

FUNDING AND ACQUISITION AGREEMENT

Relating to

**COMMUNITY FACILITIES DISTRICT NO. 2018-1
(BEDFORD)
OF THE CITY OF CORONA**

by and between

THE CITY OF CORONA

and

**ARANTINE HILLS HOLDINGS L.P.,
a Delaware limited partnership**

_____ 1, 2018

FUNDING AND ACQUISITION AGREEMENT
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(BEDFORD)
OF THE CITY OF CORONA

This FUNDING AND ACQUISITION AGREEMENT (the “Agreement”) is entered into the 1st day of _____, 2018 by and between the CITY OF CORONA, a charter city and municipal organization organized and operating under the laws of the State of California (the “City”) and Arantine Hills Holdings L.P., a Delaware limited partnership (the “Owner”).

RECITALS

A. Owner owns that certain real property located on approximately 276 acres of land (the “Property”) located in the City, commonly known as the Arantine Hills Specific Plan. The Property is subject to the Arantine Hills Development Agreement, entered into as of June 1, 2016, by and between the City and the Owner and recorded in the Riverside County Recorder’s Office on July 21, 2016 as Document Number 2016-0306565 (the “Development Agreement”).

B. The City, is in the process of establishing a community facilities district with up to five or more improvement areas (individually, an “Improvement Area” and, collectively, the “Improvement Areas”) pursuant to the provisions of Chapter 2.5 (commencing with § 53311) of Part 1 of Division 2 of Title 5 of the Government Code, commonly known as the “Mello-Roos Community Facilities Act of 1982” (the “Act”), over and including the Property for the purpose of levying special taxes and selling bonds, in one or more series, with respect to each Improvement Area (the “Bonds”), in an amount sufficient to finance in the order requested by Owner (i) one or more segments of the Bedford channel improvements, sufficient to mitigate flood risk for the first 393 homes within Improvement Area No. 1 and allow for the issuance of building permits for such homes (the “Phase 1 Bedford Channel Facility”) and certain storm drain improvements (the “Storm Drain Facilities”) to be constructed by Owner and owned, operated and maintained by the County of Riverside (the “County”); (ii) the design, planning, engineering, installation and acquisition or construction of certain public facilities and improvements to be owned, operated or maintained by the City, including the “City Construction Facilities” and the “City Acquisition Facilities;” and (iii) to the extent authorized by law, to satisfy the obligation of the Property and the Owner for the payment of certain fees to the City that are credited to the City Construction Facilities (the “City Fees” and, together with the Phase 1 Bedford Channel Facility, the Storm Drain Facilities, the City Construction Facilities and the City Acquisition Facilities, the “Public Facilities”). The Public Facilities are generally described in Exhibit A attached hereto, which are necessary to the development of the Property. Said community facilities district shall be known as the “Community Facilities District No. 2018-1 (Bedford) of the City of Corona” (the “District”).

C. Section 53313.5 of the Act provides that a community facilities district may finance the purchase of facilities completed prior to the adoption of the resolution establishing the community facilities district, and may purchase facilities completed after the adoption of the resolution of formation establishing the community facilities district if the facilities have been constructed as if they had been constructed under the direction and supervision, or under the

authority of, the local agency whose governing body is conducting proceedings for the establishment of the community facilities district.

D. The purpose of this Agreement is to provide for the levy of special taxes of each Improvement Area (the “Special Taxes”) and the issuance and sale of the Bonds of the District secured by the Special Taxes to finance the design, planning, engineering, financing, installation, and construction or acquisition of the Public Facilities and expenses incidental thereto.

E. Capitalized terms used herein and not otherwise defined shall have the meaning set forth in Exhibit B attached hereto and by this reference herein incorporated.

AGREEMENTS

NOW, THEREFORE, in consideration of the preceding recitals and the mutual covenants hereinafter contained, the parties agree as follows:

Section 1. Establishment of District. The City has initiated proceedings pursuant to the Act for the establishment of the District. Such proceedings include elections within each Improvement Area pursuant to Sections 53326, 53350 and 53353.5 of the Act on (i) the question of the issuance of the Bonds for each Improvement Area of the District to finance the design, planning, engineering, construction management, financing, installation and construction or acquisition of the Public Facilities, (ii) the question of the annual levy of the Special Taxes within each Improvement Area on those portions of the Property subject to the Special Taxes to pay directly for the Public Facilities and to pay the principal of and interest on Bonds of each Improvement Area and the annual administrative expenses of the City in levying and collecting such Special Taxes, paying the principal and interest on such Bonds and providing for the registration, exchange and transfer of such Bonds, including the fees of fiscal agents and paying agents, and any necessary replenishment of the reserve fund for such Bonds, and (iii) the question of the establishment of an appropriations limit for each Improvement Area. All of the Public Facilities shall be authorized to be financed with the proceeds of Bonds of any Improvement Area.

From time to time prior to the issuance of the Bonds for an Improvement Area, at the written request of Owner, and subject to Owner advancing funds as determined by the City as necessary to pay all costs related thereto in accordance with Section 4 below, the City shall use its reasonable best efforts to undertake proceedings which may be deemed necessary or appropriate to amend the Rate and Method applicable to such Improvement Area or to amend the boundaries of such Improvement Area.

Section 2. Payment of City Fees as Deposit. Any payment or deposit of City Fees before Special Taxes are received or proceeds of the Bonds become available, including all City Fees paid prior to the execution of this Agreement, shall be held on deposit by the City in a separate account used exclusively for City Fees (the “Deposit Account”), and shall not be expended by the City, provided, however, earnings on the investment of funds in the Deposit Account shall be returned to the City. If any Bonds have not been issued for a period of 20 months from the date of this Agreement, then the City may use any funds remaining in the Deposit Account for their lawful purposes and such funds shall be deemed by the City as the payment of the Fees for the applicable parcels of the Property for which payment was made.

Immediately upon the City receiving proceeds of the Bonds in accordance with this Agreement, the City shall return to Owner, or Owner's designee, all funds held in the Deposit Account.

Notwithstanding the foregoing, fees that are related to the water connection fee may be spent by the City for water facilities pursuant to Resolution No. 2017-125 of the City Council. Additionally, sewer connection fees shall be held by the City until each December 1, and use of bond proceeds to provide any credit for the sewer connection fees shall be reviewed prior to each bond issue. Quimby fees of the City shall be held by the City until each June 30 and any use of bond proceeds as a credit for such fees will be reviewed on an issue by issue basis.

Section 3. Sale of Bonds.

(a) Residential Areas. Upon Owner's written request, the City shall use its reasonable best efforts, as hereinafter provided, to issue and sell Bonds, in one or more series, for each of the residential Improvement Areas in accordance with the provisions of this Agreement and the Financing District Policy. Each series of Bonds is expected to have a debt service amortization schedule matching the annual Special Taxes available for debt service pursuant to the Rate and Method and for a term of not more than forty (40) years, for the purpose of raising an amount sufficient to pay for the design, planning, engineering, construction management, financing, installation and construction or acquisition of the Public Facilities. In connection with the issuance of the first series of Bonds for each Improvement Area, the City on behalf of itself and the District shall establish criteria for the issuance of Additional Bonds of such Improvement Area which meet the criteria of the Financing District Policy. The timing of the issuance and sale of each series of Bonds, the aggregate principal amount thereof, and the terms and conditions upon which they shall be sold shall be as set forth in this Agreement and otherwise as determined by the City in its sole reasonable discretion after consultation with Owner. Not by way of limitation of the foregoing, the timing of the issuance and sale of the first series of Bonds and any Additional Bonds shall be as soon as reasonably practicable, as determined by the City in its sole reasonable discretion following consultation with its financial advisor, underwriter and other consultants and counsel after written request from Owner. Owner shall use its reasonable best efforts to cooperate with City in connection with any Bond sale.

(b) Commercial Area. Upon Owner's written request, but no sooner than a certificate of occupancy is issued for the property within the commercial Improvement Area, the City shall use its reasonable best efforts, as hereinafter provided, to issue and sell Bonds, in one or more series, for the commercial Improvement Area in accordance with the provisions of this Agreement and the Financing District Policy. Each series of Bonds is expected to have a debt service amortization schedule matching the annual Special Taxes available for debt service pursuant to the Rate and Method and for a term of not more than forty (40) years, for the purpose of raising an amount sufficient to pay for the design, planning, engineering, construction management, financing, installation and construction or acquisition of the Public Facilities. In connection with the issuance of the first series of Bonds for the commercial Improvement Area, the City on behalf of itself and the District shall establish criteria for the issuance of Additional Bonds of such Improvement Area which meet the criteria of the Financing District Policy. The timing of the issuance and sale of each series of Bonds, the aggregate principal amount thereof, and the terms and conditions upon which they shall be sold shall be as set forth in this Agreement

and otherwise as determined by the City in its sole reasonable discretion after consultation with Owner. Not by way of limitation of the foregoing, the timing of the issuance and sale of the first series of Bonds and any Additional Bonds shall be as soon as reasonably practicable, as determined by the City in its sole reasonable discretion following consultation with its financial advisor, underwriter and other consultants and counsel after written request from Owner. Owner shall use its reasonable best efforts to cooperate with City in connection with any Bond sale.

Section 4. Advance of Certain Expenses. Pursuant to an Agreement Providing for Advancement of Funds for Formation of a Proposed Community Facilities District of the City of Corona and Negotiation of Joint Community Facilities Agreements with the Riverside County Flood Control and Water Conservation District entered into as of August 10, 2017 (the “Deposit Agreement”), by and between the City and Owner, Owner shall pay and advance all of the costs reasonably associated with the establishment of the District. After the establishment of the District, Owner shall deposit funds with the City for the City’s reasonable out-of-pocket expenses associated with a sale of each series of Bonds, including, but not limited to, (i) the fees and expenses of any consultants and legal counsel to the City employed in connection with the issuance of the Bonds, including an engineer, special tax consultant, financial advisor, bond counsel and any other consultant deemed necessary or advisable by the City, (ii) the costs of appraisals, market absorption and feasibility studies and other reports deemed necessary or advisable by the City in connection with the issuance of the Bonds, (iii) the costs of publication of notices and other costs related to any proceeding undertaken in connection with the issuance of the Bonds, (iv) reasonable charges for City staff time incurred in connection with the issuance of the Bonds, including a reasonable allocation of City overhead expense, and (v) any and all other actual costs and expenses incurred by the City in connection with the issuance of the Bonds (“Reimbursable Expenses”). If the Bonds are issued by the District, the City shall reimburse Owner from proceeds of the Bonds, without interest, for the portion of the Reimbursable Expenses deposits that have been expended or encumbered, said reimbursement to be made from the proceeds of the Bonds on the date of issuance of the Bonds or as soon as reasonably possible thereafter and only to the extent otherwise permitted under the Act, and refund any unexpended or encumbered deposited amounts. If the Special Taxes are levied and collected, the City may reimburse Owner from the receipts of Special Taxes (net of amounts required to pay District administrative expenses), without interest, for the portion of the deposits paid by Owner pursuant to the Deposit Agreement that have been expended or encumbered, said reimbursement from receipts of Special Taxes to be made on or before the end of each fiscal year; provided, however, that the City may retain such collected Special Taxes in the amounts that it deems reasonably necessary to facilitate the issuance of the Bonds.

The City shall keep records of all Reimbursable Expenses advanced by the City pursuant to this Section 4, which records shall be available for inspection by Owner during regular business hours. The sole source of funds for reimbursement of any advance expenditure made by the City or Owner shall be the uncommitted and unexpended payments made by Owner to the City, proceeds of the Bonds, or Special Tax receipts as determined by the City.

Section 5. Tax Requirements. The timing of the sale of each series of Bonds, the nature of the investments in which the proceeds of the Bonds shall be invested, the duration of such investments, and the timing of the expenditure of such proceeds shall be as set forth in this Agreement and the applicable fiscal agent agreement (the “Fiscal Agent Agreement”); provided, that in all such matters City shall comply with the requirements of and limitations prescribed by

the provisions of Sections 103 and 141 through 150 of the Internal Revenue Code of 1986 (the “Code”), as amended, and the implementing regulations of the United States Department of the Treasury. The City shall not be required to take any such action which in the opinion of the City’s bond counsel could result in the Bonds being classified by the United States Department of the Treasury as “arbitrage bonds” or which could otherwise result in the interest on the Bonds being included in gross income for purposes of federal income taxation; provided, however, that the Owner recognizes that a portion of the Public Facilities may only be financed on a taxable basis, as designated in Exhibit A hereto. Should any change in or regulatory interpretation of any such requirement or limitation which may occur after the date of this Agreement require or necessitate, in the reasonable opinion of such bond counsel, any action on the part of the City in order to avoid such a classification or loss of tax exemption, the City shall notwithstanding any provision of this Agreement, forthwith take such action. In the event the City fails to comply with requirements set forth above in this Section 5, the City’s liability is limited to the Special Tax revenues generated by the applicable Improvement Area.

Section 6. Priority and Allocation of Surplus Special Taxes and Bond Proceeds.

(a) Special Taxes Following the Issuance of Bonds. Following the issuance of the first series of Bonds of an Improvement Area and continuing for a period of five (5) years thereafter, the City shall levy Special Taxes on all Assessor’s Parcels pursuant to the Rate and Method or such lesser amount which complies with the Fiscal Agent Agreement. Following the issuance of the first series of Bonds, the priority for allocation of the Special Taxes collected shall be as follows:

(1) first, to fund an amount up to the Priority Administrative Expense Requirement;

(2) second, to pay principal and interest on outstanding Bonds and to replenish the reserve fund to the applicable reserve fund requirement;

(3) third, to fund all actual Improvement Area administrative expenses in excess of the Priority Administrative Expense Requirement; and

(4) fourth, all remaining amounts shall be deposited in the Special Fund and disbursed according to the following priority:

(i) to reimburse prior deposits paid by Owner to City pursuant to the Deposit Agreement and Owner’s third-party consultant costs incurred relating to the formation of the District; and

(ii) to the extent not funded with the proceeds of such series of Bonds, to pay or reimburse Owner for any City Construction Facilities in the order requested by Owner but subject to the terms of this Agreement, but in no event shall Special Taxes be allocated to pay or reimburse Owner after five (5) years from the date the first series of Bonds are issued for each Improvement Area; and

(iii) all remaining amounts shall reduce Special Tax levies in subsequent fiscal years.

(b) Improvement Area Bond Proceeds. The proceeds of all Bonds of each Improvement Area shall be allocated and disbursed according to the requirements of the Fiscal Agent Agreement but otherwise according to the following priorities:

(1) first, to fund all costs of issuance of the Bonds including (i) a reserve fund for the Bonds which does not exceed the amount permitted under the Code or the Act, (ii) capitalized interest for at least the period required to collect sufficient Special Taxes through the annual levy, or such amount as the City shall determine pursuant to the Financing District Policy, (iii) the underwriter's discount, (iv) the Reimbursable Expenses, and (v) bond counsel fees, disclosure counsel fees, financial advisor, appraisal and market absorption consultant fees, special tax consultant fees, fiscal agent or trustee fees and other typical and reasonable out-of-pocket expenses incurred by the City in connection with the issuance and sale of the Bonds;

(2) second, to reimburse, without interest, prior deposits paid by Owner to City pursuant to the Deposit Agreement and this Agreement related to formation of the District and issuance of the Bonds; and

(3) third, to pay or reimburse the Owner the costs of the Phase 1 Bedford Channel Facility and the City Acquisition Facilities in the order requested by Owner but subject to the terms of this Agreement; and

(4) fourth, to pay or reimburse the Owner the costs of the City Construction Facilities paid previously that have not previously been reimbursed.

(c) Special Taxes Prior to the Issuance of Bonds. If Special Taxes are levied prior to the issuance of Bonds in any Improvement Area, such Special Taxes shall be held by the City and used to pay the Priority Administrative Expense Requirement for such Improvement Area, with the remainder to pay for the City Construction Facilities.

Section 7. Construction, Acquisition and Payment of the Phase 1 Bedford Channel Facility and the Storm Drain Facilities. The Phase 1 Bedford Channel Facility will be constructed and completed by Owner, as determined by the City and the County pursuant to Section 53313.5 of the Act, prior to adoption of the resolution establishing the District. The Storm Drain Facility will be constructed and completed by Owner in the manner described in the JCFA (defined below). Payment of the Purchase Price of the Phase 1 Bedford Channel Facility and the Storm Drain Facilities shall be in the manner described in the Joint Community Facilities Agreement (the "JCFA"), by and among the City, the County and the Owner.

Section 8. Design and Construction of City Construction Facilities. The City shall cause those Public Facilities listed in Exhibit A hereto as City Construction Facilities (the "City Construction Facilities") to be designed at such times as the City deems appropriate and the City shall cause plans and specifications for all such City Construction Facilities to be prepared. The City may retain other qualified professionals to design portions of the City Construction Facilities. The City may be reimbursed for the City's expenses incurred in designing and engineering the City Construction Facilities to the extent of funds deposited in the City's improvement account. The City may award the construction contract for the City Construction Facilities if proceeds on deposit in the City's improvement account and other funds available to the City are sufficient to

pay all costs associated with the construction of the completed City Construction Facilities. The City may be reimbursed pursuant to Section 1.150-2 of the Treasury Regulations from Bonds of any Improvement Area of the District or other available funds.

Section 9. Construction of City Acquisition Facilities.

(a) Plans. Owner shall cause plans (the “Plans”) to be prepared for the City Acquisition Facilities which are listed as such in Exhibit A hereto (the “City Acquisition Facilities”). The City understands that the Flood Control District has approved the Plans for the Phase 1 Bedford Channel Facility and the Storm Drain Facilities designated “(Phase 1)” on Exhibit A to be owned by the Flood Control District and the Plans for the City Acquisition Facilities designed “(Plans Approved)” on Exhibit A to be owned by the City have been approved. Owner shall obtain the written approval of the Plans in accordance with applicable ordinances and regulations of the City. Copies of all Plans shall be provided by Owner to the City Manager, or designee thereof, upon request therefore, and, in any event, as-built drawings and a written assignment of the Plans for any City Acquisition Facility shall be provided to the City prior to its formal acceptance of the City Acquisition Facility. Notwithstanding anything herein to the contrary, Owner shall not be required to prepare Plans or construct City Acquisition Facilities any earlier, or in any manner other than as required by the Conditions of Approval.

(b) Duty of Owner to Construct. All City Acquisition Facilities to be acquired hereunder, shall be constructed by or at the direction of Owner substantially in accordance with the approved Plans. Owner shall perform all of its obligations hereunder and shall conduct all operations with respect to the construction of City Acquisition Facilities in a good, workmanlike and commercially reasonable manner, with the standard of diligence and care normally employed by duly qualified persons utilizing their best efforts in the performance of comparable work and in accordance with generally accepted practices appropriate to the activities undertaken. Owner shall employ at all times adequate staff or consultants with the requisite experience necessary to administer and coordinate all work related to the design, engineering, acquisition, construction and installation of the City Acquisition Facilities to be acquired by the City from Owner hereunder.

Owner shall be obligated, as and when required by the Conditions of Approval, (i) to construct and convey to the City (or other applicable governmental agency) all City Acquisition Facilities and (ii) to use its own funds to pay all costs thereof in excess of the Purchase Prices of the City Acquisition Facilities.

Owner shall not be relieved of its obligation to construct each City Acquisition Facility (as and when required by the Conditions of Approval) and convey each such City Acquisition Facility to the City in accordance with the terms hereof, even if, (i) because of the limitations imposed by Section 9(f) hereof, the Purchase Price for such City Acquisition Facility is less than the Actual Cost, or cost to Owner, of such City Acquisition Facility, or (ii) there are insufficient funds in the Improvement Fund to pay the Purchase Price thereof, and, in any event, this Agreement shall not affect any obligation of Owner under the Conditions of Approval or any other agreement to which Owner is a party or any other governmental approval to which Owner or any land within the District is subject, with respect to the City Acquisition Facilities required in connection with the development of the land within the District.

(c) Relationship to Public Works. This Agreement is for the acquisition by the City of the City Acquisition Facilities, from moneys in the Improvement Fund and is not intended to be a public works contract. The City and Owner agree that the City Acquisition Facilities are of local, and not state-wide concern, and that the provisions of the California Public Contract Code shall not apply to the construction of the City Acquisition Facilities except to the extent they may be applicable to Owner as a public agency. Nothing in this Agreement shall subject Owner to duplicative or additional requirements than it is otherwise subject to by applicable law as a public agency with respect to its bidding, contracting and construction of the City Acquisition Facilities. The City and Owner agree that Owner shall award all contracts for the construction of those City Acquisition Facilities, and that this Agreement is necessary to assure the timely and satisfactory completion of the City Acquisition Facilities and that, except to the extent otherwise specified above in this paragraph, compliance with the Public Contract Code with respect to the City Acquisition Facilities would work an incongruity and would not produce an advantage to the City or the District.

Notwithstanding the foregoing, Owner, or its designee, shall award all contracts for construction of the City Acquisition Facilities (other than the Phase 1 Bedford Channel Facility) for which it subsequently submits Payment Request to the lowest responsible bidder, as determined by Owner. Other than with respect to the Phase 1 Bedford Channel Facility, Owner, or its designee, shall solicit bids in accordance with City policies for the construction of each such City Acquisition Facility and Owner (unless otherwise approved in writing by the City), or its designee, shall open the bids actually received and read them aloud immediately following the submittal deadline. Upon written request of the City Manager or his designee, Owner shall provide an analysis of bids for construction of such City Acquisition Facilities. Owner acknowledges and agrees that City Acquisition Facilities for which Owner submits Payment Requests shall be subject to the payment of prevailing wages by the applicable contractor(s) or subcontractor(s).

The costs of materials shall be part of the contractors' bids for constructing the City Acquisition Facilities. Nothing in this Agreement shall (i) require Owner to publicly or informally bid for materials, or (ii) prevent the supply or sale of materials by Owner to the contractors constructing the City Acquisition Facilities. If requested in writing by the City, Owner shall demonstrate to the City that such materials were obtained at reasonable prices considering the terms of delivery and other factors and shall not charge the City a premium for supplying such materials (but shall be entitled to recover the costs of procuring such materials).

Owner shall develop or cause to be developed and shall maintain or cause to be maintained a cost-loaded project schedule, using the critical path method, providing for all major project elements included in the construction of any City Acquisition Facility to be acquired hereunder, so that the whole project is scheduled in the most efficient manner. Owner shall provide the City Manager with complete copies of the schedule and each update to the schedule for the City Manager or his designee to review.

From time to time (expected to be at least monthly) at the request of the City Manager or his designee, Owner shall meet and confer with City staff, consultants and contractors regarding matters arising hereunder with respect to the City Acquisition Facilities and the progress in constructing and acquiring the same, and as to any other matter related to the City Acquisition Facilities or this Agreement. Owner shall advise the City Manager or his designee in advance of

any coordination and scheduling meetings to be held with contractors relating to the City Acquisition Facilities, in the ordinary course of performance of an individual contract. The City Manager or his designee shall have the right to be present at such meetings, and to meet and confer with individual contractors if deemed advisable by the City Manager or his designee to resolve disputes and/or ensure the proper completion of the City Acquisition Facilities.

City hereby agrees that to its actual knowledge, compliance with the foregoing by Owner will satisfy the requirements of Government Code Section 53313.5 for the completion of the City Acquisition Facilities.

(d) Independent Contractor. In performing this Agreement, Owner is an independent contractor and not the agent or employee of the City or the District. Neither the City nor the District shall be responsible for making any payments to any contractor, subcontractor, agent, consultant, employee or supplier of Owner.

(e) Contractor's License. None of the obligations of owner set forth in this Agreement shall be deemed to include any activities requiring a contractor's license.

(f) Performance and Payment Bonds. Owner agrees to comply with all applicable performance and payment bonding requirements of the City with respect to the construction of the City Acquisition Facilities. Performance and payment bonds shall not be required of Owner to the extent moneys are available in the Improvement Fund to pay the Purchase Price, as defined in Section 11(c) below, of a City Acquisition Facility provided that all contractors and/or subcontractors employed by Owner in connection with the construction of the City Acquisition Facility shall provide a labor and materials and performance bonds which name the City as an additional insured.

(g) Contracts and Change Orders. Owner, or its designee, shall be responsible for entering into all contracts and any supplemental agreements (commonly referred to as "change orders") required for the construction of the City Acquisition Facilities, and all such contracts and supplemental agreements shall be submitted to the City Manager or his designee. Prior approval of supplemental agreements by the City Manager shall only be required for such change orders which in any way materially alter the quality or character of the subject City Acquisition Facility, or which involve an amount equal to the greater of ten percent (10%) of the amount of the applicable bid for the City Acquisition Facility. The City expects that such contracts and supplemental agreements needing prior approval by the City Manager will be reasonably 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) promptly after receipt by the City Manager thereof. To the extent that a supplemental agreement, approved by the City Manager, or his designee, increases the Actual Cost of a City Acquisition Facility, such increased cost may be payable as part of the Purchase Price of the related City Acquisition Facility as provided in Section 10 hereof.

(h) Time for Completion. Owner reasonably expects, and agrees to use its good faith efforts to complete, all City Acquisition Facilities that are expected to be financed with the proceeds of a particular series of Bonds within thirty-six (36) calendar months from the date of closing of such Bonds.

Section 10. Acquisition and Payment of Facilities.

(a) Inspection. No payment hereunder shall be made by the City to Owner for a City Acquisition Facility or Discrete Component thereof until the City Acquisition Facility or Discrete Component has been inspected and found to be completed in accordance with the approved Plans by the City. City hereby agrees to inspect the City Acquisition Facilities and/or Discrete Component's thereof promptly upon Owner's request. Unless otherwise provided in a Supplement, the City shall make or cause to be made regular on-going site inspections of the City Acquisition Facilities to be acquired hereunder. Owner agrees to pay all inspection, permit and other similar fees of the City applicable to construction of the City Acquisition Facilities.

(b) Agreement to Sell and Purchase City Acquisition Facilities. Owner hereby agrees to sell the City Acquisition Facilities to the City and the City hereby agrees to use amounts in the Improvement Fund to pay the Purchase Price, as defined below, thereof to Owner, subject to the terms and conditions hereof. The City shall not be obligated to finance the purchase of any City Acquisition Facility until the City Acquisition Facility is completed and the acceptance date for such City Acquisition Facility has occurred; provided that the City has agreed to make periodic payments to Owner for costs and expenses in accordance with Section 6 of this Agreement and has agreed to make payments for Discrete Components prior to the acceptance date for the City Acquisition Facility of which a Discrete Component is a part. The City has also agreed to pay the purchase price on behalf of the Flood Control District for the Phase 1 Bedford Channel Facility in an amount equal to the costs incurred by the Developer as of the date of formation of the CFD No. 2018-1. The City will make the determination that such facility is "functionally complete" and capable of mitigating flood risk for the first 393 homes within Improvement Area No. 1 such that building permits may be issued by the City. Owner acknowledges that the Discrete Components have been identified for payment purposes only, and that the City shall not accept a City Acquisition Facility of which a Discrete Component is a part until the entire City Acquisition Facility has been completed. The City acknowledges that the Discrete Components do not have to be accepted by the City as a condition precedent to the payment of the Purchase Price therefor, but any such payment shall not be made until a Discrete Component has been completed in accordance with the Plans therefor. The City shall not be obligated to pay the Purchase Price for any City Acquisition Facility except from the moneys in the Improvement Fund.

(c) Purchase Price. The Purchase Price for each City Acquisition Facility and Discrete Component shall be equal to the Actual Cost of such City Acquisition Facility and Discrete Component, but subject to the limitations of this Section 10.

(d) Payment Requests. In order to receive the Purchase Price for a completed City Acquisition Facility or Discrete Component, inspection thereof under Section 10(a) shall have been made and Owner shall deliver to the City Manager or his designee a Payment Request in the form of Exhibit C hereto for such City Acquisition Facility or Discrete Component, together with all attachments and exhibits required by this Section 9(d) to be included therewith. If payment is requested for a completed City Acquisition Facility, as opposed to a Discrete Component, and if the property on which the City Acquisition Facility is located is not owned by the City at the time of the request, Owner shall provide a copy of the recorded documents conveying to the City Acceptable Title to the real property on, in or over which such City Acquisition Facility is located, as described in Section 11(a) hereof. Owner shall also provide a copy of the recorded notice of

completion of the City Acquisition Facility, an assignment to the District of any reimbursements that may be payable with respect to the City Acquisition Facility, such as City or private utility reimbursements, and a non-exclusive assignment of the warranties and guaranties for such City Acquisition Facility, as described in Section 11(f) hereof, in a form acceptable to the City. Any reimbursements received by the District with respect to a City Acquisition Facility shall be deposited in the Improvement Fund.

(e) Processing Payment Requests. Upon receipt of a Payment Request (and all accompanying documents), the City Manager or his designee shall promptly conduct a review in order to confirm that such request is complete, that such City Acquisition Facility or Discrete Component identified therein was constructed in accordance with the Plans therefore, and to verify and approve the Actual Cost of such City Acquisition Facility or Discrete Component specified in such Payment Request. The City Manager or his designee shall also conduct such review as is required in his/her discretion to confirm the matters certified in the Payment Request. Owner agrees to cooperate with the City Manager or his designee in conducting each such review and to provide the City Manager or his designee with such additional information and documentation as is reasonably necessary for the City Manager or his designee to conclude each such review. Within twenty (20) business days of receipt of any Payment Request, the City Manager or his designee expects to review the request for completeness and notify Owner whether such Payment Request is complete, and, if not, what additional documentation must be provided. If such Payment Request is complete, the City Manager or his designee expects to provide a written approval or denial (specifying the reason for any denial) of the request within thirty (30) days of its submittal. If a Payment Request seeking reimbursement for more than one City Acquisition Facility or Discrete Component is denied, the City Manager or his designee shall state whether the Payment Request is nevertheless approved and complete for any one or more City Acquisition Facilities or Discrete Component and any such City Acquisition Facilities or Discrete Component shall be processed for payment under Section 10(f) notwithstanding such partial denial.

(f) Payment. Upon approval of the Payment Request by the City Manager or his designee, the City Manager or his designee 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, to the extent of funds then on deposit in the Improvement Fund.

The Purchase Price paid hereunder for any City Acquisition Facility or Discrete Component shall constitute payment in full for such City Acquisition 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 City Acquisition Facility or Discrete Component as specified in the Plans.

(g) Timing of Requisitions. The City and Owner acknowledge that (i) to the extent Owner has constructed and City or the County has accepted (for payment purposes) certain Public Facilities (including City Acquisition Facilities) Owner may submit Payment Requests for such Public Facilities for reimbursement from amounts collected as Special Taxes and Bonds;

(ii) Owner may be submitting Payment Requests in advance of when sufficient, if any, funds are available for reimbursement; (iii) the Payment Requests submitted when there are insufficient proceeds available will be reviewed by the City as set forth in this Agreement and, if appropriate, approved for payment from funds when such funds are deposited in the Special Fund or Improvement Fund; and (iv) the payment for any Payment Requests approved in the preceding manner will be deferred until the date, if any, on which there are amounts in the Special Fund or Improvement Fund to make all or part of such payment, at which time the City will pay from the Special Fund or direct the Fiscal Agent to wire transfer (or pay in another mutually acceptable manner) from the Improvement Fund the funds available to the payee identified in such Payment Request.

(h) Restrictions on Payments. Notwithstanding any other provisions of this Agreement, the following restrictions shall apply to any payments made to Owner under Section 10(b) and Section 10(f) hereof:

A. Amounts of Payments. Subject to the following paragraphs of this Section 10(h), payments for each City Acquisition Facility or Discrete Component will be made only in the amount of the Purchase Price for the respective City Acquisition Facility or Discrete Component.

Nothing herein shall require the City in any event (i) to pay more than the Actual Cost of a City Acquisition Facility or Discrete Component, or (ii) to make any payment beyond the available funds in the Special Fund and Improvement Fund. The parties hereto acknowledge and agree that all payments to Owner for the Purchase Price of City Acquisition Facilities or Discrete Component are intended to be reimbursements to Owner for monies already expended or for immediate payment by Owner (or directly by the City) to third parties in respect of such City Acquisition Facilities or Discrete Component.

B. Joint or Third Party Payments. The City may make any payment jointly to Owner 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 Owner so requests the same in writing or as the City otherwise determines such joint or third party payment is necessary to obtain lien releases.

C. Withholding Payments. The City shall be entitled, but shall not be required, to withhold any payment hereunder for a City Acquisition Facility or Discrete Component if Owner 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 directly to contractors or other third parties employed in connection with the construction of the City Acquisition Facilities or Final Discrete Component or to any assignee of Owner's interests in this Agreement (and not to Owner or any Affiliate), until such time as Owner provides the City Manager with evidence that all such delinquent taxes and assessments have been paid.

The City shall withhold final payment for any City Acquisition Facility or Final Discrete Component constructed on land until Acceptable Title to such land is conveyed to the City, as described in Section 11 hereof.

The City shall be entitled to withhold payment for any City Acquisition Facility or Discrete Component hereunder to be owned by the City until: (i) the City Manager or his designee determines that the City Acquisition Facility or Discrete Component is ready for its intended use, (ii) the Acceptance Date for the City Acquisition Facility has occurred or, with respect to a Discrete Component the requirements of Section 10, if applicable to such City Acquisition Facility or Discrete Component, have been satisfied, and (iii) with respect to a City Acquisition Facility, but not a Discrete Component, a Notice of Completion executed by Owner, in a form acceptable to the City Manager or his designee, has been recorded for the City Acquisition Facility and general lien releases conditioned solely upon payment from the proceeds of the Special Taxes or Bonds to be used to acquire such City Acquisition Facility have been submitted to the City Manager for the City Acquisition Facility. The City hereby agrees that Owner 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 City Acquisition Facility, so long as such bond is drawn on an obligor and is otherwise in a form acceptable to the City Manager or his designee. The City shall be entitled to withhold payment of the Phase 1 Bedford Channel Facility (or the Final Discrete Component thereof) to be owned by the County, until Owner provides the City Manager with evidence that the County has accepted dedication and/or title to the Phase 1 Bedford Channel, provided, however that any payment to Owner for the Phase 1 Bedford Channel shall be governed by the JCFA. If the City Manager or his designee determines that a City Acquisition Facility is not ready for intended use under (i) above, the City Manager or his designee shall so notify Owner as soon as reasonably practicable in writing specifying the reason(s) therefor.

Nothing in this Agreement shall be deemed to prohibit Owner from contesting in good faith the validity or amount of any mechanics or materialmans lien nor limit the remedies available to Owner with respect thereto so long as such delay in performance shall not subject the City Acquisition Facilities or Discrete Component to foreclosure, forfeiture or sale. In the event that any such lien is contested, Owner 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 City Manager or his designee.

Nothing in this Section 10(h) shall prevent payments pursuant to Section 6 or the payment for Discrete Components as described in Section 10(b).

D. Retention. The City shall withhold in the Improvement Fund an amount equal to thirty percent (30%) of the Purchase Price of each Discrete Component to be paid hereunder until such time as one-half of the respective work has been completed and progress on the City Acquisition Facility is satisfactory to the City Manager or his designee, at which time no further retention will be made (so that it is expected that, upon completion of any City Acquisition Facility, a total of ten percent (10%) will have been retained). Any such retention will be released to Owner upon final completion and acceptance of the related City Acquisition Facility.

Payment of any retention shall also be contingent upon the availability of monies in the Improvement Fund therefore. No retention shall apply if Owner proves to the City Manager or his designee's satisfaction that Owner's contracts for the City Acquisition Facilities or Discrete Component provide for the same retention as herein provided, so that the Purchase

Price paid for the City Acquisition Facility or Discrete Component is at all times net of the required retention.

E. Frequency. Unless otherwise agreed to by the City Manager, no more than one Payment Request shall be submitted by Owner in any calendar month.

(i) Defective or Non-conforming Work. If any of the work done or materials furnished for a City Acquisition Facility are found by the City Manager or his designee to have a significant defect or to not be constructed in accordance with the applicable Plans: (i) and such finding is made prior to payment for the Purchase Price of such City Acquisition Facility hereunder, the City may withhold payment therefore until such defect or nonconformance is corrected to the satisfaction of the City Manager or his designee, or (ii) and such finding is made after payment of the Purchase Price of such City Acquisition Facility, the City and Owner shall act in accordance with the City's standard specification for City works construction, which are available in the City's Public Works Department.

(j) Modification of Public Facilities. The description of the Public Facilities in Exhibits A may be modified, or new Public Facilities may be added to Exhibits A, through a Supplement executed by the City Manager and Owner provided the modifications or new Public Facilities are consistent with the facilities and costs authorized to be funded by the District pursuant to the formation proceedings and the Act.

Section 11. Ownership and Transfer of Facilities.

(a) 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 City Acquisition Facility to be acquired by the City will be located, shall be deeded over to the City by way of grant deed, quitclaim, 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 City Acquisition Facility located therein, thereon or thereover, and to permit Owner to perform its obligations as set forth in this Agreement. Owner 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 City Acquisition Facility (or the Final Discrete Component thereof) and shall be evidenced by an irrevocable offer of dedication or recordation of the acceptance thereof by the City Council.

(b) Facilities to be Owned by the City – Title Evidence. Upon the request of the City, Owner shall furnish to the City a preliminary title report for land with respect to City Acquisition 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) calendar days prior to the transfer of Acceptable Title of a City Acquisition 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 City Acquisition Facility or pay the Purchase Price for such City Acquisition Facility (or the Final Discrete Component thereof) until Owner has cured such objections to title to the satisfaction of the City.

(c) Facilities Constructed on Private Lands. If any City Acquisition Facility to be acquired is located on privately-owned land, the owner thereof shall retain title to the land and the completed City Acquisition Facility until the City Acquisition Facility is accepted by City and transferred to City pursuant to this Section 10. Pending the completion of such transfer, Owner shall not be entitled to receive any payment for any such City Acquisition Facility or the Final Discrete Component thereof. Owner shall, however, be entitled to receive payments pursuant to Section 6 and payments for the Discrete Components (other than the Final Discrete Component) of the City Acquisition Facility upon making an irrevocable offer of dedication of such land in form and substance acceptable to the City Manager. Notwithstanding the foregoing, upon written request of the City before payment for any Final Discrete Component of such City Acquisition Facility, Owner shall convey or cause to be conveyed Acceptable Title thereto in the manner described in Section 11(a) and Section 11(b) hereof.

(d) Facilities Constructed on City Land. If a City Acquisition Facility to be acquired is on land owned by the City, the City hereby grants to Owner a license to enter upon such land for purposes related to the construction (and maintenance pending acquisition) of the City Acquisition Facility. The provisions for inspection and acceptance of such City Acquisition Facility otherwise provided herein shall apply.

(e) Public Facilities to be Acquired by the County. The City has, or will, execute the JCFA. The JCFA shall allow the financing of the acquisition or construction of the Phase 1 Bedford Channel Facility and the Storm Drain Facilities, as described in and pursuant to the JCFA. Accordingly, the proceeds of the Special Taxes and Bonds for any Improvement Area may be used to construct or acquire such Phase 1 Bedford Channel Facility or the Storm Drain Facilities at any time following Owner's execution and submission of a payment request in the requisite form required by the JCFA (the "JCFA Facilities Payment Request"). Upon receipt of such JCFA Facilities Payment Request, the City shall review the request and if determined to be an item eligible to be paid from the proceeds of the Bonds direct the Fiscal Agent to wire transfer (or pay in another mutually acceptable manner) to the payee identified in such JCFA Facilities Payment Request such requested funds to the extent of funds on deposit in the Improvement Fund or Special Fund designated by Owner. The provisions of Section 10(g) apply to the Phase 1 Bedford Channel Facility and the Storm Drain Facilities. Nothing in this Agreement shall be construed as a promise or representation by Owner regarding the provisions to be contained in the JCFA. The Phase 1 Bedford Channel Facility and the Storm Drain Facilities eligible to be financed under the JCFA, remain an obligation of the Owner and are not an obligation of the City or the District.

(f) Maintenance and Warranties. Owner shall maintain each City Acquisition Facility and Discrete Components thereof in good and safe condition until the Acceptance Date. Prior to the Acceptance Date, Owner shall be responsible for performing any required maintenance on any completed City Acquisition Facility and Discrete Components thereof. On or before the Acceptance Date of the City Acquisition Facility, Owner shall assign to the City, as applicable, all of Owner's rights in any warranties, guarantees, maintenance obligations or other evidence of contingent obligations of third persons with respect to such City Acquisition Facility. Owner shall provide a warranty bond reasonably acceptable in form and substance to the City Manager to insure for one-year after the Acceptance Date that defects, which appear within said period, will be repaired, replaced, or corrected by Owner, at its own cost and expense, to the satisfaction of the

City Manager. Owner shall not be responsible for normal wear and tear and/or defects caused by use of the City Acquisition Facility by the City or public. Owner shall commence to repair, replace or correct any defects to a City Acquisition Facility, other than those caused by public use of the City Acquisition Facility, within thirty (30) days after written notice thereof by the City to Owner, and shall complete such repairs, replacement or correction as soon as practicable. After such one-year period, the warranty bond shall be released. From and after the Acceptance Date, the City shall be responsible for maintaining all City Acquisition Facilities. Any warranties, guarantees or other evidences of contingent obligations of third persons with respect to the City Acquisition Facilities to be acquired by the City shall be delivered to the City Manager as part of the transfer of title. Owner shall maintain or cause to be maintained the Phase 1 Bedford Channel Facility and Discrete Components thereof to be owned by the County (including the repair and replacement thereof) prior to the Acceptance Date thereof and for the period of time and in the form specified in the JCFA, if any, or as otherwise required by the applicable regulations of the County.

(g) Discrete Components. Nothing in this Section 11 shall prevent payments pursuant to Section 6 or payment for Discrete Components as described in Section 10(b).

Section 12. Indemnification. Owner shall promptly defend, indemnify and hold harmless the City, its officers, employees and agents, and each and every one of them, and the District from any and all claims, actions, liability, damages, losses, expenses and costs arising out of Owner's performance of, or failure to perform, its duties hereunder or by reason of, or arising out of, this Agreement; provided, however, nothing herein shall impose any liability on Owner with respect to any Public Facility constructed by Owner following the expiration of the one (1) year period after acceptancy of any such Public Facility.

Section 13. City Policies. Pursuant to the City's policies, including the Financing District Policy, with regard to the issuance and sale of bonds of community facilities districts, the total annual amount of the Special Taxes to be levied on any parcel of property within an Improvement Area of the District and all other assessments and taxes which will be collected with respect to such property, must not exceed 1.95% of the estimated sales prices of the homes to be constructed within an Improvement Area of the District, as determined by the City. The Rate and Method includes provisions to allow for a reduction in the Special Tax prior to the issuance of Bonds in order to not exceed a total effective rate of 1.95%. In addition, the Special Tax may also be reduced prior to the issuance of Bonds upon Owner's written request. Also, the ratio of the appraised market value of all parcels of property within a community facilities district to the total amount of the assessment and special tax obligation thereof after the issuance and sale of bonds for the District (the "Value-to-Lien Ratio") may not be less than four-to-one (4/1). Pursuant to the City's policies, the fair market value of the property within a community facilities district for purposes of determining such ratio will be determined based upon an appraisal made by an appraiser selected by the City.

Section 14. Representations, Covenants and Warranties of Owner. Owner represents and warrants for the benefit of the City as follows:

A. Organization. Owner is duly organized and validly existing under the laws of the State of California, is in good standing 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. Owner has the power and authority to enter into this Agreement, and has taken all action necessary to cause this Agreement to be executed and delivered, and this Agreement has been duly and validly executed and delivered by Owner.

C. Binding Obligation. This Agreement is a legal, valid and binding obligation of Owner, enforceable against Owner in accordance with its terms, subject to bankruptcy and other equitable principles.

D. Compliance with Laws. Owner shall not with knowledge commit, suffer or permit any act to be done in, upon or to the lands of Owner in the District 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 Acquisition Facility.

E. Requests for Payment. Owner represents and warrants that (i) it will not request payment from the City for the acquisition of any improvements other than the Acquisition Facility, and (ii) it will diligently follow all procedures set forth in this Agreement with respect to the Payment Request for the Acquisition Facility.

F. Additional Information. Owner agrees to cooperate with all reasonable written requests for nonproprietary information by the original purchasers of the Bonds or the City related to the status of construction of improvements within the District, the anticipated completion dates for future improvements, and any other matter material to the investment quality of the Bonds.

G. Continuing Disclosure. Owner agrees to comply with all of its obligations under any continuing disclosure agreement executed by it in connection with the offering and sale of any of the Bonds. Owner shall cooperate with City in complying with the requirements of Rule 15c2-12 of the Securities and Exchange Commission in connection with the issuance and sale of the Bonds. Owner shall provide information to the City regarding its operations and financial condition as such information has been disclosed in the Official Statement. The City, in consultation with the underwriter of the Bonds, may determine that some or all of such financial information will be included in the preliminary official statement and the final official statement for the Bonds. If Owner owns property within the District responsible for more than 20% of the Special Taxes levied in such fiscal year, then Owner acknowledges that it will be an “obligated person” for purposes of compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission and that it will therefore be necessary that Owner enter into a continuing disclosure undertaking, at the time of and in connection with the issuance and sale of the Bonds, that so long as it remains an obligated person it will semi-annually, at the time specified in such undertaking, provide information regarding its financial condition, including, at the City’s discretion, such regularly submitted periodic reports and financial statements prepared by Owner’s certified public accountant which are available to the investing public (which may be consolidated with Owner’s parent company) and the status of development and residential and land sale activity within the District to be included within the semi-annual reports which Owner, or a dissemination agent designated in such undertaking, will file with the Nationally Recognized Municipal Securities Information Repositories which are identified by the Securities and Exchange Commission and any state information repository that may be designated for the State of

California, as required by that rule. Copies of all such reports shall also be provided to the City and the underwriter of the Bonds. Owner further acknowledges that it will be an obligated person pursuant to such rule as long as it owns property within the District that is responsible for the payment of annual Special Taxes which represent 20% or more of the annual debt service on the Bonds. If Owner sells any portion of property within the District to an entity and such entity will own property within the District which will be responsible for the payment of annual Special Taxes which represent 20% or more of the annual debt service on the Bonds, Owner shall notify such entity that it will be an obligated person for purposes of the rule and that such entity will be required to enter into a continuing disclosure undertaking as provided in this section.

Section 15. Independent Contractor. Owner is an independent contractor and not the agent of the City or the District. This Agreement shall not and does not create a joint venture or partnership between the City and Owner. The City shall have no responsibility or liability for the payment of any amount to any employee or subcontractor of Owner.

Section 16. Special Taxes. The parties are entering into this Agreement and establishing the District for the purpose of creating a stream of Special Tax revenues that will be available to the District to pay directly the costs of acquisition, construction and/or equipping the Acquisition Facility and Public Facilities and to pay debt service on the Bonds, the proceeds of which will be used to pay the costs of acquisition, construction and/or equipping of the Acquisition Facility and Public Facilities. Owner and City hereby acknowledge and agree (i) that any reduction or termination of the Special Taxes by exercise of the initiative power or other action would constitute a substantial impairment of the Special Tax revenue stream that Owner and City intend to create for the purpose of providing an assured source of funding for construction, acquisition and/or equipping of the Acquisition Facility and Public Facilities, and (ii) that this Agreement is being entered into, and the Special Taxes are being imposed upon the Property pursuant to the Rate and Method, in accordance with existing laws relating to the imposition of fees and charges as a condition of development of the Property and such Special Taxes are being incurred as an incident of the voluntary act of development of the Property. To the fullest extent permitted by law, Owner, for itself and for each of its successors and assigns as owners or lessees of all or any portion of the Property included in the District hereby waives any right to exercise the initiative power that may be authorized in California Constitution Article XIII C, Section 3, to reduce or appeal the Special Taxes.

Section 17. Disclosure of Special Taxes.

(a) From and after the date of this Agreement, Owner shall provide a “Notice of Special Tax” (as defined in Section 17(b) below) to each prospective purchaser of a home in the District prior to the execution by the home buyer of the sale contract for such home. Owner shall deliver a fully executed copy of each notice to City. Owner shall (i) maintain records of each Notice of Special Tax for a period of five (5) years, and (ii) shall provide copies of each notice to City promptly following the giving of such notice. Owner shall include the Notice of Special Tax in all Owner’s applications for Final Subdivision Reports required by the Department of Real Estate (“DRE”) which are filed after the effective date of this Agreement.

Owner shall require of a builder acquiring lots within the Property (a “Residential Builder”), prior to the close of escrow on any residential lot, to (i) maintain records of each Notice

of Special Tax for a period of five (5) years, (ii) provide copies of each notice to City promptly following the giving of such notice, and (iii) include the Notice of Special Tax in all of such Residential Builder's applications for Final Subdivision Reports required by DRE.

(b) With respect to any parcel, the term "Notice of Special Tax" means a notice in the form prescribed by California Government Code Section 53341.5 which is calculated to disclose to the purchaser thereof (i) that the property being purchased is subject to the Special Taxes and other special taxes of the District; (ii) the classification of such property; (iii) the maximum annual amount of the Special Taxes and other special taxes of the District and the number of years for which they are authorized to be levied; and (iv) the types of facilities and services to be paid or with the proceeds of the Special Taxes and other special taxes of the District.

(c) City will file with the Riverside County Recorder's office a notice of special tax lien that gives notice of the existence of the District and the levy of the Special Tax on property within the District for the benefit of subsequent property owners, pursuant to requirements of Section 3114.5 of the Streets and Highways Code.

(d) Sample Property Tax Bill/Special Tax Information Sheet. Owner and its successors and assigns shall prepare and have available in its sales office, copies of either a sample property tax bill in a form reasonably acceptable for the City or special tax information sheet in substantially the form attached hereto as Exhibit D (the "Special Tax Information Sheet"), which shows the assigned annual Special Taxes and other special taxes authorized to be levied within the District under the Rate and Method. Owner and its successors and assigns shall make available to prospective homebuyers to take with them, copies of such sample property tax bill or Special Tax Information Sheet at the time written information regarding the available home sites and corresponding base home prices is requested by and provided to such homebuyers.

Section 18. Security for Payment of Special Taxes. Prior to the issuance of each series of Bonds of an Improvement Area, Owner agrees to deliver to the City either: (a) a letter of credit ("Letter of Credit"), hereby defined as an irrevocable standby letter of credit that (i) is issued by a financial institution authorized to do business in the State of California, the long-term unsecured obligations of which, at the time of delivery of such letter of credit, are rated not less than "A" by Moody's and not less than "A" by S&P; (ii) contains terms and provisions that shall in all respects be satisfactory to and approved in writing by the City; (iii) is delivered to and accepted by the Fiscal Agent pursuant to the applicable Fiscal Agent Agreement; (iv) is for a term of at least one year; and (v) is in an amount equal to the amount of Special Taxes that is expected to be levied in the next two fiscal years on all taxable property within an Improvement Area of the District which is owned by the Owner (the "Stated Amount"); or (b) a surety bond ("Surety Bond") that (i) is issued by Philadelphia Indemnity Insurance Company or another reputable insurance company authorized to do business in the State of California and approved in writing by the City, whose approval shall not be unreasonably withheld; (ii) is in the form attached hereto as Exhibit E or contains terms and provisions that shall in all respects be satisfactory to and approved in writing by the City; (iii) is delivered to and accepted by the Fiscal Agent pursuant to the applicable Fiscal Agent Agreement; (iv) is for a term of at least one year and (v) is in an amount equal to the Stated Amount.

In the event that portions of the Property are sold to merchant builders, the Stated Amount

of the Letter of Credit or Surety Bond shall be reduced for the Assessor's Parcels and/or Units owned by the merchant builder. Owner shall continue to provide the Letter of Credit or Surety Bond for all remaining taxable property in the Improvement Area owned by Owner, provided, however, the City shall be required to reduce a particular Letter of Credit or Surety Bond a maximum of twice each Calendar Year.

Owner shall cause each Letter of Credit or Surety Bond to be renewed annually by the issuing bank or insurance company, as applicable, or a substitute bank or substitute insurance company, as applicable, which meets the standards set forth herein until such time as either 85% of the proposed Units in the Improvement Area of the District subject to the Special Tax and owned by Owner have been sold to the merchant builders or until Owner no longer owns Assessor Parcels that are responsible for 10% or more of the Special Taxes expected to be levied in the Improvement Area by the District in the subsequent fiscal year. Each Letter of Credit or Surety Bond shall further provide that the failure of the issuing bank or insurance company, as applicable, to renew the Letter of Credit or Surety Bond until such condition is satisfied will enable the beneficiary to draw the full amount thereof. If the Fiscal Agent draws any amount under a Letter of Credit or Surety Bond, as applicable, except upon the failure of the issuing bank or insurance company, as applicable, to renew such Letter of Credit or Surety Bond, the City shall reimburse the amount drawn to the issuing bank with respect to a Letter of Credit or to the insurance company with respect to a Surety Bond, without interest, from the delinquent Special Tax installments with respect to which any such amount is drawn when and if such installments are paid or the proceeds of foreclosure of the applicable property as a result of such delinquency are received.

Notwithstanding the provisions of this Section 18, the City may waive or modify this requirement as pertains to the issuance of a particular series of Bonds at its sole discretion.

Section 19. Termination and Dissolution. Prior to the issuance of Bonds, Owner may elect to terminate this Agreement and request that the City cancel the Special Taxes by providing written notice to the City. Within thirty (30) days of such written notice, City shall record a notice of cancellation of the Special Taxes with respect to each parcel. Owner shall be responsible for reasonable City costs incurred relating to the cancellation of the Special Taxes and recordation of such notice; provided, however, that the City shall not terminate the Special Taxes for any lot for which a building permit has been issued, unless Owner pays all City Fees or posts separate security therefore. Such termination of this Agreement and cancellation of Special Taxes shall have no effect on Owner's obligations to pay City Fees upon issuance of a building permit.

Section 20. Binding on Community Facilities District. The District shall automatically become a party to this Agreement, and all provisions hereof which apply to the City shall also apply to the District. The City Council of the City, acting as the legislative body of the District, shall perform all parts of this Agreement which require performance on the part of the District.

Section 21. Assignment. Upon the successful formation of the District, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto and shall run with the land without any further action of the City or Owner unless terminated in writing pursuant to Section 19.

Section 22. Prompt Action. All consents, approvals and determinations required of either the City or Owner pursuant to this Agreement shall be promptly given or made, and shall not be unreasonably withheld or conditioned.

Section 23. General. This Agreement and the Deposit Agreement contain the entire agreement between the parties with respect to the matters herein provided for. This Agreement may only be amended by a subsequent written agreement signed on behalf of both parties. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties. This Agreement shall be construed and governed by the Constitution and laws of the State of California. Should either party to this Agreement commence a court action or proceeding against the other party with respect to this Agreement or the design and acquisition or construction of the Acquisition Facility, the party prevailing in such action or proceeding shall be entitled to receive from the losing party its attorney's fees, expert witness fees, court costs and other costs incurred by it in prosecuting or defending such action or proceeding. The captions of the sections of this Agreement are provided for convenience only, and shall not have any bearing on the interpretation of any section hereof. This Agreement may be executed in several counterparts, each of which shall be an original of the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this agreement to be signed as of the date first above written.

Dated: _____

ARANTINE HILLS HOLDINGS L.P.,
a Delaware limited partnership

By:

Name:

Title:

By:

Name:

Title:

Dated: _____

CITY OF CORONA

By: _____

Name: _____

City Manager

ATTEST:

By: _____

City Clerk

APPROVED AS TO FORM:

By: _____

Bond Counsel

-Signature Page-
Funding and Acquisition Agreement

EXHIBIT A

DESCRIPTION OF PUBLIC FACILITIES

Special Taxes or Bond Proceeds of any Improvement Area may finance any of the Public Facilities listed below and the designation of a Phase is included solely for organizational purposes.

FACILITY	ESTIMATED COST
CITY ACQUISITION FACILITIES - STORM DRAIN IMPROVEMENTS	
SEGMENT 1 (LOT A) - BEDFORD CANYON (EAGLE GLEN TO BASIN) (PHASE 1) – (PLANS APPROVED)	\$ 388,456.86
SEGMENT 2 (LOT G) - BEDFORD CANYON (BASIN TO HUDSON HOUSE DRIVE) (PHASE 1) – (PLANS APPROVED)	\$ 58,757.53
SEGMENT 3 - HUDSON HOUSE DRIVE (BEDFORD TO OLVIDA DR.) (PHASE 1) – (PLANS APPROVED)	\$ 227,337.41
SEGMENT 4 - HUDSON HOUSE DRIVE (OLVIDA DR TO CLEMENTINE WAY) (PHASE 1) – (PLANS APPROVED)	\$ 152,954.73
SEGMENT 6 (LOT P) - CLEMENTINE WAY (HUDSON HOUSE DRIVE TO STA. 15+00) (PHASE 1) – (PLANS APPROVED)	\$ 221,192.27
SEGMENT 9 - IN TRACT BACKBONE (PHASE 1) – (PLANS APPROVED)	\$ 985,138.80
SEGMENT 10 - IN TRACT BACKBONE (PHASE 2)	\$ 774,134.25
SEGMENT 5 - HUDSON HOUSE DRIVE (CLEMENTINE WAY TO WEST PL) (PHASE 3) – (PLANS APPROVED)	\$ 196,955.10
SEGMENT 11 - IN TRACT BACKBONE (PHASE 3)	\$ 568,325.00
Subtotal	\$ 3,573,251.95
PHASE 1 BEDFORD CHANNEL FACILITY - FLOOD CONTROL IMPROVEMENT – RCFC	
SEGMENT 22 – BEDFORD CHANNEL FACILITY (PHASE 1)	\$ 11,759,926.91
Subtotal	\$ 11,759,926.91
STORM DRAIN FACILITIES - STORM DRAIN IMPROVEMENTS - RCFC	
SEGMENT 1 (LOT A) - BEDFORD CANYON (EAGLE GLEN TO BASIN) (PHASE 1)	\$ 280,170.84
SEGMENT 2 (LOT G) - BEDFORD CANYON (BASIN TO HUDSON HOUSE DRIVE) (PHASE 1)	\$ 99,061.17
SEGMENT 3 - HUDSON HOUSE DRIVE (BEDFORD TO OLVIDA DR.) (PHASE 1)	\$ 357,430.94
SEGMENT 4 - HUDSON HOUSE DRIVE (OLVIDA DR TO CLEMENTINE WAY) (PHASE 1)	\$ 481,431.97
SEGMENT 6 (LOT P) - CLEMENTINE WAY (HUDSON HOUSE DRIVE TO STA. 15+00) (PHASE 1)	\$ 184,740.08
SEGMENT 9 - IN TRACT BACKBONE (PHASE 1)	\$ 160,325.10
Subtotal	\$ 1,563,160.10
CITY ACQUISITION FACILITIES - SEWER IMPROVEMENTS	
SEGMENT 1 (LOT A) - BEDFORD CANYON (EAGLE GLEN TO BASIN) (PHASE 1) – (PLANS APPROVED)	\$ 174,569.97
SEGMENT 2 (LOT G) - BEDFORD CANYON (BASIN TO HUDSON HOUSE DRIVE) (PHASE 1) – (PLANS APPROVED)	\$ 239,848.08
SEGMENT 3 - HUDSON HOUSE DRIVE (BEDFORD TO OLVIDA DR.) (PHASE 1) – (PLANS APPROVED)	\$ 133,399.26
SEGMENT 4 - HUDSON HOUSE DRIVE (OLVIDA DR TO CLEMENTINE WAY) (PHASE 1) – (PLANS APPROVED)	\$ 246,562.74
SEGMENT 6 (LOT P) - CLEMENTINE WAY (HUDSON HOUSE DRIVE TO STA. 15+00) (PHASE 1) – (PLANS APPROVED)	\$ 177,042.26

FACILITY	ESTIMATED COST
SEGMENT 9 - IN TRACT BACKBONE (PHASE 1)	\$ 661,359.79
SEGMENT 10 - IN TRACT BACKBONE (PHASE 2)	\$ 211,010.00
SEGMENT 5 - HUDSON HOUSE DRIVE (CLEMENTINE WAY TO WEST PL) (PHASE 3) – (PLANS APPROVED)	\$ 93,325.48
SEGMENT 11 - IN TRACT BACKBONE (PHASE 3)	\$ 232,700.00
Subtotal	\$ 2,169,817.58
CITY ACQUISITION FACILITIES - DOMESTIC WATER IMPROVEMENTS	
SEGMENT 1 (LOT A) - BEDFORD CANYON (EAGLE GLEN TO BASIN) (PHASE 1) – (PLANS APPROVED) – (PLANS APPROVED)	\$ 232,898.99
SEGMENT 2 (LOT G) - BEDFORD CANYON (BASIN TO HUDSON HOUSE DRIVE) (PHASE 1) – (PLANS APPROVED)	\$ 129,132.58
SEGMENT 3 - HUDSON HOUSE DRIVE (BEDFORD TO OLVIDA DR.) (PHASE 1) – (PLANS APPROVED)	\$ 135,192.95
SEGMENT 4 - HUDSON HOUSE DRIVE (OLVIDA DR TO CLEMENTINE WAY) (PHASE 1) – (PLANS APPROVED)	\$ 289,668.84
SEGMENT 6 (LOT P) - CLEMENTINE WAY (HUDSON HOUSE DRIVE TO STA. 15+00) (PHASE 1) – (PLANS APPROVED)	\$ 424,841.26
SEGMENT 7 (LOT C) - CLEMENTINE WAY (STA. 15+00 TO EAGLE GLEN) (PHASE 1) – (PLANS APPROVED)	\$ 209,197.80
SEGMENT 8 - EAGLE GLEN (BENNETT AVE TO CLEMENTINE WAY) (PHASE 1) – (PLANS APPROVED)	\$ 163,168.39
SEGMENT 9 - IN TRACT BACKBONE (PHASE 1)	\$ 709,299.02
SEGMENT 10 - IN TRACT BACKBONE (PHASE 2)	\$ 319,130.00
SEGMENT 5 - HUDSON HOUSE DRIVE (CLEMENTINE WAY TO WEST PL) (PHASE 3)	\$ 179,884.13
SEGMENT 11 - IN TRACT BACKBONE (PHASE 3)	\$ 491,630.00
Subtotal	\$ 3,284,043.96
CITY ACQUISITION FACILITIES - RECYCLED WATER IMPROVEMENTS	
SEGMENT 1 (LOT A) - BEDFORD CANYON (EAGLE GLEN TO BASIN) (PHASE 1) – (PLANS APPROVED)	\$ 155,429.15
SEGMENT 2 (LOT G) - BEDFORD CANYON (BASIN TO HUDSON HOUSE DRIVE) (PHASE 1) – (PLANS APPROVED)	\$ 165,057.25
SEGMENT 3 - HUDSON HOUSE DRIVE (BEDFORD TO OLVIDA DR.) (PHASE 1) – (PLANS APPROVED)	\$ 110,270.58
SEGMENT 4 - HUDSON HOUSE DRIVE (OLVIDA DR TO CLEMENTINE WAY) (PHASE 1) – (PLANS APPROVED)	\$ 201,328.68
SEGMENT 6 (LOT P) - CLEMENTINE WAY (HUDSON HOUSE DRIVE TO STA. 15+00) (PHASE 1) – (PLANS APPROVED)	\$ 135,721.09
SEGMENT 7 (LOT C) - CLEMENTINE WAY (STA. 15+00 TO EAGLE GLEN) (PHASE 1) – (PLANS APPROVED)	\$ 68,138.56
SEGMENT 9 - IN TRACT BACKBONE (PHASE 1)	\$ 260,261.20
SEGMENT 10 - IN TRACT BACKBONE (PHASE 2)	\$ 183,820.00
SEGMENT 5 - HUDSON HOUSE DRIVE (CLEMENTINE WAY TO WEST PL) (PHASE 3) – (PLANS APPROVED)	\$ 122,102.06
SEGMENT 11 - IN TRACT BACKBONE (PHASE 3)	\$ 190,520.00
Subtotal	\$ 1,592,648.57
CITY ACQUISITION FACILITIES - DRY UTILITY IMPROVEMENTS⁽²⁾	
SEGMENT 1 (LOT A) - BEDFORD CANYON (EAGLE GLEN TO BASIN) (PHASE 1)	\$ 517,666.99
SEGMENT 2 (LOT G) - BEDFORD CANYON (BASIN TO HUDSON HOUSE DRIVE) (PHASE 1)	\$ 210,636.91

FACILITY	ESTIMATED COST
SEGMENT 3 - HUDSON HOUSE DRIVE (BEDFORD TO OLVIDA DR.) (PHASE 1)	\$ 424,129.92
SEGMENT 4 - HUDSON HOUSE DRIVE (OLVIDA DR TO CLEMENTINE WAY) (PHASE 1)	\$ 738,657.25
SEGMENT 6 (LOT P) - CLEMENTINE WAY (HUDSON HOUSE DRIVE TO STA. 15+00) (PHASE 1)	\$ 540,158.73
SEGMENT 7 (LOT C) - CLEMENTINE WAY (STA. 15+00 TO EAGLE GLEN) (PHASE 1)	\$ 158,156.19
SEGMENT 10 - IN TRACT BACKBONE (PHASE 2)	\$ 489,613.75
SEGMENT 5 - HUDSON HOUSE DRIVE (CLEMENTINE WAY TO WEST PL) (PHASE 3)	\$ 263,423.25
SEGMENT 11 - IN TRACT BACKBONE (PHASE 3)	\$ 564,620.40
Subtotal	\$ 3,907,063.39
CITY ACQUISITION FACILITIES - STREET IMPROVEMENTS	
SEGMENT 1 (LOT A) - BEDFORD CANYON (EAGLE GLEN TO BASIN) (PHASE 1) – (PLANS APPROVED)	\$ 525,898.34
SEGMENT 7 (LOT C) - CLEMENTINE WAY (STA. 15+00 TO EAGLE GLEN) (PHASE 1) – (PLANS APPROVED)	\$ 132,261.74
SEGMENT 12 - EAGLE GLEN & CLEMENTINE WAY INTERSECTION (PHASE 1) – (PLANS APPROVED)	\$ 64,901.75
SEGMENT 14 - EAGLE GLEN & BEDFORD CANYON ROAD INTERSECTION (PHASE 1) – (PLANS APPROVED)	\$ 96,472.87
Subtotal	\$ 819,534.70
CITY ACQUISITION FACILITIES - STREET LIGHTS	
SEGMENT 1 (LOT A) - BEDFORD CANYON (EAGLE GLEN TO BASIN) (PHASE 1) – (PLANS APPROVED)	\$ 131,260.00
SEGMENT 7 (LOT C) - CLEMENTINE WAY (STA. 15+00 TO EAGLE GLEN) (PHASE 1) – (PLANS APPROVED)	\$ 44,092.00
Subtotal	\$ 175,352.00
CITY ACQUISITION FACILITIES - STREET LIGHTS - (Behind Gates - Owned by SCE)⁽²⁾	
SEGMENT 2 (LOT G) - BEDFORD CANYON (BASIN TO HUDSON HOUSE DRIVE) (PHASE 1) – (PLANS APPROVED)	\$ 88,184.00
SEGMENT 3 - HUDSON HOUSE DRIVE (BEDFORD TO OLVIDA DR.) (PHASE 1) – (PLANS APPROVED)	\$ 61,728.80
SEGMENT 4 - HUDSON HOUSE DRIVE (OLVIDA DR TO CLEMENTINE WAY) (PHASE 1) – (PLANS APPROVED)	\$ 141,094.40
SEGMENT 6 (LOT P) - CLEMENTINE WAY (HUDSON HOUSE DRIVE TO STA. 15+00) (PHASE 1) – (PLANS APPROVED)	\$ 82,552.80
SEGMENT 9 - IN TRACT BACKBONE (PHASE 1)	\$ 343,917.60
SEGMENT 10 - IN TRACT BACKBONE (PHASE 2)	\$ 238,096.80
SEGMENT 5 - HUDSON HOUSE DRIVE (CLEMENTINE WAY TO WEST PL) (PHASE 3) – (PLANS APPROVED)	\$ 123,457.60
SEGMENT 11 - IN TRACT BACKBONE (PHASE 3)	\$ 255,733.60
Subtotal	\$ 1,334,765.60
CITY ACQUISITION FACILITIES - TRAIL IMPROVEMENTS	
SEGMENT 19 - TRAIL IMPROVEMENTS (PHASE 3) – (PLANS APPROVED)	\$ 298,815.79
SEGMENT 20 - TRAIL IMPROVEMENTS (PHASE 3) – (PLANS APPROVED)	\$ 110,946.46
Subtotal	\$ 409,762.25
CITY ACQUISITION FACILITIES - LANDSCAPE IMPROVEMENTS -	

FACILITY	ESTIMATED COST
SEGMENT 1 (LOT A) - BEDFORD CANYON (EAGLE GLEN TO BASIN) (PHASE 1) – (PLANS APPROVED)	\$ 116,648.00
SEGMENT 7 (LOT C) - CLEMENTINE WAY (STA. 15+00 TO EAGLE GLEN) (PHASE 1) – (PLANS APPROVED)	\$ 53,919.00
Subtotal	\$ 170,567.00
CITY ACQUISITION FACILITIES - SIGNALIZATION IMPROVEMENTS	
SEGMENT 12 - EAGLE GLEN & CLEMENTINE WAY INTERSECTION (PHASE 1) – (PLANS APPROVED)	\$ 221,230.42
SEGMENT 13 - EAGLE GLEN & MASTERS DRIVE INTERSECTION (PHASE 1) – (PLANS APPROVED)	\$ 193,919.27
SEGMENT 14 - EAGLE GLEN & BEDFORD CANYON ROAD INTERSECTION (PHASE 1) – (PLANS APPROVED)	\$ 277,781.74
SEGMENT 21 - BEDFORD CANYON ROAD/COMMERCIAL CENTER INTERSECTION (PHASE 3)	\$ 193,919.27
Subtotal	\$ 886,850.70
CITY ACQUISITION FACILITIES - SIGNAL INTERCONNECT IMPROVEMENTS	
SEGMENT 18 - SIGNAL INTERCONNECT (PHASE 1) – (PLANS APPROVED)	\$ 240,622.34
Subtotal	\$ 240,622.34
CITY ACQUISITION FACILITIES - SIGNING AND STRIPING IMPROVEMENTS	
SEGMENT 17 - SIGNING AND STRIPING (PHASE 1) – (PLANS APPROVED)	\$ 36,550.23
Subtotal	\$ 36,550.23
CITY CONSTRUCTION FACILITIES – FAIR SHARE PAYMENTS	
SEWER LIFT STATION/FORCE MAIN/SEWER (PHASE 1)	\$ 5,900,000.00
BEDFORD CANYON WATERLINE (PHASE 1)	\$ 1,100,000.00
STAFF TIME (ASSUME 10%) (PHASE 1)	\$ 875,000.00
CONSTRUCTION MANAGEMENT (PHASE 1)	\$ 600,000.00
OFF SITE TRAFFIC MITIGATION (SEGMENTS 12-14,18, 21 NOT INCL.) (PHASE 2)	\$ 1,750,000.00
WATER TANK (PHASE 2)	\$ 2,900,000.00
Subtotal	\$ 13,125,000.00
CITY CONSTRUCTION FACILITIES – DEVELOPER RESPONSIBILITY	
AQUATIC CENTER (PHASE 1) ⁽¹⁾	\$ 58,755.00
FIRE PROTECTION (PHASE 1) ⁽¹⁾	\$ 307,648.00
LAW ENFORCEMENT (PHASE 1) ⁽¹⁾	\$ 204,619.00
LIBRARY EXPANSION (PHASE 1)	\$ 149,278.00
PUBLIC MEETING FACILITIES (PHASE 1)	\$ 94,974.00
RADIO COMMUNICATION FACILITIES (PHASE 1) ⁽¹⁾	\$ 33,835.00
SEWER CONNECTION (PHASE 1) ⁽²⁾	\$ 1,552,954.00
WATER SYSTEM IMPROVEMENT (PHASE 1)	\$ 1,934,240.00
DRAINAGE (PHASE 1)	\$ 828,624.00
CFD FORMATION DEPOSIT/CONSULTANTS (PHASE 1)	\$ 400,000.00
WATER & SEWER FACILITY FEE FOR HUDSONHOUSE (PHASE 1) ⁽²⁾	\$ 170,000.00
QUIMBY (PHASE 1) ⁽²⁾	\$ 7,484,350.00
AQUATIC CENTER (PHASE 2) ⁽¹⁾	\$ 62,634.00
FIRE PROTECTION (PHASE 2) ⁽¹⁾	\$ 333,355.00
LAW ENFORCEMENT (PHASE 2) ⁽¹⁾	\$ 222,844.00
LIBRARY EXPANSION (PHASE 2)	\$ 159,259.00
PUBLIC MEETING FACILITIES (PHASE 2)	\$ 101,235.00

FACILITY	ESTIMATED COST
RADIO COMMUNICATION FACILITIES (PHASE 2) ⁽¹⁾	\$ 36,790.00
SEWER CONNECTION (PHASE 2) ⁽²⁾	\$ 1,661,623.00
WATER SYSTEM IMPROVEMENT (PHASE 2)	\$ 2,125,152.00
AQUATIC CENTER (PHASE 3) ⁽¹⁾	\$ 58,611.00
FIRE PROTECTION (PHASE 3) ⁽¹⁾	\$ 288,211.00
LAW ENFORCEMENT (PHASE 3) ⁽¹⁾	\$ 187,789.00
LIBRARY EXPANSION (PHASE 3)	\$ 148,477.00
PUBLIC MEETING FACILITIES (PHASE 3)	\$ 94,773.00
RADIO COMMUNICATION FACILITIES (PHASE 3) ⁽¹⁾	\$ 31,255.00
SEWER CONNECTION (PHASE 3) ⁽²⁾	\$ 1,527,876.00
WATER SYSTEM IMPROVEMENT (PHASE 3)	\$ 1,899,072.00
AQUATIC CENTER (PHASE 4) ⁽¹⁾	\$ 29,184.00
FIRE PROTECTION (PHASE 4) ⁽¹⁾	\$ 95,304.00
LAW ENFORCEMENT (PHASE 4) ⁽¹⁾	\$ 51,376.00
LIBRARY EXPANSION (PHASE 4)	\$ 72,808.00
PUBLIC MEETING FACILITIES (PHASE 4)	\$ 47,272.00
RADIO COMMUNICATION FACILITIES (PHASE 4) ⁽¹⁾	\$ 9,120.00
SEWER CONNECTION (PHASE 4) ⁽²⁾	\$ 705,888.00
WATER SYSTEM IMPROVEMENT (PHASE 4)	\$ 763,648.00
Subtotal	\$ 15,049,859.00
CITY CONSTRUCTION FACILITIES - DEVELOPER RESPONSIBILITY	
DRAINAGE (PHASE 1)	\$ 828,624.00
CFD FORMATION DEPOSIT/CONSULTANTS (PHASE 1)	\$ 400,000.00
WATER & SEWER FACILITY FEE FOR HUDSON HOUSE (PHASE 1) ⁽²⁾	\$ 170,000.00
QUIMBY (PHASE 1) ⁽²⁾	\$ 7,484,350.00
DRAINAGE (PHASE 2)	\$ 391,602.00
CFD FORMATION DEPOSIT/CONSULTANTS (PHASE 2)	\$ 200,000.00
QUIMBY (PHASE 2) ⁽²⁾	\$ 3,607,806.00
DRAINAGE (PHASE 3)	\$ 230,643.00
CFD FORMATION DEPOSIT/CONSULTANTS (PHASE 3)	\$ 200,000.00
QUIMBY (PHASE 3) ⁽²⁾	\$ 3,876,544.00
Subtotal	\$ 17,389,569.00
PHASE 1 TOTAL	\$ 47,516,031.34
PHASE 2 TOTAL	\$ 15,768,104.80
PHASE 3 TOTAL	\$ 12,429,609.14
PHASE 4 TOTAL	\$ 1,774,600.00
GRAND TOTAL ELIGIBLE FACILITIES AND FEES	\$ 77,488,345.28

⁽¹⁾ Limited to 15% of each Bond issue (aggregated together with other private uses) or may be funded in taxable issues. Subject to review at each bond issue.

⁽²⁾ Taxable Bond issue. Subject to review at each bond issue.

EXHIBIT B

DEFINITIONS

The following terms shall have the meanings ascribed to them for purposes of this 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 Public Works 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 Public Works 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 Public Works Director, (iii) the Public Works Director has no reason to believe that such offer of dedication will not be accepted by the applicable public agency, and (iv) the Owner 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 takes final action to accept dedication of or transfer of title to the Acquisition Facility.

“Additional Bonds” means any series of Bonds issued by or on behalf of the District after the first series of Bonds, in each case in compliance with and under supplements to the Fiscal Agent Agreement, which Additional Bonds shall be secured on a parity lien or subordinate lien position with other Bonds previously issued.

“Agreement” means this 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 the Acquisition Facility, which costs may include: (i) the costs incurred by the Owner for the construction of the Acquisition Facility, (ii) the costs incurred by the Owner in preparing plans for the Acquisition Facility and the related costs of environmental evaluations of the Acquisition Facility, (iii) the fees paid to governmental agencies for obtaining permits, licenses or other governmental approvals for such Public Facility, (iv) a construction and project management fee of five percent (5%) of the costs described in clause (i) above incurred for the construction of the Acquisition Facility, (v) professional costs incurred by the Owner or the City associated with the Acquisition Facility, such as engineering, legal, accounting, inspection, construction staking, materials testing and similar professional services; and (vi) costs directly related to the construction and/or acquisition of the Acquisition Facility, such as costs of payment, performance and/or maintenance bonds, and insurance costs (including costs of any title insurance required hereunder). Actual Cost shall not include any cost of carry or interest expense with respect to any construction loan obtained by the Owner with respect to the Acquisition Facilities. Cost savings derived in connection with the completion of any Acquisition Facility may be applied to any cost over-runs incurred in connection with the completion of any other Acquisition Facility.

“Assessor’s Parcel” shall have the meaning ascribed to it in the Rate and Method.

“Bonds” means any series of bonds issued by or on behalf of the District.

“City Fees” means the development impact fees imposed by the City that are credited to the City Construction Facilities; as shown on Exhibit A.

“Conditions of Approval” means the mitigation measures and conditions of approval of or applicable to all land use entitlements approved by the City for the development of the Property, including, without limitation, tentative subdivision maps, the Development Agreement and subdivision improvement agreements.

“Deposits” means payments made by Owner to City for City costs relating to formation of the District and issuance of Bonds.

“Discrete Component” means a component of a City Acquisition Facility that the City Manager has agreed can be separately identified, inspected and completed, and be the subject of a Payment Request hereunder.

“District Representative” means the City Manager of the City, or his or her designee.

“Extraordinary Administrative Expenses” means administrative expenses required for extraordinary District events such as foreclosure actions against delinquent taxpayers within an Improvement Area of the District.

“Final Discrete Component” means the last Discrete Component of a City Acquisition Facility to be financed after all other Discrete Components of that City Acquisition Facility have been paid for from the proceeds of the Bonds.

“Financing District Policy” means the City of Corona Debt Policy and Procedures, dated September 16, 2015.

“Fiscal Agent” means the financial institution or other entity that enters into a Fiscal Agent Agreement with the City with respect to the Bonds.

“Fiscal Agent Agreement” means, collectively, any agreement or agreements by that or similar name to be executed by the City, for and on behalf of the District, and the fiscal agent, which will provide for, among other matters, the issuance of the Bonds and the establishment of an Improvement Fund as originally executed by the City and the fiscal agent and as it may be amended from time to time.

“Improvement Fund” means the Improvement Fund established by the Fiscal Agent Agreement for any series of Bonds issued on behalf of the District.

“Owner” means Arantine Hills Holdings L.P., a Delaware limited partnership, as the owner of the Property, and its successors and assigns, other than individual homebuyers.

“Phase 1 Bedford Channel” means the facility described as such in Exhibit A to the Agreement.

“Purchase Price” means the amount paid by the City for a City Acquisition Facility determined in accordance with Section 8 hereof, being an amount equal to the Actual Cost of such City Acquisition Facility, but subject to the limitations and reductions provided for in Section 8.

“Priority Administrative Expense Requirement” means \$[_____] per year commencing in the first year of issuance of Bonds.

“Rate and Method” means the rate and method of apportionment of special taxes approved for each Improvement Area of the District in accordance with the Act.

“Special Fund” means a discrete, interest-bearing special fund of the City to be established and administered pursuant to this Agreement.

“Special Tax or Special Taxes” means the special tax designated as “Special Tax” in the Rate and Method.

EXHIBIT C

FORM OF PAYMENT REQUEST

**Community Facilities District No. 2018-1
(Bedford)
of the City of Corona**

The undersigned, _____, a duly authorized representative of Owner, hereby requests payment of the Purchase Price of the City Acquisition Facilities described in Attachment A attached hereto. Capitalized undefined terms shall have the meanings ascribed thereto in the Funding and Acquisition Agreement, dated as of _____ 1, 2018 (the "Agreement"), by and between the City of Corona ("City") Community Facilities District No. 2018-1 (Bedford) of the City of Corona (the "CFD"), and Arantine Hills Holdings L.P., a Delaware limited partnership ("Owner"). In connection with this Payment Request, the undersigned hereby represents and warrants to the CFD and the City as follows:

1. He (she) is a duly authorized representative of Owner, qualified to execute this request for payment on behalf of Owner and knowledgeable as to the matters set forth herein.
2. Each of the City Acquisition Facilities described in Attachment A have been completed in accordance with the Agreement.
3. The true and correct Actual Cost of the City Acquisition Facilities for which payment is requested is set forth in Attachment A.
4. Attached hereto are invoices, receipts, worksheets and other evidence of costs which are in sufficient detail to allow the City to verify the Actual Cost of the City Acquisition Facilities for which payment is requested.
5. There has not been filed with or served upon Owner notice of any lien, right to lien or attachment upon, or claim affecting the right to receive the payment requested herein which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by operation of law. Copies of lien releases for all work for which payment is requested hereunder are attached hereto.
6. To the best of Owner's knowledge, Owner is in compliance with the terms and provisions of the Agreement.

The Purchase Price for the City Acquisition Facilities shall be payable from the appropriate account created pursuant to the Fiscal Agent Agreement or the Special Fund established pursuant to the Agreement.

I hereby certify that the above representations and warranties are true and correct.

Dated: _____

[OWNER SIGNATURE]

By: _____

Name: _____

Title: _____

By execution of this Payment Request, the City does hereby approve of the payment as described in this Payment Request and directs the Fiscal Agent to pay such amounts, first, from bond proceeds held in the designated account pursuant to the Fiscal Agent Agreement and, second from any surplus Special Taxes held by the City as applicable, to the payee listed above and/or the City shall pay all or a portion thereof from funds designated by the City for such purpose.

CITY OF CORONA for
Community Facilities District No. 2018-1
(Bedford) of the City of Corona

By: _____

Name: _____

City Manager

EXHIBIT D

**CITY OF CORONA SPECIAL TAX INFORMATION SHEET
Community Facilities District No. 2018-1
(Bedford)
of the City of Corona**

EXHIBIT E

FORM OF SURETY BOND

**Community Facilities District No. 2018-1
(Bedford)
of the City of Corona**

THIS SURETY BOND is given by [Name of Developer], as Principal, and [Name of Insurance Company], a corporation organized and existing under the laws of the State of [_____], and authorized to transact business as a surety in the State of California, as Surety, to the City of Corona, acting for and on behalf of Community Facilities District No. 2018-1 (“CFD No. 2018-1”), as Obligee.

Principal and Surety are bound unto Obligee, in the sum of _____ Dollars (\$_____), for the payment of which Principal and Surety hereby jointly and severally bind themselves, their respective successors and assigns, and their legal representatives.

WHEREAS, by the agreement entitled “Funding and Acquisition Agreement,” dated as of _____, 2018 (the “Funding Agreement”), between Principal and Obligee, Principal is obligated to provide a surety bond to Obligee guaranteeing that if the full amount of two fiscal years of the special taxes to be levied against real property within CFD No. 2018-1 owned by Principal in a maximum amount of \$_____ (the “Special Taxes”) are not paid on each December 10 and April 10 of each year, the surety company will pay the amount requested by Obligee up to the amount of the Special Taxes within fifteen (15) business days after receipt of written notice from Obligee that the Special Taxes were not paid by Principal;

NOW, THEREFORE, the condition of this obligation is such that if Principal performs its obligation to pay the full amount of the Special Taxes or no claim is made against Surety by _____, then this obligation shall be null and void; or otherwise this obligation shall remain in full force, subject to the following conditions:

1. If the Special Taxes are not paid on each December 10 and April 10 of each year, Surety shall pay the amount requested by Obligee of Special Taxes to Obligee, within fifteen (15) business days after the date when Surety receives written notice from Obligee of Principal’s failure to pay the Special Taxes, up to the full amount of the sum specified above for which Principal and Surety are obligated.

2. This Surety Bond is for the term beginning _____ and ending _____ [one year from date of issue]. This Surety Bond may be extended for additional one year terms at the option of Surety, by a continuation certificate executed by Surety. Such executed continuation certificate, or a written notice indicating the intention not to extend, shall be provided to Principal and Obligee by certified mail no less than sixty (60) days prior to the end of each one year term. If Surety fails to provide such notice within the designated time period, Surety shall be obligated to extend for at least one additional year and shall execute the continuation certificate. Except as provided for in Section 4 below, either non-renewal by Surety, by itself, nor failure, nor inability

of Principal to file a replacement bonds, by itself, shall constitute a loss to Obligee recoverable under this Surety Bond.

3. No right of action shall accrue on this Surety Bond to or for the use of any person, firm or corporation other than Obligee.

4. In the event Surety provides the notice described in Section 2 hereof to Principal and Obligee, if Principal is unable, or otherwise fails, at least thirty (30) days prior to the end of the term of this Surety Bond or the date this Surety Bond expires, whichever occurs first, to provide a replacement bond acceptable to Obligee pursuant to the terms of the Funding Agreement and fails to provide a cash payment to Obligee for the penal sum of this Surety Bond, Principal shall be deemed to be in breach under the Funding Agreement, which shall constitute a loss to Obligee recoverable under this Surety Bond and, Surety shall be obligated to tender to the Obligee funds sufficient to satisfy Principal's obligations under the Funding Agreement up to an amount not to exceed the penal sum of this Surety Bond.

5. Any notices to Obligee shall be given to both of the following Obligee representatives at the following addresses, or at such other addresses as Obligee may provide in writing for this purpose:

Obligee:

City of Corona
400 South Vicentia Avenue
Corona, CA 92882
Attn: City Manager

City of Corona
400 South Vicentia Avenue
Corona, CA 92882
Attn: City Clerk

IN WITNESS WHEREOF, Principal and Surety have executed and delivered this Surety Bond on _____.

_____,
Principal

By: _____

Name: _____

Title: _____

_____,
Surety

By: _____