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;

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 monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property for which the Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Conservation Property, Taxable Property Owner Association Property or Taxable Religious Property at up to the Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property or Taxable Religious Property; and

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property at up to the Maximum Special Tax for Taxable Public Property.

Notwithstanding the above, under no circumstances will the Special Tax levied in a Fiscal Year 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%) above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District. To the extent that the levy of the Special Tax on Residential Property is limited by the provision in the previous sentence, the levy of the Special Tax on all other Assessor's Parcels shall continue in equal percentages at up to 100% of the Maximum Special Tax.

Prepayment of Annual Special Taxes. The Annual Special Tax obligation for an Assessor's Parcel may be prepaid in full, or in part, provided that the terms set forth under the Rate and Method are satisfied. The Prepayment Amount is calculated based on the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount, Administrative Fees and Expenses and less a credit for the resulting reduction in the Reserve Requirement for the Bonds (if any) and less capitalized interest (if any), all as specified in Section G of the "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX attached as APPENDIX A.

Estimated Debt Service Coverage. The following table sets forth the estimated debt service coverage based on the actual Special Tax levy in Fiscal Year 2015-16 for the Bond Year ending August 15, 2016 and based on the Assigned Special Taxes at projected build-out of the District for each Bond Year thereafter. Pursuant to the Rate and Method, and subject to the Maximum Special Taxes prescribed therein and permitted by the Act, the District will only levy Special Taxes in an amount sufficient to achieve the Special Tax Requirement.

**TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 2015-1 OF THE COUNTY OF ORANGE
(VILLAGE OF ESENCIA)
ESTIMATED BOND DEBT SERVICE COVERAGE AT BUILD-OUT**

<i>Bond Year Ending August 15</i>	<i>Developed Special Tax Revenues⁽²⁾</i>	<i>Undeveloped Special Tax Revenues</i>	<i>Total Special Tax Revenues</i>	<i>Annual Administrative Expenses⁽³⁾</i>	<i>Net Special Tax Revenues</i>	<i>Series 2015 Special Tax Bonds Debt Service</i>	<i>Coverage on Bonds⁽⁴⁾</i>
2016	\$ 0	\$4,689,393 ⁽¹⁾	\$4,689,393	\$ 35,000	\$4,654,393	\$4,650,850	100.08%
2017	5,268,765	0	5,268,765	76,500	5,192,265	4,717,913	110.05
2018	5,374,141	0	5,374,141	78,030	5,296,111	4,811,813	110.06
2019	5,481,623	0	5,481,623	79,591	5,402,033	4,910,613	110.01
2020	5,591,256	0	5,591,256	81,182	5,510,073	5,004,813	110.10
2021	5,703,081	0	5,703,081	82,806	5,620,275	5,104,413	110.11
2022	5,817,143	0	5,817,143	84,462	5,732,680	5,209,013	110.05
2023	5,933,485	0	5,933,485	86,151	5,847,334	5,314,263	110.03
2024	6,052,155	0	6,052,155	87,874	5,964,281	5,417,013	110.10
2025	6,173,198	0	6,173,198	89,632	6,083,566	5,527,013	110.07
2026	6,296,662	0	6,296,662	91,425	6,205,238	5,638,513	110.05
2027	6,422,595	0	6,422,595	93,253	6,329,342	5,751,013	110.06
2028	6,551,047	0	6,551,047	95,118	6,455,929	5,869,013	110.00
2029	6,682,068	0	6,682,068	97,020	6,585,048	5,981,763	110.09
2030	6,815,710	0	6,815,710	98,961	6,716,749	6,104,013	110.04
2031	6,952,024	0	6,952,024	100,940	6,851,084	6,224,763	110.06
2032	7,091,064	0	7,091,064	102,959	6,988,105	6,349,763	110.05
2033	7,232,886	0	7,232,886	105,018	7,127,868	6,475,563	110.07
2034	7,377,543	0	7,377,543	107,118	7,270,425	6,605,813	110.06
2035	7,525,094	0	7,525,094	109,261	7,415,833	6,736,813	110.08
2036	7,675,596	0	7,675,596	111,446	7,564,150	6,872,813	110.06
2037	7,829,108	0	7,829,108	113,675	7,715,433	7,012,813	110.02
2038	7,985,690	0	7,985,690	115,948	7,869,742	7,149,638	110.07
2039	8,145,404	0	8,145,404	118,267	8,027,137	7,292,863	110.07
2040	8,308,312	0	8,308,312	120,633	8,187,679	7,441,938	110.02
2041	8,474,478	0	8,474,478	123,045	8,351,433	7,589,488	110.04
2042	8,643,968	0	8,643,968	125,506	8,518,462	7,739,463	110.07
2043	8,816,847	0	8,816,847	128,016	8,688,831	7,895,550	110.05
2044	8,993,184	0	8,993,184	130,577	8,862,607	8,056,175	110.01
2045	9,173,048	0	9,173,048	133,188	9,039,860	8,214,763	110.04

⁽¹⁾ Special Tax Revenues for Fiscal Year 2015-16 based on actual levy on Undeveloped Property. There was no Developed Property as of January 1, 2015.

⁽²⁾ Special Tax Revenues for Fiscal Year 2016-17 and each year thereafter are based on 100% of the Assigned Special Tax rates and development at build-out as indicated in the Price Point Study. The Assigned Special Tax rates escalate by 2.00% per year. Assigned Special Tax rates are based on the reduced tax rates pursuant to Section H of the Rate and Method.

⁽³⁾ The Administrative Expenses Cap is equal to \$75,000, escalating at 2% per Fiscal Year, commencing July 1, 2016.

⁽⁴⁾ Calculated by dividing the Net Special Tax Revenues column by the Series 2015 Special Tax Bonds Debt Service column.

Source: David Taussig & Associates, except for debt service on the Bonds, which was provided by the Underwriters.

Limitation on Special Tax Levy and Potential Impact on Coverage. 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 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the District may not be able to increase the tax levy to the Assigned Special Tax in all years. However, subject to the limitations on the District's ability to levy the necessary amount of Special Taxes as imposed by Section 53321(d) of the Government Code, the District can levy Special Taxes on Undeveloped Property to make-up all or a portion of any shortfall in the Special Tax levy.

Collection of Special Taxes. The Special Taxes are levied and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes. The District may, however, collect the Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

The County assesses and collects secured and unsecured property taxes for the cities, school districts, and special districts within the County, including the Special Taxes for the District. The delinquency dates for property tax payment are December 10 for the first installment and April 10 for the second installment. Once the property taxes are collected, the County conducts its internal reconciliation for accounting purposes and distributes the County's share of such taxes (including the Special Taxes) to the County, periodically and typically pursuant to a published schedule. Prior to distribution, the moneys are deposited in an account established on behalf of the County in the Orange County Investment Pool (the "Pool") which is invested by the County Treasurer. If the County or the Pool were at any time to become subject to bankruptcy proceedings, it is possible that District property taxes held in the Pool (including the Special Taxes), if any, could be temporarily unavailable to the County. The District participates in the County's Teeter Plan, which is an alternate method for allocating property taxes by counties. A Teeter Plan allows counties to allocate 100 percent of property taxes billed to participating taxing entities in exchange for retaining future delinquent tax payments, penalties and interest.

The District will make certain covenants in the Resolution for the purpose of ensuring that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. First, the District will covenant that, to the extent it is legally permitted to do so, it will not reduce the maximum Special Tax rates and will oppose the reduction of maximum Special Tax rates by initiative where such reduction would reduce the maximum Special Taxes below current levels unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, among other things, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property (as defined in the Rate and Method then in effect in the District) in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least 110% of the sum of the estimated Administrative Expenses and gross debt service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds and Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultant will compute the Administrative Expenses for the current Fiscal Year and escalate that amount by two percent (2%) in each subsequent Fiscal Year.

Second, the District will covenant not to permit the tender of Bonds or Parity Bonds in payment of any Special Taxes. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION."

Although the Special Taxes constitute liens on taxed parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. In addition to the obligation to pay Special Taxes, properties in the District are subject to other assessments and special taxes as set forth under Table 3 herein. These other special taxes and assessments are co-equal to the lien for the Special Taxes. Moreover, other liens for taxes and assessments could come into existence in the future in certain situations

without the consent or knowledge of the County or the landowners in the District. See “SPECIAL RISK FACTORS — Parity Taxes and Special Assessments” herein. There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled “SPECIAL RISK FACTORS.”

Proceeds of Foreclosure Sales. The proceeds of delinquent Special Taxes received following a judicial foreclosure sale of parcels within the District resulting from a landowner’s failure to pay the Special Taxes when due, up to the amount of the delinquent Special Tax lien, are included within the Special Tax revenues pledged to the payment of principal and interest on the Bonds under the Resolution, except any payment of Special Taxes on tax-defaulted parcels, including all delinquent and redemption penalties, fees and costs and the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Resolution, so long as the County has paid to the District the Special Taxes levied for a tax-defaulted parcel pursuant to the Teeter Plan established by the County.

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 of Supervisors of the County, 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 for the benefit of the Owners of the Bonds that it will commence and diligently pursue until the delinquent Special Taxes are paid, judicial foreclosure proceedings against (i) parcels with delinquent Special Taxes in excess of \$25,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) 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. Notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement.

See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — COVENANTS AND WARRANTY” herein.

If foreclosure is necessary and other funds (including amounts in the Reserve Account) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with 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 County and 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 — Land 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 County 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 of the Special Tax Fund

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account an amount equal to the Reserve Requirement and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement. The Resolution provides that the amount to be maintained in the Reserve Account as the Reserve Requirement

shall, as of any date of calculation, equal the lesser of (i) 10% of the initial principal amount of the Bonds and any Parity Bonds; (ii) the Maximum Annual Debt Service on the then Outstanding Bonds and any Parity Bonds; or (iii) one hundred twenty-five percent (125%) of average annual debt service on the then Outstanding Bonds and any Parity Bonds. As of the date of issuance of the Bonds the Reserve Requirement will be fully funded in the amount of \$ 7,872,807.58.

Subject to the limits on the maximum annual Special Tax which may be levied within the District in accordance with the Rate and Method set forth 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. Amounts in the Reserve Account are to be applied to (i) pay debt service on the Bonds and any Parity Bonds, to the extent other moneys in the Interest Account and the Principal Account are insufficient therefor; (ii) make any required transfer to the Rebate Fund pursuant to the Resolution; (iii) redeem the Bonds and any Parity Bonds in whole or in part; and (iv) pay the principal and interest due in the final year of maturity of a series of the Bonds and any Parity Bonds. See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — CREATION OF FUNDS AND APPLICATION OF REVENUES AND NET TAXES — Reserve Account of the Special Tax Fund” herein.

Special Reserve Fund

After the deposit to the Administrative Expense Account, the payment of principal of and interest on the Bonds when due, transfers to the Redemption Account to pay principal and premium, if any, on Bonds called for redemption, transfers to replenish the Reserve Account to the Reserve Requirement and any required transfers to the Rebate Fund, as soon as practicable after each August 15, and in any event prior to each September 1, the Treasurer will transfer all remaining amounts in the Special Tax Fund to the Special Reserve Fund, other than amounts in the Special Tax Fund which the District has included as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to the Resolution. Moneys deposited in the Special Reserve Fund may be applied 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, to replenish the Reserve Account to the Reserve Requirement, 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, to pay Project Costs, or for any other lawful purpose of the District.

The amounts in the Special Reserve Fund are not pledged to the repayment of the Bonds or any Parity Bonds and may be used by the District for any lawful purpose.

Issuance of Parity Bonds for Refunding Only

The District may issue Parity Bonds, in addition to the Bonds, which shall be secured by a lien on the Special Taxes and funds pledged for the payment of the Bonds hereunder on a parity with the Outstanding Bonds as provided herein. The Parity Bonds may be issued only for the purpose of defeasing and refunding a portion of the Outstanding Bonds or other Parity Bonds, but only if such defeasance and refunding will not result in an increase in Annual Debt Service in any Bond Year. The Parity Bonds shall be issued by means of a Supplemental Resolution and without the consent of any Bondowners, upon compliance with the provisions of the Resolution. The District may issue such Parity Bonds subject to the following specific conditions:

(A) The District shall be in compliance with all covenants set forth in the Resolution and all Supplemental Resolutions.

(B) The Supplemental Resolution providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on February 15 and August 15, and principal thereof shall be payable on

August 15 in any year in which principal is payable (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(C) The District shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Paying Agent (unless the Paying Agent shall accept any of such documents bearing a prior date):

(1) A certified copy of the Supplemental Resolution authorizing the issuance of such Parity Bonds;

(2) A written request of the District as to the delivery of such Parity Bonds;

(3) An opinion of Bond Counsel and/or County Counsel to the effect that (a) the District has the right and power under the Act to adopt the Resolution and the Supplemental Resolutions relating to such Parity Bonds, and the Resolution and all such Supplemental Resolutions have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Resolution creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Resolution and all Supplemental Resolutions thereto and entitled to the benefits of the Resolution and all such Supplemental Resolutions, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Resolution and all such Supplemental Resolutions; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued;

(4) A certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Resolution;

(5) A certificate from one or more Independent Financial Consultants which, when taken together, certify that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds.

See APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — DEFEASANCE AND PARITY BONDS — Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness.”

Teeter Plan

The District is included in the County's Teeter Plan and, as described below, so long as the Teeter Plan remains in effect with respect to the District, the District will be paid 100% of the amount of Special Taxes levied regardless of whether the County has actually collected the levies. To the extent that the County's Teeter Plan continues in existence and is carried out as adopted, the County's Teeter Plan may help to protect the Owners of the Bonds from the risk of delinquencies in Special Taxes.

In 1949, the California Legislature enacted an alternative method for the distribution of secured property taxes to local agencies. This method, known as the Teeter Plan, is now set forth in Section 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as “bank” and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. A county benefits from the Teeter Plan by retaining penalties associated with these delinquent taxes when they are paid and the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of the county generally must elect to do so by July 15 of the fiscal year in which it is to apply. The Board of Supervisors adopted the Teeter Plan on June 29, 1993 and has elected to include in its Teeter Plan special taxes levied in certain community facilities districts, including the District, on the secured roll.

Once adopted, a county’s Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. See “SPECIAL RISK FACTORS – Teeter Plan Termination.” The County has never discontinued the Teeter Plan with respect to any levying agency.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of special taxes and assessments (if a county has elected to include assessments), 100% of the special tax delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the special tax. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the County as an interest-free offset against future advances of tax levies under the Teeter Plan.

THE COMMUNITY FACILITIES DISTRICT

General Description of the District

The District is located in the southern portion of Orange County, in the vicinity of Ortega Highway (Route 74) and Antonio Parkway, south of the community of Ladera Ranch and east of the City of San Juan Capistrano. The District consists of approximately 417 gross acres. The land within which the District sits is part of a larger area acquired through a series of Mexican land grants from 1843-1845. The areas conveyed by these land grants included the areas of the County known as the Rancho La Paz, Mission San Juan Capistrano, Rancho Trabuco, Rancho Santa Margarita, and Las Flores (collectively, this property is referred to as the “Ranch”). In 1939, the Ranch was split in two, with representatives of the O’Neill family retaining the portion located in Orange County, and representatives of the Flood family retaining the southern portion located in San Diego County. In 1942, the United States Marine Corps acquired the entire southern portion to expand Camp Pendleton. After World War II, what remained of the historic Ranch encompassed two Orange County parcels, united under the name of Rancho Mission Viejo. These two parcels totaled 52,000 acres.

In 1966, the O’Neill family and its partners established The Mission Viejo Company and embarked on residential development of a 10,000 acre master planned community now known as the City of Mission Viejo. In 1972, The Mission Viejo Company was sold to Philip Morris Inc., which completed the master planned community. Rancho Mission Viejo, the entity established by the O’Neill family and its partners to develop the remaining Ranch land, is responsible for the creation and development of the master planned communities of Rancho Santa Margarita, Las Flores, and Ladera Ranch. Between the years 2001 and 2009, Rancho Mission Viejo secured all approvals for a comprehensive land use management/operation and open space preservation plan for the remaining 22,815 acres of the family ranch. With these approvals secured, approximately 25% of the Ranch is anticipated to be developed over the next few decades into a new community and the remaining 75% is planned to be set-aside in perpetuity as a permanent habitat reserve covered by a conservation easement to a 501c(3) non-profit corporation known as “The Reserve at Rancho Mission Viejo.” The property within the District, known as the Village of Esencia, is a portion of the second phase of the final development within the Ranch. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT — The Development” herein.

The District was formed in 2015 by the Board under the Act to provide for the financing of public improvements to meet the needs of new development. The Developer and the other owners of the property within the District, as the qualified electors of the District, authorized the District to incur bonded indebtedness to finance certain public facilities to meet the needs of new development within the District and approved the Rate and Method for the District and authorized the levy of the Special Tax.

Approximately 98.1 acres of property in the District are expected to be subject to the Special Tax at build-out. The remaining property within the District consists generally of open space/conservation property, property owned by an owner association, and public property. The development within the District is planned for 12 residential projects consisting of 840 for-sale residential units, a 113-unit affordable apartment complex and a 150-unit market-rate apartment complex. The 840 for-sale residential units are expected to consist of 522 market-rate residential units and 318 age-qualified residential units. The remaining nonresidential property within the District is owned by the Developer. Of such property, the Developer expects to convey a parcel of approximately one acre to another entity to be developed into a daycare center and approximately 14.1 acres to the Capistrano Unified School District to be used as a K-8 school site. The balance of the property within the District is anticipated to be used for recreation facilities, parks and open space.

Construction of the centrally located community hall with coffee house and farm and associated landscaping was substantially complete as of September 18, 2015. Merchant homebuilders have purchased all of the land available in the District for residential development of for-sale units, and have commenced construction of model homes on the initial phases of development. The sites planned for the two apartment complexes are owned by the Developer and are expected to be developed by joint ventures between the Developer, Western National Group and Lewis Operating Company. As of July 1, 2015, the sites planned for the two apartment complexes were in a mass graded state.

The area included in the District has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer within the District has been substantially completed. The merchant builders are responsible to complete all in-tract improvements. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.” A detailed description of the status of the construction and ownership as of the date of the Appraisal Report is included in APPENDIX B — “APPRAISAL REPORT.”

Water and sewer service to the property is provided by the Santa Margarita Water District. Electricity is supplied by San Diego Gas and Electric, natural gas is supplied by The Gas Company, police services are provided by the Orange County Sheriff’s Department, and fire services are provided by the Orange County Fire Authority.

Description of Authorized Facilities

The expected total cost of the Facilities eligible to be financed with the proceeds of the Bonds, based on the current estimated cost of the Facilities, is approximately \$100,600,000. The facilities authorized to be constructed and acquired by the District with the proceeds of the Bonds, consist of roadway improvements, tunnels, regional hiking and biking trails, storm drains, water and wastewater facilities (including, without limitation, domestic and non-domestic water facilities, wells, reservoirs, pipelines, storm and sewer drains and related infrastructure and improvements), wet and dry utilities, bridges and pedestrian bridges, parks, traffic signals, school facilities and equipment, sheriff’s substations and equipment and library facilities and equipment, and related infrastructure improvements, both onsite and offsite appurtenances and appurtenant work in connection with the foregoing (collectively, the “Facilities”).

The estimated cost of the Facilities eligible to be financed with proceeds of the Bonds, based on the current estimated cost of the Facilities, is set forth in Table 2 below. However, the actual cost of the Facilities will depend on various factors, including product mix and the timing of construction within the undeveloped portion of the District, and such costs could be significantly higher. Given that the cost of the Facilities exceeds available proceeds of the Bonds, the costs in excess of available Bond proceeds are expected to be paid for by the Developer.

TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 2015-1 (VILLAGE OF ESENCIA)
OF THE COUNTY OF ORANGE
FACILITIES ELIGIBLE TO BE FINANCED
WITH BOND PROCEEDS

<i>Facility Description</i>	<i>Estimated Amount⁽¹⁾</i>	<i>Amount Expended as of August 15, 2015</i>
Santa Margarita Water District Facilities	\$29,000,000	\$9,800,000
County Roadway Facility	8,000,000	--
Onsite and Offsite Facilities and Dry Utilities	<u>63,600,000</u>	<u>61,600,000</u>
Total Facilities	<u>\$100,600,000</u>	<u>\$71,400,000</u>

⁽¹⁾ Based on the current estimated cost of the Facilities.
Source: The Developer.

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 other taxes and assessments consist of the direct and overlapping debt in the District and are set forth in Table 3 below, (the “Debt Report”). 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 special taxes. See “SAMPLE PROPERTY TAX BILLS” in APPENDIX I for information regarding other entities levying taxes, assessments or other charges on property in the District. The Debt Report includes the principal amount of the Bonds. The Debt Report has been derived from data assembled and reported to the District by David Taussig & Associates, Inc. as of September 2, 2015. None of the District, the County, or the Underwriters have independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

**TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 2015-1 (VILLAGE OF ESENCIA)
OF THE COUNTY OF ORANGE
OVERLAPPING DEBT SUMMARY**

<i>Overlapping District</i>	<i>Total Levy⁽¹⁾</i>	<i>Amount of Levy on Parcels in District⁽²⁾</i>	<i>Percent of Levy on Parcels in District</i>	<i>Total Debt Outstanding⁽³⁾</i>	<i>District Share of Total Debt Outstanding⁽⁵⁾</i>
Metropolitan Water District	\$104,828,829	\$ 9,030	0.0086%	\$110,420,000	\$ 9,511
Capistrano Unified SFID No. 1 Series 2001B	2,254,872	11,480	0.5091	9,667,521	49,221
Capistrano Unified SFID No. 1 Series 2012 Refunding	2,026,850	10,319	0.5091	23,855,000	121,453
Santa Margarita Water District ID No. 4/4C	1,272,336	1,021,098	80.2538	6,635,994 ⁽⁴⁾	<u>5,325,639</u>
				Estimated Share of Overlapping Debt Allocable to the District	\$ 5,505,824
				Plus the Bonds	<u>\$ 90,845,000</u>
				Estimated Share of Direct and Overlapping Debt Allocable to the District	\$ 96,350,824

⁽¹⁾ Based on actual levy for Fiscal Year 2015-16.

⁽²⁾ Based on Fiscal Year 2015-16 tax rates and Fiscal Year 2015-16 assessed values.

⁽³⁾ As of September 2, 2015.

⁽⁴⁾ Allocated based on the District's share of ID No. 4 debt service, as shown in Table I of the Fiscal Year 2015-16 Santa Margarita Water District Benefit Analysis Study. The share allocated to the District is expected to decrease as development within the portion of the Rancho Mission Viejo Ranch Plan Planned Community in ID No. 4C continues.

⁽⁵⁾ Calculated by multiplying Percent of Levy on Parcels in District column by Total Debt Outstanding column.

Source: David Taussig & Associates, Inc.

Expected Tax Burden

For Fiscal Year 2015-16, the projected total effective tax rates for all categories of residential units in Zones 1 through 3 are 2.00% and range from approximately 1.84% to approximately 1.87% in Zones 4 through 6 of total projected base sales prices based on the Price Point Study. See APPENDIX I — "SAMPLE PROPERTY TAX BILLS" attached hereto for sample property tax bills for the average residential unit sizes of each type in the various tax Zones of the District. The actual amounts charged and the effective tax rates may vary and may increase or decrease in future years.

Market Absorption Study

In order to determine the projected absorption of the residential and nonresidential property within the District, the County engaged Empire Economics, Inc. (the “Market Absorption Consultant”) to perform a comprehensive analysis of the product mix characteristics as well as the macroeconomic and microeconomic factors that are expected to influence the absorption of the forthcoming products within the District. In connection therewith, the Market Absorption Consultant delivered its Market Absorption Study dated May 18, 2015 as revised on July 6, 2015 (the “Market Absorption Study”) in which the Market Absorption Consultant has concluded based on statistical comparison of the currently active comparable projects to the forthcoming projects in the District using their total housing prices (base price plus Special Tax liens) and their sizes of living area, that the projects in the District are competitive in the market for all five segments (all ages attached, all ages detached – smaller, all ages detached larger, and age-qualified attached and detached). Based on the assumptions and limiting conditions set forth in the Market Absorption Study, the Market Absorption Consultant has estimated the calendar year absorption schedules for the residential projects as follows:

2016	402
2017	544 ⁽¹⁾
2018	<u>157⁽²⁾</u>
Total	1,103

⁽¹⁾ Includes 150 apartment rentals, assuming leasing commences in January 2017.

⁽²⁾ Includes 113 apartment rentals and 44 for-sale homes.

Source: The Market Absorption Consultant.

Based on the assumptions and subject to the limiting conditions set forth in the Market Absorption Study, the Market Absorption Consultant expects 402 home closings in calendar year 2016, including 42 age-qualified attached homes, 97 age-qualified detached homes and 263 homes in the all-ages segment. In calendar year 2017, the Market Absorption Consultant expects 394 home closings and 150 apartment rentals, based upon projected stronger economic conditions and the fact that most of such units will have been on the market for the entire calendar year. The Market Absorption Consultant expects the final 44 home closings and 113 apartment rentals to occur by the fall of 2018. The Market Absorption Consultant identifies potential risks that could affect the estimated absorption, including a sudden spike in mortgage rates, unforeseen delays in completing the necessary infrastructure to develop the property within the District, the substantially larger sizes and prices of certain homes within the District relative to neighboring developments and the relatively high tax burden on the age-qualified units. See APPENDIX I — “SAMPLE PROPERTY TAX BILLS.” The absorption schedules for the for-sale property assumes a grand opening in September 2015, which has occurred, and apartment leasing commencing in January 2017. The public grand opening took place on September 20, 2015. A complete copy of the Market Absorption Study is attached hereto as APPENDIX J.

Appraisal Report

The estimated assessed value of the property within the District, as shown on the County’s assessment roll for Fiscal Year 2015-16, is approximately \$257,983,396. However, as a result of the requirements of Article XIII A of the California Constitution, a property’s assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the property within the District, the County engaged Harris Realty Appraisal, the Appraiser, to prepare the Appraisal Report. The Appraiser has an “MAI” designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the County and has no material relationships with the County, the District, or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal Report. The County instructed the Appraiser to prepare its analysis and report in conformity with County-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory

Commission. A copy of the Appraisal Report is included as APPENDIX B — “APPRAISAL REPORT” to this Official Statement.

The purpose of the Appraisal Report was to estimate the aggregate market value of the “as is” condition of the property within the District subject to the Special Taxes. The estimate of market value takes into consideration and assumes the improvements to be funded with the proceeds of the Bonds have been installed and that the development costs provided to the Appraiser by the Developer include all of the costs necessary to bring the subject properties to a finished lot condition. As a result, the value conclusions are based upon a hypothetical condition that the Bonds have been sold with proceeds available for construction of improvements of approximately \$82,600,000. Subject to the contingencies, assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of July 1, 2015 (the “Date of Value”), the market value of the property within the District was \$290,200,000. Table 4 below shows the market value of the various parcels owned by the Developer and each of the merchant builders as set forth in the Appraisal Report as of the Date of Value.

**TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 2015-1 (VILLAGE OF ESENCIA)
OF THE COUNTY OF ORANGE
SUMMARY OF APPRAISED VALUES**

<i>Owner</i>	<i>Development Area</i>	<i>No. of Units</i>	<i>Market Value⁽³⁾</i>
LT-MR1, LLC (Lyon Homes)	MR-1	94	\$ 20,216,000
Shea Homes Limited Partnership	MR-22	60	22,585,501
TRI Pointe Homes, Inc.	MR-15	87	29,738,312
TRI Pointe Homes, Inc.	MR-24	66	33,609,352
Ryland Homes of California, Inc. ⁽¹⁾	MR-17	50	16,026,950
Ryland Homes of California, Inc. ⁽¹⁾	MR-19	45	16,315,000
Meritage Homes of California, Inc.	MR-23	58	23,668,000
Warmington MR 14 Associates, LLC	MR-14	62	15,876,128
LT-AQ1, LLC (Lyon Homes)	AQ-1	90	22,138,000
Shea Homes Limited Partnership	AQ-13	63	20,786,363
Shea Homes Limited Partnership	AQ-21	70	31,523,952
Standard Pacific Corp. ⁽¹⁾⁽²⁾	AQ-11	95	26,014,000
RMV PA2 Development, LLC ⁽²⁾	--	<u>263</u>	<u>11,700,000</u>
TOTAL		<u>1,103</u>	<u>\$290,200,000</u>

⁽¹⁾ As of the date of the Appraisal, property within development area AQ-11 was owned by Standard Pacific. As a result of the merger between the Ryland Group and Standard Pacific, Standard Pacific, as the surviving corporation, changed its name to CalAtlantic Group Inc. Pursuant to such merger, Ryland Homes remains a separate legal entity operating as a wholly-owned subsidiary of CalAtlantic, and will continue to operate under the name of Ryland Homes. See PROPERTY OWNERSHIP AND THE DEVELOPMENT — Merchant Builders in the Development — *Standard Pacific/Ryland Merger.*”

⁽²⁾ Includes the proposed 150 market-rate apartments and 113 affordable apartments.

⁽³⁾ Total represents a rounded amount of the appraised values of each owner’s property.

Source: The Appraiser.

In estimating the market value, the Appraiser utilized a direct comparison approach and static residual analysis for all of the property owned by the merchant builders, the apartment sites and the proposed daycare site to derive a value indication for the finalized lots within each tract adjusted by any costs to complete such finished lots. To arrive at the absorption schedule for the proposed residential developments within the District, the Appraiser used the absorption set forth in the Market Absorption Study.

Reference is made to APPENDIX B for a complete list of the assumptions and limiting conditions and a full discussion of the appraisal methodology and the basis for the Appraiser's opinions. In the event that any of the contingencies, assumptions and limiting conditions are not actually realized, the value of the property within the District may be less than the amount reported in the Appraisal Report. In any case, there can be no assurance that any portion of the property within the District would actually sell for the amount indicated by the Appraisal Report.

The Appraisal Report merely indicates the Appraiser's opinion as to the market value of the property referred to therein as of the date and under the conditions specified therein. The Appraiser's opinion reflects conditions prevailing in the applicable market as of the Date of Value. The Appraiser's opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

It is a condition precedent to the issuance of the Bonds that the Appraiser deliver to the District a certification to the effect that, while the Appraiser has not updated the Appraisal Report since the date of the Appraisal Report and has not undertaken any obligation to do so, nothing has come to the attention of the Appraiser subsequent to the date of the Appraisal Report that would cause the Appraiser to believe that the value of the property in the District is less than the value of the District reported in the Appraisal Report. However, the Appraiser notes that acts and events may have occurred since the date of the Appraisal Report which could result in both positive and negative effects on market value within the District. The Appraiser has reviewed the merchant builder base prices as of Esencia's September 20, 2015 public grand opening and concluded that those base prices do not cause it to believe that the value of property listed for any owner in Table 4 above would be reduced.

Appraised Value-To-Lien Ratios

Table 5 below incorporates the values assigned to parcels in the Appraisal Report, the estimated principal amount of the Bonds allocable to each category of parcels and the estimated appraised value-to-lien ratios for various categories of parcels based upon land values and property ownership in the District as of July 1, 2015 as set forth in the Appraisal Report. Based on the principal amount of the Bonds, the estimated appraised District-wide value-to-lien ratio including all Taxable Property as of the Date of Value is 3.19-to-1. This ratio does not include other overlapping debt within the District. See "— Direct and Overlapping Indebtedness" above. Taking that direct and overlapping debt into account, the ratio of the aggregate appraised value of the Taxable Property within the District to the total principal amount of all direct and overlapping general obligation debt for the District is approximately 3.01-to-1.

The share of Bonds set forth in Table 5 below is allocated based on each property's share of the Fiscal Year 2015-16 Special Tax levy. In the Annual Reports provided pursuant to the District Continuing Disclosure Certificate, Table 5 will not be updated based on appraised value, but similar information will be provided based on current assessed value.

TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 2015-1 (VILLAGE OF ESENCIA)
OF THE COUNTY OF ORANGE
APPRAISED VALUE-TO-LIEN RATIOS

<i>Property Classification / Owner⁽¹⁾</i>	<i>County of Orange CFD</i>	<i>No. 2015-1 Actual Fiscal Year 2015-16 Levy⁽²⁾</i>	<i>County of Orange CFD No. 2015-1 Bonds Outstanding⁽³⁾</i>	<i>Capistrano</i>		<i>Santa Margarita</i>		<i>Total Direct and Overlapping Debt</i>	<i>Appraised Value</i>	<i>Estimated Appraised Value-to-Lien Ratios</i>
				<i>Metropolitan Water District Bonds Outstanding⁽⁴⁾</i>	<i>Unified School District SFID Bonds Outstanding⁽⁴⁾</i>	<i>Water District ID 4/4C Bonds Outstanding⁽⁴⁾</i>	<i>Margaria Water District ID 4/4C Bonds Outstanding⁽⁴⁾</i>			
Undeveloped Property⁽⁵⁾										
LT - AQ1, LLC		\$ 196,815	\$ 3,812,783	\$ 689	\$ 12,356	\$ 385,567	\$ 4,211,395	\$ 22,138,000	5.26	
LT - MR1, LLC		263,539	5,105,401	671	12,043	375,798	5,493,913	20,216,000	3.68	
Meritage Homes of California, Inc.		405,945	7,864,146	809	14,517	452,969	8,332,440	23,668,000	2.84	
RMV PA2 Development, LLC		215,741	4,179,431	181	3,247	101,326	4,284,186	11,700,000	2.73	
Shea Homes Limited Partnership		1,157,952	22,432,366	2,474	44,391	1,385,168	23,864,400	74,895,366	3.14	
TRI Pointe Homes, Inc.		1,051,768	20,375,325	2,210	39,661	1,237,568	21,654,764	63,347,664	2.93	
Warrington MR 14 Associates, LLC		350,779	6,795,454	501	8,983	280,295	7,085,233	15,876,128	2.24	
Ryland Homes of California ⁽⁶⁾		638,660	12,372,406	1,129	20,257	632,099	13,025,892	32,341,950	2.48	
CalAtlantic Group Inc. ⁽⁶⁾		408,193	7,907,687	848	15,218	474,848	8,398,600	26,014,000	3.10	
TOTAL		\$4,689,393	\$ 90,845,000	\$ 9,511	\$ 170,674	\$ 5,325,639	\$ 96,350,824	\$290,200,000⁽⁷⁾	3.01	

⁽¹⁾ Based on Appraisal Report as of the Date of Value, updated to reflect the October 1, 2015 merger of the Ryland Group and Standard Pacific.

⁽²⁾ Based on actual Fiscal Year 2015-16 levy.

⁽³⁾ Allocated based on share of Fiscal Year 2015-16 levy on Undeveloped Property.

⁽⁴⁾ As of September 2, 2015. Allocated based on Fiscal Year 2015-16 levy.

⁽⁵⁾ Pursuant to the Rate and Method, Undeveloped Property is any property that did not have a building permit as of January 1, 2015 for Fiscal Year 2015-16.

⁽⁶⁾ On September 28, 2015, the respective shareholders of the Ryland Group and Standard Pacific approved the Merger Agreement. On October 1, 2015, the Ryland Group merged with and into Standard Pacific, with Standard Pacific continuing as the surviving corporation. At the same time, Standard Pacific changed its name to CalAtlantic Group, Inc. Pursuant to such merger, Ryland Homes remains a separate legal entity operating as a wholly-owned subsidiary of CalAtlantic, and will continue to operate under the name of Ryland Homes. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT — Merchant Builders in the Development — Standard Pacific/Ryland Merger."

⁽⁷⁾ Represents the Appraiser's opinion of individual values as of July 1, 2015 and due to rounding, does not total to the sum of the appraised values of each owner's property listed above.

Source: David Taussig & Associates, Inc.

Largest Taxpayers

Table 6 below lists the largest taxpayers within the District measured by the percentage of Fiscal Year 2015-16 Special Tax levy. Based on the ownership status as of July 1, 2015 provided in the Appraisal Report, assuming no additional sales other than the merger of the Ryland Group and Standard Pacific, for Fiscal Year 2015-16, the largest taxpayer within the District will be Shea Homes Limited Partnership, which is responsible for 24.69% of the Fiscal Year 2015-16 Special Tax levy. See “SPECIAL RISK FACTORS — Concentration of Ownership.”

**TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 2015-1
OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA)
ESTIMATED FISCAL YEAR 2015-16 LARGEST TAXPAYERS**

<i>Owner⁽¹⁾</i>	<i>Parcels Taxed</i>	<i>Fiscal Year 2015-16 Taxable Acreage⁽²⁾</i>	<i>Fiscal Year 2015-16 Tax Class</i>	<i>Actual Fiscal Year 2015-16 Special Tax Levy</i>	<i>Percent of Total Levy</i>
Shea Homes Limited Partnership	15	36.85	Undeveloped	\$1,157,952	24.69%
TRI Pointe Homes, Inc.	10	23.37	Undeveloped	1,051,768	22.43
Ryland Homes of California, Inc. ⁽³⁾	10	11.95	Undeveloped	638,660	13.62
CalAtlantic Group, Inc. ⁽³⁾	4	13.54	Undeveloped	408,193	8.70
Meritage Homes of California, Inc.	3	10.10	Undeveloped	405,945	8.66
Warmington MR 14 Associates, LLC	5	6.56	Undeveloped	350,779	7.48
LT - MR1, LLC	3	5.43	Undeveloped	263,539	5.62
RMV PA2 Development, LLC	5	10.65	Undeveloped	215,741	4.60
LT - AQ1, LLC	<u>6</u>	<u>12.38</u>	Undeveloped	<u>196,815</u>	<u>4.20</u>
Total	61	130.81	NA	\$4,689,393	100.00%

⁽¹⁾ Based on Appraisal Report as of the Date of Value, updated to reflect the October 1, 2015 merger of the Ryland Group and Standard Pacific.

⁽²⁾ Approximately 98.1 acres within the District are expected to be subject to the Special Tax levy at build-out.

⁽³⁾ On September 28, 2015, the respective shareholders of the Ryland Group and Standard Pacific approved the Merger Agreement. On October 1, 2015, the Ryland Group merged with and into Standard Pacific, with Standard Pacific continuing as the surviving corporation. At the same time, Standard Pacific changed its name to CalAtlantic Group, Inc. Pursuant to such merger, Ryland Homes remains a separate legal entity operating as a wholly-owned subsidiary of CalAtlantic, and will continue to operate under the name of Ryland Homes. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT — Merchant Builders in the Development — *Standard Pacific/Ryland Merger.*”

Source: David Taussig & Associates, Inc.

Delinquency History

Fiscal Year 2015-16 is the first fiscal year in which Special Taxes are being levied within the District. The first installment of the Fiscal Year 2015-16 Special Taxes will become delinquent if not paid on or before December 10, 2015.

PROPERTY OWNERSHIP AND THE DEVELOPMENT

The following information about RMV PA2 Development, LLC and the merchant builders and their respective developments within the District has been provided by RMV PA2 Development, LLC (except information regarding estimated base sales prices of homes within the District, which has been provided by the Market Absorption Consultant, information regarding the maximum Special Tax levy on the two apartment projects described below, which has been provided by the Special Tax Consultant and information regarding the merger between Standard Pacific and the Ryland Group, which has been obtained from publicly available information). No information has been provided directly by the merchant builders to the District or the County. No assurance can be given that the proposed developments will occur as described in this Official

Statement or that they will be completed in a timely manner, if at all, or that the current major property owners will continue to own the property. Neither the Bonds nor the Special Taxes securing the Bonds are personal obligations of the property owners or any affiliate thereof and, in the event that a property owner defaults in the payment of its Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of such property owner or any affiliate thereof. None of the information with respect to the merchant builders (other than the building permits issued in Table 7) will be subject to future update in the Developer Continuing Disclosure Agreement. See “SPECIAL RISK FACTORS” herein and APPENDIX G—“FORM OF CONTINUING DISCLOSURE AGREEMENT OF RMV PA2 DEVELOPMENT, LLC.”

General Description of the Development

The District is located in the southern portion of Orange County, in the vicinity of Ortega Highway (Route 74) and Antonio Parkway, south of Ladera Ranch and east of the City of San Juan Capistrano. The District consists of approximately 417 gross acres, of which approximately 98.1 acres are expected to be subject to the Special Tax at build-out. Development within the District is expected to include 840 residential units (consisting of 522 market-rate residential units and 318 age-qualified residential units), a 150-unit market rate apartment complex, a 113-unit affordable apartment complex and two parcels of nonresidential property currently planned for a 14.1 acre school site and a one-acre daycare center. In addition, there are expected to be several neighborhood recreation centers and parks, a centrally located community hall with a coffee house, a farm, a joint-use multi-purpose building, and a county regional hiking and biking trails network. Merchant homebuilders have purchased all of the land available that is currently planned for development of for-sale residential projects in the District and are in various stages of model and first phase construction. See “—Merchant Builders” herein. As of July 1, 2015, the sites for the two apartment complexes were in a mass-graded state. The Developer anticipates selling the school site to the Capistrano Unified School District in late 2016 or early 2017 for construction of a K-8 school planned to be open in fall of 2018. At this time the Developer does not have current plans to sell the non-residential property that is planned for a one-acre daycare center until the development of the residential property within the District has progressed further.

The area included in the District has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer within the District has been substantially completed. Construction of the centrally located community hall with coffee house and farm and associated landscaping was substantially complete as of September 18, 2015. Residential lots are expected to be finished in phases by the merchant builders and the models were complete or substantially complete prior to the grand opening for the Esencia development in September 2015, with the exception of Ryland Homes’ MR-19 (Heirloom) product which is expected to open models in November 2015. As of August 26, 2015, merchant builders had pulled 203 building permits within the District, including building permits for 51 planned model homes.

In May 2015, the Developer started pre-opening marketing efforts including advertising and creating a website for Esencia. As of August 5, 2015, the Developer represents that more than 5,000 people have visited this website and signed up to receive more information on the new homes in Esencia. Of these, more than 3,000 have chosen to become a “Pathfinder” and receive invitations to preview events. During the month of August 2015, the Developer coordinated a series of five builder fairs to introduce each homebuilder in Esencia to the Pathfinders.

The Esencia grand opening weekend occurred on September 19-20, 2015. The grand opening event on September 19, 2015 was invitation-only for approximately 2,000 potential homebuyers who either attended one of the builder fairs described above or were on the merchant builders’ priority lists. The event on September 20, 2015 was the public grand opening. Attendees were transported via shuttles to The Canyon House (visitor center) and each of the merchant builder model complexes, with the exception of Ryland Homes’ MR-19 (Heirloom) product which is expected to open in November 2015.

The Developer

RMV PA2 Development, LLC is the master developer of Esencia. The Developer is a limited liability company created under the laws of the State of Delaware, was formed on April 17, 2013 and is governed by that certain Amended and Restated Limited Liability Company Operating Agreement, dated as of June 30, 2015. The sole member of the Developer is RMV Community Development, LLC, a California limited liability company (“RMV CD”). RMV CD is the managing member of the Developer. A copy of the Developer’s unaudited financial statements for the period ended July 31, 2015 and the fiscal year ended December 31, 2014, is attached hereto as Appendix K. The financial statements of the Developer are included for informational purposes only and the inclusion of such information does not mean that the Bonds are secured by any resources of the Developer, other than by the Special Taxes to be levied by the District on the property owned by the Developer within the District, as described herein.

RMV CD was formed on April 5, 2006 and is governed by that certain Limited Liability Company Operating Agreement, dated as of April 25, 2006, as amended on April 14, 2009 (the “RMV Community Development Operating Agreement”). The members of RMV CD are DMB Ladera, L.L.C., a Delaware corporation (“DMB Ladera”), and RMV Community Development Company, Inc., a California corporation (“RMV CDCI”), as the managing member of RMV CD. RMV CD is the developer of Sendero, a community that represents the first phase of the RMV Ranch Plan Planned Community. DMB Ladera is the developer of Ladera Ranch.

The members of DMB Ladera are DMB Consolidated Holdings, L.L.C., an Arizona limited liability company (“DMB”), and Ladera Development Company, L.L.C., a Delaware limited liability company (“Ladera”).

DMB is a privately-held, diversified real estate investment and development firm with real estate holdings through affiliated companies that include residential communities, commercial developments and golf course properties located in Arizona, California, Hawaii, and Utah. DMB was formed in 1984 by Drew Brown, Mark Sklar and Bennett Dorrance. Since its inception, DMB has pursued large-scale real estate development. Early activities focused on commercial development, including the 1.2 million square-foot Centerpoint project in Tempe, Arizona. In the late 1980s and early 1990s, DMB focused on acquisition of both commercial properties and forming joint ventures to develop master planned communities.

Starting in 1994, DMB focused primarily on master planned community development. In most cases, a DMB managed entity partners with a landowner. Master planned communities developed or in development by DMB affiliated entities include Verrado in Buckeye, Arizona (8,800 acres), DC Ranch in Scottsdale, Arizona (8,000 acres); Marley Park in Surprise, Arizona (956 acres); One Scottsdale in Scottsdale, Arizona (120 acres); Power Ranch in Gilbert, Arizona (2,000 acres); Forest Highlands in Flagstaff, Arizona (500 acres); Ladera Ranch in Orange County, California (4,000 acres); Lahontan in North Lake Tahoe, California (720 acres), Martis Camp in North Lake Tahoe, California (2,200 acres); Santaluz in San Diego, California (4,000 acres); Kukui’ula, on Kauai, Hawaii (1,010 acres); Glenwild in Park City, Utah (950 acres) and Eastmark in Mesa, Arizona (3,200 acres).

The members of Ladera are members of the O’Neill family and key employees of Rancho Mission Viejo, L.L.C. (“RMV”), a Delaware limited liability company which is controlled and majority owned by members of the O’Neill family (with the remaining ownership held by key employees of RMV). Ladera was formed in February 1995 to acquire an option to purchase the property comprising Ladera Ranch from Santa Margarita Company (“Santa Margarita”), an affiliate of RMV, and to develop the property in Ladera Ranch.

The members of RMV CDCI are the principals of DMB and their family trusts, members of the O’Neill family and key employees of RMV. RMV CDCI was formed in September 2004 to acquire an option to purchase the property comprising the residential portions of Esencia from DMB San Juan Investment North, LLC (“DMB SJIN”), an affiliate of RMV, and to develop the properties in Sendero and Esencia.

History of Property Tax Payments; Loan Defaults; Litigation; Bankruptcy. The Developer has represented to the District as follows: a) neither the Developer, nor any individual or entity which has an ownership interest in the Developer, has ever defaulted in the payment of a special tax or an assessment on property owned by it; b) neither the Developer, nor any individual or entity which has an ownership interest in the Developer, is now in default on any loans, lines of credit or other obligation, or has been in default on any loans, lines of credit or other obligation in the past two years; c) neither the Developer, nor any individual or entity which has an ownership interest in the Developer, has ever filed for bankruptcy or been declared a bankrupt; and d) the Developer has not been served with notice of any claim or suit, nor to the best of the Developer's knowledge is any claim or suit now threatened against the Developer with respect to the development within the District.

The Development

General. The area included in the District has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer within the District has been substantially completed. Homebuilders have purchased all of the land available that is currently planned for development of for-sale residential projects, and are in various stages of construction. Each of the merchant builders is completing construction of model homes and the majority has commenced vertical construction of the first phase of development. The Developer owns all of the land intended for nonresidential use and intends to transfer it to one or more affiliates or sell the property for further development.

Infrastructure Requirements and Financing Plan. The Developer estimates that total project cost for the infrastructure improvements to be installed by the Developer, Santa Margarita Water District and the County within the District will total approximately \$222 million, of which approximately \$139 million has been spent as of August 15, 2015. Of this amount, approximately \$100 million is identified as being eligible for reimbursement from Bond proceeds. The Developer estimates that approximately \$41 million remains to be spent as of August 15, 2015 on improvements to be installed by the Developer on the Project, including: a) \$2 million for streets and utilities b) \$19 million for landscaping, hardscape and parks; c) \$8 million for mitigation payments (sheriff, library, Transportation Corridor Agency, and school fees, each of which are paid by the Developer on behalf of the merchant builders upon submission of building permits); d) \$9 million for amenities; and e) \$3 million for engineering, miscellaneous processing and legal fees, and marketing. Approximately \$8 million is anticipated to be spent on La Pata Avenue in satisfaction of a portion of the Developer's roadway obligation fee. In addition, approximately \$34 million remains to be spent by the Santa Margarita Water District and the County on sewer, water and flood control facilities. All remaining infrastructure improvements to be installed by the Developer are anticipated to be completed by mid-2016 and are planned to be funded by the Developer with cash on hand, and available Bond proceeds.

Notwithstanding the Developer's belief that the funding sources described above are expected to be sufficient to complete the remaining backbone infrastructure to be completed by the Developer in the District, there is no assurance that amounts necessary to finance the construction of such remaining backbone infrastructure to be completed within the District will be available from the Developer or any other funding source when needed. If and to the extent the sources of financing described above are inadequate to complete the remaining backbone infrastructure to be completed by the Developer, the planned development of the property may not proceed as planned. Neither the Developer nor any of the merchant builders have any legal obligation to the Bondowners to expend funds for the development of the property within the District or the payment of *ad valorem* property taxes or the Special Taxes, though the Developer and the merchant builders have legal obligations to each other to expend certain funds relating to the development. The Developer has posted improvement bonds to guarantee completion of the backbone infrastructure. Additionally, each of the merchant builders has posted improvement bonds to guarantee completion of its in-tract improvements.

Entitlements for the Overall Rancho Mission Viejo Ranch Plan Planned Community. The property in the District is a portion of Planning Area 2, which is one of ten planning areas of the Rancho Mission Viejo Ranch Plan Planned Community, a proposed 22,815-acre master planned community which is anticipated to be

the final master planned community within the Ranch. The Rancho Mission Viejo Ranch Plan Planned Community application was approved by the Board of Supervisors with a General Plan Amendment, zone change, and development agreement on November 8, 2004. There were subsequently a number of entitlements and lawsuits that were settled, as noted below. A requirement by the County for the Rancho Mission Viejo Ranch Plan Planned Community, Condition of Approval No. 1, is that a Master Area Plan is required for each of the planning areas. As a result, a Master Area Plan for Planning Area 2, which includes the property in the District, was prepared and approved by the County on March 27, 2013.

On November 8, 2004, the County approved a Development Agreement with the owners of the property (the "Original Property Owners") within the Rancho Mission Viejo Ranch Plan Planned Community (the "Development Agreement"). The Development Agreement includes requirements of the County that would need to be accomplished by the Original Property Owners in return for vesting of project approvals to allow build-out of the Rancho Mission Viejo Ranch Plan Planned Community under the development standards and requirements in place at the time of the approval. The Development Agreement has a term of 30 years.

On June 22, 2012, the Original Property Owners entered into an Assignment and Assumption Agreement with the Developer (the "Assignment Agreement"). Prior to execution of the Assignment Agreement, DMB San Juan Investment North, LLC, transferred land within Planning Area 2, including land within the District, to the Developer. Pursuant to the Assignment Agreement, the Original Property Owners assigned to the Developer certain of their rights and obligations under the Development Agreement which were appurtenant and pertained to the lands transferred to the Developer, including the land within the District. These obligations included dedication of certain rights of way, funds for local improvements, funding of certain studies relating to traffic projects, and funding of certain street improvements. Each of these obligations has been fulfilled with respect to the land within the District. The assigned rights included allocation of certain development rights and associated milestones permitted under the Development Agreement, which include a number of permitted dwellings sufficient to complete build-out of properties in the District.

Environmental Impact Report and Litigation. On November 8, 2004, the Board of Supervisors certified the environmental impact report for the project and granted a number of approvals that would allow the implementation of the Rancho Mission Viejo Ranch Plan Planned Community. On December 8, 2004, the Endangered Habitats League, Natural Resources Defense Council, Sea and Sage Audubon Society, Laguna Greenbelt, Inc., and Sierra Club filed suit challenging the County's approval of the Rancho Mission Viejo Ranch Plan Planned Community and related environmental impact report.

On August 16, 2005, RMV, the County, the Endangered Habitats League, Natural Resources Defense Council, Sea and Sage Audubon Society, Laguna Greenbelt, Inc., and Sierra Club reached an agreement to settle the lawsuit challenging the County's approval of the Rancho Mission Viejo Ranch Plan Planned Community and the comprehensive open space and land use management plan for the remaining 22,815 acres of Rancho Mission Viejo, including the area comprising the District. The settlement resolved all outstanding litigation of the parties regarding the Rancho Mission Viejo Ranch Plan Planned Community and expanded the protection of open space and species found in the area covered by the Ranch Plan.

As a result of the litigation settlements, the Ranch Plan and the Development Agreement, the remaining undeveloped portions of the Ranch consisting of the Rancho Mission Viejo Ranch Plan Planned Community is entitled for the development of up to 14,000 dwelling units and 5.2 million square feet of commercial, business and urban centers located on 5,873 acres within six planning areas. The remaining 16,942 acres will remain open space.

Other Settlement Agreements. On December 8, 2004, RMV entered into an agreement with the City of San Clemente. RMV agreed not to enter into any agreements with any third party to transfer residential density in the Rancho Mission Viejo Ranch Plan Planned Community from the San Juan Watershed to the San

Mateo Creek Watershed over that residential density currently allocated pursuant to the Rancho Mission Viejo Ranch Plan Planned Community entitlements. The City of San Clemente agreed not to challenge any transfer of residential density from the San Juan Creek to any one or more of the planning areas in the San Mateo Watershed that is ten percent or less of the San Mateo Watershed density. The agreement also requires RMV to complete a recreational facilities study and restricts the ability of the City of San Clemente to challenge the Rancho Mission Viejo Ranch Plan Planned Community approvals.

On June 9, 2005, RMV entered into an agreement with the City of Mission Viejo in order to resolve such city's challenge to the County's approval of the Rancho Mission Viejo Ranch Plan Planned Community and related environmental impact report. The settlement agreement resolved the City's litigation and, in relevant part, provided for the reallocation of certain funds to be provided by RMV pursuant to the South County Roadway Improvement Program (the "SCRIP") so as to better address local and regional roadway improvements benefiting the City of Mission Viejo.

At this time, the Developer believes that all fees and obligations required by the Development Agreement, related litigation settlements, and the Assignment Agreement for the development of property in the District have been paid or fulfilled, with the exception of fees owed at the time of issuance of building permits. Such fees include fire, sheriff and school mitigation fees, and Transportation Corridor Agency fees, which are approximately \$8,500 per apartment unit, \$13,000 per single family attached unit, \$20,000 per single family detached unit, and \$4.75 to \$5.00 per commercial or community-benefit use square foot. The Developer is responsible for such fees and intends to pay them as building permits are issued.

Merchant Builders in the Development

The property in the District consists of 12 for-sale residential developments, two apartment sites, and other lands retained by the Developer for nonresidential use, recreation and park space. The following table summarizes the residential developments within the District.

**TABLE 7
COMMUNITY FACILITIES DISTRICT NO. 2015-1
OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA)
SUMMARY OF MERCHANT BUILDER DEVELOPMENTS**

<i>Merchant Builder</i>	<i>Project</i>	<i>Product Type⁽¹⁾</i>	<i>Average Living Area Sq.Ft.</i>	<i>Number of Units</i>	<i>Number of Models⁽²⁾</i>	<i>Number of Building Permits Pulled⁽²⁾</i>	<i>Estimated Average Base Sales Price⁽³⁾</i>
<u>Market-Rate</u>							
LT-MR1, LLC (Lyon Homes)	Aurora	Townhomes	1,557	94	12	40	\$503,939
Shea Homes Limited Partnership	Ventana	Detached – Large	2,457	60	3	11	802,657
TRI Pointe Homes, Inc.	Aria	Detached – Small	1,840	87	4	20	645,264
TRI Pointe Homes, Inc.	Aubergine	Detached – Large	3,399	66	3	3	1,069,591
Ryland Homes of California, Inc. ⁽⁴⁾	Citron	Detached – Small	1,994	50	3	19	658,824
Ryland Homes of California, Inc. ⁽⁴⁾	Heirloom	Detached – Large	2,692	45	4	14	825,846
Meritage Homes of California, Inc.	Cirrus	Detached – Large	2,953	58	3	7	893,371
Warmington MR 14 Associates, LLC	Trellis	Detached – Small	1,714	62	3	14	607,871
<u>Age-Qualified</u>							
LT-AQ1, LLC (Lyon Homes)	Vireo	Townhomes	1,686	90	4	28	593,500
Shea Homes Limited Partnership	Cortesa	Detached	2,005	63	4	11	753,868
Shea Homes Limited Partnership	Alondra	Detached	2,578	70	3	13	919,614
CalAtlantic Group, Inc. ⁽⁴⁾	Avocet	Detached	1,805	<u>95</u>	<u>5</u>	<u>23</u>	668,532
TOTAL				840	51	203	

⁽¹⁾ “Detached Small” refers to units with floor plans of 2,200 square feet or less and “Detached Large” refers to units with floor plans greater than 2,200 square feet.

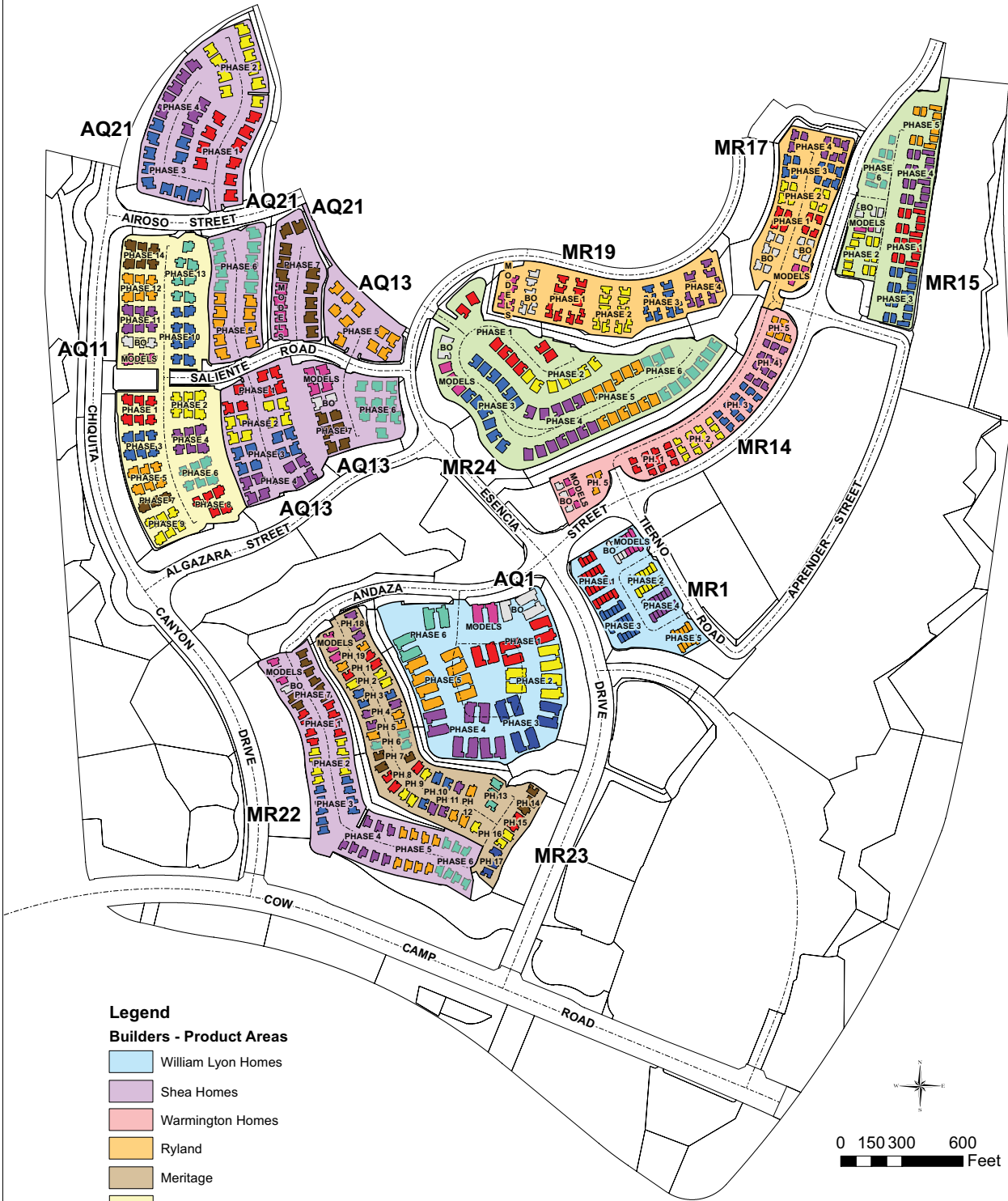
⁽²⁾ As of August 26, 2015.

⁽³⁾ As of September 20, 2015.

⁽⁴⁾ Property within the Citron and Heirloom projects was purchased from the Developer by Ryland Homes of California, Inc., which, at the time of such purchase was a subsidiary of the Ryland Group. Property within the Avocet project was purchased from the Developer by Standard Pacific. On September 28, 2015, the respective shareholders of the Ryland Group and Standard Pacific approved the Merger Agreement. On October 1, 2015, the Ryland Group merged with and into Standard Pacific, with Standard Pacific continuing as the surviving corporation. At the same time, Standard Pacific changed its name to CalAtlantic Group, Inc. Pursuant to such merger, Ryland Homes remains a separate legal entity operating as a wholly-owned subsidiary of CalAtlantic, and will continue to operate under the name of Ryland Homes. See “— *Standard Pacific/Ryland Merger*.”

Source: The Developer, the Appraiser and the Market Absorption Consultant.

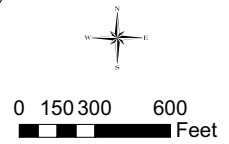
TRACT MAP NO. 17561 PA 2.1 MODELS AND PHASING



Legend

Builders - Product Areas

- William Lyon Homes
- Shea Homes
- Warmington Homes
- Ryland
- Meritage
- Standard-Pacific
- TRI Pointe



The projects listed in Table 7 are in various stages of development. A general overview of each merchant builder and its development is set forth below.

The following information about the merchant builders and their respective developments within the District has been provided by RMV PA2 Development, LLC (except information regarding estimated base sales prices of homes within the District as of September 20, 2015, which has been provided by the Market Absorption Consultant, information regarding the maximum Special Tax levy on the two apartment projects described below, which has been provided by the Special Tax Consultant and information regarding the merger between Standard Pacific and the Ryland Group, which has been obtained from publicly available information). No information has been provided directly by the merchant builders to the District or the County. The development and financing plans discussed for each of the merchant builders below are solely projections as of the date of this Official Statement. Such plans are subject to change. No assurance can be given that such plans will remain in their current state or that the plans will ultimately be carried out according to the discussion set forth below. The projected dates of occupancy and sellout of the merchant builders' projects described below may differ from those set forth in the Market Absorption Study. The websites referenced in this section are included for reference only and the information on such websites is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such websites.

Proposed Development by Lyon Homes – AQ-1. William Lyon Homes, Inc. (“Lyon Homes”) is engaged in the design, construction, and sale of single family detached and attached homes in California, Arizona and Nevada. Lyon Homes is publicly-traded on the New York Stock Exchange (“NYSE”). Lyon Homes’ SEC filings are available to the public at the SEC’s website at www.sec.gov. On November 26, 2014, LT-AQ1, LLC, an affiliate of Lyon Homes, purchased 14.2 acres of property in the District, where it plans to build Vireo, a project consisting of 45 buildings containing a total of 90 age-qualified townhomes. Tract map 17571 was recorded for this property on July 28, 2015. Construction of the project commenced in June 2015, first occupancy is expected in December 2015 and sellout in December 2016. As of July 1, 2015, there were four model homes under construction and 86 blue top lots within the Vireo project. Lyon Homes provided estimates to the Developer that its construction costs will be between \$32 million and \$33 million and that it plans to finance that cost using a combination of the loans on the property and its available equity. The estimated base sales prices in the Vireo project range from \$547,000 to \$637,000 with units ranging from approximately 1,456 square feet to 1,950 square feet.

Proposed Development by Lyon Homes – MR-1. On November 26, 2014, LT-MR1, LLC, an affiliate of Lyon Homes, purchased 5.4 acres of property in the District, where it plans to build Aurora, a project consisting of nine buildings containing a total of 94 townhomes. Tract map 17569 was recorded for this property on June 11, 2015. Construction of the project commenced in June 2015, first occupancy is expected in December 2015 and sellout in December 2016. As of July 1, 2015, there were 12 model homes under construction and 82 physically finished lots within the Aurora project. Lyon Homes has provided estimates to the Developer that its construction costs will be between \$25 million and \$26 million and that it plans to finance that cost using a combination of loans on the property and its available equity. The estimated base sales prices in the Aurora project range from \$454,000 to \$564,000 with units ranging from approximately 1,340 square feet to 1,785 square feet.

Proposed Development by Shea Homes – AQ-13. Shea Homes, Inc. (“Shea Homes”) was founded in 1968 (as part of the Shea family of companies) and has built homes since then in California, Arizona, Colorado, Florida, Nevada, North Carolina, South Carolina and Washington, including active adult communities known as Trilogy. Although Shea Homes is a privately held company, it produces quarterly disclosures similar to a publicly held company for its bondholders and other interested parties which are available at Shea Homes’ website.

On November 13, 2014, Shea Homes purchased 12.8 acres of property in the District, where it plans to build Cortesa, a project consisting of 63 age-qualified detached homes. Tract map 17568 was recorded for this property on June 11, 2015. Construction of the Cortesa project commenced in May 2015, first occupancy is expected in December 2015 and sellout in December 2018. As of July 1, 2015, there were four model homes under construction and 59 physically finished lots within the Cortesa project. Shea Homes has provided estimates to the Developer that its construction costs will be between \$29 million and \$30 million and that it plans to finance that cost using a combination of loans on the property and its available equity. The estimated base sales prices in the Cortesa project range from \$719,900 to \$799,900 with units ranging from approximately 1,816 square feet to 2,362 square feet.

Proposed Development by Shea Homes – AQ-21. On November 13, 2014, Shea Homes purchased 16.7 acres of property in the District, where it plans to build Alondra, a project consisting of 70 age-qualified detached homes. Tract map 17570 was recorded for this property on June 11, 2015. Construction of the project commenced in April 2015, first occupancy is expected in December 2015 and sellout in March 2018. As of July 1, 2015, there were three model homes under construction and 67 physically finished lots within the Alondra project. Shea Homes has provided estimates to the Developer that its construction costs will be between \$38 million and \$39 million and that it plans to finance that cost using a combination of loans on the property and its available equity. The estimated base sales prices in the Alondra project range from \$899,900 to \$949,900 with units ranging from approximately 2,325 square feet to 2,832 square feet.

Proposed Development by Shea Homes – MR-22. On November 13, 2014, Shea Homes Limited Partnership, an affiliate of Shea Homes, purchased 9.3 acres of property in the District, where it plans to build Ventana, a project consisting of 60 single-family detached homes. Tract map 17565 was recorded for this property on June 11, 2015. Construction of the project commenced in April 2015, first occupancy is expected in December 2015 and sellout in August 2017. As of July 1, 2015, there were three model homes under construction and 57 physically finished lots within the Ventana project. Shea Homes has provided estimates to the Developer that its construction costs will be between \$29 million and \$30 million and that it plans to finance that cost using a combination of loans on the property and its available equity. The estimated base sales prices in the Ventana project range from \$759,990 to \$839,990 with units ranging from approximately 2,207 square feet to 2,669 square feet.

Proposed Development by TRI Pointe Homes – MR-15. TRI Pointe Homes, Inc. (“TRI Pointe Homes”) is engaged in the design, construction and sale of single-family homes in master planned communities in major metropolitan areas located throughout Southern and Northern California and in Colorado. TRI Pointe Homes is a publicly-traded on the NYSE under the symbol “TPH.” TRI Pointe Homes SEC filings are available to the public at the SEC’s website at www.sec.gov.

On November 18, 2014, TRI Pointe Homes purchased 8.8 acres of property in the District, where it plans to build Aria, a project consisting of 87 single-family detached homes. Tract map 17577 was recorded for this property on July 2, 2015. Construction of the project commenced in April 2015, first occupancy is expected in December 2015 and sellout in March 2017. As of July 1, 2015, there were four model homes under construction and 83 physically finished lots within the Aria project TRI Pointe Homes has provided estimates to the Developer that its construction costs will be between \$28 million and \$29 million and that it plans to finance that cost using a combination of the loans on the property and its available equity. The estimated base sales prices in the Aria project range from \$630,000 to \$667,000 with units ranging from approximately 1,779 square feet to 1,937 square feet.

Proposed Development by TRI Pointe Homes – MR-24. On November 18, 2014, TRI Pointe Homes purchased 14.9 acres of property in the District, where it plans to build Aubergine, a project consisting of 66 single-family detached homes. Tract map 17572 was recorded for this property on July 28, 2015. Construction of the project commenced in May 2015, first occupancy is expected in December 2015 and sellout in January 2017. As of July 1, 2015, there were three model homes under construction and 63 physically finished lots within the Aubergine project. TRI Pointe Homes has provided estimates to the

Developer that its construction costs will be between \$36 million and \$37 million and that it plans to finance that cost using a combination of the loans on the property and its available equity. The estimated base sales prices in the Aubergine project range from \$1,018,000 to \$1,123,000 with units ranging from approximately 3,097 square feet to 3,751 square feet.

Proposed Development by Ryland Homes – MR-17. On November 20, 2014, Ryland Homes, then a subsidiary of the Ryland Group, purchased 5.6 acres of property in the District, with plans to build Citron, a project consisting of 50 single-family detached units. The Ryland Group started homebuilding operations in 1967 and its operations were diversified throughout the United States. Prior to the merger described below, the company was publicly-owned and listed on the NYSE. On October 1, 2015, the Ryland Group was merged into Standard Pacific which then changed its name to CalAtlantic Group, Inc. Pursuant to such merger, Ryland Homes remains a separate legal entity operating as a wholly-owned subsidiary of CalAtlantic, and will continue to operate under the name of Ryland Homes. See “— *Standard Pacific/Ryland Merger*” below. Tract map 17573 was recorded for this property on June 26, 2015 and the first occupancy is expected in December 2015 and sellout in October 2016. As of July 1, 2015, there were three model homes under construction and 47 physically finished lots within the Citron project. Ryland Homes has provided estimates to the Developer that construction costs for the Citron project will be between \$19 million and \$20 million which Ryland Homes plans to finance using credit facilities and available equity. The estimated base sales prices in the Citron project range from \$586,626 to \$699,990 with units ranging from approximately 1,775 square feet to 2,205 square feet.

Proposed Development by Ryland Homes – MR-19. On November 20, 2014, Ryland Homes purchased 6.3 acres of property in the District, with plans to build Heirloom, a project consisting of 45 single-family detached units. Tract map 17574 was recorded for this property on June 23, 2015. Construction of the project commenced in June 2015, first occupancy is expected in the first quarter of 2016 and sellout in September 2016. As of July 1, 2015, there were 45 blue top lots within the Heirloom project. Ryland Homes commenced construction of four model homes in August 2015. Ryland Homes has provided estimates to the Developer that construction costs for the Heirloom project will be between \$19 million and \$20 million which Ryland Homes, plans to finance using credit facilities and available equity. The estimated base sales prices in the Heirloom project range from \$765,990 to \$936,790 with units ranging from approximately 2,351 square feet to 3,202 square feet.

Proposed Development by Meritage Homes – MR-23 – Meritage Homes of California, Inc. (“Meritage Homes”) is a subsidiary of Meritage Homes Corporation. Meritage Homes’ parent company builds and sells single-family homes for various market segments across the Western, Southern and Southeastern United States. Meritage Homes’ parent company is publicly traded on the NYSE and its SEC filings are available to the public at the SEC’s website at www.sec.gov.

On November 13, 2014, Meritage Homes purchased 10.1 acres of property in the District, where it plans to build Cirrus, a project consisting of 58 single-family detached homes. Tract map 17566 was recorded for this property on July 28, 2015. Construction of the project commenced in July 2015, first occupancy is expected in December 2015 and sellout in December 2016. As of July 1, 2015, there were 58 physically finished lots within the Cirrus project. Meritage Homes commenced construction of three model homes in August 2015. Meritage Homes has provided estimates to the Developer that its construction costs will be between \$26 million and \$27 million and that it plans to finance that cost using a combination of via its available equity. The estimated base sales prices in the Cirrus project range from \$819,218 to \$959,990 with units ranging from approximately 2,698 square feet to 3,217 square feet.

Proposed Development by CalAtlantic Group, Inc. – AQ-11. On November 12, 2014, Standard Pacific purchased 14.3 acres of property in the District, with plans to build Avocet, a project consisting of 95 age-qualified detached homes. Standard Pacific was incorporated in Delaware in 1991 and through its predecessors commenced homebuilding operations in 1965 building primarily in California, Florida, Arizona, North Carolina, Texas and Colorado. Prior to the merger described below, it was a publicly traded company

with its stock listed on the NYSE under the symbol “SPF.” On October 1, 2015, the Ryland Group was merged into Standard Pacific which then changed its name to CalAtlantic Group, Inc. See “— *Standard Pacific/Ryland Merger*” below. CalAtlantic is publicly traded on the NYSE under the symbol “CAA” and its SEC filings are available to the public at the SEC’s website at www.sec.gov. Tract map 17567 was recorded for this property on June 25, 2014. Construction of the project commenced in May 2015, first occupancy is expected in December 2015 and sellout in May 2017. As of July 1, 2015, there were five model homes under construction, 52 blue top lots within the Avocet project. CalAtlantic has provided estimates to the Developer that construction costs for the Avocet project will be between \$36 million and \$37 million which CalAtlantic, plans to finance using a combination of the loans on the property and its available equity. The estimated base sales prices in the Avocet project range from \$620,900 to \$715,900 with units ranging from approximately 1,473 square feet to 2,110 square feet.

Proposed Development by Warmington – MR-14. The Warmington group of companies is a privately held residential home building and property management group operating in approximately nine markets within California, Nevada and Arizona. Warmington MR 14 Associates, LLC is an affiliate of The Warmington group of companies. Additional information regarding The Warmington group of companies is available on its website.

On November 25, 2014, Warmington purchased 6.7 acres of property in the District, where it plans to build Trellis, a project consisting of 62 single family detached homes. Tract map 17576 was recorded for this property on July 28, 2015. Construction of the project commenced in June 2015, first occupancy is expected in December 2015 and sellout in February 2017. As of July 1, 2015, there were three model homes under construction and 59 blue top lots within the Trellis project. Warmington has provided estimates to the Developer that its construction costs will be between \$23 million and \$24 million and that it plans to finance that cost using a combination of the loans on the property and its available equity. The estimated base sales prices in the Trellis project range from \$580,000 to \$630,000 with units ranging from approximately 1,512 square feet to 1,863 square feet.

Affordable Apartment Property. An affordable apartment complex called Esencia Norte Apartment Homes is planned to be developed within the District as a joint venture between affiliates of the Developer and of Western National Group (the “Affordable Apartment Developer”).

In the first quarter of 2016, the Developer expects to lease lot 52 within Tentative Tract 17561 to the Affordable Apartment Developer for the purpose of developing the site. Lot 52 consists of 3.965 gross acres. Up to 113 apartment units are entitled for this property and a site plan for such apartment complex is currently under consideration. The Affordable Apartment Developer has not yet obtained a construction loan for the Esencia Norte Apartment Homes project. As of July 1, 2015, the proposed site for the Esencia Norte Apartment Homes project was in a mass-graded state. Vertical construction is planned to commence in 2016 with the first units planned to be delivered by early 2017. The project is estimated to achieve stabilized occupancy within one year of completion (see “THE COMMUNITY FACILITIES DISTRICT — Market Absorption Study”). The estimated cost of construction of the project is approximately \$25 to \$30 million. At full build-out, the Esencia Norte Apartment Homes property is expected to account for approximately 2.03% of the maximum Special Tax levy.

Market Rate Apartment Property. A market-rate apartment complex called Esencia Sur Apartment Homes is planned to be developed within the District as a joint venture between affiliates of the Developer and of Western National Group (the “Apartment Developer”) and Lewis Operating Company.

In the first quarter of 2016, the Developer expects to sell Lots 53 and 54 within Tentative Tract 17561 to the Apartment Developer, consisting of 5.56 gross acres, for the purpose of developing the site. Up to 150 apartment units are entitled for this property and a site plan for 150 apartment units is currently under consideration. The Apartment Developer has not yet obtained a construction loan for the Esencia Sur Apartment Homes project but is currently in negotiations with potential lenders. As of July 1, 2015, the

proposed site for the Esencia Sur Apartment Homes project was in a mass-graded state. Vertical construction is planned to commence in 2016 with the first units planned to be delivered by early 2017. The project is estimated to achieve stabilized occupancy within one year of completion (see “THE COMMUNITY FACILITIES DISTRICT — Market Absorption Study”). The estimated cost of construction of the project is approximately \$35 to \$45 million. At full build-out, the Esencia Sur Apartment Homes property is expected to account for approximately 4.72% of the maximum Special Tax levy.

Remaining Developer Properties. The Developer currently owns the remaining land within the District, including the portion planned for nonresidential projects (consisting of a 14.1 acre school site and a one acre site planned for a day care center). The Developer expects to convey the school site to Capistrano Unified School District in 2016 or early 2017 to be used as a K-8 school site. The school site is expected to be exempt from the Special Tax levy. The Developer does not currently have plans to sell the site for the proposed day care site until residential development within the District has progressed further. As of July 1, 2015, the site for the proposed daycare center was in a mass-graded state.

Standard Pacific/Ryland Merger. On June 14, 2015, Standard Pacific and the Ryland Group entered into the Amended and Restated Agreement and Plan of Merger (the “Merger Agreement”). On September 28, 2015, the respective shareholders of the Ryland Group and Standard Pacific approved the Merger Agreement. Pursuant to the terms of the Merger Agreement, on October 1, 2015, the Ryland Group merged with and into Standard Pacific, with Standard Pacific continuing as the surviving corporation. At the same time, Standard Pacific changed its name to CalAtlantic Group, Inc. Pursuant to such merger, Ryland Homes remains a separate legal entity operating as a wholly-owned subsidiary of CalAtlantic, and will continue to operate under the name of Ryland Homes. More information regarding the merger is included in CalAtlantic Group Inc.’s Current Report on Form 8-K, as filed with the SEC on October 5, 2015.

SPECIAL RISK FACTORS

The purchase of the Bonds involves significant risks that are not appropriate investments for certain 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. The Bonds have not been rated by a rating agency. 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 “— Land Values” and “— Limited Secondary Market.”

Risks of Real Estate Secured Investments Generally

The Bond owners 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 or buildings and/or sites 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; and (iii) natural disasters (including, without limitation, earthquakes, fires and floods), which may result in uninsured losses.

No assurance can be given that the Developer, the merchant builders or any future homeowners within the District 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 County’s ability to pursue judicial proceedings with respect to delinquent parcels.

Concentration of Ownership

Based on the ownership status of the property within the District as of July 1, 2015, assuming no additional sales within the District, approximately 24.69% of the Special Taxes levied in Fiscal Year 2015-16 would be payable by Shea Homes. Based on the same assumptions, approximately 4.20% to 22.43% of the Special Taxes levied in Fiscal Year 2015-16 would be payable by each of the merchant builders, other than Shea Homes. While the Ryland Group has merged with and into Standard Pacific (see “PROPERTY OWNERSHIP AND THE DEVELOPMENT — Merchant Builders in the Development — *Standard Pacific/Ryland Merger*” above) Ryland Homes continues to operate as a wholly-owned subsidiary of and as a separate legal entity from CalAtlantic. Approximately 8.70% of the Special Taxes for Fiscal Year 2015-16 have been levied on property owned by Ryland Homes and 13.62% on property owned by CalAtlantic. As a separate legal entity, CalAtlantic has no legal obligation to pay Special Taxes levied on property owned by Ryland Homes.

Failure of the Developer, entities affiliated with the Developer, the merchant builders, or any successor(s), to pay the annual Special Taxes when due could result in a draw on the Reserve Account of the Special Tax Fund, and ultimately a default in payments of the principal of, and interest on, the Bonds, when due. No assurance can be given that the Developer, the merchant builders or their successors, will complete the remaining intended construction and development in the District. See “— Failure to Develop Properties.”

The District has levied Special Taxes on property within the District classified as Undeveloped Property which is owned by the Developer, entities affiliated with the Developer, and the merchant builders. Undeveloped Property is defined in the Rate and Method as property not classified as Developed Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property or Taxable Religious Property. In the event that the Developer, entities affiliated with the Developer, or any of the merchant builders fail to complete the remaining intended construction and development in the District, Special Taxes will continue to be levied on Undeveloped Property owned by such entities. No assurance can be given that the Developer, its successors, its affiliated entities, or the merchant builders 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” 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 County. Except with respect to the Special Taxes, neither the faith and credit nor the taxing power of the District or the County is pledged for the payment of the Bonds or the interest thereon, and, except as provided in the Resolution, no owner of the Bonds may compel the exercise of any taxing power by the District or the County or force the forfeiture of any County or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the County or a legal or equitable pledge, charge, lien or encumbrance upon any of the County’s or the District’s property or upon any of the County’s or the District’s income, receipts or revenues, except the Net Taxes and other amounts pledged under the Resolution.

Insufficiency of Special Taxes

Under the Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in the District will generally be based on the land use class to which a parcel of Developed Property is assigned. See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Rate and Method of Apportionment of Special Tax.*”

In order to pay debt service on the Bonds, it is necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the District will establish and fund upon the issuance

of the Bonds a Reserve Account of the Special Tax Fund in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund.” The District will covenant to maintain in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement subject, however, to the limitation that the District may not levy the Special Tax in the District in any fiscal year at a rate in excess of the maximum amounts permitted under the Rate and Method. As a result, if a significant number of delinquencies occurs, the District could be unable to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Reserve Account of the Special Tax Fund could be depleted and a default on the Bonds could occur.

The District will covenant in the Resolution that, under certain conditions, it will institute foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*” for provisions which apply in the event of such foreclosure and which the District is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds (if the Reserve Account of the Special Tax Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the District of the proceeds of sale. The District may adjust the future Special Tax levied on taxable parcels in the District, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Reserve Account of the Special Tax Fund to an amount equal to the Reserve Requirement and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in the District will be at all times sufficient to pay the amounts required to be paid by the Resolution, even if the Special Tax is levied at the maximum Special Tax rates. See “—Bankruptcy and Foreclosure” for a discussion of potential delays in foreclosure actions.

The Rate and Method governing the levy of the Special Tax provides that no Special Tax shall be levied on property that is not located in a Zone. No Special Tax shall be levied on Assessor’s Parcels of Conservation Property, Property Owner Association Property, Public Property and/or Religious Property that is within a Zone; provided that an Assessor’s Parcel shall not be exempt and shall be classified as Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property and/or Taxable Religious Property if exempting such property would increase the sum of all property exempt from the Special Tax within the applicable Zone to greater than the corresponding Acreage amount listed Table 10 in Appendix A. See Section E of APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Rate and Method governing the levy of the Special Tax provides that, once a parcel is classified as Taxable Property, it will remain subject to a Special Tax levy even if it is subsequently acquired by a public agency. The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a

special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within the District was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

Teeter Plan Termination

In 1993, the County implemented its Teeter Plan as an alternate procedure for the distribution of certain property tax and assessment levies on the secured roll. Pursuant to its Teeter Plan, the County has elected to provide local agencies and taxing areas, including the District, with full tax and assessment levies instead of actual tax and assessment collections. In return, the County is entitled to retain all delinquent tax and assessment payments, penalties and interest. Thus, the County's Teeter Plan may protect the Owners of the Bonds from the risk of delinquencies in the payment of Special Taxes. However, the County is entitled, and under certain circumstances could be required, to terminate its Teeter Plan with respect to all or part of the local agencies and taxing areas covered thereby. A termination of the Teeter Plan with respect to the District would eliminate such protection from delinquent Special Taxes. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Teeter Plan."

Failure to Develop Properties

Development of property within the District may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the Developer, the merchant builders, or any property owner to pay the Special Taxes when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Development of land in the District is also subject to the availability of water. Finally, development of land is subject to economic considerations.

The Developer reports that the area included in the District has been graded and major infrastructure (sewer, water, storm drains, utilities, and arterial roads) to be installed by the Developer within the District has been substantially completed. A majority of the residential lots owned by the merchant builders are in a finished lot condition. Construction of the core recreation facilities and associated landscaping has commenced and is expected to be completed by September 2015. Homebuilders have purchased all of the land planned for residential development of for-sale homes, and are in various stages of construction. Construction on the two sites planned for apartment complexes has not yet commenced. No assurance can be given that the remaining proposed development will be partially or fully completed; and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain unimproved.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bondowners should it be necessary for the District to foreclose on the property due to the nonpayment of Special Taxes. The failure to complete development of the required infrastructure for development in the District as planned, or substantial delays in the completion of the development or the required infrastructure for the development due to litigation or other causes may reduce the value of the property within the District and increase the length of time during which Special Taxes will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within the District to pay the Special Taxes when due.

There can be no assurance that land development operations within the District will not be adversely affected by future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Bondowners should assume that any event that significantly impacts the ability to develop land in the District would cause the property values within the District to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within the District to pay the Special Taxes when due.

The District has levied Special Taxes on Undeveloped Property for Fiscal Year 2015-16 and expects to levy Special Taxes on Undeveloped Property in future fiscal years until the Special Taxes levied on Developed Property are sufficient to fund the Special Tax Requirement. Undeveloped Property is less valuable per unit of area than Developed Property, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. The Undeveloped Property also provides less security to the Bondowners should it be necessary for the District to foreclose on Undeveloped Property due to the nonpayment of the Special Taxes. Furthermore, an inability to develop the land within the District as currently proposed will make the Bondowners dependent upon timely payment of the Special Taxes levied on Undeveloped Property. A slowdown or stoppage in the continued development of the District could reduce the willingness and ability of the Developer, its affiliated entities, and merchant builders to make Special Tax payments on Undeveloped Property and could greatly reduce the value of such property in the event it has to be foreclosed upon. See “— Land Values.”

No Representation as to Merchant Builders

No representation is made as to the experience, abilities or financial resources of the merchant builders who currently own property in the District or of any other purchaser or potential purchaser of property in the District or the likelihood that such merchant builders, purchasers or potential purchasers will be successful in developing such purchased properties within the District beyond the stage of development reached by the Developer. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT — The Development.” The description of expected development by merchant builders in this Official Statement is based on information provided to the District by the Developer and the Appraiser, and none of the merchant builders have provided any information to the District or the County in connection with the preparation of this Official Statement. In making an investment decision, purchasers of the Bonds should not assume that such merchant builders or such other persons or entities that purchase property within the District will develop such properties beyond the current stage of development reached by the Developer and the merchant builders.

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, floods, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, and property within the District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. According to the County, the property within the District is not located in an Alquist Priolo Earthquake Study Zone. The land within the District is adjacent to open space areas including the Cleveland National Forest which present the risk of wildfires. The District is not located in a flood plain area.

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.

Endangered/Threatened Species

During the 1990s, there was an increase in activity at the State and federal level related to the possible listing of certain plant and animal species found in the Southern California area as endangered or threatened species. In response to this activity, several large landowners began an effort to move away from “species by species” entitlement to multiple species entitlement, in order to minimize the risk of future species listings and maximize the certainty of development. The Original Property Owners are some of such landowners. The Original Property Owners are permittees under the Southern Subregion Habitat Conservation Plan (“SSHCP”) which addresses seven (7) federally listed species and twenty-five (25) sensitive species. The Rancho Mission Viejo Ranch Plan Planned Community is permitted by the SSHCP. Accordingly, such development within the District is in compliance with this habitat conservation plan and is not anticipated to be impeded.

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 California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the 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 the owner, will become obligated to remedy the condition just as is the seller.

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. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling such substance. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency and the willingness or ability of the owner of any parcel to pay the Special Tax installments.

The value of the taxable property within the District, as set forth in the various tables in this Official Statement, 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 Developer has represented to the District that it is not aware of any hazardous substance condition of the property within the District. 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.

Payment of the Special Tax is not a Personal Obligation of the Property 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 property owner.

Land Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See "THE COMMUNITY FACILITIES DISTRICT — Appraised Value-to-Lien Ratios."

The Appraiser has estimated, on the basis of certain definitions, assumptions and limiting conditions contained in the Appraisal Report that as of July 1, 2015, the market value of the land and improvements within the District was approximately \$290,200,000. The Appraisal Report is based on a number of assumptions and limiting conditions as stated in APPENDIX B — "APPRAISAL REPORT." The Appraisal Report does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, an inability of any landowner to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions within the District, the listing of endangered species or the determination that habitat for endangered or threatened species exists within the District, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land and improvements within the District could be sold for the amount stated in the Appraisal Report at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value, the Appraiser assumes that any sale will be sold in a competitive market after a reasonable exposure time, and assuming that neither the buyer or seller is under duress, which is not always present in a foreclosure sale. See APPENDIX B — "APPRAISAL REPORT" for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser's assumptions to be untrue could result in a reduction of the value of the land within the District from that estimated by the Appraiser.

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, adjusted annually by an amount determined by the County Assessor, generally not to exceed an increase of more than 2% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value.

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 APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — COVENANTS AND WARRANTY — Covenants — Commence Foreclosure Proceedings."

Parity Taxes and Special Assessments

Property within the District is subject to taxes and assessments imposed by other 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. See "— Bankruptcy and Foreclosure."

Neither the District nor the County 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 landowners within the District may, without the consent or knowledge of the District, petition other public agencies to issue public indebtedness secured by special taxes and *ad valorem* taxes or assessments. Any such special 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 “SOURCES OF PAYMENT FOR THE BONDS” and “THE COMMUNITY FACILITIES DISTRICT — Direct and Overlapping Indebtedness” and “— Appraised Value to Lien Ratios.”

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 should the Special Tax be levied at the maximum tax rate and the risk of such a levy and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The County 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 special tax under the Act 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, will be billed to the properties within the District on the regular *ad valorem* property tax bills sent to owners of such properties by the County Tax Collector. 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 APPENDIX E — “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — COVENANTS AND WARRANTY — Covenants — Commence Foreclosure Proceedings” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Resolution, in the event of delinquencies in the payment of Special Taxes. See “— Bankruptcy and Foreclosure” for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the District’s ability to foreclosure on the lien of the Special Taxes in certain circumstances.

FDIC/Federal Government Interests in Properties

General. The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “FDIC”), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the 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. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“FNMA”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC’s consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC’s consent.

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

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

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 or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*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.

Second, the Bankruptcy Code might prevent moneys on deposit in the Acquisition and Construction 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 or other party and if the court found that the landowner or other party 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 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 prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the "Bankruptcy Reform Act") included a provision which exempts from the Bankruptcy Code's automatic stay provisions, "the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court]." This amendment effectively makes the *Glasply* holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the *Glasply* ruling could still result in the treatment of post-petition special taxes as "administrative expenses," rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court's ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current *ad valorem* taxes.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy court. *Glasply* is controlling precedent on bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Taxes, the amount of Special Taxes received from parcels whose owners declare bankruptcy could be reduced.

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.

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 Resolution or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Resolution, an owner is given the right for the equal benefit and protection of all owners of the Bonds similarly situated to pursue certain remedies described in APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — EVENTS OF DEFAULT; REMEDIES" and "— Limitations on Remedies."

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS" herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Resolution with respect to compliance with certain provisions of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under the redemption provisions contained in the Resolution.

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 "CONTINUING DISCLOSURE." 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 commonly referred to as 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 XIII C and Article XIII D 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 as they may relate to community facilities district are subject to interpretation by the courts. The Initiative could potentially impact the Special Taxes 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 apportionment 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 Board of Supervisors 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 that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels within the District. In connection with the foregoing covenant, the Board of Supervisors 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 will also covenant 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.

The California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997) (the “San Diego Decision”). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego (“San Diego”). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIII A, Section 4 thereof and Article XIIC, Section 2 thereof require that the electors in such an election be the registered voters within the district.

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (*viz.*, all of the registered voters in San Diego). The elections held in the District had less than 12 registered voters at the time of the election to authorize the Special Tax. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court's holding does not apply to the Special Tax election in the District. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds.

The County, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure and Government Code Section 53359, filed a complaint in the Superior Court of the State of California for the County of Orange seeking judicial validation of the formation of the District, the authorization of the issuance of bonds for the District and the levy of the special tax within the District. The Validation Judgment was entered by the court, to the effect, among other things, that the proceedings conducted by the Board of Supervisors in connection with the establishment of the District, the authorization to incur bonded indebtedness for the District through the issuance of bonds and the levy of the special tax within the District were valid and in conformity with the Constitution of the State and applicable laws of the State. Based on the Validation Judgment, Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, Bond Counsel is of the opinion that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought.

The interpretation and application of Article XIII C and Article XIII D 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 "SPECIAL RISK FACTORS — Limitations on Remedies."

Ballot Initiatives

Articles XIII A, XIII B, XIII C and XIII D 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. On March 6, 1995, in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. 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 County, or local districts to increase revenues or to increase appropriations or on the ability of the Developer or the merchant builders within the District to complete the remaining proposed development within the District.

Limitations on Remedies

Remedies available to the owners of the Bonds 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 interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Resolution to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The Bonds are not subject to acceleration. 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

District Continuing Disclosure

Pursuant to a Continuing Disclosure Certificate (the “District Continuing Disclosure Certificate”), the District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) website, or other repository authorized under Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, certain annual financial information and operating data concerning the District. The District Reports are to be filed not later than March 1 of each year, beginning March 1, 2016. The initial District Report to be filed by March 1, 2016, shall consist of this Official Statement. The District Reports will include the audited financial statements of the District, if any are prepared. The District does not currently prepare audited financial statements and does not anticipate doing so in the future. The full text of the District Continuing Disclosure Certificate is set forth in APPENDIX F — “FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE DISTRICT.”

Notwithstanding any provision of the Resolution, failure of the District to comply with the District Continuing Disclosure Certificate shall not be an event of default under the Resolution. However, any Owner or Beneficial Owner of the Bonds may take such action as is necessary and appropriate, including seeking mandate or a judgment for specific performance, to cause the District to comply with its obligations with respect to the District Continuing Disclosure Certificate.

The District has not entered into any prior continuing disclosure obligations. During the last five years, the County and certain of its related entities, have failed to comply in certain respects described below with continuing disclosure undertakings related to outstanding bonded indebtedness.

With respect to the County and its related entities, other than the District, the failure to comply fell into four general categories: (i) failure to provide event notices with respect to changes in the ratings of outstanding bonds, primarily related to changes in the ratings of various bond insurers insuring the bonds of the County or its related entities; (ii) omission of required financial and operating data required to be included in certain annual reports and late filing of annual reports with respect to a number of the bond issues, in some cases by only a day and in other cases by a longer period of time; (iii) failure to file audited financial statements as a part of certain annual reports; and (iv) failure to file annual reports with respect to certain bonds after they were economically (but not legally) defeased.

The County and various related entities have made additional filings to provide certain of the previously omitted information; provided that with respect to ratings changes, notice has been provided only of the existing rating or ratings applicable to each outstanding series of bonds. Each of these filings may be accessed through EMMA.

The County will assist the District in preparing the District Reports. In order to ensure ongoing compliance by the District with its continuing disclosure undertaking, (i) County staff will take steps to ensure that the filing due date is correctly documented in policies and procedures and a single County staff member has been assigned primary responsibility to monitor compliance; and (ii) the County has contracted with a consultant to assist in filing accurate, complete and timely disclosure reports on behalf of the District.

Developer Continuing Disclosure

To provide updated information with respect to the development within the District, the Developer will enter into a Continuing Disclosure Agreement of the Developer (the “Developer Continuing Disclosure Agreement”) by and between the Developer and David Taussig & Associates, Inc., as dissemination agent, and

will covenant to provide an Annual Report not later than June 15 of each year beginning June 15, 2016, and a Semiannual Report on each December 15, beginning December 15, 2016, until satisfaction of certain conditions set forth in the Developer Continuing Disclosure Agreement. The Annual Report provided by the Developer and the Semiannual Report will contain updates regarding the development within the District as outlined in Section 4 of the Developer Continuing Disclosure Agreement attached as Appendix G. In addition to its Annual Reports and Semiannual Reports, the Developer will agree to provide notices of certain events set forth in the Developer Continuing Disclosure Agreement.

The Developer's obligations under the Developer Continuing Disclosure Agreement will terminate upon the earliest to occur of: (a) the legal defeasance, prior redemption or payment in full of all the Bonds; (b) (1) with respect to updates of the number building permits issued, at such time that 75% of the building permits for the planned residential development within the District have been issued, and (2) with respect to the updates of information described in Section 4 of the Developer Continuing Disclosure Agreement other than the number of building permits issued, at such time that ninety percent (90%) of the public improvements to be constructed by the Developer as described under the caption "PROPERTY OWNERSHIP AND THE DEVELOPMENT—The Development" have been completed, based on costs expended.

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 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 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 in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of a Bond is excluded from the gross income of such 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.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District, the County and others and is subject to the condition that the District, the County and others making such representations comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District and the County will covenant to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of

tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of other similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

SUBSEQUENT TO THE EXECUTION AND DELIVERY 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 INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. 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 SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE EXECUTION AND DELIVERY OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District and the County continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Should interest on the Bonds (including any original issue discount) become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Resolution.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

LEGAL MATTERS

The legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, approving the validity of the Bonds in substantially the form set forth as APPENDIX C hereto, will be made available to purchasers at the time of original delivery. Certain legal matters will be passed upon for the District and the County by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel and for the Underwriters by Best Best & Krieger LLP, Riverside California, as counsel to the Underwriters. Bond Counsel expresses no opinion to the Owners of the Bonds as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to do so.

VALIDATION

On May 12, 2015, the County, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure and Government Code Section 53359, filed a complaint in the Superior Court of the State of California for the County of Orange seeking judicial validation of the formation of the District, the authorization of the issuance of bonds for the District and the levy of the special tax within the District. On July 16, 2015, the court entered the Validation Judgment to the effect, among other things, that the proceedings conducted by the Board of Supervisors in connection with the establishment of the District, the authorization to incur bonded indebtedness for the District through the issuance of bonds and the levy of the special tax within the District were valid and in conformity with the Constitution of the State and applicable laws of the State. The last day of the appeal period for the validation action was August 15, 2015. As of the date of this Official Statement, no appeal has been filed with respect to the Validation Judgment. In issuing the opinion as to the validity of the Bonds and as a condition thereof, Bond Counsel will rely upon the entry of the Validation Judgment and the absence of a timely appeal therefrom. See APPENDIX C— "PROPOSED FORM OF BOND COUNSEL OPINION."

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds and a certificate of the District to that effect will be furnished to the Underwriters at the time of the original delivery of the Bonds. Neither the County nor the District is aware of any litigation pending or threatened which questions the existence of the District or the County or contests the authority of the District to levy and collect the Special Taxes or to issue and retire the Bonds.

NO RATING

The District has not made and does not contemplate making application to any rating agency for the assignment of a rating to the Bonds.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated, as representative of itself and Piper Jaffray & Co. The Underwriters have agreed to purchase the Bonds at a price of \$96,163,865.80, being \$90,845,000.00 aggregate principal amount thereof, plus net original issue premium of \$5,802,809.55 and less Underwriters' discount of \$483,943.75). The purchase contract relating to the Bonds provides that the Underwriters will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the offering price stated on the cover page thereof. The offering price may be changed from time to time by the Underwriters.

FINANCIAL INTERESTS

The fees being paid to the Underwriters, Bond Counsel, Disclosure Counsel, Financial Advisor to the County, the Paying Agent and Underwriters' Counsel are contingent upon the issuance and delivery of the Bonds. The fees being paid to the Appraiser, to the Market Absorption Consultant and to the Special Tax Consultant are not contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriters on matters unrelated to the Bonds.

PENDING LEGISLATION


The District is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the District to pay the principal of and interest on the Bonds when due.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The execution and delivery of this Official Statement by the County Executive Officer has been duly authorized by the Board of Supervisors of the County of Orange acting in its capacity as the legislative body of the District.

COMMUNITY FACILITIES DISTRICT NO. 2015-1 OF
THE COUNTY OF ORANGE (VILLAGE OF ESENCIA)

By:  _____
/s/ Frank Kim
County Executive Officer

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 or 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

APN	OWNER NAME
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	BROME, 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	BLEDSOE, 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**

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.

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DEFINITIONS

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“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



**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

JAVE IRISH
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:

<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

SACRAMENTO COUNTY 2005-2006 SECURED ANNUAL TAX BILL

02/22/06

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

SACRAMENTO COUNTY 2005-2006 SECURED ANNUAL TAX BILL

02/22/06

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 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. 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.**

**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

SECURED TAX UNIT
(916) 874-6622

JAVE IRISH
Director of Finance
Tax Collector

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 IMPVT 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.

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NOTICE OF POTENTIAL JUDICIAL FORECLOSURE PROCEEDINGS

SACRAMENTO COUNTY 2005-2006 SECURED ANNUAL TAX BILL

05/03/06

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 00025688700028357620604101

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NOTICE OF POTENTIAL JUDICIAL FORECLOSURE PROCEEDINGS

SACRAMENTO COUNTY 2005-2006 SECURED ANNUAL TAX BILL

05/03/06

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 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. 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.**

**SEND THIS STUB WITH YOUR 2nd INSTALLMENT PAYMENT.
Partial payments cannot be accepted.**



COUNTY OF SACRAMENTO CALIFORNIA

MUNICIPAL SERVICES AGENCY
CHERYL CRESON, Administrator

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 \$xx.xx 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 1st.
- 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.

DISTRICT CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated as of October 1, 2015 (the “Disclosure Certificate”) is executed and delivered by Community Facilities District No. 2015-1 of the County of Orange (Village of Esencia) (the “Issuer”) in connection with the issuance and delivery by the Issuer of its \$90,845,000 Series A of 2015 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to Resolution No. 15-107 adopted on September 22, 2015, by the Board of Supervisors of the County of Orange, acting as the legislative body of Issuer, and the Supplement to Resolution No. 15-107 (together, the “Resolution”). The Issuer covenants as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Certificate 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 Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Section 3 and 4 of this Disclosure Certificate.

“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.

“County” means the County of Orange, California.

“Disclosure Representative” shall mean the Public Finance Manager of the Issuer, or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean, initially, the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and 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.

“Issuer” shall mean Community Facilities District No. 2015-1 of the County of Orange (Village of Esencia).

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

“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.

“Official Statement” shall mean that certain Official Statement for the Bonds dated October 8, 2015.

“Owners” shall mean the registered owners of the Bonds as set forth in the registration books maintained by the Paying Agent.

“Paying Agent” means U.S. Bank National Association or such entity appointed by the District pursuant to the Resolution.

“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 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.

“State” shall mean the State of California.

“Tax-Exempt” shall mean the 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 preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

“Underwriter” shall mean any underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or, if the Dissemination Agent is other than the Issuer, upon written direction shall cause the Dissemination Agent to, not later than March 1 after the end of the Issuer’s Fiscal Year (June 30) commencing with the report due by March 1, 2016, which initial Annual Report shall consist solely of the Official Statement and audited financial statements of the Issuer, if any, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer, if any exist, may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s fiscal year changes, the Issuer shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(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, the Issuer shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to the due date for an Annual Report 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 Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a), the Dissemination Agent shall send, in a timely manner, a notice to EMMA, in the form required by EMMA.

(d) If the Dissemination Agent is other than the Issuer, 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 through EMMA; and

(ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided to EMMA and the date it was provided.

(e) Notwithstanding any other provision of this Disclosure Certificate, 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 first Annual Report due by March 1, 2016 shall consist of the Official Statement and audited financial statements of the Issuer, if any. Thereafter, the Issuer's Annual Report shall contain or include by reference the following:

(a) Financial Statements. The audited financial statements of the Issuer for the prior fiscal year, if any have been prepared and which, if prepared, shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; 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 the information referenced in Section 8 below regarding such modification. If the Issuer is preparing audited financial statements and such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following:

(i) the principal amount of the Bonds outstanding as of the August 16 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Resolution and the Reserve Requirement as of the August 16 preceding the filing of the Annual Report;

(iii) any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors for approval prior to the filing of the Annual Report;

(iv) an update of the estimated assessed value-to-lien ratio for the District substantially in the form of Table 5 in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the current fiscal year;

(v) the percentage of the maximum Special Taxes levied by the District with respect to the Bonds;

(vi) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes;

(vii) a statement as to whether the District participates in the Teeter Plan (as defined in the Official Statement) and in the event that the Teeter Plan is terminated with respect to the District, a table showing the total Special Taxes levied and the total Special Taxes collected for the prior fiscal year and the total Special Taxes that, as of December 31, remain unpaid for each prior fiscal year in which Special Taxes were levied and the number of delinquent parcels in the District;

(viii) a statement as to whether the Teeter Plan remains in effect with regard to the District;

(ix) if Special Taxes are levied on Undeveloped Property, the amount of Special Taxes levied on Undeveloped Property and the amount of Special Taxes levied on Developed Property (as such terms are defined in the Rate and Method of Apportionment of the Special Taxes); and

(x) any information not already included under (i) through (ix) above that the Issuer is required to file in its annual report pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, with the California Debt and Investment Advisory Commission.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB through EMMA. 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 filed with the Repository 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, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. 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 paying agent or the change of the name of a paying agent;
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 Certificate is the responsibility of the Issuer and that the Dissemination Agent, if other than the Issuer, 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 Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

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 this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Issuer. The Dissemination Agent, if other than the Issuer, shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Paying Agent shall be the Dissemination Agent. The initial Dissemination Agent shall be the Issuer. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer and the Paying Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver related 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) The undertaking hereunder, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, 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; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual 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 Issuer. In addition, if the amendment related to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), 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 formed accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the 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 Certificate, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, the Paying Agent at the written direction of any Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, or 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 to comply with its obligations under this Disclosure Certificate, but only to the extent funds have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges of the Paying Agent whatsoever, including, without limitation, fees and expenses of its attorney. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the Issuer is acting as the Dissemination Agent, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, 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. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Certificate may be given as follows:

Issuer: Community Facilities District No. 2015-1
of the County of Orange (Village of Esencia)
County Executive Office
333 West Santa Ana Boulevard, 3rd Floor
Santa Ana, CA 92701
Attn: Public Finance Manager

Underwriters: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attn: Public Finance Department

Piper Jaffray & Co.
1100 South Coast Highway, Suite 300A
Laguna Beach, CA 92651
Attn: Public Finance

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notice or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Paying Agent, the Dissemination Agent, the Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

This Disclosure Certificate is executed as of the date and year first set forth above.

COMMUNITY FACILITIES DISTRICT NO. 2015-1
OF THE COUNTY OF ORANGE (VILLAGE OF
ESENCIA)

By: Suzanne Luster
Disclosure Representative

DEVELOPER CONTINUING DISCLOSURE AGREEMENT

This Developer Continuing Disclosure Agreement (the “Disclosure Agreement”) dated as of October 1, 2015 is executed and delivered by the RMV PA2 Development, LLC (the “Landowner”), and David Taussig & Associates, as dissemination agent (the “Dissemination Agent”), in connection with the execution and delivery by Community Facilities District No. 2015-1 (Village of Esencia) of the County of Orange of its \$90,845,000 Community Facilities District No. 2015-1 (Village of Esencia) of the County of Orange Series A of 2015 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to Resolution No. 15-107 and the Supplement to Resolution No. 15-107 (collectively, the “Resolution”) adopted by the Board of Supervisors of the County, acting as the legislative body of the District on September 22, 2015. 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 to assist the Underwriter in the marketing of the Bonds.

SECTION 2. Definitions. 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, (b) each Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person or (c) each of such Person’s executive officers, directors, joint venturers and general partners; provided, however, that in no case shall the District 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. Affiliates of the Landowner include, but are not limited to, RMV Community Development, LLC.

“Annual Report” shall mean any Annual Report provided by the Landowner 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 Chief Financial Officer or his 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 David Taussig & Associates, 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 District a written acceptance of such designation.

“District” shall mean Community Facilities District No. 2015-1 of the County of Orange (Village of Esencia).

“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 January 1 of each year and ending on the next succeeding December 31.

“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 October 8, 2015, relating to the Bonds.

“Parity Bonds” shall mean bonds of the District that are secured on a parity with the Bonds.

“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 December 15 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“State” shall mean the State of California.

“Underwriter” shall mean the original underwriters of the Bonds, which are Stifel, Nicolaus & Company, Incorporated and Piper Jaffray & Co.

SECTION 3. Provision of Annual Reports.

(a) The Landowner shall, or upon receipt of the Annual Report the Dissemination Agent shall, not later than June 15 of each year, commencing June 15, 2016, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, June 15 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 the 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 Landowner's reporting requirements terminate pursuant to Section 6 below, the Landowner shall, or upon receipt of the Semiannual Report the Dissemination Agent shall, not later than December 15 of each year, commencing December 15, 2016, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, December 15 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 Dissemination Agent shall:

(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 District 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 updated, except with respect to the financial statements of the Developer required under 4(a)(4), through a date which shall not be more than 60 days prior to the date of the filing of the Annual Report or the Semiannual Report, as applicable, relating to the following:

1. An update (if any) to the information relating to the Landowner and its Affiliates under the captions in the Official Statement entitled "PROPERTY OWNERSHIP AND THE DEVELOPMENT—General Description of the Development," "The Developer," "The Development," "Affordable Apartment Property," "Market Rate Apartment Property" and "Remaining Developer Properties." Such updates shall include, but not be limited to, the estimated remaining cost of the Landowner and its Affiliates to complete any of the public improvements in the District, status of construction and financing plans for the apartment projects described under the captions "Affordable Apartment Property" and "Market Rate Apartment Property" and for the nonresidential property currently owned by the Landowner (to the extent the same remains owned by the Landowner or an Affiliate) (collectively, the Landowner Improvements").

2. 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.

3. Status of Special Tax payments on all parcels owned by the Landowner and its Affiliates.

4. In the Annual Report only, the financial statements of the Landowner for its most recently completed Fiscal Year (which currently ends on each December 31).

5. An update of the number of building permits pulled by each merchant builder as set forth in Table 7 of the Official Statement.

(b) 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. Material default by the Landowner or any Affiliate on any loan with respect to the construction or permanent financing of the Landowner Improvements to which the Landowner or any Affiliate has been provided a notice of default;

3. Material default by the Landowner or any Affiliate on any loan secured by property within the District owned by the Landowner or any Affiliate to which the Landowner or any Affiliate has been provided a notice of default;

4. Payment default by the Landowner or any Affiliate on any loan of the Landowner or any Affiliate (whether or not such loan is secured by property within the District) which is beyond any applicable cure period in such loan;

5. The filing of any proceedings with respect to the Landowner or any Affiliate, in which the Landowner or any 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

6. 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 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 materially adversely affect the financial condition of the Landowner or its Affiliates or their respective ability to pay special taxes levied within the District.

(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 Dissemination 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 District.

SECTION 6. Termination of Reporting Obligation. The Landowner's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds, or

(b) as of the date of the filing for the Semiannual Report or Annual Report (1) with respect to the obligation of the Landowner to update the information pursuant to Section 4(a)(1) – (4) above, ninety percent (90%) of the public improvements to be constructed by the Landowner as described under the caption "PROPERTY OWNERSHIP AND THE DEVELOPMENT—The Development" have been completed based on costs expended and (2) with respect to the obligation of the Landowner to update the information pursuant to Section 4(a)(5) above, 75% of the building permits for the planned residential development within the District have been issued.

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 Dissemination 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) The amendment or waiver either (i) is approved by the owners of the Bonds in the same manner as provided in the Resolution with the consent of owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the District and the Dissemination Agent, materially impair the interests of the owners or Beneficial Owners of the Bonds; and]

(c) The Landowner, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) above to the District and the Trustee.

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.

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 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 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 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 or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Underwriter or 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 Landowner or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the Landowner 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 not be deemed to be acting in any fiduciary capacity for the Landowner, the Underwriter, owners of the Bonds 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. 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 provided to it by the Landowner as constituting the Annual Report required of the Landowner in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual 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. 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 District.

SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Landowner: RMV PA2 Development, LLC
28811 Ortega Highway
San Juan Capistrano, CA 92675
Attn: Chief Financial Officer

Dissemination Agent: David Taussig & Associates
5000 Birch Street, Suite 6000
Newport Beach, CA 92660
Attn: Andrea Roess

Underwriters: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attn: Municipal Research

Piper Jaffray & Co.
1100 South Coast Highway, Suite 300A
Laguna Beach, CA 92651
Attn: Public Finance

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Landowner, the District, the Dissemination Agent, the Dissemination Agent, the Underwriter and owners of the Bonds and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.


[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

SECTION 15. 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.

RMV PA 2 DEVELOPMENT, LLC, a Delaware limited liability company

By: RANCHO MISSION VIEJO, LLC, a Delaware limited liability company, as agent and manager

By: 
Name: Elise L. Millington
Title: Chief Financial Officer

By: 
Name: Donald L. Vodra
Title: Chief Operating Officer

DAVID TAUSSIG & ASSOCIATES, as Dissemination Agent

By: _____
Authorized Officer

SECTION 15. 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.

RMV PA 2 DEVELOPMENT, LLC, a Delaware limited liability company

By: RANCHO MISSION VIEJO, LLC, a Delaware limited liability company, as agent and manager

By: _____
Name: Elise L. Millington
Title: Chief Financial Officer

By: _____
Name: Donald L. Vodra
Title: Chief Operating Officer

DAVID TAUSSIG & ASSOCIATES, as Dissemination Agent

By: Maren Roen
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

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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

Foreclosure Attorney	Foreclosure Recap	Delinquency Management Steps Taken
Stradling Yocca Carlson & Rauth	No foreclosures have been initiated	Demand Letters Sent

Foreclosure Covenant

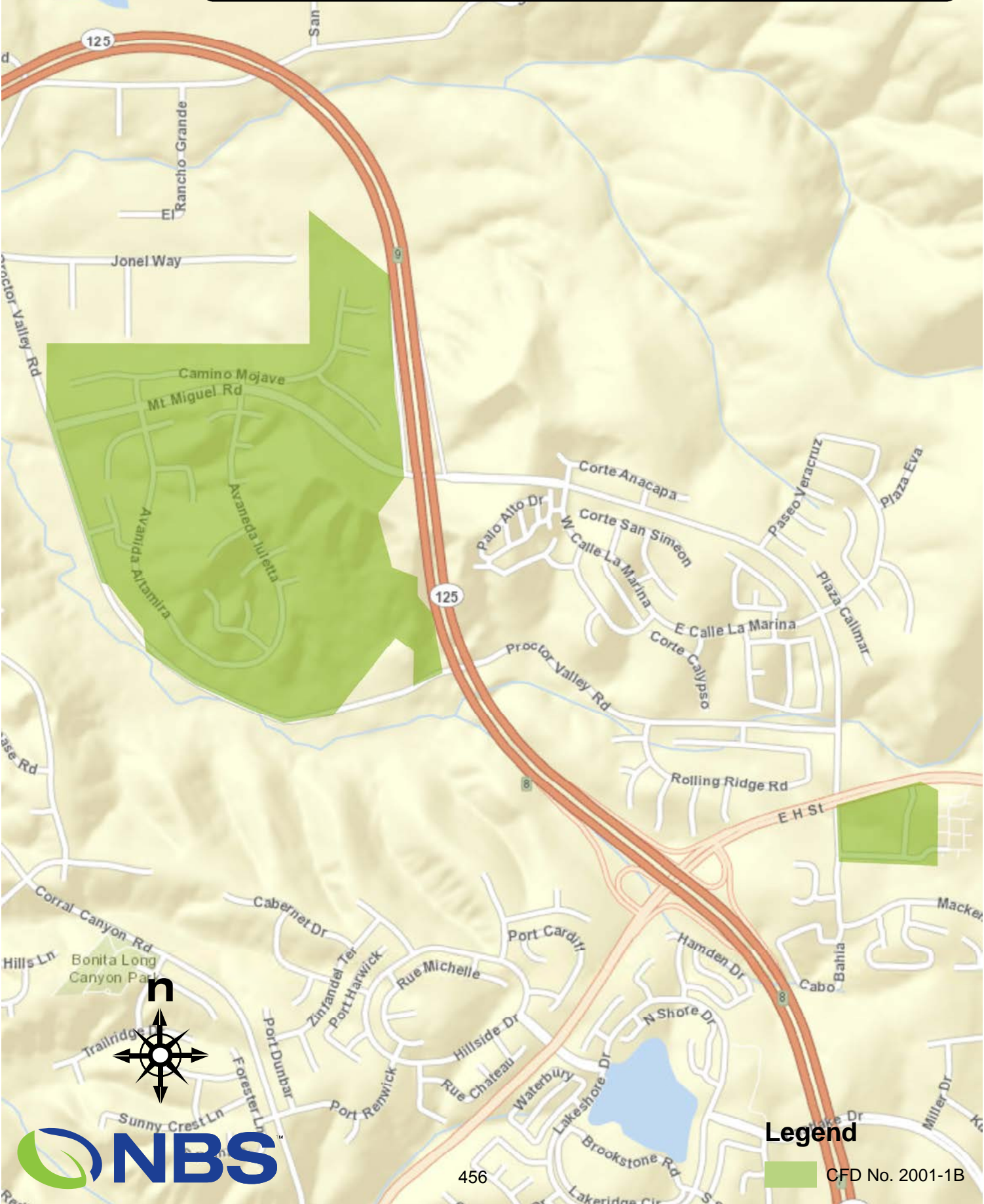
The District will review the public records of the County of San Diego, California, in connection with the collection of the Special Taxes not later than July 1 of each year to determine the amount of the Special Tax collected in the prior Fiscal Year and will commence and diligently pursue to completion, 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.

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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 %
CFD No. 2001-1B	8/1/2006 Billing:								
	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 %
	Subtotal:	\$903,067.50	\$903,067.50	\$0.00	0.00 %	14	14	0	0.00 %
	8/1/2007 Billing:								
	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 %
	Subtotal:	\$904,291.34	\$904,291.34	\$0.00	0.00 %	578	578	0	0.00 %
458	8/1/2008 Billing:								
	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 %
	Subtotal:	\$905,028.94	\$905,028.94	\$0.00	0.00 %	580	580	0	0.00 %
	8/1/2009 Billing:								
	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 %
	Subtotal:	\$905,279.00	\$905,279.00	\$0.00	0.00 %	580	580	0	0.00 %
	8/1/2010 Billing:								
	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 %
	Subtotal:	\$903,134.60	\$903,134.60	\$0.00	0.00 %	580	580	0	0.00 %
	8/1/2011 Billing:								
	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 %
	Subtotal:	\$902,409.60	\$902,409.60	\$0.00	0.00 %	580	580	0	0.00 %
	8/1/2012 Billing:								
	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 %
	Subtotal:	\$901,196.20	\$897,987.30	\$3,208.90	0.36 %	576	574	2	0.35 %
	Total:	\$6,324,407.18	\$6,321,198.28	\$3,208.90	0.05 %	3,488	3,486	2	0.06 %

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 %
Agency Grand Total:		\$6,324,407.18	\$6,321,198.28	\$3,208.90	0.05 %				

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
Grand Total:				\$12,230,000.00	\$13,034,619.38	\$25,264,619.38	\$25,264,619.38		

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)
Principal & Interest			
Principal & Interest	\$829,497.50	\$826,197.50	\$3,300.00
Subtotal:	\$829,497.50	\$826,197.50	\$3,300.00
Admin. Expenses			
Admin. Expenses	\$75,000.00	\$75,000.00	\$0.00
Subtotal:	\$75,000.00	\$75,000.00	\$0.00
Miscellaneous			
Installment Rounding	(\$1.08)	(\$1.30)	\$0.22
Subtotal:	(\$1.08)	(\$1.30)	\$0.22
<hr/>			
Grand Total:	\$904,496.42	\$901,196.20	\$3,300.22
Total Parcels:	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 Adj's	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		2,106.49	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 Adj's	Total
585-190-48-00	585-190-48-00		2,357.68	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		2,357.68	0.00	(0.01)	2,357.68
585-190-51-00	585-190-51-00		2,691.88	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		2,691.88	0.00	(0.01)	2,691.88
585-190-54-00	585-190-54-00		2,357.68	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		2,691.88	0.00	(0.01)	2,691.88
585-190-57-00	585-190-57-00		2,357.68	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		2,691.88	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		2,691.88	0.00	(0.01)	2,691.88
585-190-63-00	585-190-63-00		2,357.68	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		2,691.88	0.00	(0.01)	2,691.88
585-190-66-00	585-190-66-00		2,691.88	0.00	(0.01)	2,691.88
585-190-67-00	585-190-67-00		2,357.68	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		2,691.88	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		2,357.68	0.00	(0.01)	2,357.68
585-190-72-00	585-190-72-00		2,691.88	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		2,691.88	0.00	(0.01)	2,691.88
585-190-75-00	585-190-75-00		2,357.68	0.00	(0.01)	2,357.68
585-190-78-00	585-190-78-00		2,691.88	0.00	(0.01)	2,691.88
585-190-79-00	585-190-79-00		2,357.68	0.00	(0.01)	2,357.68
585-190-80-00	585-190-80-00		2,691.88	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		2,691.88	0.00	(0.01)	2,691.88
585-190-88-00	585-190-88-00		2,357.68	0.00	(0.01)	2,357.68
585-190-89-00	585-190-89-00		2,691.88	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		2,357.68	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		2,349.74	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 Adj's	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
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Account ID	Property ID	DB	Levy Developed	Levy Undeveloped	Misc Adj's	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		2,691.88	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

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Account ID	Property ID	DB	Levy Developed	Levy Undeveloped	Misc Adj's	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		2,808.82	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		3,300.38	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

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Account ID	Property ID	DB	Levy Developed	Levy Undeveloped	Misc Adj's	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		3,756.58	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		3,756.58	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		3,756.58	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		3,756.58	0.00	(0.01)	3,756.58
585-210-25-00	585-210-25-00		3,756.58	0.00	(0.01)	3,756.58
585-210-26-00	585-210-26-00		3,756.58	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		3,756.58	0.00	(0.01)	3,756.58
585-210-30-00	585-210-30-00		3,756.58	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		3,756.58	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		3,756.58	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		3,756.58	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		3,756.58	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		3,756.58	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		3,756.58	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		3,756.58	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		3,756.58	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 Adj's	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
290 Accounts			\$904,497.54	\$(0.04)	\$(1.08)	\$904,496.42

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
CFD 2001-1B	No property owners are delinquent for more than \$5K	0
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.

**Recording Requested By and
When Recorded Mail To:**

Stradling, Yocca, Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, California 92660
Attn: Robert J. Whalen, Esq.

Recorded in Official Records, Orange County
Hugh Nguyen, Clerk-Recorder



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This document is exempt from the
payment of a recording fee pursuant to
Government Code Section 6103.

**NOTICE OF SPECIAL TAX LIEN
FOR COMMUNITY FACILITIES DISTRICT NO. 2015-1
OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA)**

Pursuant to the requirements of Section 3114.5 of the Streets and Highways Code and Section 53328.3 of the Government Code, the undersigned clerk of the legislative body of Community Facilities District No. 2015-1 of the County of Orange (Village of Esencia) (the "District"), State of California, hereby gives notice that a lien to secure payment of a special tax is hereby imposed by the Board of Supervisors of the County of Orange, Orange County, State of California, sitting as the legislative body of the District (the "Board"). The special tax secured by this lien is authorized to be levied for the purpose of: (i) paying for the cost of the construction, purchase, modification, expansion and/or improvement of certain roadways and roadway improvements (including, without limitation, the Foothill Transportation Corridor improvements and the South County Roadway Improvement Program), tunnels, regional hiking and biking trails, storm drains, water and wastewater facilities (including, without limitation, domestic and non-domestic water facilities, wells, reservoirs, pipelines, storm and sewer drains and related infrastructure and improvements), wet and dry utilities, bridges and pedestrian bridges, parks, traffic signals, sheriff's substations and equipment and library facilities and equipment, and related infrastructure improvements, both onsite and offsite, and all appurtenances and appurtenant work in connection with the foregoing (including utility line relocations and electric, gas and cable utilities) (the "Facilities"), and to finance the incidental expenses (the "Incidental Expenses") to be incurred, including: (a) the cost of engineering, planning and designing the Facilities; (b) all costs, including costs of the property owner petitioning for formation of the District, associated with the creation of the District, the issuance of the bonds, the determination of the amount of special taxes to be levied and costs otherwise incurred in order to carry out the authorized purposes of the District; and (c) any other expenses incidental to the construction, acquisition, modification, rehabilitation, completion and inspection of the Facilities; and (ii) paying for the principal and interest and other periodic costs on the bonds to be issued to finance the Facilities and Incidental Expenses.

The special tax is authorized to be levied within the District, which has now been officially formed and the lien 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 Government Code.

The rate, method of apportionment and manner of collection of the authorized special tax is as set forth in Appendix A attached hereto and incorporated herein by this reference. Conditions under which the obligation to pay the Special Tax may be prepaid and permanently satisfied and the lien of the special tax cancelled are as follows:

Parcels within the District may prepay the special tax obligation in whole or in part as set forth in Section G of Appendix A attached hereto.

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 nonexempt real property within the District in accordance with Section 3115.5 of the Streets and Highway Code.

The names of the owners and the assessor's tax parcel numbers of the real property included within the District and not exempt from the special tax are as set forth in Appendix B attached hereto and incorporated herein by this reference.

Reference is made to the boundary map of the District recorded at Book No. 88 of Maps of Assessment and Community Facilities Districts at Page No. 43, in the office of the County Recorder for the County of Orange, State of California, 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 County Executive Office, County of Orange, 10 Civic Center Plaza, 3rd Floor, Santa Ana, California 92701, (714) 834-2345.



Clerk of the Board of Supervisors of the County of Orange, acting in its capacity as the legislative body of Community Facilities District No. 2015-1 of the County of Orange (Village of Esencia)

APPENDIX A

**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 2015-1
OF THE COUNTY OF ORANGE
(VILLAGE OF ESENCIA)**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Community Facilities District No. 2015-1 of the County of Orange (Village of Esencia) ("CFD No. 2015-1") and collected each Fiscal Year commencing in Fiscal Year 2015-16, in an amount determined by the Board through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 2015-1, unless exempted by law or by the provisions hereof, 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:

"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 map, parcel map, condominium plan, or other recorded County parcel map.

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2015-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the County or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the County, CFD No. 2015-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the County, CFD No. 2015-1 or any designee thereof of complying with disclosure requirements of the County, CFD No. 2015-1 or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the County, CFD No. 2015-1 or any designee thereof related to an appeal of any Special Tax levy; the costs associated with the release of funds from an escrow account; and the County's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the County or CFD No. 2015-1 for any other administrative purposes of CFD No. 2015-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure action to collect delinquent Special Taxes.

"Affordable Property" means, for each Fiscal Year, any Assessor's Parcel of Residential Property that is subject to a restrictive covenant, or similar covenant in a grant deed or other instrument, in satisfaction of Section IV (Provision of Site(s) for Affordable Housing) of Exhibit D of the Development Agreement that was recorded prior to January 1 of the prior Fiscal Year and that limits the use of such Assessor's Parcel for affordable housing. In order to ensure that such property is correctly classified as Affordable Property, the owner of such property shall provide the CFD Administrator with a copy of any applicable deed restrictions, resale restrictions, and/or regulatory agreements. For each Fiscal Year after the January 1 following the termination of the covenants, Assessor's Parcels previously classified as Affordable Property shall no longer be considered Affordable Property and shall be assigned to the appropriate Land Use Class based on its Residential Floor Area and/or use.

"Apartment Property" means any Assessor's Parcel of Residential Property, exclusive of Affordable Property, for which one or more building permits have been issued for attached residential units, all of which are made available for rental, but not purchase, by the general public.

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's parcel number.

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

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C below.

"Board" means the Board of Supervisors of the County of Orange, acting as the legislative body of CFD No. 2015-1.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2015-1 under the Act.

"CFD Administrator" means the County Executive Officer, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 2015-1" means Community Facilities District No. 2015-1 of the County of Orange (Village of Esencia).

"Conservation Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2015-1, excluding Property Owner Association Property, Public

Property and Religious Property, that is subject to a declaration of irrevocable covenant, conservation easement deed, or similar document that was recorded restricting the use of such property to open space, habitat preservation, or other conservation purposes as of January 1 of the prior Fiscal Year. In order to ensure that such property is correctly classified as Conservation Property, the owner of such property shall provide the CFD Administrator with a copy of a declaration of irrevocable covenant, conservation easement deed, or similar document.

"County" means the County of Orange.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, for which a building permit for new construction was issued prior to January 1 of the prior Fiscal Year. Notwithstanding the foregoing, (a) if a building permit is revoked, expired or otherwise cancelled and a new building permit is issued for the same property prior to the issuance of Bonds, then, the building square footage and building type as indicated on the new building permit shall thereafter be used for purposes of determining the Land Use Class, (b) if a building permit is revoked, expired or otherwise cancelled and a new building permit is issued for the same property after the issuance of Bonds, and the amount of Assigned Special Taxes which may be levied pursuant to the new building permit is greater than the Assigned Special Taxes which may be levied pursuant to the original building permit, then the building square footage and building type as indicated on the new building permit shall thereafter be used for purposes of determining the Land Use Class, otherwise the Land Use Class pursuant to the original building permit shall continue to be used, and (c) if a building permit is revoked, expired or otherwise cancelled and no new building permit is issued for the same property, then the property will continue to be considered Developed Property and taxed based on the original building permit.

"Development Agreement" means the development agreement by and between the County, DMB San Juan Investments North, LLC, RMV Middle Chiquita, LLC, RMV Ranch House, LLC, RMV Headquarters, LLC, RMV San Juan Watershed, LLC, RMV San Mateo Watershed, LLC, and RMV Blind Canyon, LLC recorded on December 6, 2004 as Instrument No.2004001082094.

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

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Land Use Class" means any of the classes within each Zone listed in Tables 1 through 7 below.

Maximum Special Tax" means for each fiscal year for each Assessor's Parcel, the maximum Special Tax, determined in accordance with Section C below, that can be levied on such Assessor's Parcel in such fiscal year.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit(s) was issued for a non-residential use.

"Outstanding Bonds" means all Bonds which are deemed to be outstanding under the Indenture.

"Property Owner Association Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2015-1 that is owned in fee or by easement, or dedicated to, a property owner association, including any master or sub-association as of January 1 of the prior Fiscal Year.

"Proportionately" means for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property within CFD No. 2015-1. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property in CFD No. 2015-1. For Taxable Conservation Property, Taxable Public Property, Taxable Property Owner Association Property and Taxable Religious Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Taxable Conservation Property, Taxable Public Property, Taxable Property Owner Association Property or Taxable Religious Property, as applicable.

"Public Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2015-1 that is used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County or any other public agency as of January 1 of the prior Fiscal Year; provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use. In order to ensure that such property is correctly classified as Public Property, the owner of such property shall provide the CFD Administrator with a copy of any applicable documents.

"Religious Property" means, for each Fiscal Year, all property within the boundaries of CFD No. 2015-1 which (i) is either (a) used primarily as a place of worship or (b) vacant land or land under construction that is intended to be used primarily as a place of worship as determined by the CFD Administrator; and (ii) is exempt from *ad valorem* property taxes because it is owned by a religious organization as of January 1 of the prior Fiscal Year. Religious Property, without limitation, does not include any Assessor's Parcels used primarily for religious schools, day care centers, or congregate care facilities.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for 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 to fund the Special Tax Requirement.

"Special Tax Requirement" means for each Fiscal Year, that amount required for CFD No. 2015-1 to pay the sum of: (i) debt service on all Outstanding Bonds or Bonds expected to be issued in such Fiscal Year; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) any amounts required to establish or replenish any reserve funds for all Outstanding Bonds or Bonds expected to be issued in such Fiscal Year by CFD No. 2015-1; and (v) any amounts required for construction of facilities eligible to be constructed or acquired by CFD No. 2015-1 under the Act. In arriving at the Special Tax Requirement, the CFD Administrator shall take into account the reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year and shall give a credit for funds available to reduce the annual Special Tax levy.

"State" means the State of California.

"Taxable Conservation Property" means all Assessor's Parcels of Conservation Property that are not exempt pursuant to Section E below.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2015-1 which are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Taxable Religious Property" means all Assessor's Parcels of Religious Property that are not exempt pursuant to Section E below.

"Trustee" means the trustee, fiscal agent, or paying agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property.

"Zone" means any one of the separate geographic areas within CFD No. 2015-1 designated on Exhibit A herein as: Zone 1, Zone 2, Zone 3, Zone 4, Zone 5, Zone 6, Zone 7, or Zone E.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within Zones 1 through 7 of CFD No. 2015-1 shall be classified as Developed Property, Taxable Conservation Property, Taxable Public Property, Taxable Property Owner Association Property, Taxable Religious Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

The Assigned Special Tax for Residential Property shall be based on the Zone in which the Assessor's Parcel is located, the number of dwelling units, and the Residential Floor Area of the dwelling units located on the Assessor's Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Zone in which the Assessor's Parcel is located and the Acreage of the Assessor's Parcel.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property within a particular Zone shall be the greater of (i) the amount derived by application of the Assigned Special Tax for such Zone or (ii) the amount derived by application of the Backup Special Tax for such Zone.

b. Assigned Special Tax

The Assigned Special Tax for each Land Use Class within each Zone for Fiscal Year 2015-16 is shown below in Tables 1 through 7.

TABLE 1
Zone 1
(All Ages - Traditional Single Family Attached)
For Fiscal Year 2015-16
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,750 SF	Residential Property	\$4,893 per unit
2	1,601 – 1,750 SF	Residential Property	\$4,499 per unit
3	1,451 – 1,600 SF	Residential Property	\$4,302 per unit
4	< 1,451 SF	Residential Property	\$3,710 per unit
5	N/A	Non-Residential Property	\$16,028 per Acre
6	N/A	Affordable Property	\$927 per unit
7	N/A	Apartment Property	\$1,624 per unit

TABLE 2
Zone 2
(All Ages – Cluster Single Family Detached)
For Fiscal Year 2015-16
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,900 SF	Residential Property	\$8,046 per unit
2	2,701 – 2,900 SF	Residential Property	\$7,641 per unit
3	2,501 – 2,700 SF	Residential Property	\$7,447 per unit
4	2,301 – 2,500 SF	Residential Property	\$7,036 per unit
5	2,101 – 2,300 SF	Residential Property	\$6,319 per unit
6	1,901 – 2,100 SF	Residential Property	\$5,617 per unit
7	1,801 – 1,900 SF	Residential Property	\$5,438 per unit
8	1,601 – 1,800 SF	Residential Property	\$5,108 per unit
9	< 1,601 SF	Residential Property	\$4,636 per unit
10	N/A	Non-Residential Property	\$16,028 per Acre
11	N/A	Affordable Property	\$927 per unit
12	N/A	Apartment Property	\$1,624 per unit

TABLE 3
Zone 3
(All Ages – Traditional Single Family Detached)
For Fiscal Year 2015-16
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 3,700 SF	Residential Property	\$10,234 per unit
2	3,501 – 3,700 SF	Residential Property	\$9,675 per unit
3	3,301 – 3,500 SF	Residential Property	\$9,093 per unit
4	3,101 – 3,300 SF	Residential Property	\$8,634 per unit
5	2,901 – 3,100 SF	Residential Property	\$8,101 per unit
6	2,701 – 2,900 SF	Residential Property	\$7,641 per unit
7	2,501 – 2,700 SF	Residential Property	\$7,503 per unit
8	2,301 – 2,500 SF	Residential Property	\$6,942 per unit
9	< 2,301 SF	Residential Property	\$6,337 per unit
10	N/A	Non-Residential Property	\$16,028 per Acre
11	N/A	Affordable Property	\$927 per unit
12	N/A	Apartment Property	\$1,624 per unit

TABLE 4
Zone 4
(Age Qualified – Traditional Single Family Attached)
For Fiscal Year 2015-16
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,900 SF	Residential Property	\$4,319 per unit
2	1,701 – 1,900 SF	Residential Property	\$4,078 per unit
3	1,501 – 1,700 SF	Residential Property	\$3,743 per unit
4	< 1,501 SF	Residential Property	\$3,578 per unit
5	N/A	Non-Residential Property	\$16,028 per Acre
6	N/A	Affordable Property	\$927 per unit
7	N/A	Apartment Property	\$1,624 per unit

TABLE 5
Zone 5
(Age Qualified – Cluster Single Family Detached)
For Fiscal Year 2015-16
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,300 SF	Residential Property	\$6,036 per unit
2	2,201 – 2,300 SF	Residential Property	\$5,800 per unit
3	2,001 – 2,200 SF	Residential Property	\$5,564 per unit
4	1,801 – 2,000 SF	Residential Property	\$5,170 per unit
5	1,601 – 1,800 SF	Residential Property	\$5,061 per unit
6	< 1,601 SF	Residential Property	\$4,457 per unit
7	N/A	Non-Residential Property	\$16,028 per Acre
8	N/A	Affordable Property	\$927 per unit
9	N/A	Apartment Property	\$1,624 per unit

TABLE 6
Zone 6
(Age Qualified – Traditional Single Family Detached)
For Fiscal Year 2015-16
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,400 SF	Residential Property	\$7,466 per unit
2	≤ 2,400 SF	Residential Property	\$6,732 per unit
3	N/A	Non-Residential Property	\$16,028 per Acre
4	N/A	Affordable Property	\$927 per unit
5	N/A	Apartment Property	\$1,624 per unit

TABLE 7
Zone 7
(Other Property)
For Fiscal Year 2015-16
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	N/A	Residential Property	\$2,000 per unit
2	N/A	Affordable Property	\$927 per unit
3	N/A	Apartment Property	\$1,624 per unit
4	N/A	Non-Residential Property	\$16,028 per Acre

c. Multiple Land Use Classes

In some instances an Assessor's Parcel may contain both Undeveloped Property and Developed Property. Furthermore, Developed Property may contain more than one Land Use Class.

In such cases, the Acreage of the Assessor's Parcel shall be allocated between Developed Property and Undeveloped Property based on the portion of the Assessor's Parcel for which building permits had been issued prior to January 1 of the prior Fiscal Year and the portion of the Assessor's Parcel for which building permits had not been issued prior to January 1 of the prior Fiscal Year. The Acreage that is considered Developed Property shall be allocated between Residential Property and Non-Residential Property based on the site plan. The Maximum Special Tax that can be levied on such Assessor's Parcel shall be the sum of the Maximum Special Tax that can be levied on each type of property located on that Assessor's Parcel.

d. Backup Special Tax

The Backup Special Tax in CFD No. 2015-1 shall equal an amount per Acre for each Zone as shown below in Table 8.

TABLE 8
All Zones
Fiscal Year 2015-16
Backup Special Tax

Zone	FY 2015-16 Backup Special Tax
1	\$81,454 per Acre
2	\$89,605 per Acre
3	\$67,406 per Acre
4	\$26,663 per Acre
5	\$50,564 per Acre
6	\$45,802 per Acre
7	\$33,976 per Acre

e. Increase in the Assigned Special Tax and Backup Special Tax

On each July 1, commencing on July 1, 2016, the Assigned Special Tax and the Backup Special Tax for Developed Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

2. **Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property**

a. Maximum Special Tax

The Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property within each Zone is shown below in Table 9.

TABLE 9
All Zones
Fiscal Year 2015-16
Maximum Special Taxes for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, or Undeveloped Property

Zone	FY 2015-16 Maximum Special Tax
1	\$81,454 per Acre
2	\$89,605 per Acre
3	\$67,406 per Acre
4	\$26,663 per Acre
5	\$50,564 per Acre
6	\$45,802 per Acre
7	\$33,976 per Acre

b. Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2016, the Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property and shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2015-16 and for each following Fiscal Year, the Board shall levy the Special Tax until the amount of Special Taxes levied 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;

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 monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's

Parcel of Developed Property for which the Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Conservation Property, Taxable Property Owner Association Property or Taxable Religious Property at up to the Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property or Taxable Religious Property.

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property at up to the Maximum Special Tax for Taxable Public Property.

Notwithstanding the above, under no circumstances will the Special Tax levied in a Fiscal Year 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%) above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2015-1. To the extent that the levy of the Special Tax on Residential Property is limited by the provision in the previous sentence, the levy of the Special Tax on all other Assessor's Parcels shall continue in equal percentages at up to 100% of the Maximum Special Tax.

E. EXEMPTIONS

No Special Tax shall be levied on (1) any property in Zone E and (2) Conservation Property, Property Owner Association Property, Public Property, and/or Religious Property in Zones 1 through 7 at up to the Acreage amounts shown in Table 10 below:

TABLE 10

Zone	Exempt Acreage
1	0.271 Acres
2	20.473 Acres
3	19.338 Acres
4	0.743 Acres
5	17.920 Acres
6	11.018 Acres
7	21.424 Acres

Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property within each Zone becomes Conservation Property, Property Owner Association Property, Public Property, or Religious Property. However, should an Assessor's Parcel no longer be classified as Conservation Property, Property Owner Association Property, Public Property, or Religious Property its tax-exempt status will be revoked and it will thereafter be classified as Developed Property or Undeveloped Property in accordance with Section D above.

Conservation Property, Property Owner Association Property, Public Property, or Religious Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fourth or fifth steps, respectively, in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2015-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

Tenders of Bonds may be accepted for payment of Special Taxes upon the terms and conditions established by the Act and permitted by CFD No. 2015-1. The use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Board.

G. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section G:

"CFD Public Facilities Cost" means either \$98.4 million in 2015 dollars, which shall increase by the Construction Inflation Index on July 1, 2016, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 2015-1 under the authorized bonding program for CFD No. 2015-1, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section D.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

"Construction Inflation Index" means, for a Fiscal Year, the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Future Facilities Costs" means the CFD Public Facilities Cost minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

"Outstanding Bonds" means all Previously Issued Bonds which are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all Bonds that have been issued by CFD No. 2015-1 prior to the date of prepayment.

1. Prepayment in Full

The obligation to pay the Special Tax for an Assessor's Parcel may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made only for Assessor's Parcels of Developed Property and/or Undeveloped Property for which a building permit has been issued, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this figure. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	<u>Capitalized Interest Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be calculated as follows:

Paragraph No.:

1. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax and Backup Special Tax applicable for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property for which a building permit has been issued, compute the Assigned Special Tax and Backup Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.
2. (a) Divide the Assigned Special Tax computed pursuant to paragraph 1 by the total estimated Assigned Special Taxes for the entire CFD No. 2015-1 based on the Developed Property Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 2015-1, excluding any Assessor's Parcels which have been prepaid, and

(b) Divide the Backup Special Tax computed pursuant to paragraph 1 by the total estimated Backup Special Taxes for the entire CFD No. 2015-1 based on the Backup Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 2015-1, excluding any Assessor's Parcels which have been prepaid.
3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
5. Compute the current Future Facilities Costs.
6. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the amount determined pursuant to paragraph 5 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
7. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
8. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.

9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 7 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of CFD No. 2015-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
15. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 6, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Prepayment Amount").
16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 6 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2015-1.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be

retained in the appropriate fund established under the Indenture to be used with the next prepayment of Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel for which the Special Tax is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation to pay the Special Tax for such Assessor's Parcel shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless (i) the amount of Maximum Special Tax that may be levied on Taxable Property (based on expected development at build out), after the proposed prepayment, less expected Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year and (ii) the amount of Maximum Special Tax that may be levied on non-delinquent Taxable Property (based on expected development at build out) after the proposed prepayment, less expected Administrative Expenses, shall be at least equal to the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year.

2. Prepayment in Part

The Special Tax for an Assessor's Parcel of Developed Property and/or Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section G.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = [(P_E - AE) \times F] + AE$$

These terms have the following meaning:

- AE = the Administrative Fees and Expenses
- PP = the partial prepayment amount
- P_E = the Prepayment Amount calculated according to Section G.1
- F = the percentage by which the owner of the Assessor's Parcel is partially prepaying the Special Tax.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel

for which the Special Tax is partially prepaid, CFD No. 2015-1 shall (i) distribute the funds remitted to it according to Section G.1, and (ii) indicate in the records of CFD No. 2015-1 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the Assigned Special Tax and Backup Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

Notwithstanding the foregoing, no partial prepayment will be allowed unless (i) the amount of Maximum Special Tax that may be levied on Taxable Property (based on expected development at build out), after the proposed partial prepayment, less expected Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year and (ii) the amount of Maximum Special Tax that may be levied on non-delinquent Taxable Property (based on expected development at build out) after the proposed partial prepayment, less expected Administrative Expenses, shall be at least equal to the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year.

H. SPECIAL TAX REDUCTION

The following definitions apply to this Section H:

"Issuance Date" means the date a bond purchase contract related to the sale of the Bonds is entered into between the underwriter of the Bonds and CFD No. 2015-1.

"Plan Type" means a discrete residential plan type (generally consisting of residential dwelling units that share a common product type (e.g., detached, attached, cluster) and that have nearly identical amounts of living area) that is constructed or expected to be constructed within CFD No. 2015-1 as identified in the Price Point Study.

"Price Point" means, with respect to the residential dwelling units in each Plan Type, as of the date of the applicable Price Point Study, the base price of such residential dwelling units, estimated by the Price Point Consultant as of such date, including any incentives and concessions, but excluding potential appreciation or premiums, options or upgrades, based upon their actual or expected characteristics, such as living area, view, or lot size.

"Price Point Consultant" means any consultant or firm of such consultants selected by CFD No. 2015-1 that (a) has substantial experience in performing price point studies for residential units within community facilities districts or otherwise estimating or confirming pricing for residential units in community facilities districts, (b) is well versed in analyzing economic and real estate data that relates to the pricing of residential units in community facilities districts, (c) is in fact independent and not under the control of CFD No. 2015-1 or the County, (d) does not have any substantial interest, direct or indirect, with or in (i) CFD No. 2015-1, (ii) the County, (iii) any owner of real property in CFD

No. 2015-1, or (iv) any real property in CFD No. 2015-1, and (e) is not connected with CFD No. 2015-1 or the County as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 2015-1 or the County.

"Price Point Study" means a price point study or a letter updating a previous price point study, which (a) has been prepared by the Price Point Consultant, (b) sets forth the Plan Types constructed or expected to be constructed within Zones 1 through 7 in CFD No. 2015-1, (c) sets forth the estimated number of constructed and expected residential dwelling units for each Plan Type, (d) sets forth such Price Point Consultant's estimate of the Price Point for each Plan Type and (e) uses a date for establishing such Price Points that is no earlier than 30 days prior to the date the Price Point Study is delivered to the CFD Administrator pursuant to Section H herein. The Price Point Study will only include the for-sale Residential Property in Zones 1 through 7.

"Total Effective Tax Rate" means, for a Plan Type, the quotient of (a) the Total Tax and Assessment Obligation for such Plan Type divided by (b) the Price Point for such Plan Type, converted to a percentage.

"Total Tax and Assessment Obligation" means, with respect to a Plan Type in a Zone, for the Fiscal Year for which the calculation is being performed, the quotient of (a) the sum of the Assigned Special Tax and estimated *ad valorem* property taxes, special assessments, special taxes for any overlapping community facilities districts, and any other governmental taxes, fees and charges levied or imposed on all residential dwelling units of such Plan Type in such Zone in such Fiscal Year or that would have been levied or imposed on all such residential dwelling units had such residential dwelling units been completed, sold and subject to such levies and impositions in such Fiscal Year divided by (b) the number of residential dwelling units in such Plan Type in such Zone. The Total Tax and Assessment Obligation for each Plan Type shall be calculated based on the applicable Residential Floor Area, Price Point, and number of constructed and expected residential dwelling units for such Plan Type in such Zone as identified in the Price Point Study.

Prior to the issuance of the first series of Bonds, the following steps shall be taken for each Land Use Class of for-sale Residential Property in Zones 1 through 7:

Step No.:

1. At least 30 days prior to the expected Issuance Date of the first series of Bonds, CFD No. 2015-1 shall cause a Price Point Study to be delivered to the CFD Administrator.
2. As soon as practicable after receipt of the Price Point Study, the CFD Administrator shall calculate the Total Tax and Assessment Obligation and Total Effective Tax Rate for each Plan Type in each Zone.
3. Separately, for each Land Use Class of for-sale Residential Property in each Zone,

the CFD Administrator shall determine whether or not the Total Effective Tax Rate for all Plan Types in a Land Use Class is less than or equal to 2.00%.

- a. If the Total Effective Tax Rate for all Plan Types in a Land Use Class in a Zone is less than or equal to 2.00%, then there shall be no change in the Assigned Special Tax for such Land Use Class in such Zone.
 - b. If the Total Effective Tax Rate for any Plan Type in a Land Use Class in a Zone is greater than 2.00%, the CFD Administrator shall calculate a revised Assigned Special Tax for such Land Use Class in such Zone, which revised Assigned Special Tax shall be the highest amount (rounded to the nearest whole dollar) that will not cause the Total Effective Tax Rate for any Plan Type in such Land Use Class in such Zone to exceed 2.00%.
4. If the Assigned Special Tax for any Land Use Class in a Zone is revised pursuant to step 3.b. above, the CFD Administrator shall calculate a revised Backup Special Tax for all property within such Zone. The revised Backup Special Tax per Acre for such Zone shall be an amount (rounded to the nearest whole dollar) equal to the Backup Special Tax per Acre for such Zone as set forth in Table 8 above, reduced by a percentage equal to the weighted average percentage reduction in the Assigned Special Taxes for all Land Use Classes of Residential Property in such Zone resulting from the calculations in steps 3.a. and 3.b. above. The weighted average percentage will be calculated by taking the sum of the products of the number of units constructed or expected to be constructed in each Land Use Class in such Zone multiplied by the percentage change in the Assigned Special Tax (pursuant to step 3.b. above) for each Land Use Class in such Zone (or 0 for Land Use Classes that are not changing). This amount is then divided by the total number of units constructed or expected to be constructed within the Zone and converted to a percentage.
5. If the Assigned Special Tax for any Land Use Class in any Zone is revised pursuant to step 3.b. above, the CFD Administrator shall prepare and execute a Certificate of Reduction in Special Taxes substantially in the form of Exhibit B hereto and shall deliver such Certificate of Reduction in Special Taxes to CFD No. 2015-1. The Certificate of Reduction in Special Taxes shall be completed for all Land Use Classes in all Zones and shall set forth, as applicable, either (i) the reduced Assigned Special Tax for a Land Use Class in a Zone as calculated pursuant to step 3.b., or (ii) the Assigned Special Tax as identified in Tables 1 through 7 in Section C for a Land Use Class in a Zone that was not revised as determined pursuant to step 3.a.; as well as either (i) the revised Backup Special Tax for a Zone as calculated pursuant to step 4, or (ii) the Backup Special Tax as identified in Table 8 in Section C.1.(d) for a Zone that was not revised as determined pursuant to step 4.
6. If the Issuance Date of the first series of Bonds is within 120 days of the date of receipt of the Price Point Study by the CFD Administrator, CFD No. 2015-1 shall

execute the acknowledgement on such Certificate of Reduction in Special Taxes, dated as of the closing date of such Bonds, and upon the closing of such first series of Bonds, the Assigned Special Tax for each Land Use Class and the Backup Special Tax shall be, for all purposes, as set forth in such Certificate of Reduction in Special Taxes. If the Issuance Date of the first series of Bonds is not within 120 days of the date of receipt of the Price Point Study by the CFD Administrator, such Certificate of Reduction in Special Taxes shall not be acknowledged by CFD No. 2015-1 and shall, as of such date, be void and of no further force and effect. In such case, if subsequently a first series of Bonds is expected to be issued, at least 30 days prior to the expected Issuance Date of such first series of Bonds, the CFD Administrator shall cause a new Price Point Study to be delivered to the CFD Administrator and, following such delivery, steps 2 through 5 of this section shall be performed based on such new Price Point Study.

7. As soon as practicable after the execution by CFD No. 2015-1 of the acknowledgement on the Certificate of Reduction in Special Taxes, CFD No. 2015-1 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for CFD No. 2015-1 reflecting the Assigned Special Taxes and the Backup Special Tax for each Zone set forth in such Certificate of Reduction in Special Taxes.
8. If the Assigned Special Tax is not required to be changed for any Land Use Class in any Zone based on the calculations performed under step 3 above, there shall be no reduction in the Maximum Special Tax, and no Certificate of Reduction in Special Taxes shall be required. However the CFD Administrator shall prepare and deliver to CFD No. 2015-1 a Certificate of No Reduction in Special Taxes substantially in the form of Exhibit C hereto dated as of the closing date of the first series of Bonds that states that the calculations required pursuant to this Section H have been made and that no changes to the Maximum Special Tax are necessary.
9. CFD No. 2015-1 and the CFD Administrator shall take no further actions under this Section H upon the earlier to occur of the following: (i) the execution of the acknowledgement by CFD No. 2015-1 on a Certificate of Reduction in Special Taxes pursuant to step 6; or (ii) the delivery by the CFD Administrator of a Certificate of No Reduction in Special Taxes pursuant to step 8.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied on an Assessor's Parcel for a period not to exceed forty years from the Fiscal Year in which such Assessor's Parcel first becomes Developed Property.

J. DETERMINATIONS OF CFD ADMINISTRATOR CONSIDERED FINAL

Any determinations made by CFD Administrator under terms of this Rate and Method of Apportionment shall be final.

EXHIBIT A
ZONE DESIGNATION

EXHIBIT B

CERTIFICATE OF REDUCTION IN SPECIAL TAXES

**Community Facilities District No. 2015-1 of the County of Orange
(Village of Esencia)**

1. Pursuant to Section H of the Rate and Method of Apportionment, the Maximum Special Tax for Developed Property for [certain or all] Land Use Classes within CFD No. 2015-1 has been reduced.
2. The calculations made pursuant to Section H were based upon a Price Point Study that was received by the CFD Administrator on _____.
3. Tables 1A through 7A below show the Assigned Special Tax for each Land Use Class in Zones 1 through 7 after such reduction.

**Table 1A
Assigned Special Tax for Developed Property in Zone 1
Fiscal Year 2015-16**

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,750 SF	Residential Property	\$ _____ per unit
2	1,601 – 1,750 SF	Residential Property	\$ _____ per unit
3	1,451 – 1,600 SF	Residential Property	\$ _____ per unit
4	< 1,451 SF	Residential Property	\$ _____ per unit
5	N/A	Non-Residential Property	\$ _____ per Acre
6	N/A	Affordable Property	\$ _____ per unit
7	N/A	Apartment Property	\$ _____ per unit

Table 2A
Assigned Special Tax for Developed Property in Zone 2
Fiscal Year 2015-16

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,900 SF	Residential Property	\$ _____ per unit
2	2,701 – 2,900 SF	Residential Property	\$ _____ per unit
3	2,501 – 2,700 SF	Residential Property	\$ _____ per unit
4	2,301 – 2,500 SF	Residential Property	\$ _____ per unit
5	2,101 – 2,300 SF	Residential Property	\$ _____ per unit
6	1,901 – 2,100 SF	Residential Property	\$ _____ per unit
7	1,801 – 1,900 SF	Residential Property	\$ _____ per unit
8	1,601 – 1,800 SF	Residential Property	\$ _____ per unit
9	< 1,601 SF	Residential Property	\$ _____ per unit
10	N/A	Non-Residential Property	\$ _____ per Acre
11	N/A	Affordable Property	\$ _____ per unit
12	N/A	Apartment Property	\$ _____ per unit

Table 3A
Assigned Special Tax for Developed Property in Zone 3
Fiscal Year 2015-16

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 3,700 SF	Residential Property	\$ _____ per unit
2	3,501 – 3,700 SF	Residential Property	\$ _____ per unit
3	3,301 – 3,500 SF	Residential Property	\$ _____ per unit
4	3,101 – 3,300 SF	Residential Property	\$ _____ per unit
5	2,901 – 3,100 SF	Residential Property	\$ _____ per unit
6	2,701 – 2,900 SF	Residential Property	\$ _____ per unit
7	2,501 – 2,700 SF	Residential Property	\$ _____ per unit
8	2,301 – 2,500 SF	Residential Property	\$ _____ per unit
9	< 2,301 SF	Residential Property	\$ _____ per unit
10	N/A	Non-Residential Property	\$ _____ per Acre
11	N/A	Affordable Property	\$ _____ per unit
12	N/A	Apartment Property	\$ _____ per unit

Table 4A
Assigned Special Tax for Developed Property in Zone 4
Fiscal Year 2015-16

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,900 SF	Residential Property	\$ _____ per unit
2	1,701 – 1,900 SF	Residential Property	\$ _____ per unit
3	1,501 – 1,700 SF	Residential Property	\$ _____ per unit
4	< 1,501 SF	Residential Property	\$ _____ per unit
5	N/A	Non-Residential Property	\$ _____ per Acre
6	N/A	Affordable Property	\$ _____ per unit
7	N/A	Apartment Property	\$ _____ per unit

Table 5A
Assigned Special Tax for Developed Property in Zone 5
Fiscal Year 2015-16

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,300 SF	Residential Property	\$ _____ per unit
2	2,201 – 2,300 SF	Residential Property	\$ _____ per unit
3	2,001 – 2,200 SF	Residential Property	\$ _____ per unit
4	1,801 – 2,000 SF	Residential Property	\$ _____ per unit
5	1,601 – 1,800 SF	Residential Property	\$ _____ per unit
6	< 1,601 SF	Residential Property	\$ _____ per unit
7	N/A	Non-Residential Property	\$ _____ per Acre
8	N/A	Affordable Property	\$ _____ per unit
9	N/A	Apartment Property	\$ _____ per unit

Table 6A
Assigned Special Tax for Developed Property in Zone 6
Fiscal Year 2015-16

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,400 SF	Residential Property	\$ _____ per unit
2	≤ 2,400 SF	Residential Property	\$ _____ per unit
3	N/A	Non-Residential Property	\$ _____ per Acre
4	N/A	Affordable Property	\$ _____ per unit
5	N/A	Apartment Property	\$ _____ per unit

Table 7A
Assigned Special Tax for Developed Property in Zone 7
Fiscal Year 2015-16

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	N/A	Residential Property	\$ _____ per unit
2	N/A	Affordable Property	\$ _____ per unit
3	N/A	Apartment Property	\$ _____ per unit
4	N/A	Non-Residential Property	\$ _____ per Acre

4. The Backup Special Tax for each Assessor's Parcel of Developed Property shall equal an amount per Acre after such reduction as shown in Table 8A below.

Table 8A
Backup Special Tax
Fiscal Year 2015-16

Zone	Backup Special Tax
1	\$ _____ per Acre
2	\$ _____ per Acre
3	\$ _____ per Acre
4	\$ _____ per Acre
5	\$ _____ per Acre
6	\$ _____ per Acre
7	\$ _____ per Acre

5. Upon execution of this certificate by CFD No. 2015-1, CFD No. 2015-1 shall cause an amended notice of Special Tax lien for CFD No. 2015-1 to be recorded reflecting the Assigned Special Tax and Backup Special Tax set forth herein.

Certificate of Reduction in Special Taxes
Page 6

Submitted

CFD ADMINISTRATOR

By: _____ Date: _____

By execution hereof, the undersigned acknowledges, on behalf of CFD No. 2015-1, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

Community Facilities District No. 2015-1 of the County of Orange
(Village of Esencia)

By: _____ Date as of: [closing date of Bonds]

EXHIBIT C

CERTIFICATE OF NO REDUCTION IN SPECIAL TAXES

**Community Facilities District No. 2015-1 of the County of Orange
(Village of Esencia)**

1. All calculations required pursuant to Section H of the Rate and Method of Apportionment have been made based upon a Price Point Study that was received by the CFD Administrator on _____.
2. Total Effective Tax Rate for all Plan Types in all Land Use Classes in all Zones is less than or equal to 2.00%
3. The Maximum Special Tax for Developed Property within CFD No. 2015-1, including the Assigned Special Taxes set forth in Sections C.1.(b) and the Backup Special Tax set forth in Section C.1.(d) of the Rate and Method of Apportionment, shall remain in effect and not be reduced.

Submitted

CFD ADMINISTRATOR

By: _____

Date as of: [closing date of Bonds]

APPENDIX B

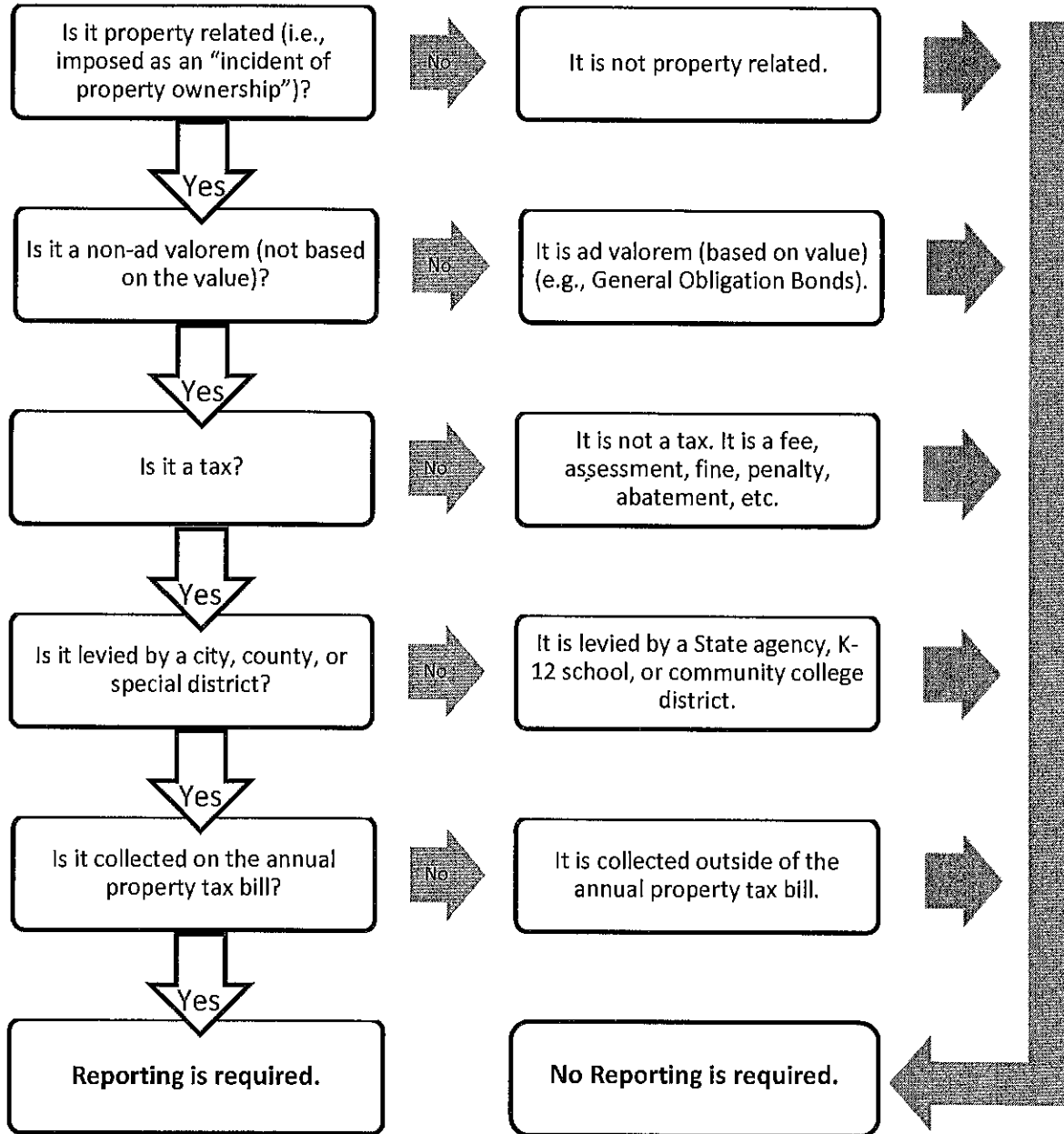
<i>Landowner</i>	<i>Assessor's Parcel Number</i>
RMV PA2 DEVELOPMENT LLC	125-161-72 (portion)
RMV PA2 DEVELOPMENT LLC	125-161-73
RMV PA2 DEVELOPMENT LLC	125-161-74 (portion)
RMV PA2 DEVELOPMENT LLC	125-161-75 (portion)
RMV PA2 DEVELOPMENT LLC	125-161-76
RMV PA2 DEVELOPMENT LLC	125-161-79 (portion)
RMV PA2 DEVELOPMENT LLC	125-161-80 (portion)
RMV PA2 DEVELOPMENT LLC	125-161-81 (portion)
RMV PA2 DEVELOPMENT LLC	125-161-82
RMV PA2 DEVELOPMENT LLC	125-161-87
RMV PA2 DEVELOPMENT LLC	125-161-88
RMV PA2 DEVELOPMENT LLC	125-191-20
RMV PA2 DEVELOPMENT LLC	125-191-22
RMV PA2 DEVELOPMENT LLC	125-191-23
RMV PA2 DEVELOPMENT LLC	125-191-24
RMV PA2 DEVELOPMENT LLC	125-191-28
RMV PA2 DEVELOPMENT LLC	125-191-29
RMV PA2 DEVELOPMENT LLC	125-191-30

AB 2109 – REPORTING TO STATE CONTROLLER

All parcel taxes, including Mello-Roos Community Facilities Districts, are required to prepare a report to the State Controller. The report must contain:

- Parcel tax name
- The type(s) and rate of parcel tax imposed
- Parcel tax rates
- Number of parcels subject to the parcel tax
- Number of parcels exempt from the parcel tax
- The sunset date of the parcel tax, if any
- The annual revenue received from the parcel tax
- The manner in which revenue received from the parcel tax is being used

Decision Tree for Determining "Parcel Taxes" Subject to Reporting



Parcel Taxes
Financial Transactions Report Instructions

Parcel Tax Reporting Instructions

Per Government Code section 12463.2, the **levying local agency** that imposes the parcel tax shall be the entity to complete this report. "Levying local agency" means any county, city, or special district that has the power to levy or have levied on its behalf, parcel taxes, as defined by Government Code section 12463.2(c), upon property within the applicable territory of that county, city, or special district (including but not limited to Community Facilities Districts, Financing Districts, Zone of Benefits, Transportation Planning Agency, Transit Operator, etc.). The levying local agency is the one responsible for submitting the parcel tax measure to the ballot to be approved by voters (if applicable); and for submitting all of the necessary documents to the county auditors to be included in property tax bills for collections. The levying local agency must report, even if the revenue received from the tax measure is allocated to another local agency.

Parcel Tax Name

Use the legal name of the parcel tax. For the majority of agencies reporting, this is the ballot measure title.

To add a new parcel tax, return to the Parcel Tax Name field and clear the previous parcel tax name and enter a new name. A new window will appear asking the user to select an option. Select "Add New" to add another parcel tax.

To edit an existing parcel tax name, click on the drop down list and select from the list of previously created parcel tax names. Upon selecting the parcel tax all previous information inputted into the parcel tax will appear. To edit the name of the parcel tax, simply click and edit the name. A new window will appear asking the user to select an option. Select "Change Current" to accept the changes made to the parcel tax.

Requirement A: The Type and Rate of Parcel Tax Imposed

Parcel Tax Type is the basis upon which a local agency determines how a parcel tax will be levied upon a parcel, including, but not limited to: residential, nonresidential, improved, etc.

Parcel Tax Rate is the parcel tax amount levied on each parcel using a parcel tax base, including, but not limited to: a flat rate levy, age of the parcel, "per acre" basis, "per unit" basis, etc.

Notes (if applicable):

This section should be used for any multiple variables that the parcel tax rate might have. For example, a parcel tax may charge \$10 per unit for one to three units, then \$7 per unit for four through eight units and then \$5 per unit for nine units or more.

Specific Instructions:

Select and complete the following available options that apply to the parcel tax's type and rate. Complete all that apply.

Parcel Taxes
Financial Transactions Report Instructions

Parcel Tax Type:

All Property:

Use this parcel tax type if parcel tax is not imposed on a specific type of property and is uniformly imposed on all property. Report the dollar amount of the rate and select the appropriate parcel tax base from the form drop box. The check box will be automatically checked when information is inputted.

All Residential:

Use this parcel tax type if parcel tax is not imposed on a specific type of residential property and is uniformly imposed on all residential property. Report the dollar amount of the rate and select the appropriate parcel tax base from the form drop box. Residential property is property used for human habitation with the primary purpose of living/sleeping. The check box will be automatically checked when information is inputted.

Residential Sub-Categories:

Select the following parcel tax type that apply towards the parcel tax type. Report the dollar amount of the rate and select the appropriate parcel tax base from the form drop box. The check box will be automatically checked when information is inputted.

a. Single-Family:

Use this parcel tax type if the parcel tax type is a single family residence. Report the dollar amount of the rate and select the appropriate parcel tax base from the form drop box. A single family residence means a structure maintained and used as a single dwelling unit.

b. Multi-Family:

Use this parcel tax type if the parcel tax type is a multi-family residence. Report the dollar amount of the rate and select the appropriate parcel tax base from the form drop box. A multi-family residence is single building or structure that is designed to house several families in separate housing units. The most common type of multi-family housing is an apartment building. Duplexes, quadruplexes, and townhomes also qualify as multifamily housing. The entire building or structure may be owned by an individual, an entity, or, as is the case with condominiums, by individuals who have purchased units within the larger structure.

c. Condominiums:

Use this parcel tax type if the parcel tax type is a condominium. Report the dollar amount of the rate and select the appropriate parcel tax base from the form drop box. Condominiums are individually-owned housing unit in a multi-unit building. The condominium owner holds sole title to the unit, but owns land and common property (elevators, halls, roof, stairs, etc.) jointly, or in common, with other unit owners, and shares the upkeep expenses on the common-property with the other owners. The unit owner pays property taxes only on his or her unit, and may mortgage, rent, or sell it like any other real property.

Parcel Taxes
Financial Transactions Report Instructions

d. Mobile Homes:

Use this parcel tax type if the parcel tax type is a mobile home. Report the dollar amount of the rate and select the appropriate parcel tax base from the form drop box. Mobile homes include portable structures built on a chassis or affixed to a foundation and may be used as a permanent dwelling unit.

e. Other (specify):

Use this parcel tax type to report the parcel tax type and parcel tax rate for which a specific residential property category has not been otherwise provided. Please specify the residential parcel tax type. Use the 'notes' section if applicable.

All Non-Residential:

Use this parcel tax type if parcel tax is not imposed on a specific type of non-residential property and is uniformly imposed on all non-residential property. Report the dollar amount of the rate and select the appropriate parcel tax base from the form drop box. Non-residential property is property not used for living/sleeping. The check box will be automatically checked when information is inputted.

Non-Residential Sub-Categories:

Select the following parcel tax type that apply to the parcel tax type. Report the dollar amount of the rate and select the appropriate parcel base from the form drop box. The check box will be automatically checked when information is inputted.

a. Commercial:

Use this parcel tax type if the parcel tax type is commercial. Report the dollar amount of the rate and select the appropriate parcel tax base from the form drop box. Commercial real property means any real property that is improved with, or consisting of, a building that is intended for commercial use, including hotels and motels, that is not residential.

b. Industrial:

Use this parcel tax type if the parcel tax type is industrial. Report the dollar amount of the rate and select the appropriate parcel tax base from the form drop box. Industrial property means any property that is used for manufacturing or producing goods. This includes manufacturing factories.

c. Institutional:

Use this parcel tax type if the parcel tax type is institutional. Report the dollar amount of the rate and select the appropriate parcel tax base from the form drop box. Institutional property includes a building or structure, or a portion thereof, in which people are cared for or live in a supervised environment, including people who have physical limitations because of health or age, or in which people are detained for penal or correctional purposes, or in which the liberty of the occupants is restricted.

Parcel Taxes
Financial Transactions Report Instructions

This group includes, but is not limited to, the following: (1) adult homes, where occupants are capable of self-preservation; (2) alcohol and drug abuse rehabilitation centers; (3) assisted living facilities; (4) halfway houses; (5) residential care facilities; and (6) correctional Institutions.

d. Recreational:

Use this parcel tax type if the parcel tax type is recreational. Report the dollar amount of the rate and select the appropriate parcel tax base from the form drop box. Recreational property is property that is used for recreational activities.

e. Other (specify):

Use this parcel tax type to report the parcel tax type and parcel tax rate for which a specific non-residential property category has not been otherwise provided. Specify the non-residential parcel tax type. Use the 'notes' section if applicable.

Unimproved/Undeveloped:

Use this parcel tax type if the parcel tax type is unimproved or undeveloped. Report the dollar amount of the rate and select the appropriate parcel tax base from the form drop box. Unimproved land means a parcel with no improvements such as buildings or fixtures, regardless if a building permit has been issued or not, and that the property is not in use or is in temporary use. This category also includes any undeveloped land, as well as Community Facilities District (CFD) parcel tax on undeveloped parcels. The check box will be automatically checked when information is inputted.

Other (specify):

Use this parcel tax type only if the specific parcel tax type has not been otherwise provided. Specify the parcel tax type. Report the dollar amount of the rate and select the appropriate parcel tax base from the form drop box. Use the 'notes' section if applicable. The check box will be automatically checked when information is inputted.

Parcel Tax Rates:

Enter the dollar amount for the parcel tax and select the appropriate parcel tax base from the form drop box. The following are definitions of the parcel tax bases that can be selected from the form dropdown list.

- a. **Parcel (Flat Rate)** – A single flat rate that is imposed on the parcel.
- b. **Age** – Tax levied based on the age of a property, with rates vary depending on the property's age.
- c. **Acre** – Tax levied using a "per acre" basis.

Parcel Taxes
Financial Transactions Report Instructions

- d. **Square Foot of Improvement/Building/Structure** – Tax levied upon a specified percentage or dollar amount based on square footage of the improvement, building or structure.
- e. **Square Foot of Lot** – Tax levied upon a specified percentage or dollar amount based on square-footage of the lot.
- f. **Room** – Tax levied using a “per room” basis.
- g. **Bed** – Tax levied using a “per bed” basis.
- h. **Site/Space** – Tax levied using a “per site” or “per space” basis.
- i. **Unit** – Tax levied using a “per unit” basis.
- j. **Dwelling Unit** – Tax levied using a “per dwelling unit” basis.
- k. **Other (specify)** – Use this section for a tax levied using a rate that is not listed above. Please specify the property tax rate. Use the ‘notes’ section if applicable.

Requirement B: The Number of Parcels Subject to the Parcel Tax.

Enter the number of parcels that are subject to this parcel tax.

Requirement C: The Number of Parcels Exempt from the Parcel Tax.

Enter the number of parcels exempt from the parcel tax. Exempt parcels are those where the owner has applied, and been approved for any exemptions that are available for the parcel tax.

Requirement D: The Sunset Date of the Parcel Tax, If Any.

Enter the fiscal year-end date of the last year for which the parcel tax will be levied. Reporting is required as long as revenue is received in the current reporting period for a parcel tax that has passed its sunset date.

Requirement E: The Amount of Revenue Received from the Parcel Tax (annually).

Enter the amount of total annual revenue received and collected from the parcel tax in the current reporting year (this includes refunds made, receipts for levies made in prior years and levies that have passed their sunset dates, but excludes penalties, interest and cost recovery charges from the County for levy/collection services). Do not include any revenue received and collected after the end of the fiscal year.

Parcel Taxes
Financial Transactions Report Instructions

Requirement F: The Manner in Which the Revenue Received from the Parcel Tax is Being Used.

Check the appropriate box(es) for which revenue received from the parcel tax is being used (select all that apply). If the list does not include the manner the revenue is being used, then check the box(es) with the closest description.

Frequently Asked Questions – Parcel Tax Reporting

What is a parcel tax?

For purposes of reporting under AB 2109, a parcel tax, per Government Code section 12463.2, is defined as a non-ad valorem tax imposed as an incident of property ownership and collected on the annual property tax bill. Generally, the tax is charged on a parcel of property based on either a flat per parcel rate or a variable rate depending on the size, use, and/or number of units on the parcel. A parcel tax includes, but is not limited to, all types of Mello-Roos taxes and special taxes for governmental purposes, such as libraries, hospitals, schools, protection services, fire protection, ambulance services, parks, or museums. See the attached decision tree to determine parcel tax reporting for AB 2109.

How do I determine if a tax is a parcel tax?

Please refer to the decision tree.

Which form should I use?

Please use the Parcel Tax Reporting form to report parcel tax information required by GC 12463.2(a) (1) (A-F).

Who should report parcel tax?

The **levying entity** should report the parcel tax information required by GC 12463.2(a) (1) (A-F) in the Parcel Tax Reporting Form. Please see definition of a levying entity in the instructions.

When should I report parcel tax?

The first parcel tax reporting year is FY 2015-16. All parcel tax transactions during the fiscal year shall be included in that reporting period. For example, tax rolls placed in August 2015 shall be reported in the FY 2015-16 Financial Transactions Report.

Why am I not required to report parcel tax information required by GC 12463.2 in the Statement of Revenues?

Parcel tax reporting is supplemental information to the Financial Transactions Report. Parcel tax information required by GC 12463.2 is statistical-based and will not tie to the Statement of Revenues. There are instances where the entity levying the parcel tax and the entity receiving the parcel tax differ; in this case, the levying entity will report parcel tax *information* required by GC 12463.2 in the Parcel Tax Reporting Form, while the receiving entity will report the parcel tax *revenues* in the Statement of Revenues.

Entity Name

**Parcel Tax Reporting- Statistical Data
(To Be Completed by Levying Entity)**

Fiscal Year 2015-16

Parcel Tax Name

A. The Type and Rate of Parcel Tax Imposed

(Please Check and Complete All Box(es) that Apply)

Parcel Tax Type

All Property

	Parcel Tax Rate		Notes
	Dollar Amount	Base	

All Residential

Single-Family

Multi-Family

Condominiums

Mobile Homes

Entity Name

Parcel Tax Reporting- Statistical Data
(To Be Completed by Levying Entity)

Other (Specify)

All Non-Residential

Commercial

Industrial

Institutional

Recreational

Other (Specify)

Entity Name

**Parcel Tax Reporting- Statistical Data
(To Be Completed by Levying Entity)**

Unimproved /
Undeveloped

Other (Specify)

Entity Name

Parcel Tax Reporting - Statistical Data
(To Be Completed by Levying Entity)

Parcel Tax Name

B. The Number of Parcels Subject to the Parcel Tax

C. The Number of Parcels Exempt from the Parcel Tax

D. The Sunset Date of the Parcel Tax, If any. (MM/DD/YYYY)

E. The Amount of Revenue Received from the Parcel Tax (Annually)

F. The Manner In Which the Revenue Received from the Parcel Tax is Being Used

(Please Check All Box(es) Applicable or the Box(es) with the Closest Description that Apply)

<input type="checkbox"/>	Agriculture and Fair
<input type="checkbox"/>	Air Quality and Pollution Control
<input type="checkbox"/>	Airport Purpose
<input type="checkbox"/>	Ambulance Service and Emergency Medical Services
<input type="checkbox"/>	Amusement
<input type="checkbox"/>	Animal Control
<input type="checkbox"/>	Broadband Services
<input type="checkbox"/>	Cemetery
<input type="checkbox"/>	Conduit Financing
<input type="checkbox"/>	Drainage and Drainage Maintenance
<input type="checkbox"/>	Electric Purpose
<input type="checkbox"/>	Erosion Control
<input type="checkbox"/>	Financing or Constructing Facilities
<input type="checkbox"/>	Fire Protection and Fire Prevention
<input type="checkbox"/>	Flood Control
<input type="checkbox"/>	Gas Purpose
<input type="checkbox"/>	Graffiti Abatement
<input type="checkbox"/>	Harbor and Port Purpose
<input type="checkbox"/>	Hazardous Material Emergency Response
<input type="checkbox"/>	Health
<input type="checkbox"/>	Hospital Purpose
<input type="checkbox"/>	Land Reclamation
<input type="checkbox"/>	Landscaping
<input type="checkbox"/>	Library Services
<input type="checkbox"/>	Lighting and Lighting Maintenance
<input type="checkbox"/>	Local and Regional Planning or Development
<input type="checkbox"/>	Memorial
<input type="checkbox"/>	Museums and Cultural Facilities
<input type="checkbox"/>	Parking
<input type="checkbox"/>	Pest Control, Mosquito Abatement and Vector Control

<input type="checkbox"/>	Police Protection and Personal Safety
<input type="checkbox"/>	Recreation and Park, Open Space
<input type="checkbox"/>	Resource Conservation
<input type="checkbox"/>	Snow Removal
<input type="checkbox"/>	Streets, Roads, and Sidewalks
<input type="checkbox"/>	Television Translator Station Facilities
<input type="checkbox"/>	Trade and Commerce
<input type="checkbox"/>	Transit
<input type="checkbox"/>	Transportation
<input type="checkbox"/>	Underground Electric and Communication Facilities
<input type="checkbox"/>	Veterans Buildings and Institutions
<input type="checkbox"/>	Water Conservation
<input type="checkbox"/>	Waste Management
<input type="checkbox"/>	Water Services and Irrigation
<input type="checkbox"/>	Weed Abatement

