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PRELIMINARY OFFICIAL STATEMENT DATED MARCH \_\_, 2018

NEW ISSUE – BOOK-ENTRY ONLY

NO RATING

*In the opinion of Best Best & Krieger LLP, Riverside, California (“Bond Counsel”), subject to certain qualifications described in this Official Statement, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income tax. See “LEGAL MATTERS — Tax Exemption.”*

County of Riverside

State of California

\$5,330,000\*

COMMUNITY FACILITIES DISTRICT NO. 2016-2  
(TERRASSA) OF THE CITY OF CORONA  
2018 SPECIAL TAX BONDS

Dated: Date of Delivery

Due: September 1, as shown on the inside cover page

The Community Facilities District No. 2016-2 (Terrassa) of the City of Corona 2018 Special Tax Bonds, Series (the “Bonds”) are being issued and delivered to (i) finance various public improvements needed with respect to the development within Community Facilities District No. 2016-2 (Terrassa) of the City of Corona, County of Riverside, State of California (the “District”), (ii) fund a reserve fund securing the Bonds and (iii) pay costs of issuance of the Bonds. The District has been formed by the City of Corona (the “City”) and is located in the southwestern portion of the City, in the County of Riverside, California (the “County”).

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California), and pursuant to a Fiscal Agent Agreement, dated as of April 1, 2018 (the “Fiscal Agent Agreement”), by and between the City, for and on behalf of the District, and The Bank of New York Mellon Trust Company, N.A. as fiscal agent (the “Fiscal Agent”). The Bonds are special obligations of the City and the District and are payable solely from revenues derived from certain annual Special Taxes (as defined in this Official Statement) to be levied on and collected from the owners of certain taxable land within the District and from certain other funds pledged under the Fiscal Agent Agreement, all as further described in this Official Statement. The Special Taxes are to be levied according to the Rate and Method of Apportionment for the District approved by the City Council of the City and the qualified electors within the District. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” and APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The City Council of the City is the legislative body of the District.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases may be made in integral multiples of \$5,000 and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described in this Official Statement. Interest on the Bonds will be payable semiannually on each March 1 and September 1, commencing September 1, 2018. Principal of and interest on the Bonds will be paid by the Fiscal Agent to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Bonds. See “THE BONDS — General Provisions,” “— Book-Entry Only System” and APPENDIX G — “INFORMATION CONCERNING DTC.”

*Neither the faith and credit nor the taxing power of the City, the County, the State of California or any political subdivision of such entities is pledged to the payment of the Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are special obligations of the City and the District payable solely from Special Taxes and certain other amounts held under the Fiscal Agent Agreement as more fully described in this Official Statement.*

The Bonds are subject to optional redemption, mandatory redemption prior to maturity from special tax prepayments and mandatory sinking fund redemption as described in this Official Statement. See “THE BONDS — Redemption.”

**Investment in the Bonds involves risks that are not appropriate for certain investors. Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled “RISK FACTORS” for a discussion of certain risk factors that should be considered, in addition to the other matters set forth in this Official Statement, in evaluating the investment quality of the Bonds.**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE  
(See Inside Cover Page)

*The Bonds are offered when, as and if issued and accepted by Stifel, Nicolaus & Company, Incorporated, the Underwriter, subject to approval as to their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the City and the District by the City Attorney and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, as counsel to the Underwriter, and for the Fiscal Agent by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York, on or about April \_\_, 2018.*

[STIFEL LOGO]

Dated: April \_\_, 2018.

\* Preliminary, subject to change.

**COMMUNITY FACILITIES DISTRICT NO. 2016-2  
(TERRASSA) OF THE CITY OF CORONA  
2018 SPECIAL TAX BONDS**

**Base CUSIP No.<sup>†</sup> \_\_\_\_\_  
\$ \_\_\_\_\_ Serial Bonds**

<i><b>Maturity Date (September 1)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>	<i><b>Yield</b></i>	<i><b>Price</b></i>	<i><b>CUSIP No.<sup>†</sup></b></i>
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**\$ \_\_\_\_\_ Term Bonds**

\$ \_\_\_\_\_ % Term Bonds due September 1, 20\_\_ Yield: \_\_\_\_\_ % Price: \_\_\_\_\_ CUSIP No.<sup>†</sup> \_\_\_\_\_

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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City, the District or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. None of the City, the District or the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**CITY OF CORONA**  
**MAYOR AND CITY COUNCIL**

Karen Spiegel, Mayor  
Eugene Montanez, Vice Mayor  
Randy Fox, Council Member  
Dick Haley, Council Member  
Jason Scott, Council Member

**CITY STAFF**

Darrell Talbert, City Manager  
Chad Willardson, City Treasurer  
Kerry Eden, Assistant City Manager and Administrative Services Director  
Dean Derleth, Esq., City Attorney

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Riverside, California

**DISCLOSURE COUNSEL**

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Newport Beach, California

**MUNICIPAL ADVISOR**

CSG Advisors Incorporated  
San Francisco, California

**SPECIAL TAX CONSULTANT**

Spicer Consulting Group, LLC  
Murrieta, California

**APPRAISER**

Kitty Siino & Associates, Inc.  
Tustin, California

**FISCAL AGENT**

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

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

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

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

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption “THE DISTRICT.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

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

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

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[DISTRICT VICINITY MAP]

[DISTRICT LOCATION MAP]

[AERIAL PHOTO]

**\$5,330,000\***  
**COMMUNITY FACILITIES DISTRICT NO. 2016-2**  
**(TERRASSA) OF THE CITY OF CORONA**  
**2018 SPECIAL TAX BONDS**

**INTRODUCTION**

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in APPENDIX D — “SUMMARY OF FISCAL AGENT AGREEMENT — DEFINITIONS” or APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

**General**

The purpose of this Official Statement (the “Official Statement”) is to provide certain information concerning the issuance of the \$5,330,000\* Community Facilities District No. 2016-2 (Terrassa) of the City of Corona 2018 Special Tax Bonds (the “Bonds”). The proceeds of the Bonds will be used to (i) finance various public improvements needed with respect to the development within Community Facilities District No. 2016-2 (Terrassa) of the City of Corona, County of Riverside, State of California (the “District”), (ii) fund a Reserve Fund securing the Bonds and (iii) pay costs of issuance of the Bonds.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and a Fiscal Agent Agreement dated as of April 1, 2018 (the “Fiscal Agent Agreement”) by and between the City of Corona (the “City”), for and on behalf of the District, and The Bank of New York Mellon Trust Company, N.A. (the “Fiscal Agent”). The Bonds are secured under the Fiscal Agent Agreement by a pledge of and lien upon Special Tax Revenues (as defined in this Official Statement) and all moneys in the Principal Account and Interest Account of the Bond Fund and all moneys deposited in the Reserve Fund as described in the Fiscal Agent Agreement.

**The District**

The District contains approximately 21 gross acres and approximately 17 net acres, located in the southwestern portion of the City, on the north side of Foothill Parkway and is bound by State Street to the west and Marquez Way to the east. The District is included within Tract Map No. 36355 and is planned for 146 residential units at buildout. The backbone infrastructure necessary to complete residential development within the District is complete, however, certain in-tract improvements will need to be completed and certain impact fees remain to be paid, as further described herein.

TRI Pointe Homes, Inc. (“TRI Pointe”) acquired the property in the District in 2014. As of the date of value of the Appraisal Report (as defined below), January 2, 2018, 81 of the 146 planned residential units had been completed and conveyed to individual homeowners. As of such date, TRI Pointe owned seven completed model homes, 30 homes under construction and 28 finished lots (with 27 units in escrow which are expected to close upon completion of home construction).

The development within the District consists of two product lines being marketed by TRI Pointe as “Terrassa Court” and “Terrassa Villas.” The Terrassa Court product line is planned to consist of 94 single family detached condominiums arranged in cluster lots of eight with shared motor court access to each

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\* Preliminary, subject to change.

driveway. The Terrassa Villas product line is planned to consist of 52 single family detached condominiums arranged in a more traditional single family detached home layout with individual driveways.

As of March 1, 2018, TRI Pointe had conveyed \_\_\_\_ homes to individual homeowners (\_\_\_\_ additional homes since January 2, 2018) and had obtained building permits for 142 of the 146 lots within the District. The remaining four lots within the District are currently used by TRI Pointe as the sales center for the Terrassa Villas product within the District. TRI Pointe expects to close the sales center in April 2018 and obtain building permits for the remaining four lots in May 2018. Based on the number of building permits obtained for lots within the District as of March 1, 2018, 142 lots will be classified as Developed Property and four lots will be classified as Approved Property under the Rate and Method for the Fiscal Year 2018-19 Special Tax levy. See “THE DISTRICT — General Description of the District” and APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

***Formation Proceedings.*** The District was formed by the City pursuant to the Act. The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State of California (the “State”). Any local agency (as defined in the Act) may establish a community facilities district under the Act to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, the City Council of the City (the “City Council”), acting as the legislative body of the District, adopted the necessary resolutions stating its intent to establish the District, to authorize the levy of Special Taxes (defined below) on taxable property within the boundaries of the District, and to have the District incur bonded indebtedness to fund the design, construction, installation and/or acquisition of various public improvements which are necessary to meet increased demands placed upon the City as a result of the development of the District (the “City Facilities”). Following public hearings conducted pursuant to the provisions of the Act, the City Council adopted resolutions establishing the District and calling special elections to submit the levy of the special taxes and the incurring of bonded indebtedness to the qualified voters of the District. On March 2, 2016, at a special election held pursuant to the Act, TRI Pointe as the sole landowner in the District and therefore the only qualified voter of the District, authorized the District to incur bonded indebtedness within the District in an aggregate principal amount not to exceed \$7,000,000 and the levy of Special Taxes (as defined below) to repay such bonded indebtedness in accordance with the Rate and Method of Apportionment for the District (the “Rate and Method”). The Rate and Method is attached hereto as APPENDIX A.

The Assigned Special Tax A (as defined in the Rate and Method) is the special tax that will be levied to pay debt service on the Bonds. The Assigned Special Tax A is referred to in this Official Statement as the “Special Tax” or the “Special Taxes.” At the time of the establishment of the District, special taxes were also approved for the District to fund maintenance services (i.e. lighting of parks, parkways, streets, roads and open space, maintenance and operation of water quality improvements and public street sweeping, maintenance of open space and flood and storm drain protection services) and to maintain certain public facilities should the homeowners’ association fail to maintain such public facilities (i.e. public street right-of-ways, public landscaping, public open spaces and other similar landscaped areas) (collectively, the “Services Special Taxes”). The Services Special Taxes are not pledged to repay the Bonds.

Section H of the Rate and Method provides for the process by which the City shall, upon the issuance of the Bonds, reduce the Assigned Special Tax rate for any Plan Type in a Land Use Category such that the Total Effective Tax Rate (as such terms are defined in the Rate and Method) for such Plan Type will not exceed 1.95%. In accordance with Section H of the Rate and Method, the City caused a price point study dated December 11, 2015, as updated on January 3, 2018 (the “Price Point Study”), to be prepared by Empire

Economics, Inc. Capistrano Beach, California. Based on the Price Point Study, there will not be any changes to the Special Tax for any Land Use Category.

**Appraisal Report.** Kitty Siino & Associates, Inc. (the “Appraiser”) has conducted an Appraisal dated February 22, 2018 of the land within the District subject to the Special Tax (the “Appraisal Report”). The Appraisal Report sets forth an estimate of the market value of the fee simple interest of the taxable land and improvements within the District. The Appraiser is of the opinion that, based upon the assumptions and conditions contained in the Appraisal Report, the minimum market value of the taxable land and improvements in existence within the District, as of January 2, 2018, was \$51,541,910. This estimate of value results in an overall District-wide appraised value-to-lien ratio of approximately 9.67-to-1\* for the District based on the estimated amount of land secured debt allocated to parcels within the District (which upon the issuance of the Bonds, is expected to only include the Bonds). See “THE DISTRICT — Appraisal Report,” APPENDIX B — “APPRAISAL REPORT” and “SPECIAL RISK FACTORS — Parity Taxes and Special Assessments.”

### **Sources of Payment for the Bonds**

**Special Taxes.** The Special Tax is that tax which has been authorized to be levied against certain land within the District pursuant to the Act and in accordance with the Rate and Method to satisfy the Special Tax A Requirement (as defined in the Rate and Method). “Special Tax Revenues” are defined in the Fiscal Agent Agreement to mean the proceeds of the Special Taxes received by the City, including any scheduled payments, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes in the amount of said lien and interest and penalties thereon. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” and APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Under the Fiscal Agent Agreement, the District has pledged to repay the Bonds from the Special Tax Revenues and amounts on deposit in the Bond Fund and the Reserve Fund established under the Fiscal Agent Agreement.

**Reserve Fund.** The Fiscal Agent Agreement establishes a Reserve Fund for the Bonds to be maintained at the Reserve Requirement. The Fiscal Agent Agreement provides that the Reserve Requirement shall, as of the date of calculation, equal the lesser of (i) 10% of the proceeds of the original issue price of the Bonds calculated in accordance with Treasury Regulations Section 1.148-2(f)(1) and any Parity Bonds; (ii) Maximum Annual Debt Service on the Bonds and any Parity Bonds; or (iii) 125% of average Annual Debt Service on the Bonds and any Parity Bonds (the “Reserve Requirement”). The initial Reserve Requirement for the Bonds is an amount equal to \$\_\_\_\_\_. Subject to the maximum annual amounts of Special Taxes contained in the Rate and Method, if the amount in the Reserve Fund is less than the Reserve Requirement, the City has covenanted to restore the amount therein to the Reserve Requirement by the inclusion of a sufficient amount in the next annual Special Tax levy within the District. The ability of the City Council to increase the annual Special Taxes levied in the District to replenish the Reserve Fund is subject to the maximum annual amounts of Special Taxes authorized for the District and certain limitations in the Act. The moneys in the Reserve Fund will be used only for payment of the principal of, and interest and any redemption premium on, the Bonds, and, at the direction of the City, for deposit in the Rebate Fund. See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund.”

The Special Tax Revenues are the primary security for the repayment of the Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent in the Principal Account and Interest Account of the Bond Fund and the Reserve Fund, to the limited extent described in the Fiscal Agent Agreement. See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund.”

**Foreclosure Proceeds.** The City has covenanted for the benefit of the owners of the Bonds that it will order, and cause to be commenced, judicial foreclosure proceedings against properties in the District with

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\* Preliminary, subject to change.

delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of the Fiscal Year in which such Special Taxes were due, and if the amount on deposit in the Reserve Fund is less than the Reserve Requirement, it will commence judicial foreclosure proceedings against all properties in the District with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Taxes levied, and diligently pursue to completion such foreclosure proceedings. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*”

There is no assurance that the property within the District can be sold for the appraised value or assessed values described in this Official Statement, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current or future property owners within the District. See “RISK FACTORS — Land Values” and APPENDIX B — “APPRAISAL REPORT.”

**EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY OR THE DISTRICT, BUT ARE SPECIAL OBLIGATIONS OF THE CITY AND THE DISTRICT PAYABLE SOLELY FROM SPECIAL TAXES AND AMOUNTS HELD UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.**

*Superior Obligations; No Parity Bonds Except for Refunding.* The District and the City will covenant in the Fiscal Agent Agreement that they will not issue any other obligations payable, as to principal or interest, from the Special Tax Revenues which have, or purport to have, any lien upon the Special Tax Revenues superior to the lien of the Bonds. The City will further covenant in the Fiscal Agent Agreement that it will not issue Parity Bonds of the District secured by the Special Taxes on a parity with the Bonds (“Parity Bonds”), except for the purpose of refunding all or a portion of the Outstanding Bonds or any Parity Bonds. See “SOURCES OF PAYMENT FOR THE BONDS — Superior Obligations; No Parity Bonds Except for Refunding.”

### **Description of the Bonds**

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in integral multiples of \$5,000, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry only system described in this Official Statement is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Fiscal Agent Agreement. See APPENDIX G — “INFORMATION CONCERNING DTC.”

Principal of, premium, if any, and interest on the Bonds is payable by the Fiscal Agent to DTC, as the registered Owner of the Bonds. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Fiscal Agent, all as described in this Official Statement. See “THE BONDS — Book-Entry Only System” and see APPENDIX G — “INFORMATION CONCERNING DTC.”

### **Redemption**

The Bonds are subject to optional redemption, mandatory redemption from Special Tax Prepayments and mandatory sinking fund redemption as described in this Official Statement. For a more complete description of the Bonds and the documentation pursuant to which they are being sold and delivered, see “THE BONDS” and APPENDIX D — “SUMMARY OF FISCAL AGENT AGREEMENT.”

## **Tax Matters**

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is exempt from personal income taxes of the State of California. Assuming compliance with certain covenants described in the Official Statement, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Set forth in Appendix F is the proposed form of opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain other tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, see “LEGAL MATTERS — Tax Exemption.”

## **Professionals Involved in the Offering**

The Bank of New York Mellon Trust Company, N.A. will act as Fiscal Agent under the Fiscal Agent Agreement. Stifel, Nicolaus & Company, Incorporated is the Underwriter of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain legal matters will be passed on for the City and the District by the City Attorney’s Office and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco as Underwriter’s Counsel. Other professional services have been performed by Spicer Consulting Group, LLC, Murrieta, California, as Special Tax Consultant, CSG Advisors Incorporated, San Francisco, California, as Municipal Advisor and Kitty Siino & Associates, Tustin, California, as Appraiser. At times, Bond Counsel and Disclosure Counsel represent the Underwriter in matters unrelated to the Bonds.

For information concerning the respects in which certain of the above-mentioned professionals, advisors, counsel and agents may have a financial or other interest in the offering of the Bonds, see “LEGAL MATTERS — Financial Interests.”

## **Continuing Disclosure**

Pursuant to a Continuing Disclosure Certificate executed by the City (the “City Continuing Disclosure Certificate”), the City, on behalf of the District, has agreed to provide, or cause to be provided, on an annual basis, to the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board (the “MSRB”), which can be found at [www.emma.msrb.org](http://www.emma.msrb.org) (“EMMA”), certain financial information and operating data. The City has further agreed to provide notice to EMMA of certain material events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission (the “SEC”).

In addition, pursuant to a Continuing Disclosure Certificate executed by TRI Pointe (the “Developer Continuing Disclosure Certificate”), until such time as the property owned by TRI Pointe is no longer expected to be responsible for at least 20% of the Special Tax levy, TRI Pointe has agreed to provide or cause to be provided to EMMA certain semi-annual and annual information with respect to itself and its development within the District and notice of certain listed events to assist the Underwriter in marketing the Bonds. The Underwriter does not consider TRI Pointe to be an obligated party under the Rule.

See “CONTINUING DISCLOSURE” and Appendix E for a description of the specific nature of the annual reports to be filed by the City, on behalf of the District, and TRI Pointe, and notices of listed events to be provided by the City, on behalf of the District, and TRI Pointe.

## **Bondowners' Risks**

Certain events could affect the timely repayment of the principal of and interest on the Bonds when due. See the section of this Official Statement entitled "RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth in this Official Statement, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency.

## **Forward Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE DISTRICT."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

## **Other Information**

This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change.

Brief descriptions of the Bonds and the Fiscal Agent Agreement are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references to the Fiscal Agent Agreement, the Bonds and the constitution and laws of the State as well as the proceedings of the City Council, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Fiscal Agent Agreement.

Copies of the Fiscal Agent Agreement, the City Continuing Disclosure Certificate and other documents and information referred to in this Official Statement are available for inspection and (upon request and payment to the City of a charge for copying, mailing and handling) for delivery from the City at 400 South Vicentia Avenue, Corona, CA 92882, Attention: Assistant City Manager/Administrative Services Director.

## **THE FINANCING PLAN**

A portion of the Bond proceeds will be used by the District to design, construct and/or acquire certain authorized City facilities. See "THE DISTRICT — Description of Authorized Facilities" for a description of the public facilities authorized to be financed with the proceeds of the Bonds.

## Estimated Sources and Uses of Funds

The following table sets forth the expected sources and uses of Bond proceeds and Special Taxes collected by the City:

### *Sources of Funds*

Principal Amount of Bonds  
Less Original Issue Discount  
Special Taxes<sup>(1)</sup>  
**Total Sources**

### *Uses of Funds*

Bond Fund  
Improvement Fund  
Reserve Fund  
Costs of Issuance Fund<sup>(2)</sup>  
Administrative Expense Fund  
Underwriter's Discount  
**Total Uses**

<sup>(1)</sup> Reflects Special Taxes collected through the date of this Official Statement.

<sup>(2)</sup> Costs of Issuance include legal fees, printing costs, Appraisal Report costs, Municipal Advisor fees, Special Tax Consultant fees, and Fiscal Agent fees, in addition to other miscellaneous costs incidental to Bond issuance such as costs relating to the formation of the District.

## THE BONDS

### General Provisions

The Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page, payable semiannually on each March 1 and September 1, commencing on September 1, 2018 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in integral multiples of \$5,000. See "- Book-Entry Only System."

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date (such fifteenth day, the "Record Date"), in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the dated date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment or from the date of the Bonds, if no interest has previously been paid or made available for payment.

Interest on any Bond will be paid to the person whose name appears as its registered Owner in the registration books held by the Fiscal Agent on the close of business on the Record Date. Interest will be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to the registered Owner at its address on the registration books. Pursuant to a written request prior to the Record Date of a Bondowner of at least \$1,000,000 in aggregate principal amount of Bonds, payment will be made by wire transfer in immediately available funds to a designated account in the United States.

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

#### **Authority for Issuance**

The Bonds are issued pursuant to the Act and the Fiscal Agent Agreement. As required by the Act, the City Council has taken the following actions with respect to establishing the District and the Bonds:

***Resolutions of Intention.*** On January 20, 2016 the City Council adopted a resolution stating its intention to establish the District and to authorize the levy of a special tax therein, and a resolution declaring the necessity to have the District incur bonded indebtedness in an amount not to exceed \$7,000,000.

***Resolutions of Formation.*** Following a noticed public hearing conducted on March 2, 2016, the City Council adopted on that same date resolutions which established the District, authorized the levy of a special tax within the District, and determined the necessity for the District to incur bonded indebtedness in a maximum aggregate principal amount of \$7,000,000.

***Resolution Calling Election.*** The resolutions adopted by the City Council on March 2, 2016 also called for a consolidated special election by the landowners in the District on the issues of the levy of the Special Tax, the incurring of bonded indebtedness within the District, and the establishment of an appropriations limit.

***Landowner Election and Declaration of Results.*** On March 2, 2016, an election was held at which the landowners within the District approved ballot propositions authorizing the issuance of up to \$7,000,000 of bonds to finance the design, construction, installation and/or acquisition of various public facilities, the levy of the Special Tax and the establishment of an appropriations limit for the District. The landowners within the District approved ballot propositions authorizing the District to issue bonds in an aggregate principal amount not to exceed \$7,000,000 for financing public facilities. On March 2, 2016, the City Council adopted a resolution approving the canvass of the votes and declaring the District to be fully formed with the authority to levy the Special Taxes, to incur the bonded indebtedness, and to have the established appropriations limit.

***Special Tax Lien and Levy.*** The Notice of Special Tax Lien for the District was recorded in the Office of the County Recorder of the County on March 10, 2016 as Document No. 2016-0094856 reflecting a continuing lien against the taxable property within the District (the “Notice of Special Tax Lien”).

***Ordinance Levying Special Taxes.*** On March 2, 2016, the City Council adopted Ordinance No. 3227 which authorized the levy of Special Taxes within the District.

***Resolution Authorizing Issuance of the Bonds.*** On [March 7], 2018, the City Council adopted a resolution approving issuance of the Bonds.

## Redemption\*

**Optional Redemption.** The Bonds are subject to redemption prior to their stated maturity dates at the option of the City on September 1, 20\_\_ or any Interest Payment Date thereafter, from such maturities as selected by the City (and by lot within any one maturity), in integral multiples of \$5,000, from moneys derived by the City from any source, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), together with accrued interest to the date of redemption, as follows:

### *Redemption Dates*

### *Redemption Prices*

**Mandatory Redemption From Special Tax Prepayments.** The Bonds are subject to mandatory redemption prior to their stated maturity dates on any Interest Payment Date, as selected among maturities by the City (and by lot within any one maturity), in integral multiples of \$5,000, from moneys derived by the City from Special Tax Prepayments, at redemption prices (expressed as percentages of the principal amounts of the Bonds to be redeemed), together with accrued interest to the date of redemption, as follows:

### *Redemption Dates*

### *Redemption Prices*

**Mandatory Sinking Fund Redemption.** The Bonds maturing on September 1, \_\_ are subject to mandatory sinking fund redemption, in part, on September 1, 20\_\_, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, and from sinking payments as follows:

### **Bonds Maturing on September 1, 20\_\_**

#### *Sinking Fund Redemption Date (September 1)*

#### *Sinking Payments*

\$

(Maturity)

The amounts in the foregoing schedule shall be reduced by the City pro rata among redemption dates, in order to maintain substantially level Debt Service, as a result of any prior or partial optional or mandatory redemption of the Bonds.

**Purchase of Bonds.** In lieu of payment at maturity or redemption under the Fiscal Agent Agreement, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus

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\* Preliminary, subject to change.

interest accrued to the date of purchase. In such event, the City shall, as may be appropriate, provide to the Fiscal Agent a revised maturity schedule or a revised mandatory sinking fund schedule for the Bonds, or both.

***Notice to Fiscal Agent.*** An Authorized Officer shall give the Fiscal Agent written notice of the City's intention to redeem Bonds not less than 45 days (or such lesser number of days acceptable to the Fiscal Agent) prior to the applicable redemption date. Such written notice shall specify whether Bonds are to be redeemed by optional redemption or mandatory redemption from special tax prepayments. The requirement to provide such notice to the Fiscal Agent shall not apply to mandatory sinking fund redemption of the Bonds.

***Redemption Procedure by Fiscal Agent.*** The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, or electronically submitted, to the Securities Depositories and to one or more Information Services selected by an Authorized Officer, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books maintained by the Fiscal Agent at its Principal Office; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds. The Fiscal Agent shall also cause notice of any redemption to be mailed, in such manner and within such time, to the Underwriter.

Such notice shall state the date of such notice, the date of issue of the Bonds, the place or places of redemption, the redemption date, the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed, by giving the individual CUSIP number and Bond number of each Bond to be redeemed, or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, shall state as to any Bond called for redemption in part the portion of the principal of the Bond to be redeemed, shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of the mailing and publication of any such redemption notice shall be paid by the District.

Any notice of optional redemption of the Bonds delivered in accordance with the Fiscal Agent Agreement may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and the City shall not be required to redeem such Bonds and the redemption shall not be made and the Fiscal Agent shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

In the event of an optional redemption or a mandatory redemption from Special Tax Prepayments pursuant to the Fiscal Agent Agreement, the City shall transfer or cause to be transferred to the Fiscal Agent for deposit in the Bond Fund moneys in an amount equal to the redemption price of the Bonds being redeemed on or before the fifteenth (15th) day of the month preceding the Interest Payment Date upon which such Bonds are to be redeemed.

If less than all the Bonds Outstanding are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and, in selecting portions of such Bonds for redemption, the Fiscal Agent shall treat each such Bond as representing the number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of a maturity or any given portion thereof, the Fiscal Agent shall select the Bonds of such maturity to be redeemed, from all Bonds of such maturity or such given portion thereof not previously called for redemption, by lot within a maturity in any manner which the Fiscal Agent in its sole discretion shall deem appropriate.

Upon surrender of Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

***Effect of Redemption.*** From and after the date fixed for redemption, if funds available for the payment of the redemption prices of the Bonds called for redemption shall have been deposited in the Bond Fund, such Bonds shall cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and interest shall cease to accrue on the Bonds to be redeemed on the redemption date specified in the notice of redemption.

All Bonds redeemed and purchased by the Fiscal Agent pursuant to the Fiscal Agent Agreement shall be cancelled by the Fiscal Agent.

### **Registration, Transfer and Exchange**

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

***Transfer or Exchange.*** Whenever any Bond is surrendered for registration of transfer or exchange, the Fiscal Agent will authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount of authorized denominations; provided that the Fiscal Agent will not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding the date established by the Fiscal Agent for selection of Bonds for redemption, or (ii) with respect to Bonds selected for redemption.

### **Book-Entry Only System**

The Bonds will be issued in book-entry form, and The Depository Trust Company of New York, New York ("DTC") will act as securities depository. So long as the Bonds are held in book-entry form, principal of, premium, if any, and interest on the Bonds will be paid by the Fiscal Agent directly to DTC for distribution to the beneficial owners of the Bonds in accordance with procedures adopted by DTC. See APPENDIX G — "INFORMATION CONCERNING DTC."

## Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemptions), assuming there are no optional redemptions or mandatory redemptions from prepayment of Special Taxes pursuant to the Rate and Method. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” and “THE BONDS — Redemption.”

### ANNUAL DEBT SERVICE SCHEDULE

<i>Bond Year Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Annual Debt Service</i>
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
<b>Total</b>			

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Source: Underwriter.

## **SOURCES OF PAYMENT FOR THE BONDS**

### **Limited Obligations**

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

The Special Tax Revenues are the primary security for the repayment of the Bonds. Under the Fiscal Agent Agreement, the City and the District have pledged to repay the Bonds from the Special Tax Revenues (which are the proceeds of the Special Taxes received by the City, including any scheduled payments, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes in the amount of said lien and interest and penalties thereon) and all moneys deposited in the Bond Fund and the Reserve Fund.

In the event that the Special Tax Revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent in the Bond Fund and the Reserve Fund for the exclusive benefit of the Owners of the Bonds.

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY OR THE DISTRICT, BUT ARE SPECIAL OBLIGATIONS OF THE CITY AND THE DISTRICT PAYABLE SOLELY FROM SPECIAL TAXES AND AMOUNTS HELD UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.**

### **Special Taxes**

***Authorization and Pledge.*** In accordance with the provisions of the Act, the City Council established the District on March 2, 2016 for the purpose of financing the design, construction, installation and/or acquisition of various public improvements required in connection with the proposed development within the District. At a special election held on March 2, 2016, the owners of the property within the District authorized the District to incur indebtedness in an amount not to exceed \$7,000,000 and approved the Rate and Method which authorizes the Special Tax to be levied to repay District indebtedness, including the Bonds. On March 2, 2016, the Board adopted Ordinance No. 3227 which authorized the levy of Special Taxes in the District.

The District has covenanted in the Fiscal Agent Agreement that each year it will levy Special Taxes up to the maximum rates permitted under the Rate and Method in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay the principal of and interest on any Outstanding Bonds (including any Parity Bonds that may be issued) to replenish the Reserve Fund and to pay the estimated Administrative Expenses. Notwithstanding the foregoing, pursuant to Section 53321(d) of the Act, under no circumstances will the Special Taxes levied against any Assessor's Parcel used as a private residence be increased as a consequence of delinquency or default by the owner of any other Assessor's Parcel or Assessor's Parcels within the District by more than 10%.

The Special Taxes levied in any Fiscal Year may not exceed the maximum rates authorized pursuant to the Rate and Method. See APPENDIX A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See "RISK FACTORS — Insufficiency of Special Taxes."

***Rate and Method of Apportionment of Special Tax.*** All capitalized terms used in this section shall have the meaning set forth in Appendix A.

Under the Rate and Method, commencing with Fiscal Year 2016-17, each parcel in the District will be classified as Taxable Property or Exempt Property. In addition, each parcel will be classified as Developed Property, Approved Property, Undeveloped Property or Public Property and/or Property Owner's Association Property.

For purposes of the levy of Special Taxes to satisfy the Special Tax A Requirement, a parcel will be classified as Developed Property if it is Taxable Property for which a building permit for residential dwelling units or non-residential construction was issued on or prior to March 1 of the Fiscal Year preceding the Special Tax levy. The Maximum Special Tax for each parcel of Developed Property will be the greater of (a) the applicable amount set forth in Table 1 of the Rate and Method (ranging from \$2,332 per parcel to \$3,005 per parcel for parcels classified as Residential Property, depending upon the size of the residence, and \$43,142 per acre for parcels classified as Non-Residential Property or Multifamily, in each case as shown in Table 1 below), and (b) the applicable amount of "Backup Special Tax A."

The total amount of the Backup Special Tax A for Assessor's Parcels of Taxable Property which is Single Family Residential Property is \$2,646 per Residential Unit, based on the land use configurations of the current Final Map (i.e. Tract Map No. 36355) within the District. In the event any superseding tract map is recorded as a Final Map within the boundaries of the District or any portion of Tract Map No. 36355 is changed, the Backup Special Tax A for all Assessor's Parcels within such superseding Final Map or the area that changed, as the case may be, shall be \$43,142 per acre. The Backup Special Tax A shall not apply to Multifamily Residential Property, Non-Residential Property, Public Property, or Property Owners' Association Property.

After classifying the parcels in the District, the City Council will determine the Special Tax A Requirement for the District for the Fiscal Year. "Special Tax A Requirement" means for the District that amount required in any Fiscal Year after taking into consideration available funds pursuant to the Fiscal Agent Agreement: (i) the debt service or the periodic costs on all outstanding Bonds due in the calendar year that commences in such Fiscal Year, (ii) an allocable share of Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish the Reserve Fund established under the Fiscal Agent Agreement, (v) an amount equal to any reasonable anticipated shortfall due to Special Tax delinquencies, and (vi) the collection or accumulation of funds for the acquisition or construction of facilities authorized by the District provided that the inclusion of such amount does not cause an increase in the levy of the Special Tax on Approved Property or Undeveloped Property, less (vii) any amounts available to pay debt service or other periodic costs on the Bonds pursuant to the Fiscal Agent Agreement.

The Special Tax will be levied first Proportionately on each Assessor's Parcel of Developed Property in the District up to 100% of the applicable Assigned Special Tax Rate for the District is set forth in Table 1 of the Rate and Method. If additional moneys are needed to satisfy the Special Tax A Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement. If additional moneys are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement. If additional moneys are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, then the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is the Backup Special Tax A shall be increased Proportionately from the Assigned Special Tax up to 100% of the Backup Special Tax A as needed to satisfy the Special Tax A Requirement. If additional moneys are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on

each Assessor's Parcel of Public Property or Property Owner's Association Property up to 100% of the Maximum Special Tax applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.

**However, pursuant to Section 53321(d) of the Act, notwithstanding the above, under no circumstances will the Special Tax levied against any taxable parcel of residential property within the District be increased by more than 10% as a consequence of a delinquency or default by the owner of any other parcel within the District.**

The District intends to size the Bonds so that, assuming no delinquencies, Special Taxes, levied in accordance with the Rate and Method, will generate in each Fiscal Year beginning in Fiscal Year 2018-19 not less than 110% of debt service payable with respect to the Bonds in the calendar year that begins in that Fiscal Year. See Table 1 below.

**TABLE 1  
CITY OF CORONA  
COMMUNITY FACILITIES DISTRICT NO. 2016-2 (TERRASSA)  
ASSIGNED SPECIAL TAX A FOR DEVELOPED PROPERTY**

<i>Land Use Type</i>	<i>Residential Floor Area (sq.ft.)</i>	<i>Assigned Special Tax Rates</i>	<i>Estimated Fiscal Year 2018-19 Special Tax Rates</i>	<i>No. of Units</i>	<i>Aggregate Estimated Fiscal Year 2018-19 Special Levy<sup>(1)(2)*</sup></i>	<i>Percent of Total*</i>
Single Family Residential	< 1,600	\$ 2,332	\$ 0	0	\$ 0	0.0%
Single Family Residential	1,600-1,800	2,475	2,317	72	166,823	47.5
Single Family Residential	1,801-2,000	2,582	2,417	15	36,257	10.3
Single Family Residential	2,001-2,200	2,737	0	0	0	0.0
Single Family Residential	2,201-2,400	2,805	2,626	37	97,159	27.7
Single Family Residential	>2,400	3,005	2,813	18	50,637	14.4
Approved Property	N/A	2,646	0	4	0	0.0
Multifamily Property	N/A	43,142	0	0	0	0.0
Non-Residential Property	N/A	43,142	0	0	0	0.0
<b>Total</b>				<b>146</b>	<b>\$ 350,875</b>	<b>100.0%</b>

\* Preliminary, subject to change.

(1) Includes Administrative Expenses of \$30,000. Administrative Expenses are expected to escalate at a rate of 2% per fiscal year, commencing July 1, 2019.

(2) May not sum due to rounding.

Source: Spicer Consulting Group, LLC.

**Prepayment of Special Taxes.** The City Council may allow property owners to fully or partially prepay the obligation of parcels of Taxable Property to pay the Special Taxes with respect to the Special Tax A Requirement.

Additionally, the City will covenant in the Fiscal Agent Agreement that the City shall cause all applications of owners of property in the District to prepay and satisfy the Special Tax obligation for their property to be reviewed by the Special Tax Consultant. The City will not accept any such prepayment unless the Special Tax Consultant certifies in writing that following the acceptance of the proposed prepayment by the City and the redemption of Bonds with such prepayment, (a) the ratio of (i) the maximum amount of the Special Taxes that may be levied on all Developed Property in the District which following such prepayment will be subject to the levy of the Special Taxes to (ii) Maximum Annual Debt Service on the Bonds which will remain Outstanding following such redemption plus estimated Administrative Expenses will not be less than such ratio as it existed prior to such prepayment, and (b) the maximum amount of the Special Taxes that may be levied on Developed Property at build-out of the property in the District, as then approved by the City, will be equal to at least 110% of Maximum Annual Debt Service on such Outstanding Bonds. For purposes of such

certification, Developed Property” has the meaning set forth in the Rate and Method. (See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX”). See “THE BONDS — Redemption — *Mandatory Redemption from Special Tax Prepayments.*”

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

***Covenants to Protect Special Tax Rates.*** The City will make certain covenants in the Fiscal Agent Agreement for the purpose of ensuring that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District’s ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. The City will covenant that it will not initiate proceedings under the Act to reduce the Maximum Special Tax rates (the “Maximum Rates”) on then existing Developed Property in the District below the amounts which are necessary to provide Special Tax Revenues in an amount equal to estimated Administrative Expenses for the then current Fiscal Year plus an amount equal to 110% of Maximum Annual Debt Service on the Outstanding Bonds. For purposes of such calculation, “Developed Property” means a parcel of property for which a building permit has been issued by the City pursuant to the Rate and Method. See “RISK FACTORS — Proposition 218.” The City will further covenant that in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the California Constitution, which purports to reduce or otherwise alter the Maximum Rates, it will commence and pursue legal action seeking to preserve its ability to comply with its covenant contained in the preceding paragraph.

The City will covenant not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant certifying that accepting such tender will not result in the City having insufficient Special Tax Revenues to pay the principal of and interest on the Outstanding Bonds following such tender. See “RISK FACTORS — Non-Cash Payments of Special Taxes.”

Although the Special Taxes constitute liens on taxable parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and others could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in the District. See “RISK FACTORS — Parity Taxes and Special Assessments.” There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled “RISK FACTORS.”

***Proceeds of Foreclosure Sales.*** The net proceeds received following a judicial foreclosure sale of land within the District resulting from a landowner’s failure to pay the Special Taxes when due are included within the Special Tax Revenues pledged to the payment of principal of and interest on the Bonds under the Fiscal Agent Agreement.

Pursuant to Section 53356.1 of the Government Code, the City will covenant in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will order and cause to be commenced judicial foreclosure proceedings against properties in the District with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of the Fiscal Year in which such Special Taxes were due, and if the amount on deposit in the Reserve Fund is less than the Reserve Requirement, it will commence judicial foreclosure proceedings against all properties in the District with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Taxes levied, and diligently pursue to completion such foreclosure proceedings. See APPENDIX D — “SUMMARY OF FISCAL AGENT AGREEMENT — OTHER COVENANTS OF THE CITY.”

If foreclosure is necessary and other funds (including amounts in the Reserve Fund) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City and the District. See “RISK FACTORS — Bankruptcy and Foreclosure.” Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See “RISK FACTORS — Land Values.” Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

**No Teeter Plan.** Although the Riverside County Board of Supervisors has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”) which allows each entity levying secured property taxes in the County to draw on the amount of property taxes levied rather than the amount actually collected, as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, the District is not included in the County Teeter Plan. Consequently, the District may not draw on the County Tax Loss Reserve Fund in the event of delinquencies in Special Tax payments within the District.

### **Special Tax Fund**

Pursuant to the Fiscal Agent Agreement, there will be established, as a separate fund to be held by the Fiscal Agent, the “Community Facilities District No. 2016-2 of the City of Corona 2018 Special Tax Bonds Special Tax Fund” (the “Special Tax Fund”) to the credit of which the City will deposit, not later than 10 Business Days after receipt, all Special Tax Revenues received by the City. There will also be established in the Special Tax Fund as a separate account, to be held by the Fiscal Agent, the “Surplus Account” to the credit of which amounts will be deposited on each September 2 to the extent any amounts in the Interest Account and Principal Account are not required to pay the interest and principal, respectively, on any Outstanding Bonds then having become due and payable.

Moneys in the Special Tax Fund and the Surplus Account therein, will be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, will be disbursed as provided below and, pending disbursement, will be subject to a lien in favor of the Owners of the Bonds. Notwithstanding the foregoing, any amounts received by the City which constitute Special Tax Prepayments will be transferred by the City not later than 10 business days after receipt to the Fiscal Agent for deposit by the Fiscal Agent in the “Special Tax Prepayments Account” established pursuant to the Fiscal Agent Agreement.

As soon as practicable after the receipt from the City of any Special Tax Revenues, but no later than 10 Business Days after such receipt, the Fiscal Agent will withdraw from the Special Tax Fund and deposit in the Administrative Expense Fund, an amount which is estimated by the City, in a written communication from an Authorized Officer delivered to the Fiscal Agent (upon which the Fiscal Agent may conclusively rely) to be sufficient, together with the amount then on deposit in the Administrative Expense Fund, to pay the Administrative Expenses during the current Fiscal Year; provided, however, that the amount deposited in the Administrative Expense Fund prior to the deposits to the Interest Account and the Principal Account of the Bond Fund, as provided below, will not exceed \$30,000 for Fiscal Year 2018-19, [which amount shall escalate at 2% per Fiscal Year thereafter]. Thereafter, the Fiscal Agent shall deposit in the Interest Account and the Principal Account of the Bond Fund the amounts required by the Fiscal Agent Agreement, as described under “— Bond Fund” below; provided, however, that prior to September 1, 2018, after Special Tax Revenues have been transferred by the Fiscal Agent to pay the Administrative Expenses for Fiscal Year 2017-18 and for the amount of interest becoming due and payable on the Bonds on September 1, 2018, the City may instruct the

Fiscal Agent by an Officer's Certificate (upon which the Fiscal Agent may conclusively rely) to deposit any remaining Special Tax Revenues in the Improvement Fund.

If after such deposits are made to the Administrative Expense Fund, the Interest Account and the Principal Account there are funds remaining on deposit in the Special Tax Fund, the City shall instruct the Fiscal Agent by an Officer's Certificate (upon which the Fiscal Agent may conclusively rely) to transfer such amount from the Special Tax Fund to and deposit it in the Reserve Fund to the extent that the amount on deposit therein is less than the Reserve Requirement.

On September 2 of each year, beginning on September 2, 2019, the amount, if any, on deposit in the Special Tax Fund (including the amount on deposit in the Surplus Account), together with the amount then on deposit in the Bond Fund (including the Principal Account therein but excluding the Interest Account and the Special Tax Prepayments Account), as determined by the City, shall not exceed the greater of (i) one year's earnings on such amounts, or (ii) 1/12th of Annual Debt Service for the then current Bond Year. If on September 2 of any year the amount on deposit in the Special Tax Fund (including the Surplus Account), together with the amount then on deposit in the Bond Fund (other than such excluded amounts), exceeds the maximum amount allowable pursuant to the preceding sentence, as determined by the City and communicated in writing by an Authorized Officer to the Fiscal Agent (upon which the Fiscal Agent may conclusively rely), moneys shall be transferred from the Special Tax Fund to and deposited in the Reserve Fund to the extent that the amount on deposit therein is less than the Reserve Requirement. Any such excess remaining in the Special Tax Fund after any such amount is transferred from the Special Tax Fund to the Reserve Fund shall be transferred from the Special Tax Fund to and deposited in the Administrative Expense Fund. On September 2 of each year, after any such excess amount has been so transferred, the amount on deposit in the Special Tax Fund (including the Surplus Account), together with the amount then on deposit in the Bond Fund (other than such excluded amounts), shall not exceed in the aggregate the greater of (i) one year's earnings thereon, or (ii) 1/12th of Annual Debt Service for the then current Bond Year, in which case such funds will be invested in Permitted Investments at a yield not exceeding the yield on the Bonds.

Moneys in the Special Tax Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. Investment Earnings will be retained in the Special Tax Fund to be used for the purposes of such fund to the extent set forth in the Fiscal Agent Agreement. See APPENDIX D — "SUMMARY OF FISCAL AGENT AGREEMENT."

## **Bond Fund**

Pursuant to the Fiscal Agent Agreement, there will be established, as a separate fund to be held by the Fiscal Agent, the "Community Facilities District No. 2016-2 of the City of Corona 2018 Special Tax Bonds Bond Fund" (the "Bond Fund") and within the Bond Fund, an Interest Account, a Principal Account and a Special Tax Prepayments Account. Moneys in the Bond Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

On or before each Interest Payment Date, the Fiscal Agent shall transfer from the Special Tax Fund (including the Surplus Account) and deposit into the following respective accounts in the Bond Fund, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Special Tax Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

***Interest Account.*** On or before each Interest Payment Date, the Fiscal Agent shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on the Bonds on such date. No deposit need be made into

the Interest Account on any Interest Payment Date if the amount on deposit therein is at least equal to the interest becoming due and payable on the Bonds on such date. All moneys in the Interest Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All amounts on deposit in the Interest Account on the first day of any Bond Year, to the extent not required to pay any interest then having become due and payable on the Outstanding Bonds shall be withdrawn therefrom by the Fiscal Agent and transferred to the Surplus Account.

***Principal Account.*** On or before each Interest Payment Date which occurs on September 1, the Fiscal Agent shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds becoming due and payable on such date, or the redemption price of the Bonds (consisting of the principal amount thereof and any applicable redemption premium) required to be redeemed on such date pursuant to the Fiscal Agent Agreement. All moneys in the Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of (i) paying the principal of the Bonds at the maturity thereof, or (ii) paying the principal of and premium (if any) on any Bonds upon the redemption thereof pursuant to the Fiscal Agent Agreement. All amounts on deposit in the Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having become due and payable, shall be withdrawn therefrom by the Fiscal Agent and transferred to the Surplus Account.

In the event that moneys on deposit in the Special Tax Fund, including moneys on deposit in the Surplus Account, will be insufficient on any Interest Payment Date for the Fiscal Agent to deposit the required amounts in the Interest Account and the Principal Account, as provided above, the Fiscal Agent shall deposit the available funds first to the Interest Account up to the full amount required to cause the aggregate amount on deposit therein to equal the amount of interest becoming due and payable on the Bonds on the Interest Payment Date, and shall then deposit the remaining available funds in the Special Tax Fund to the Principal Account up to the full amount required to cause the aggregate amount on deposit therein to equal the amount, if any, of principal becoming due and payable on the Bonds on the Interest Payment Date. If, after making such deposits to the Interest Account and the Principal Account, and after transferring moneys from the Reserve Fund to such accounts, as provided in the Fiscal Agent Agreement, the amount on deposit in the Principal Account is insufficient to pay the full amount of the principal of each of the Bonds which is to be paid at maturity or redeemed on the Interest Payment Date, the Fiscal Agent shall make a prorated payment of the principal of each of such Bonds as specified in an Officer's Certificate provided to the Fiscal Agent.

## **Reserve Fund**

In order to secure further the payment of principal of and interest on the Bonds, the District will, upon delivery of the Bonds, deposit in the Reserve Fund and thereafter to maintain in the Reserve Fund an amount equal to the Reserve Requirement. The Fiscal Agent Agreement provides that the amount in the Reserve Fund shall, as of any date in any Bond Year, equal the lesser of (i) 10% of the proceeds of the original issue price of the Bonds calculated in accordance with Treasury Regulations Section 1.148-2(f)(1) and any Parity Bonds; (ii) Maximum Annual Debt Service on the Bonds and any Parity Bonds; or (iii) 125% of average Annual Debt Service on the Bonds and any Parity Bonds. Moneys in the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of the principal of and interest and any premium on the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

Subject to the limits on the maximum annual Special Tax which may be levied within the District, as described in the Rate and Method, the City will covenant to levy Special Taxes in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Fund at the Reserve Requirement. The ability of the legislative body of the District to increase the annual Special Taxes levied in the District to replenish the Reserve Fund is additionally subject to certain additional limitations under the Act restricting the amount by which Special Taxes on taxable parcels can be increased due to delinquencies of other taxable parcels.

Except as otherwise provided in the Fiscal Agent Agreement, all amounts on deposit in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Interest Account and the Principal Account of the Bond Fund in the event of any deficiency at any time in either of such accounts of the amount then required for payment of the principal of and interest and any premium on the Bonds or, in accordance with the provisions of the Fiscal Agent Agreement for the purpose of redeeming Bonds as described below.

Whenever the balance in the Reserve Fund is equal to or exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon receiving written direction from an Authorized Officer (upon which the Fiscal Agent may conclusively rely), transfer the amount in the Reserve Fund to the Interest Account and the Principal Account, in the priority specified in the Fiscal Agent Agreement, to be applied, on the next succeeding Interest Payment Date, to the payment and redemption, in accordance with the Fiscal Agent Agreement, of all of the Outstanding Bonds. In the event that the amount available to be so transferred from the Reserve Fund to the Interest Account and the Principal Account exceeds the amount required to pay and redeem the Outstanding Bonds, the excess shall be transferred to the City to be used for any lawful purpose of the City.

In the event of a prepayment of Special Taxes, under certain circumstances, a portion of the Reserve Fund will be credited to the amount being prepaid and be applied to redeem Bonds. See APPENDIX D — “SUMMARY OF FISCAL AGENT AGREEMENT.”

#### **Superior Obligations; No Parity Bonds Except for Refunding**

The District and the City will covenant in the Fiscal Agent Agreement that they will not issue any other obligations payable, as to principal or interest, from the Special Tax Revenues which have, or purport to have, any lien upon the Special Tax Revenues superior to the lien of the Bonds. The City will further covenant in the Fiscal Agent Agreement that it will not issue Parity Bonds of the District secured by the Special Taxes on a parity with the Bonds, except for the purpose of refunding all or a portion of the Outstanding Bonds or any Parity Bonds.

### **THE DISTRICT**

#### **General Description of the District**

The District contains approximately 21 gross acres and approximately 17 net acres, located in the southwestern portion of the City, on the north side of Foothill Parkway and is bound by State Street to the west and Marquez Way to the east. The District is included within Tract Map No. 36355 and is planned for 146 residential units at buildout. The backbone infrastructure necessary to complete residential development within the District is complete, however, certain in-tract improvements will need to be completed and certain impact fees remain to be paid.

TRI Pointe acquired the property in the District in 2014. As of the Date of Value, January 2, 2018, 81 of the 146 planned residential units had been completed and conveyed to individual homeowners. As of such date, TRI Pointe owned seven completed model homes, 30 homes under construction and 28 finished lots (with 27 units in escrow which are expected to close upon completion of home construction).

The development within the District consists of two product lines being marketed by TRI Pointe as “Terrassa Court” and “Terrassa Villas.” The Terrassa Court product line is planned to consist of 94 single family detached condominiums arranged in cluster lots of eight with shared motor court access to each driveway. The Terrassa Villas product line is planned to consist of 52 single family detached condominiums arranged in a more traditional single family detached home layout with individual driveways.

As of March 1, 2018, TRI Pointe had conveyed \_\_\_\_ homes to individual homeowners (\_\_\_\_ additional homes since January 2, 2018) and had obtained building permits for 142 of the 146 lots within the District. The remaining four lots within the District are currently used by TRI Pointe as the sales center for the Terrassa Villas product within the District. TRI Pointe expects to close the sales center in April 2018 and obtain building permits for the remaining four lots in May 2018. Based on the number of building permits obtained for lots within the District as of March 1, 2018, 142 lots will be classified as Developed Property and four lots will be classified as Approved Property under the Rate and Method for the Fiscal Year 2018-19 Special Tax levy. See “THE DISTRICT — General Description” and APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

### **Description of Authorized Facilities**

The City Facilities authorized to be financed from Bond proceeds consist of street and road facilities, include street lights and traffic signals, law enforcement and fire protection facilities, library and park facilities, public meeting facilities, aquatic center facilities, radio communication facilities and sewer facilities, as well as incidental expenses related to the planning, design and completion of such facilities. The estimated costs of the City Facilities to be paid from the proceeds of the Bonds and Special Taxes levied and collected by the District are approximately \$4.8 million.

### **TRI Pointe**

*The information about TRI Pointe contained in this Official Statement has been provided by representatives of TRI Pointe and has not been independently confirmed or verified by the Underwriter, the City or the District. None of the Underwriter, the City or the District makes any representation as to the accuracy or adequacy of the information contained in this section. There may be material adverse changes to this information after the date of this Official Statement.*

*No assurance can be given that the proposed development within the District will occur as described below. As the proposed development progresses and homes are sold, it is expected that the ownership of the land within the District will become more diversified. No assurance can be given that development within the District will occur in a timely manner or in the configuration described herein, or that any property owner described herein will obtain or retain ownership of any of the land within the District. The Bonds and the Special Taxes are not personal obligations of any property owners, including TRI Pointe and, in the event that a property owner defaults in the payment of the Special Taxes, the City may proceed with judicial foreclosure but has no direct recourse to the assets of any property owner. As a result, other than as provided herein, no financial statements or information is, or will be, provided about TRI Pointe or any other property owner. The Bonds are secured solely by the Special Tax Revenues and other amounts pledged under the Fiscal Agent Agreement. See “SOURCES OF PAYMENT FOR THE BONDS” and “RISK FACTORS.”*

*The information under this heading includes forward-looking statements. See the cautionary information regarding forward-looking statements in this Official Statement on the page immediately preceding the Table of Contents. As previously discussed, such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. Readers are cautioned not to place undue reliance on such forward-looking statements, which only speak as of the date of this Official Statement. Moreover, the information under this heading has been obtained from TRI Pointe; and the City has not independently verified such information, cannot assure that such information is accurate and complete and makes no representation as to the accuracy and completeness of such information.*

**General.** As previously defined in this Official Statement, “TRI Pointe” refers to TRI Pointe Homes, Inc., a Delaware corporation. TRI Pointe is engaged in the design, construction and sale of single-family homes in master planned communities in major metropolitan areas located throughout Southern and Northern California and in Colorado.

TRI Pointe is a wholly owned subsidiary of TRI Pointe Group, Inc., a Delaware corporation (“TRI Pointe Group”), which is an entity engaged primarily in the construction and development of residential communities. TRI Pointe Group is a publicly traded company listed on the NYSE under the ticker symbol “TPH.” TRI Pointe Group is subject to the informational requirements of the Exchange Act, and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the SEC. Such filings set forth, among other things, certain data relative to the consolidated results of operations and financial position of TRI Pointe Group and its subsidiaries (e.g. See TRI Pointe Group’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as filed with the SEC on February \_\_, 2018 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 as filed with the SEC on October 25, 2017) as of the dates described therein. The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including TRI Pointe Group. The address of such Internet web site is [www.sec.gov](http://www.sec.gov). All documents subsequently filed by TRI Pointe Group pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of TRI Pointe Group’s annual report, quarterly reports and current reports, including any amendments, will be available from TRI Pointe Group’s website at [www.tripointegroup.com](http://www.tripointegroup.com).

*The foregoing Internet addresses and references to filings with the SEC are included for reference only, and the information on these Internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on these Internet sites.*

**Representations.** In connection with the issuance of the Bonds, an authorized representative or officer of TRI Pointe will execute a certificate (the “TRI Pointe Letter of Representations”) containing the following representations (among others) as of its date:

(1) Except as described in this Official Statement, there is no material indebtedness of TRI Pointe or its Affiliates (defined below) that is secured by an interest in the Property (defined below).

(2) Neither TRI Pointe nor, to the Actual Knowledge of TRI Pointe (defined below), any of its Affiliates is in material default on any obligation to repay borrowed money, which default is reasonably likely to materially and adversely affect TRI Pointe’s ability to develop the Property as proposed in this Official Statement or to pay the Special Taxes due with respect to the Property.

(3) To the Actual Knowledge of TRI Pointe, neither TRI Pointe nor any Affiliate has been delinquent to any material extent in the last five years in the payment of any *ad valorem* property tax, special assessment or special tax on property in California owned by TRI Pointe or by any Affiliate during the period of its ownership included within the boundaries of a community facilities district or an assessment district that (a) caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being commenced by a court of law against TRI Pointe or any Affiliate.

As used in the above representations of TRI Pointe, the following defined terms and phrases have the following meanings:

“Actual Knowledge of TRI Pointe” shall mean the knowledge of the authorized representative or officer of TRI Pointe signing the TRI Pointe Letter of Representations currently has as of the date of the TRI Pointe Letter of Representations or has obtained through (i) interviews with such current officers and responsible employees of TRI Pointe and its Affiliates as such authorized representative or officer has determined are likely, in the ordinary course of his or her respective duties, to have knowledge of the matters set forth in the TRI Pointe Letter of Representations, and/or (ii) review of documents reasonably available to such authorized representative or officer and which such authorized representative or officer has deemed necessary for such authorized representative or officer to obtain the knowledge of the matters set forth in the

TRI Pointe Letter of Representations. The authorized representative or officer executing the TRI Pointe Letter of Representations has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of TRI Pointe's business and operations. TRI Pointe notes that its parent TRI Pointe Group, including its subsidiaries such as TRI Pointe and its Affiliates, have undergone several restructurings, including office closures and division consolidations. Individuals who are no longer employees of the various entities have not been contacted.

"Affiliate" means, with respect to TRI Pointe, any other Person: (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with TRI Pointe, and (ii) for whom information, including financial information or operating data, concerning such Person is material to an evaluation of the District and the Bonds (*i.e.*, information relevant to TRI Pointe's development plans with respect to its Property and its payment of Special Taxes, or such Person's assets or funds that would materially affect TRI Pointe's ability to develop its Property as proposed in this Official Statement or to pay its Special Taxes).

"Property" means the property within the District held in the name of TRI Pointe.

**Development Plan.** The property within the District is being developed by TRI Pointe and is planned for 146 residential units at buildout. The development within the District consists of two product lines being marketed by TRI Pointe as "Terrassa Court" and "Terrassa Villas." The Terrassa Court product line is planned to consist of 94 single family detached condominiums arranged in cluster lots of eight with shared motor court access to each driveway. The Terrassa Villas product line is planned to consist of 52 single family detached condominiums arranged in a more traditional single family detached home layout with individual driveways. The homes in the Terrassa Court product are expected to range in size from 1,711 square feet to 2,208 square feet and the homes in the Terrassa Villas product are expected to range in size from 1,875 square feet to 2,497 square feet.

All backbone infrastructure facilities required to serve the development within the District are complete. Certain in-tract street improvements and final landscaping remains to be completed within the District. TRI Pointe expects to complete such street and landscaping improvements as home construction within the District progresses. In addition, certain school impact fees remain to be paid. See "*Financing Plan*" below.

As of the date of value of the Appraisal Report, January 2, 2018, TRI Pointe owned seven completed model homes, 30 homes under construction, 11 of which were over 95 percent complete, and 28 finished lots. As of such date, there were 27 homes in escrow which TRI Pointe expects to close to individual homeowners upon completion of home construction. As of March 1, 2018, TRI Pointe had conveyed \_\_\_ homes to individual homeowners (\_\_\_ additional homes since January 2, 2018) and had obtained building permits for 142 of the 146 lots within the District. The remaining four lots within the District are currently used by TRI Pointe as the sales center for the Terrassa Villas product within the District. TRI Pointe expects to close the sales center in April 2018 and obtain building permits for the remaining four lots in May 2018. Based on the number of building permits obtained for lots within the District as of March 1, 2018, 142 lots will be classified as Developed Property and four lots will be classified as Approved Property under the Rate and Method for the Fiscal Year 2018-19 Special Tax levy. TRI Pointe expects to complete home construction and to convey all homes within the District to individual homeowners by December 2018.

A summary of the proposed product mix and development status for each of the Terrassa Court and Terrassa Villas products, including estimated square footage and estimated base sales prices for the property being developed by TRI Pointe within the District as of March 1, 2018 is set forth below:

**Table 2A**  
**Terrassa Court**  
**(as of March 1, 2018)**

<i>Plan</i>	<i>Expected Number of Homes at Buildout</i>	<i>Estimated Square Footage <sup>(1)</sup></i>	<i>Closed to Individual Homeowners</i>	<i>Homes/Lots Owned by TRI Pointe</i>	<i>Estimated Base Sales Price <sup>(2)</sup></i>
1	46	1,711	33	13	\$414,000
2	26	1,778	17	9	432,000
3	<u>22</u>	2,208	<u>17</u>	<u>5</u>	464,000
TOTAL:	94		67	27	

<sup>(1)</sup> Estimated square footage. Actual square footage may vary based on options selected.

<sup>(2)</sup> Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives and any selling concessions or price reductions which may be offered.

Source: TRI Pointe.

**Table 2B**  
**Terrassa Villas**  
**(as of March 1, 2018)**

<i>Plan</i>	<i>Expected Number of Homes at Buildout</i>	<i>Estimated Square Footage <sup>(1)</sup></i>	<i>Closed to Individual Homeowners</i>	<i>Homes/Lots Owned by TRI Pointe</i>	<i>Estimated Base Sales Price <sup>(2)</sup></i>
1	16	1,875	5	11	\$484,000
2	17	2,307	4	13	525,000
3	<u>19</u>	2,497	<u>5</u>	<u>14</u>	542,000
TOTAL:	52		14	38	

<sup>(1)</sup> Estimated square footage. Actual square footage may vary based on options selected.

<sup>(2)</sup> Base sales prices are subject to change and exclude any lot premiums, options, upgrades, incentives and any selling concessions or price reductions which may be offered.

Source: TRI Pointe.

**Financing Plan.** Through December 31, 2017, TRI Pointe had expended approximately \$64.1 million in land acquisition, improvements, home construction costs, and other development, marketing and sales costs (exclusive of internal financing repayment) related to its property in the District. TRI Pointe expects the remaining land improvements, home construction costs and other development, marketing and sales costs within the District to be approximately \$11.6 million.

To date, TRI Pointe has financed its land acquisition, home construction and other costs related to its activities in the District through internal sources, including funding from its parent, TRI Pointe Group. TRI Pointe intends to use these sources of funds, together with proceeds of future home sales, to finance its remaining home construction costs and carrying costs for its activities in the District (including the payment of property taxes and the Special Taxes) until full sell-out of all of the planned homes in the District. However, home sales revenues from TRI Pointe's activities in the District are not segregated and set aside for completing the homes in the District. Home sales revenue is swept daily from TRI Pointe for use in corporate operations, to pay down debt and for other corporate purposes and might get diverted to other TRI Pointe Group needs at the discretion of management. Notwithstanding the foregoing, TRI Pointe believes it will have sufficient funds to complete its construction of homes in the District.

As of September 30, 2017, TRI Pointe Group was a party to a \$600 million unsecured revolving credit facility (the “TRI Pointe Group Credit Facility”), which matures on May 18, 2021, and contains a sublimit of \$75 million for letters of credit. TRI Pointe Group may borrow under the TRI Pointe Group Credit Facility in the ordinary course of business to fund its operations, including its land development and homebuilding activities. The TRI Pointe Group Credit Facility contains a borrowing base and certain covenants which may limit the amount TRI Pointe Group may borrow or have outstanding at any time. As of September 30, 2017, the outstanding balance under the TRI Pointe Group Credit Facility was \$200.0 million with \$392.2 million of availability after considering the borrowing base provisions and outstanding letters of credit. As of September 30, 2017, TRI Pointe Group had outstanding letters of credit of \$7.8 million. TRI Pointe Group’s ability to renew the TRI Pointe Group Credit Facility in the future is dependent upon a number of factors including the state of the commercial lending environment, the willingness of banks to lend to homebuilders and TRI Pointe Group’s financial condition and strength.

The following table is a summary of TRI Pointe’s estimated sources and uses of funds for developing the property within the District.

**COMMUNITY FACILITIES DISTRICT NO. 2016-2 (TERRASSA)  
OF THE CITY OF CORONA  
TRI POINTE CASH FLOW**

	<i>December 31, 2017 to March 31, 2018</i>	<i>April 1, 2018 to June 30, 2018</i>	<i>July 1, 2018 to September 30, 2018</i>	<i>October 1, 2018 Through Projected Build-Out</i>
<b>Sources of Funds</b>				
Sales of Homes	\$ 4,229,400	\$ 13,353,700	\$ 9,098,700	\$ 6,482,300
<b>Total Sources of Funds</b>				
<b>Uses of Funds</b>				
Lot Improvements/Home Construction	\$ 5,025,000	\$ 2,689,000	\$ 1,304,400	\$ 110,700
Impact Fees (Net of Reimbursements)	--	484,200	(1,649,600) <sup>(4)</sup>	--
Indirect Construction/Warranty Costs	518,300	287,000	205,400	134,700
Interest and Property Taxes	185,300	186,600	74,900	25,900
Sales and Marketing	11,200	470,800	338,400	207,300
General and Administrative Costs	133,500	407,900	265,300	188,100
CFD Reimbursements <sup>(1)</sup>	--	(4,674,000)	--	--
Line of Credit <sup>(2)</sup>	(1,608,600)	10,235,300	6,672,700	2,579,300
<b>Total Uses of Funds</b>	<b>\$ 4,264,700</b>	<b>\$ 10,086,800</b>	<b>\$ 7,211,500</b>	<b>\$ 3,246,000</b>
<b>NET CASH FLOW<sup>(3)</sup></b>	<b>\$ (35,300)</b>	<b>\$ 3,266,900</b>	<b>\$ 1,887,200</b>	<b>\$ 3,236,300</b>

(1) Estimated based on preliminary Bond sizing.

(2) Amounts reflect repayments net of additional draws.

(3) Tri Pointe expects to fund the projected negative cash flow through March 31, 2018 from available cash on hand and funding from TRI Pointe Group.

(4) Reflects reimbursement of transportation impact fees to TRI Pointe for completion of certain roadway improvements, per agreement with the City.

Source: TRI Pointe.

*Although TRI Pointe expects to have sufficient funds available to complete its development in the District, commensurate with the development timing described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development and home construction costs will be available from TRI Pointe or any other source when needed. Neither TRI Pointe, nor its parent, TRI Pointe Group, nor any of its related entities are under any legal obligation of any kind to expend funds for the remaining development of and construction of homes on its property in the District. Any contributions by TRI Pointe to fund the costs of such development and home construction are entirely voluntary.*

*If and to the extent that internal funding, including but not limited to home sales revenues, is inadequate to pay the costs to complete the planned development by TRI Pointe within the District and other financing by TRI Pointe is not put into place, there could be a shortfall in the funds required to complete the*

proposed development by TRI Pointe in the District and the remaining portions of the project in the District may not be developed.

### Estimated Direct and Overlapping Indebtedness

Within the boundaries of the District are other overlapping local agencies providing public services. The approximate amount of the direct and overlapping debt on the parcels within the District as of January 2, 2018 is shown in Table 3 below.

**TABLE 3**  
**COMMUNITY FACILITIES DISTRICT NO. 2016-2 (TERRASSA)**  
**OF THE CITY OF CORONA**  
**DIRECT AND OVERLAPPING DEBT**  
**AS OF JANUARY 2, 2018**

<b>I. Appraisal Value<sup>(1)</sup></b>						\$51,541,910
<b>II. Land Secured Bond Indebtedness</b>						
<i>Outstanding Direct and Overlapping Land-Secured Debt</i>	<i>Type</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable</i>	<i>Parcels in District<sup>(2)</sup></i>	<i>Amount Applicable</i>
CITY OF CORONA CFD NO. 2016-2 <sup>(3)</sup>	CFD	\$5,330,000	\$ 5,330,000	100.000%	146	\$ 5,330,000*
<b>TOTAL LAND SECURED BONDED DEBT</b>						\$ 5,330,000*
<b>III. General Obligation ('GO') Bond Indebtedness</b>						
<i>Outstanding Direct &amp; Overlapping GO Bonded Debt</i>	<i>Type</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable</i>	<i>Parcels in District<sup>(2)</sup></i>	<i>Amount Applicable</i>
METROPOLITAN WATER	GO	\$850,000,000	\$110,420,000	0.033%	146	\$ 36,747
RIVERSIDE COMMUNITY COLLEGE DISTRICT	GO	310,003,424	267,357,210	0.034	146	89,685
CORONA-NORCO UNIFIED SCHOOL DISTRICT	GO	107,175,000	99,505,000	0.093	146	92,401
<b>TOTAL OUTSTANDING GO BONDED DEBT</b>						\$ 218,834
<i>Authorized but Unissued Direct &amp; Overlapping GO Debt</i>	<i>Type</i>	<i>Authorized</i>	<i>Unissued</i>	<i>% Applicable</i>	<i>Parcels in District<sup>(2)</sup></i>	<i>Amount Applicable</i>
METROPOLITAN WATER DEBT SERVICE	GO	\$850,000,000	\$ 0	0.033%	146	\$ 0
RIVERSIDE COMMUNITY COLLEGE DISTRICT DEBT SERVICE	GO	350,000,000	39,996,576	0.034	146	13,417
CORONA-NORCO UNIFIED SCHOOL DISTRICT	GO	250,000,000	0	0.093	146	0
<b>TOTAL UNISSUED GO INDEBTEDNESS<sup>(2)</sup></b>						\$ 13,417
<b>TOTAL OUTSTANDING &amp; UNISSUED GO INDEBTEDNESS</b>						\$ 232,251
<b>TOTAL OF ALL OUTSTANDING DIRECT &amp; OVERLAPPING BONDED DEBT</b>						\$ 5,548,834*
<b>TOTAL OF ALL OUTSTANDING DIRECT &amp; UNISSUED DIRECT OVERLAPPING INDEBTEDNESS</b>						\$ 232,251*
<b>IV. Ratios to Appraisal Value</b>						
Outstanding Land Secured Bonded Debt		9.67:1*				
Total Outstanding Bonded Debt		9.29:1*				

\* Preliminary, subject to change.

(1) Represents the appraised value as set forth in the Appraisal Report as of January 2, 2018 date of value.

(2) 142 of the 146 lots within the District will be classified as Developed Property for the Fiscal Year 2018-19 Special Tax levy.

(3) Parity Bonds may be issued only for the purpose of refunding the Bonds.

Source: Spicer Consulting Group, LLC.

### Expected Tax Burden

Based on the appraised values within the District set forth in the Appraisal Report, the projected debt service on the Bonds, and estimated District Administrative Expenses of \$30,000 for Fiscal Year 2018-19, the City expects that, in Fiscal Year 2018-19, the projected effective tax rates levied on taxable property in the District, will range from approximately 1.81% to 1.90% of average appraised value of homes within each Land Use Category (as defined in the Rate and Method). Subject to the limitations established by the Rate and

Method and the provisions of the Act, the City Council will covenant in the Fiscal Agent Agreement to levy Special Taxes on parcels of taxable property in the District in each Fiscal Year in an amount sufficient to pay debt service on the outstanding Bonds.

Table 4 below describes the estimated Fiscal Year 2018-19 effective tax burden for sample units of Developed Property within the District assuming Special Taxes levied in Fiscal Year 2018-19 are levied at the Assigned Special Tax A (as defined in the Rate and Method) rate and Fiscal Year 2017-18 actual levies for overlapping taxing jurisdictions.

The estimated tax rates and amounts presented in this Official Statement are based on currently available information. The actual amounts charged may vary and may increase in future years depending on the amount of Bonds and Parity Bonds outstanding, and the number of delinquencies in the District, among other factors.

**TABLE 4**  
**COMMUNITY FACILITIES DISTRICT NO. 2016-2 (TERRASSA)**  
**OF THE CITY OF CORONA**  
**PROJECTED FISCAL YEAR 2018-19 EFFECTIVE TAX RATES**  
**FOR SAMPLE DEVELOPED UNITS WITHIN EACH NEIGHBORHOOD**

<i>Plan Type</i> Land Use Category (Square Feet)	<i>Individually Owned<sup>(1)</sup></i>	<i>Terrassa Court<sup>(2)</sup></i>			<i>Terrassa Villas<sup>(2)</sup></i>			<i>Average Home<sup>(3)</sup></i>
		<i>1</i> <i>1,601 to</i> <i>1,800</i>	<i>2</i> <i>1,601 to</i> <i>1,800</i>	<i>3</i> <i>2,201 to</i> <i>2,400</i>	<i>4</i> <i>1,801 to</i> <i>2,000</i>	<i>5</i> <i>2,201 to</i> <i>2,400</i>	<i>6</i> <i>&gt;2,400</i>	
Home Size	1,917	1,711	1,778	2,208	1,875	2,307	2,497	2,063
Appraised Value <sup>(1)</sup>	\$442,961	\$410,640	\$423,164	\$485,760	\$450,000	\$507,540	\$519,376	\$462,777
<b><i>Ad Valorem Property Taxes:</i></b>								
General Purpose	\$ 4,430	\$4,106	\$4,232	\$ 4,858	\$4,500	\$ 5,075	\$ 5,194	\$ 4,628
Metro Water West (0.00350%)	16	14	15	17	16	18	18	16
Riverside City Community College District (0.01616%)	72	66	68	78	73	82	84	75
Corona-Norco Unified School District (0.08313%)	368	341	352	404	374	422	432	385
<b>Total General Property Taxes</b>	<b>\$ 4,885</b>	<b>\$4,528</b>	<b>\$4,667</b>	<b>\$ 5,357</b>	<b>\$4,963</b>	<b>\$ 5,597</b>	<b>\$ 5,728</b>	<b>\$ 5,103</b>
<b><i>Assessment, Special Taxes &amp; Parcel Charges:</i></b>								
Flood Control Stormwater / Cleanwater / Santa Ana	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4
Northwest Mosquito and Vector Control	11	11	11	11	11	11	11	11
MWD Standby charge	10	10	10	10	10	10	10	10
CSA #152 City of Corona Stormwater	10	10	10	10	10	10	10	10
City of Corona CFD 2016-1 (Public Safety)	536	536	536	536	536	536	536	536
City of Corona CFD 2016-2 A(Terrassa)								
Special Tax A <sup>(4)</sup>	2,417	2,332	2,317	2,626	2,417	2,626	2,813	2,507
City of Corona CFD 2016-2 (Terrassa)								
Special Tax B <sup>(5)</sup>	208	208	208	208	208	208	208	208
<b>Total Assessments &amp; Parcel Charges</b>	<b>\$ 3,196</b>	<b>\$3,111</b>	<b>\$3,096</b>	<b>\$ 3,405</b>	<b>\$3,196</b>	<b>\$ 3,405</b>	<b>\$ 3,592</b>	<b>\$ 3,286</b>
<b>Projected Total Property Tax</b>	<b>\$ 8,081</b>	<b>\$7,639</b>	<b>\$7,762</b>	<b>\$ 8,762</b>	<b>\$8,158</b>	<b>\$ 9,002</b>	<b>\$ 9,320</b>	<b>\$ 8,389</b>
<b>Projected Effective Tax Rate</b>	<b>1.82%</b>	<b>1.86%</b>	<b>1.83%</b>	<b>1.80%</b>	<b>1.81%</b>	<b>1.77%</b>	<b>1.79%</b>	<b>1.81%</b>

(1) "Individually Owned" column reflects the average home size and average appraised value of the 81 individually owned units within the District as of the Date of Value.

(2) Reflects the average home size and appraised value, as of the Date of Value of each plan type within the District.

(3) "Average Home" column reflects the average home size and appraised value, as of the Date of Value, of all planned homes within the District.

(4) Reflects the estimated Fiscal Year 2018-19 Special Tax levy based on development status as of March 1, 2018 and the Assigned Special Tax A (as defined in the Rate and Method) rate.

(5) The District levies the Special Tax B to finance certain maintenance and services costs. The Special Tax B is not pledged to repay the Bonds. The Special Tax C (Contingent) (as defined in the Rate and Method) is not currently levied. Any amounts of the Special Tax C (Contingent) which may be levied in the future will not be available to pay debt service on the Bonds.

Source: Spicer Consulting Group, LLC.

## Appraisal Report

The estimated assessed value of the property within the District, as shown on the County's assessment roll for Fiscal Year 2017-18, is approximately \$31,772,656. However, as a result of the requirements of Article XIII A of the California Constitution, a property's assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the property within the District, the County engaged Kitty Siino & Associates, Inc., the Appraiser, to prepare the Appraisal Report. The Appraiser has an "MAI" designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the City and has no material relationships with the City or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal Report. The City instructed the Appraiser to prepare its analysis and report in conformity with City-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal Report is included as APPENDIX B — "APPRAISAL REPORT" to this Official Statement.

The purpose of the Appraisal Report was to estimate the market value of the fee simple interest of the property within the District subject to the Special Tax levy. The estimate of market value takes into consideration and assumes the improvements to be funded with the proceeds of the Bonds have been installed and that the development costs provided to the Appraiser by TRI Pointe are accurate. As a result, the value conclusions are based upon a hypothetical condition that the Bonds have been sold with proceeds available for construction of improvements of approximately \$4,700,000. Subject to the assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of January 2, 2018 (the "Date of Value"), the market value of the property within the District subject to the Special Tax lien was \$51,541,910. The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in Appendix B. The City makes no representation as to the accuracy of the Appraisal Report. See APPENDIX B — "APPRAISAL REPORT." There is no assurance that the property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by the landowner. See "RISK FACTORS — Land Values" and APPENDIX B — "APPRAISAL REPORT."

### Estimated Value-to-Lien Ratio

The appraised value of the property within the District is \$51,541,910. Dividing the appraised value by the principal amount of the Bonds results in value to lien ratio of 9.67-to-1\* for the District. Dividing the appraised value by the principal amount of the Bonds plus all overlapping general obligation debt results in an estimated assessed value-to-lien ratio of 9.29-to-1\* for the District. As of the date of issuance of the Bonds, the City expects that the only land-secured debt applicable to parcels within the District will be the Bonds. However, additional land-secured special tax or assessment debt could be applicable to the parcels within the District in the future. See "SPECIAL RISK FACTORS — Parity Taxes and Special Assessments."

The assessed value of the land within the District is \$31,772,656 for Fiscal Year 2017-18. Dividing the assessed value by the principal amount of the Bonds plus all overlapping general obligation debt results in an estimated assessed value-to-lien ratio of 5.96-to-1\* for the District.

Table 5 below reflects the values assigned to parcels in the Appraisal Report, the estimated principal amount of the Bonds and the estimated appraised value-to-lien ratios in the District, based on the Fiscal Year 2018-19 Special Tax levy, categorized by property ownership.

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\* Preliminary, subject to change.

**TABLE 5**  
**COMMUNITY FACILITIES DISTRICT NO. 2016-2 (TERRASSA)**  
**OF THE CITY OF CORONA**  
**ESTIMATED VALUE-TO-LIEN RATIOS**  
**ALLOCATED BY PROPERTY OWNERSHIP**

<i>Property Owner<sup>(1)</sup></i>	<i>No. of Parcels</i>	<i>Appraised Property Value<sup>(2)</sup></i>	<i>Percentage of Appraised Value</i>	<i>Maximum Special Tax</i>	<i>Percentage of Maximum Special Tax</i>	<i>Estimated Fiscal Year 2018-19 Special Tax Levy<sup>(3)*</sup></i>	<i>Percentage of Estimated Fiscal Year 2018-19 Levy*</i>	<i>CFD 2016-2 Bonds<sup>(4)*</sup></i>	<i>Direct Debt Value-to- Lien Ratio*</i>
Developed - Individually Owned	81	\$ 35,879,868	69.61%	\$ 219,460	55.05%	\$ 197,145	56.19%	\$ 2,994,743	11.98:1
Developed - TRI Pointe Owned	61	14,881,616	28.87	168,617	42.30	153,730	43.81	2,335,257	6.37:1
Approved - TRI Pointe Owned	<u>4</u>	<u>780,426</u>	<u>1.51</u>	<u>10,584</u>	<u>2.65</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>N/A</u>
<b>Total</b>	<b>146</b>	<b>\$ 51,541,910</b>	<b>100.00%</b>	<b>\$ 398,661</b>	<b>100.00%</b>	<b>\$ 350,875</b>	<b>100.00%</b>	<b>\$ 5,330,000</b>	<b>9.67:1</b>

\* Preliminary, subject to change.

(1) Based on ownership as of the Date of Value.

(2) Based on Appraisal Report as of the Date of Value.

(3) Includes Administrative Expenses in the amount of \$30,000. Administrative Expenses are expected to escalate at a rate of 2% per fiscal year, commencing July 1, 2019.

(4) Allocated based on the projected Fiscal Year 2018-19 Special Tax levy.

Source: Spicer Consulting Group, LLC.

Table 6 below sets forth the appraised value-to- lien ratios for the parcels of Developed Property in the District by value-to-lien ranges based on the projected Fiscal Year 2018-19 Special Tax levy and development status as of March 1, 2018.

**TABLE 6**  
**COMMUNITY FACILITIES DISTRICT NO. 2016-2 (TERRASSA)**  
**OF THE CITY OF CORONA**  
**VALUE-TO-LIEN STRATIFICATION OF DEVELOPED PROPERTY\***

<i>Value-to Lien</i>	<i>No. of Parcels of Developed Property</i>	<i>Percentage of Developed Property</i>	<i>Appraised Value<sup>(1)</sup></i>	<i>Percentage of Appraised Value</i>	<i>CFD 2016-2 Estimated Fiscal Year 2018-19 Special Tax Levy</i>	<i>Percent Share of Estimated Fiscal Year Special Tax 2018-19 Levy</i>	<i>CFD 2016-2 Bonds<sup>(2)</sup></i>	<i>Percent Share of CFD 2016-2 Bonds</i>	<i>Aggregate Direct Debt Value-to Lien</i>
Less than 5.00:1 <sup>(3)</sup>	25	17.61%	\$ 4,877,660	9.61%	\$ 67,895	19.35%	\$ 1,031,358	19.35%	4.73:1
Between 5.00:1 to 8.00:1	18	12.68	3,511,915	6.92	42,607	12.14	647,228	12.14	5.43:1
Between 8.01:1 to 11.00:1	18	12.68	6,492,042	12.79	43,229	12.32	656,671	12.32	9.89:1
Greater than 11.01:1	<u>81</u>	<u>57.04</u>	<u>35,879,868</u>	<u>70.68</u>	<u>197,145</u>	<u>56.19</u>	<u>2,994,743</u>	<u>56.19</u>	<u>11.98:1</u>
<b>Total</b>	<b>146</b>	<b>100.00%</b>	<b>\$ 50,761,484</b>	<b>100.00%</b>	<b>\$ 350,875</b>	<b>100.00%</b>	<b>\$ 5,330,000</b>	<b>100.00%</b>	<b>9.52:1</b>

\* Preliminary, subject to change.

(1) Based on Appraisal Report as of the Date of Value.

(2) Allocated based on the projected Fiscal Year 2018-19 Special Tax levy and the assigned rates per tax rate category as set forth in the Rate and Method.

(3) The lowest value to lien for a parcel in the District is approximately 4.67-to-1 and the highest value to lien for a parcel in the District is approximately 12.72-to-1.

Source: Spicer Consulting Group, LLC.

## Delinquency History

The City levied Special Taxes in Fiscal Year 2017-18 (which was the first year of the Special Tax levy) in the amount of \$167,502. The first installment of such levy became delinquent on December 12, 2017. Table 7 below sets forth the Special Tax levy, collections and delinquency rates in the District for the first installment of Fiscal Year 2017-18.

**TABLE 7**  
**COMMUNITY FACILITIES DISTRICT NO. 2016-2 (TERRASSA)**  
**OF THE CITY OF CORONA**  
**SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies as of June 30 of Fiscal Year</i>			<i>Delinquencies as of February 14, 2018</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2017-18	\$167,502.00	50	N/A	N/A	N/A	1	\$1,502.50	0.90%

Source: Spicer Consulting Group, LLC.

## City's Collection Practices

The staff of the City provides administrative and other support services for the community facilities districts that have been formed by the City. These services include, but are not limited to, attempting to collect delinquent special taxes prior to the commencement of foreclosure proceedings by sending demand letters to property owners whose special taxes are delinquent advising them of the consequences of failing to pay the applicable special taxes. The City expects to levy Special Taxes within the District and will covenant in the Fiscal Agent Agreement to commence foreclosure proceedings against parcels with delinquent Special Taxes under certain circumstances described in this Official Statement. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*"

## RISK FACTORS

The purchase of the Bonds involves significant investment risks and, therefore, the Bonds are not suitable investments for many investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth in this Official Statement, in evaluating the investment quality of the Bonds. The Bonds have not been rated by a rating agency. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed in this section of this Official Statement could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed in this section of this Official Statement could adversely affect the value of the property in the District. See "— Land Values" and "— Limited Secondary Market" below.

## Risks of Real Estate Secured Investments Generally

The Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules and fiscal

policies; and (iii) natural disasters (including, without limitation, earthquakes and floods), which may result in uninsured losses.

No assurance can be given that the individual homeowners will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “RISK FACTORS — Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

### **Tax Cuts and Jobs Act**

H.R. 1 of the 115th U.S. Congress, known as the “Tax Cuts and Jobs Act,” was enacted into law on December 22, 2017 (the “Tax Act”). The Tax Act makes significant changes to many aspects of the Code. For example, the Tax Act reduces the amount of mortgage interest expense and state and local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes. These changes could increase the cost of home ownership within the District and could slow the pace of home sales by TRI Pointe or result in sales price reductions from the current expected levels. However, the City cannot predict the effect that the Tax Act may have on the cost of home ownership or the price of homes in the District, the pace at which homes in the District are sold to individual homeowners, or the ability or willingness of homeowners to pay Special Taxes or property taxes.

### **Limited Obligations**

The Bonds and related interest are not payable from the funds of the City. Except with respect to the Special Taxes, neither the credit nor the taxing power of the District or the City is pledged for the payment of principal or interest of the Bonds, and, except as provided in the Fiscal Agent Agreement, no Owner of the Bonds may compel the exercise of any taxing power by the District or the City or force the forfeiture of any City or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City’s or District’s property or upon any of the City’s or District’s income, receipts or revenues, except the Special Taxes and other amounts pledged under the Fiscal Agent Agreement.

### **Insufficiency of Special Taxes**

Under the Rate and Method, all taxable property within the District will be classified as Developed Property for the Fiscal Year 2018-19 Special Tax levy. The annual amount of Special Tax to be levied on each taxable parcel in the District will generally be based on the land use class to which a parcel of Developed Property is assigned under the Rate and Method. See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Rate and Method of Apportionment of Special Tax.*”

The maximum Special Taxes that may be levied within the District are at least 110% of Maximum Annual Debt Service on the Bonds. Notwithstanding that the maximum Special Taxes that may be levied in the District exceeds debt service due on the Bonds, the Special Taxes collected could be inadequate to make timely payment of debt service either because of nonpayment or because property becomes exempt from taxation as permitted in the Rate and Method.

In order to pay debt service on the Bonds, it is necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the City has established a Reserve Fund under the Fiscal Agent Agreement to pay debt service on the Bonds to the extent other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund.” The City has covenanted to maintain in the Reserve Fund an amount equal to the Reserve Requirement subject, however, to the limitation that the City may not levy the Special Tax in the District in any Fiscal Year at a rate in excess of the maximum amounts permitted under the Rate and Method. In addition, under no circumstances may the Special Tax levied against

any parcel used for private residential purposes be increased as a consequence of delinquency or default by owner of any other parcel or parcels within the District by more than 10% in any Fiscal Year. As a result, if a significant number of delinquencies occurs, the District could be unable to replenish the Reserve Fund to the Reserve Requirement. If such defaults were to continue in successive years, the Reserve Fund could be depleted and a default on the Bonds could occur.

The City has covenanted that, under certain conditions, it will institute judicial foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*” for provisions which apply in the event of such foreclosure and which the City is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds (if the Reserve Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City on behalf of the District of the proceeds of sale. The City may adjust the future Special Tax levied on taxable parcels in the District, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Reserve Fund to an amount equal to the Reserve Requirement and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in the District will be at all times sufficient to pay the amounts required to be paid by the Fiscal Agent Agreement, even if the Special Tax is levied at the maximum Special Tax rates. See “Bankruptcy and Foreclosure” below for a discussion of potential delays in foreclosure actions.

The Rate and Method governing the levy of the Special Tax expressly exempts up to 8.95 acres of property owned by public agencies and other exempt entities in the District. See Section F of APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government, another public agency or a religious organization, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within the District was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

### **Special Tax Delinquencies**

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, are customarily billed to the properties within the District on the *ad valorem* property tax bills sent to owners of such properties. The Act currently provides that such

Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*,” for a discussion of the provisions which apply, and procedures which the City is obligated to follow under the Fiscal Agent Agreement, in the event of delinquencies in the payment of Special Taxes. See “RISK FACTORS — FDIC/Federal Government Interests in Properties” below, for a discussion of the policy of the Federal Deposit Insurance Corporation (the “FDIC”) regarding the payment of special taxes and assessment and limitations on the City’s ability to foreclose on the lien of the Special Taxes in certain circumstances where property within the District is owned by the federal government, agencies of the federal government, or, possibly, government sponsored enterprises such as Federal National Mortgage Association (“Fannie Mae”) and Federal Home Loan Mortgage Corporation (“Freddie Mac”).

The City has the authority and the obligation, subject to the Act and the maximum Special Tax rates set forth in the Rate and Method, to increase the levy of Special Taxes against non-delinquent property owners in the District in the event other owners in the District are delinquent. Pursuant to the Rate and Method and the Act, under no circumstances may the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by owner of any other parcel or parcels within the District by more than 10% in any Fiscal Year. Thus, the City may not be able to increase Special Tax levies in future Fiscal Years by enough to make up for delinquencies for prior Fiscal Years. This would result in draws on the Reserve Fund, and if delinquencies continue and in the aggregate exceed the Reserve Fund balance, defaults would occur in the payment of principal and interest on the Bonds.

Although the City has covenanted in the Fiscal Agent Agreement to commence and diligently pursue foreclosure under the circumstances described under the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*,” foreclosure delays may occur under the circumstances described under the caption “RISK FACTORS — Bankruptcy and Foreclosure.” Delinquencies may result as a consequence of many factors. See “RISK FACTORS,” generally, for a discussion of certain potential causes of delinquencies.

### **Natural Disasters**

The District, like all California communities, may be subject to unpredictable seismic activity, fires, flood, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, bridges and property within the District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. The property within the District is not located in an Alquist Priolo Earthquake Study Zone and is not located within one-half mile of an active earthquake fault. Additionally, the District is not located in a flood plain area.

In recent years, wildfires have caused extensive damage throughout the State, including within the County. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances entire neighborhoods have been destroyed. Several fires which occurred in 2017 damaged or destroyed property in areas that were not previously considered to be at risk from such events. The District is not located in an area which the Department of Forestry and Fire Protection of the State of California has designated as a very high fire hazard severity zone. However, there is a risk of residential property within the District being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the vicinity of the District.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

## **Hazardous Substances**

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency and the willingness or ability of the owner of any parcel to pay the Special Tax Installments.

The value of the taxable property within the District, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The City has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within the District has such a current liability with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the District is not aware of them.

## **Parity Taxes and Special Assessments**

Property within the District is subject to taxes imposed by public agencies also having jurisdiction over the land within the District. See “THE DISTRICT — Estimated Direct and Overlapping Indebtedness.”

The Special Taxes and any related penalties will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by the City and other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See “RISK FACTORS — Bankruptcy and Foreclosure” below.

The City has no control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or assessments. Any such special taxes, *ad valorem* taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for property within the District described in this Official Statement. See “SOURCES OF PAYMENT FOR BONDS” and “THE DISTRICT — Estimated Direct and Overlapping Indebtedness.”

## **Disclosures to Future Purchasers**

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value of the parcel is sufficient may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy, and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The City has caused the Notice of Special Tax Lien to be recorded in the Office of the Recorder for the County against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the District or lending of money thereon.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

## **Non-Cash Payments of Special Taxes**

Under the Act, the City Council as the legislative body of the District may reserve to itself the right and authority to allow the owner of any taxable parcel to tender a Bond in full or partial payment of any installment of the Special Taxes or the interest or penalties thereon. A Bond so tendered is to be accepted at par and credit is to be given for any interest accrued thereon to the date of the tender. Thus, if Bonds can be purchased in the secondary market at a discount, it may be to the advantage of an owner of a taxable parcel to pay the Special Taxes applicable thereto by tendering a Bond. Such a practice would decrease the cash flow available to the City to make payments with respect to other Bonds then outstanding; and, unless the practice was limited by the City, the Special Taxes paid in cash could be insufficient to pay the debt service due with respect to such other Bonds. In order to provide some protection against the potential adverse impact on cash flows which might be caused by the tender of Bonds in payment of Special Taxes, the Fiscal Agent Agreement includes a covenant pursuant to which the City will not authorize owners of taxable parcels to satisfy Special Tax obligations by the tender of Bonds unless the City shall have first obtained a report of an Independent Financial Consultant certifying that doing so would not result in the City having insufficient Special Tax revenues to pay the principal of and interest on all Outstanding Bonds when due.

## **Payment of the Special Tax Is Not a Personal Obligation of the Owners**

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the City has no recourse against the owner.

## **Concentration of Ownership**

All lots within the District will be classified as Developed Property for the Fiscal Year 2018-19 Special Tax levy. Based on development and ownership status as of the Date of Value, TRI Pointe and individual homeowners are expected to be responsible for approximately 56.19% and 43.81% of the projected Fiscal Year 2018-19 Special Tax levy, respectively.

The timely payment of principal of and interest on the Bonds depends upon the willingness and ability of the current and future property owners in the District to pay the Special Taxes prior to delinquency. General and local economic conditions and governmental requirements or restrictions may affect the willingness of the current property owners, or any successor property owners, to pay the Special Taxes, and there is no assurance that the current property owners, or any successor property owners, will pay such Special Taxes even if financially able to do so. Due to the concentration of ownership of the property within the District, a failure by TRI Pointe or any successor property owner thereto to pay the Special Taxes may result in a default in the payment of debt service on the Bonds. See “THE DISTRICT – TRI Pointe.”

## **Land Values**

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District’s only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See “THE DISTRICT — Appraisal Report” and APPENDIX B — “APPRAISAL REPORT.”

The Appraiser has estimated, on the basis of certain assumptions and limiting conditions contained in the Appraisal Report, that as of January 2, 2018, the market value of the property within the District was \$51,541,910. See “THE DISTRICT — Appraisal Report.” The Appraisal Report indicates the Appraiser’s opinion as to the minimum market value of the properties referred to therein as of the date and under the conditions specified therein. The Appraiser’s opinion reflects conditions prevailing in the applicable market as of the Date of Value. The Appraiser’s opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

Prospective purchasers of the Bonds should not assume that the taxable land within the District could be sold for the appraised amount at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value, the Appraiser assumes that any sale will be unaffected by undue stimulus and will occur following a reasonable marketing period, which is not always present in a foreclosure sale. See Appendix B for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser’s assumptions to be untrue could result in a reduction of the value of the taxable land and improvements within the District from the market value estimated by the Appraiser.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*”

## **FDIC/Federal Government Interests in Properties**

**General.** The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “FDIC”), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In Rust v. Johnson (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

**FDIC.** In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

## Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Proceeds of Foreclosure Sales*." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the Bankruptcy Code might prevent moneys on deposit in the Improvement Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against a landowner or other party and if the court found that the landowner or other party had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled In re Glasply Marine Industries. In that case, the court held that ad valorem property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the "Bankruptcy Reform Act") included a provision which excepts from the Bankruptcy Code's automatic stay provisions, "the creation of a statutory lien for an ad valorem property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court]." This amendment effectively makes the Glasply holding inoperative as it relates to ad valorem real property taxes. However, it is possible that the original rationale of the Glasply ruling could still result in the treatment of post-petition special taxes as "administrative expenses," rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court's ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current ad valorem taxes.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as ad valorem taxes. No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy. Glasply is controlling precedent on bankruptcy courts in the State. If the Glasply precedent was applied to the levy of the Special Taxes, the amount of Special Taxes received from parcels whose owners declare bankruptcy could be reduced.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

### **No Acceleration Provision**

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the Bonds or the Fiscal Agent Agreement or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. See "— Limitations on Remedies" below.

### **Loss of Tax Exemption**

As discussed under the caption "LEGAL MATTERS — Tax Exemption," the interest on the Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds as a result of a failure of the City to comply with certain provisions of the Internal Revenue Code of 1986, as amended. Such an event of taxability would not in and of itself result in an early redemption of the Bonds and the Bonds will remain outstanding to maturity or until redeemed under the redemption provisions of the Fiscal Agent Agreement.

### **Limitations on Remedies**

Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

### **Limited Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the City has committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Bondowners on a timely basis. See "CONTINUING DISCLOSURE." The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Proposition 218**

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments

to impose taxes and property-related assessments, fees and charges.” The provisions of the Initiative have not yet been interpreted by the courts, although several lawsuits have been filed requesting the courts to interpret various aspects of the Initiative. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIII states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the Rate and Method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

“Section 3 of Article XIII C of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.”

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the City Council acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, it will not initiate proceedings under the Act to reduce the Maximum Rates on then existing Developed Property in the District below the amounts which are necessary to provide Special Tax Revenues in an amount equal to estimated Administrative Expenses for the then current Fiscal Year plus an amount equal to one hundred ten percent (110%) of Maximum Annual Debt Service on the Outstanding Bonds. The City also has covenanted that, in the event an initiative is adopted which purports to alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

With respect to the approval of the Special Taxes, on August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997) (the “San Diego Decision”). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego (“San Diego”). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by

the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIII A, Section 4 thereof and Article XIII C, Section 2 thereof require that the electors in such an election be the registered voters within the district.

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (viz., all of the registered voters in San Diego). The election held in the District had no registered voters within the District at the time of the election to authorize the Special Tax. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court's holding does not apply to the Special Tax election in the District. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. Voters within the District approved the Special Tax and the issuance of bonds on March 2, 2016.

The interpretation and application of Article XIII C and Article XIII D will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See "RISK FACTORS — Limitations on Remedies."

### **IRS Audit of Tax-Exempt Bond Issues**

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

### **Ballot Initiatives**

Article XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995 in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations.

## **CONTINUING DISCLOSURE**

### **General**

Pursuant to the City Continuing Disclosure Certificate, the City, on behalf of the District, has agreed to provide, or cause to be provided, to the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found on the Internet at [www.emma.msrb.org](http://www.emma.msrb.org), on an annual basis certain financial information and operating data concerning the District. This covenant has been made by the City in order to assist the Underwriter in complying with the Rule.

The City and its related entities have previously entered into continuing disclosure undertakings under the Rule in connection with the issuance of municipal obligations. [In the past five years, the City and its related entities did not provide timely notice of certain insured and underlying rating changes with respect to

certain lease revenue bonds of the City that were issued in 2001 and 2006. Notices of such rating changes have been filed as of the date of this Official Statement. Except as disclosed above, neither the City nor its related entities have in the past five years failed to comply with their respective continuing disclosure undertakings in any material respect.]

In order to promote compliance by the City and its related entities with their respective continuing disclosure undertakings, the City has adopted written disclosure policies and procedures.

## **LEGAL MATTERS**

### **Tax Exemption**

In the opinion of Best Best & Krieger LLP, Riverside California, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the Bonds is based upon certain representations of fact and certifications made by the City, on behalf of the District, the Underwriter and others and is subject to the condition that the City complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations adopted pursuant to the Code (the "Treasury Regulations") that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code and the Treasury Regulations might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements.

Should the interest on the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Fiscal Agent Agreement.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bond Owners from realizing the full current benefit of the tax status of such interest. For example, legislative proposals are announced from time to time which generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Bond Counsel's opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value or tax treatment of a Bond, and Bond Counsel expresses no opinion with respect thereto.

The Internal Revenue Service (the "IRS") has initiated an expanded program for auditing tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit

by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit (or by an audit of similar bonds).

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes provided the City continues to comply with certain requirements of the Code, the accrual or receipt of interest on the Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Bonds.

A copy of the proposed form of Bond Counsel opinion is attached hereto as Appendix F.

### **Legal Opinion**

The legal opinion of Bond Counsel, approving the validity of the Bonds in substantially the form set forth as Appendix F, will be made available to the original purchaser at the time of original delivery. A copy of the legal opinion for the Bonds will be provided with each definitive bond. Certain legal matters will be passed upon for the City and the District by the City Attorney's Office, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, as counsel to the Underwriter.

### **Litigation**

No litigation is pending or threatened concerning the validity of the Bonds, the pledge of Special Taxes to repay the Bonds, the powers or authority of the City with respect to the Bonds, or seeking to restrain or enjoin development of the land within the District and a certificate of the City to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds.

### **No Rating**

The District has not made and does not contemplate making application to any rating agency for the assignment of a rating of the Bonds.

### **Underwriting**

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$\_\_\_\_\_ (being \$\_\_\_\_\_ aggregate principal amount thereof, less Underwriter's discount of \$\_\_\_\_\_ and less net original issue discount of \$\_\_\_\_\_). The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

Under certain circumstances, the Underwriter may offer and sell the Bonds to certain dealers and others at prices lower or yields greater than the offering prices or yields stated on the inside cover page of this Official Statement. The offering prices or yields may be changed from time to time by the Underwriter.

### **Municipal Advisor**

The District has retained CSG Advisors Incorporated, San Francisco, California, as Municipal Advisor for the sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CSG Advisors Incorporated, is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

### **Financial Interests**

The fees being paid to the Municipal Advisor, the Underwriter, Underwriter's Counsel, Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel and Disclosure Counsel represent the Underwriter on matters unrelated to the Bonds.

### **Pending Legislation**

The District is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the District to pay the principal of and interest on the Bonds when due.

### **Additional Information**

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions.

The execution and delivery of this Official Statement by the City Manager of the City have been duly authorized by the City Council acting in its capacity as the legislative body of the District.

CITY OF CORONA  
ON BEHALF OF COMMUNITY FACILITIES  
DISTRICT NO. 2016-2 (TERRASSA) OF THE  
CITY OF CORONA

By: \_\_\_\_\_  
City Manager

## APPENDIX A

### RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 2016-2 (TERRASSA) OF THE CITY OF CORONA

Special Taxes (all capitalized terms are defined in Section A, “Definitions”, below) shall be applicable to each Assessor’s Parcel of Taxable Property located within the boundaries of the Community Facilities District No. 2016-2 (Terrassa) of the City of Corona (“CFD No. 2016-2”). The amount of Special Taxes to be levied in each Fiscal Year on an Assessor’s Parcel, shall be determined by the City Council of the City of Corona, acting in its capacity as the legislative body of CFD No. 2016-2 by applying the appropriate Special Tax for Developed Property, Approved Property, Undeveloped Property, Public Property and/or Property Owner’s Association Property that is not Exempt Property as set forth below. All of the real property, unless exempted by law or by the provisions hereof in Section F, shall be taxed to the extent and in the manner herein provided.

#### A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“**Acre or Acreage**” means the land area of an Assessor’s Parcel as shown on an Assessor’s Parcel Map, or if the land area is not shown on an Assessor’s Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map or instrument. The square footage of an Assessor’s Parcel is equal to the Acreage multiplied by 43,560.

“**Act**” means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

“**Acquisition Agreement**” means the Funding and Acquisition Agreement between the City of Corona, on behalf of itself and CFD No 2016-2, and Tri-Pointe Homes, Inc., dated as of March 1, 2016, as it may be amended.

“**Administrative Expenses**” means the following actual or reasonably estimated costs directly related to the formation, and administration of CFD No. 2016-2 including, but not limited to: the costs of computing the Special Taxes and preparing the Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting Special Taxes A to the Trustee; the costs of the Trustee (including legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2016-2 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2016-2 or any designee thereof of complying with disclosure requirements of the City, CFD No. 2016-2 or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs associated with evaluating the Special Tax A effective tax rate prior to the issuance of the first series of Bonds; the costs of the City, CFD No. 2016-2 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the City’s annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2016-2 for any other administrative purposes of CFD No. 2016-2, including attorney’s fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

“**Approved Property**” means all Assessor’s Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied,

and (ii) that have not been issued a building permit on or before March 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied.

**“Assessor’s Parcel”** means a lot or parcel of land designated on an Assessor’s Parcel Map with an assigned Assessor’s Parcel Number.

**“Assessor’s Parcel Map”** means an official map of the Assessor of the County designating parcels by Assessor’s Parcel Number.

**“Assessor’s Parcel Number”** means that number assigned to an Assessor’s Parcel by the County for purposes of identification.

**“Assigned Special Tax A”** means the Special Tax of that name described in Section D below.

**“Backup Special Tax A”** means the Special Tax of that name described in Section D below.

**“Boundary Map”** means a recorded map of the CFD which indicates the boundaries of the CFD.

**“Bonds”** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Tax A within CFD No. 2016-2 have been pledged.

**“Building Permit”** means the first legal document issued by a local agency giving official permission for new construction. For purposes of this definition, “Building Permit” may include any subsequent document(s) authorizing new construction on an Assessor’s Parcel that are issued or changed by the City after the original issuance, as determined by the CFD Administrator as necessary to fairly allocate Special Tax A to the Assessor’s Parcel, provided that following such determination the Maximum Special Tax A that may be levied on all Assessor’s Parcels of Taxable Property will be at least 1.1 times maximum annual debt service on all outstanding Bonds plus the estimated annual Administrative Expenses.

**“Building Square Footage” or “BSF”** means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the Building Permit for such Assessor’s Parcel.

**“Calendar Year”** means the period commencing January 1 of any year and ending the following December 31.

**“CFD Administrator”** means an official of the City, or designee thereof, responsible for (i) determining the Special Tax A Requirement, (ii) determining the Special Tax B Requirement, (iii) determining the Special Tax C (Contingent) Requirement, and (iv) providing for the levy and collection of the Special Taxes.

**“CFD” or “CFD No. 2016-2”** means Community Facilities District No. 2016-2 (Terrassa) established by the City under the Act.

**“City”** means the City of Corona.

**“City Council”** means the City Council of the City of Corona, acting as the Legislative Body of CFD No. 2016-2, or its designee.

**“Condominium Plan”** means a condominium plan as set forth in the California Civil Code, Section 1352.

**“County”** means the County of Riverside.

**“Developed Property”** means all Assessor’s Parcels of Taxable Property that: (i) are included in a Final Map that was recorded prior to the January 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied, and (ii) a Building Permit for new construction was issued on or before March 1<sup>st</sup> preceding the Fiscal Year in which the Special Tax is being levied.

**“Exempt Property”** means all Assessor’s Parcels designated as being exempt from Special Taxes as provided for in Section F.

**“Final Map”** means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a Condominium Plan pursuant to California Civil Code Section 1352 that creates individual lots for which Building Permits may be issued without further subdivision.

**“Fiscal Year”** means the period commencing on July 1<sup>st</sup> of any year and ending the following June 30<sup>th</sup>.

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

**“Land Use Category”** means any of the categories listed in Table 1 of Section D and Table 2 of Section M.

**“Maximum Special Tax A”** means the maximum Special Tax A, determined in accordance with Section D below that can be levied by CFD No. 2016-2 in any Fiscal Year on any Assessor’s Parcel.

**“Maximum Special Tax B”** means the Maximum Special Tax B, as determined in accordance with Section M below that can be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property within CFD No. 2016-2.

**“Maximum Special Tax C (Contingent)”** means the Maximum Special Tax C (Contingent), as determined in accordance with Section S below that can be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property within CFD No. 2016-2.

**“Multifamily Property”** means all Assessor’s Parcels of Residential Property for which a building permit has been issued or may be issued for purposes of constructing two or more Residential Units that share common walls, including but not limited to duplexes, triplexes, townhomes, condominiums, and apartment units, as determined by the CFD Administrator.

**“Non-Residential Property”** or **“NR”** means all Assessor’s Parcels of Taxable Property for which a building permit(s) was issued for a non-residential use. The CFD Administrator shall make the determination if an Assessor’s Parcel is Non-Residential Property.

**“Partial Prepayment Amount”** means the amount required to prepay a portion of the Special Tax A obligation for an Assessor’s Parcel, as described in Section G.

**“Prepayment Amount”** means the amount required to prepay the Special Tax A obligation in full for an Assessor’s Parcel, as described in Section G.

**“Property Owner Association”** or **“POA”** means a corporation formed by a real estate developer for the purpose of marketing, managing, and selling of homes and lots in a residential subdivision.

**“Property Owner’s Association Property”** means all Assessor’s Parcels which, as of July 1<sup>st</sup> of the Fiscal Year in which the Special Tax is being levied, have been conveyed, dedicated to, or irrevocably offered for dedication to a property owner association, including any master or sub-association.

**“Proportionately”** means for Taxable Property for Special Tax A that is (i) Developed Property, that the ratio of the actual Special Tax A levy to the Assigned Special Tax A is the same for all Assessor’s Parcels of Developed Property, (ii) Approved Property, that the ratio of the actual Special Tax A levy to the Maximum Special Tax A is the same for all Assessor’s Parcels of Approved Property, and (iii) Undeveloped Property, Public Property and Property Owner’s Association Property, that the ratio of the actual Special Tax A levy per Acre to the Maximum Special Tax A per Acre is the same for all Assessor’s Parcels of Undeveloped Property, Public Property and Property Owner’s Association Property.

For Special Tax B that is (i) Developed Property, that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is the same for all Assessor’s Parcels of Developed Property, (ii) Approved Property, that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is the same for all Assessor’s Parcels of Approved Property, and (iii) Undeveloped Property that the ratio of the actual Special Tax B levy per Acre to the Maximum Special Tax B per Acre is the same for all Assessor’s Parcels of Undeveloped Property.

For Special Tax C (Contingent) that is (i) Developed Property, that the ratio of the actual Special Tax C (Contingent) levy to the Maximum Special Tax C (Contingent) is the same for all Assessor’s Parcels of Developed Property, (ii) Approved Property, that the ratio of the actual Special Tax C (Contingent) levy to the Maximum Special Tax C (Contingent) is the same for all Assessor’s Parcels of Approved Property, and (iii) Undeveloped Property that the ratio of the actual Special Tax C (Contingent) levy per Acre to the Maximum Special Tax C (Contingent) per Acre is the same for all Assessor’s Parcels of Undeveloped Property.

**“Public Property”** means all Assessor’s Parcels which, as of July 1st of the Fiscal Year in which the Special Tax is being levied, are used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, or any other local jurisdiction, provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use.

**“Residential Property”** means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more Residential Units.

**“Residential Unit”** or **“RU”** means a residential unit that is used or intended to be used as a domicile by one or more persons, as determined by the CFD Administrator.

**“Single Family Residential Property”** means all Assessor’s Parcels of Residential Property for which a Building Permit has been or may be issued for purposes of constructing a detached Residential Unit on an Assessor’s Parcel. Such Residential Unit does not or will not share a common wall with another Residential Unit, as determined by the CFD Administrator.

**“Special Tax(es)”** means any of the special taxes authorized to be levied within CFD No. 2016-2 pursuant to the Act.

**“Special Tax A”** means any of the special taxes authorized to be levied within CFD No. 2016-2 pursuant to the Act to fund the Special Tax A Requirement.

**“Special Tax A Requirement”** means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) an allocable share of Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, (v) an amount equal to any reasonable anticipated shortfall due to Special Tax A delinquencies, and (vi) the collection or accumulation of funds for the acquisition or construction of facilities authorized by CFD No. 2016-2 provided that the inclusion of such amount does not cause an increase in the

levy of Special Tax A on Approved Property or Undeveloped Property as set forth in Step Three of Section E., less (vii) any amounts available to pay debt service or other periodic costs on the Bonds pursuant to the Indenture.

**“Special Tax B”** means the annual special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property to fund the Special Tax B Requirement.

**“Special Tax B Requirement”** means that amount to be collected in any Fiscal Year to pay for certain costs as required to meet the needs of CFD No. 2016-2 in both the current Fiscal Year and the next Fiscal Year. The costs to be covered shall be the direct costs for maintenance services including but not limited to (i) maintenance and lighting of parks, parkways, streets, roads and open space, (ii) maintenance and operation of water quality improvements, (iii) public street sweeping, (iv) fund an operating reserve for the costs of Special Tax B Services in the amount not to exceed two times the total Maximum Special Tax B for all Taxable Property for that Fiscal Year, as determined by the CFD Administrator, and (v) Administrative Expenses, less (vi) a credit for funds available to reduce the annual Special Tax B levy, as determined by the CFD Administrator. Under no circumstances shall the Special Tax B Requirement include funds for Bonds.

**“Special Tax B Services”** means the maintenance and operation of the improvements described in Exhibit “C” attached hereto beginning with the date of City acceptance of each improvement for maintenance purposes.

**“Special Tax C (Contingent)”** means the Special Tax C (Contingent) to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property to fund the Special Tax C (Contingent) Requirement, if required.

**“Special Tax C (Contingent) Requirement”** means that amount required to be collected in any Fiscal Year to: (i) pay the direct costs of Special Tax C (Contingent) Services anticipated to be incurred or otherwise payable by the City in the Calendar Year commencing in such Fiscal Year; and (ii) an allocable share of Administrative Expenses, less (iii) a credit for funds available to reduce the annual Special Tax C (Contingent) levy, as determined by the CFD Administrator.

**“Special Tax C (Contingent) Services”** means the City’s maintenance and operation of the improvements described in Exhibit “D” attached hereto following the POA’s default of its obligation to maintain such improvements, which default shall be deemed to have occurred in each of the circumstances described in Section Q.

**“Taxable Property”** means all Assessor’s Parcels within CFD No. 2016-2, which are not Exempt Property.

**“Taxable Unit”** means either a Residential Unit or an Acre.

**“Tract(s)”** means an area of land within a subdivision identified by a particular tract number on a Final Map approved for the subdivision.

**“Trustee”** means the trustee, fiscal agent, or paying agent under the Indenture.

**“Undeveloped Property”** means all Assessor’s Parcels of Taxable Property which are not Developed Property, Approved Property, Public Property or Property Owner’s Association Property.

## **B. SPECIAL TAX A**

Commencing Fiscal Year 2016-2017 and for each subsequent Fiscal Year, the City Council shall levy Special Tax A on all Taxable Property, up to the applicable Maximum Special Tax A to fund the Special Tax A Requirement.

**C. ASSIGNMENT TO LAND USE CATEGORY FOR SPECIAL TAX A**

Each Fiscal Year, beginning with Fiscal Year 2016-2017, each Assessor's Parcel within CFD No. 2016-2 shall be classified as Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be further classified as Developed Property, Approved Property, Undeveloped Property or Public Property and/or Property Owner's Association Property.

Assessor's Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. Each Assessor's Parcel of Residential Property shall further be classified as a Single Family Residential Property, or Multifamily Property. Each Assessor's Parcel of Single Family Residential Property shall be further categorized into Land Use Categories based on its Building Square Footage and assigned to its appropriate Assigned Special Tax A rate.

**D. MAXIMUM SPECIAL TAX A**

**1. Developed Property**

The Maximum Special Tax A for each Assessor's Parcel of Single Family Residential Property in any Fiscal Year shall be the greater of (i) the Assigned Special Tax A or (ii) the Backup Special Tax A.

The Maximum Special Tax A for each Assessor's Parcel of Non-Residential Property or Multifamily Residential Property shall be the applicable Assigned Special Tax A described in Table 1 of Section D

**a. Assigned Special Tax A**

Each Fiscal Year, each Assessor's Parcel of Single Family Residential Property, Multifamily Property, or Non-Residential Property shall be subject to an Assigned Special Tax A. The Assigned Special Tax A applicable to an Assessor's Parcel of Developed Property for Fiscal Year 2016-2017 shall be determined pursuant to Table 1 below.

**TABLE 1  
ASSIGNED SPECIAL TAX A FOR DEVELOPED PROPERTY**

<b>Land Use Category</b>	<b>Taxable Unit</b>	<b>Building Square Footage</b>	<b>Assigned Special Tax Per Taxable Unit</b>
1. Single Family Residential Property	RU	Less than 1,600	\$2,332
2. Single Family Residential Property	RU	1,600 to 1,800	\$2,475
3. Single Family Residential Property	RU	1,801 to 2,000	\$2,582
4. Single Family Residential Property	RU	2,001 to 2,200	\$2,737
5. Single Family Residential Property	RU	2,201 to 2,400	\$2,805
6. Single Family Residential Property	RU	Greater than 2,400	\$3,005
7. Multifamily Property	Acres	N/A	\$43,142
8. Non-Residential Property	Acres	N/A	\$43,142

**b. Multiple Land Use Categories**

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Type. The Maximum Special Tax A levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax A for all Land Use Categories located on the Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

c. Backup Special Tax A

The Backup Special Tax A for an Assessor's Parcel within a Final Map classified or to be classified as Single Family Residential Property shall be \$2,646 per Residential Unit. This Backup Special Tax A has been established based on the land use configurations shown on Tract Map No. 36355. In the event any portion of Tract Map No. 36355 is changed or modified, the Backup Special Tax A for all Assessor's Parcels within such changed or modified area shall be \$43,142 per Acre.

In the event any superseding Tract Map is recorded as a Final Map within the boundaries of the CFD, the Backup Special Tax A for all Assessor's Parcels within such Final Map shall be \$43,142 per Acre.

The Backup Special Tax A shall not apply to Multifamily Residential Property, Non-Residential Property, Public Property, or Property Owners' Association Property.

2. Approved Property

The Maximum Special Tax A for each Assessor's Parcel of Approved Property expected to be classified as Single Family Property shall be the Backup Special Tax A computed pursuant to Section D.1.c above.

The Maximum Special Tax A for each Assessor's Parcel of Approved Property expected to be classified as Multifamily Residential Property or Non-Residential Property shall be \$43,142 per Acre.

3. Undeveloped Property, Public Property, and Property Owner's Association Property that is not Exempt Property pursuant to the provisions of Section F

The Maximum Special Tax A for each Assessor's Parcel of Undeveloped Property, Public Property and/or Property Owners Association Property that is not Exempt Property shall be equal to the product of \$43,142 multiplied by the Acreage of such Assessor's Parcel.

**E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX A**

Commencing Fiscal Year 2016-2017 and for each subsequent Fiscal Year, the City Council shall levy Special Tax A on all Taxable Property in accordance with the following steps:

- Step One: Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax A rates in Table 1 to satisfy the Special Tax A Requirement.
- Step Two: If additional moneys are needed to satisfy the Special Tax A Requirement after the first step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax A applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.
- Step Three: If additional moneys are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, the Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax A applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.

Step Four: If additional moneys are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, then the Special Tax A on each Assessor's Parcel of Developed Property whose Maximum Special Tax A is the Backup Special Tax A shall be increased Proportionately from the Assigned Special Tax A up to 100% of the Backup Special Tax A as needed to satisfy the Special Tax A Requirement.

Step Five: If additional moneys are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Public Property or Property Owner's Association Property up to 100% of the Maximum Special Tax A applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.

Notwithstanding the above, under no circumstances will the Special Taxes levied in any Fiscal Year against any Assessor's Parcel of Residential Property as a result of a delinquency in the payment of the Special Tax A applicable to any other Assessor's Parcel be increased by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquency or default.

## **F. EXEMPTIONS**

The City shall classify as Exempt Property, in order of priority, (i) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by the State of California, Federal or other local governments, including school districts, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, or (vi) Assessor's Parcels restricted to other types of public uses determined by the City Council, provided that no such classification would reduce the sum of all Taxable Property to less than 8.95 Acres.

Notwithstanding the above, the City Council shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than 8.95 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 8.95 Acres will be classified as Provisional Undeveloped Property, and will be subject to Special Tax A pursuant to Step Five in Section E.

## **G. PREPAYMENT OF SPECIAL TAX A**

The following additional definitions apply to this Section G:

**"CFD Public Facilities"** means \$4,690,000 expressed in 2016 dollars, which shall increase by the Construction Inflation Index on July 1, 2017, and on each July 1 thereafter, or such lower amount (i) determined by the City Council as sufficient to provide the public facilities under the authorized bonding program for CFD No. 2016-2, or (ii) determined by the City Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Tax A levied under this Rate and Method of Apportionment.

**"Construction Fund"** means an account specifically identified in the Indenture or functionally equivalent to hold funds, which are currently available for expenditure to acquire or construct public facilities eligible under CFD No. 2016-2.

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

**“Future Facilities Costs”** means the CFD Public Facilities minus public facility costs previously funded, or that can be funded from funds in the Construction Fund.

**“Outstanding Bonds”** means all previously issued Bonds secured by the levy of Special Tax A which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Tax A.

## **1. Prepayment in Full**

The Maximum Special Tax A obligation may be prepaid and permanently satisfied for (i) Assessor’s Parcels of Developed Property, (ii) Assessor’s Parcels of Approved Property or Undeveloped Property for which a Building Permit has been issued, (iii) Approved or Undeveloped Property for which a Building Permit has not been issued, and (iv) Assessor’s Parcels of Public Property or Property Owner’s Association Property that are not Exempt Property pursuant to Section F. The Maximum Special Tax A obligation applicable to an Assessor’s Parcel may be fully prepaid and the obligation to pay the Special Tax A for such Assessor’s Parcel permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Maximum Special Tax A obligation for such Assessor’s Parcel shall provide the CFD Administrator with written notice of intent to prepay, and within 5 business days of receipt of such notice, the CFD Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the Prepayment Amount (as defined below) for the Assessor’s Parcel. Within 15 days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the Prepayment Amount for the Assessor’s Parcel. Prepayment must be made not less than 60 days prior to the redemption date for any Bonds to be redeemed with the proceeds of such Prepayment Amount.

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
Equals:	Prepayment Amount

The Prepayment Amount shall be determined as of the proposed prepayment date as follows:

1. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
2. For an Assessor’s Parcel of Developed Property, compute the Maximum Special Tax A for the Assessor’s Parcel. For an Assessor’s Parcel of Approved Property or Undeveloped Property for which a Building Permit has been issued, compute the Maximum Special Tax A for the Assessor’s Parcel as though it was already designated as Developed Property, based upon the Building Permit which has been issued for the Assessor’s Parcel. For an Assessor’s Parcel of Approved Property or Undeveloped Property for which a Building Permit has not been issued, Public Property or Property

Owner's Association Property to be prepaid, compute the Maximum Special Tax A for the Assessor's Parcel.

3. Divide the Maximum Special Tax A derived pursuant to paragraph 2 by the total amount of Special Taxes that could be levied at the Maximum Special Tax A at build out of all Assessor's Parcels of Taxable Property based on the applicable Maximum Special Tax A for Assessor's Parcels of Developed Property not including any Assessor's Parcels for which the Special Tax A obligation has been previously prepaid.

4. Multiply the quotient derived pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to determine the amount of Outstanding Bonds to be redeemed with the Prepayment Amount (the "Bond Redemption Amount").

5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").

6. Determine the Future Facilities Costs.

7. Multiply the quotient derived pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the amount of Future Facilities Costs for the Assessor's Parcel (the "Future Facilities Amount").

8. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds on which Bonds can be redeemed from the Prepayment Amount.

9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.

10. Determine the amount the CFD Administrator reasonably expects to derive from the investment of the Bond Redemption Amount and the Redemption Premium from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.

11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "Defeasance Amount").

12. Verify the administrative fees and expenses of the CFD, including the cost of computation of the Prepayment Amount, the cost to invest the Prepayment Amount, the cost of redeeming the Outstanding Bonds, and the cost of recording notices to evidence the prepayment of the Maximum Special Tax A obligation for the Assessor's Parcel and the redemption of Outstanding Bonds (the "Administrative Fees and Expenses").

13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the Prepayment Amount, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the Prepayment Amount from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.

14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit.

15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Construction Fund. The Administrative Fees and Expenses shall be retained by the CFD.

The Prepayment Amount may be sufficient to redeem an aggregate principal amount of Outstanding Bonds which is equally divisible by \$5,000. In such event, the increment above \$5,000 or an integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next redemption from other Special Tax A prepayments of Outstanding Bonds or to make debt service payments.

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

Notwithstanding the foregoing, no Special Tax A prepayment shall be allowed unless the amount of Maximum Special Tax A that may be levied on all Assessor's Parcels of Taxable Property after the proposed prepayment will be at least 1.1 times maximum annual debt service on the Bonds that will remain outstanding after the prepayment plus the estimated annual Administrative Expenses.

Tenders of Bonds in prepayment of the Maximum Special Tax A obligation may be accepted upon the terms and conditions established by the City Council pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the City Council.

## **2. Prepayment in Part**

The Maximum Special Tax A obligation for an Assessor's Parcel of Developed Property, Approved Property or Undeveloped Property may be partially prepaid. For purposes of determining the partial prepayment amount, the provisions of Section G.1 shall be modified as provided by the following formula:

$$PP = ((P_E - A) \times F) + A$$

These terms have the following meaning:

PP = Partial Prepayment

P<sub>E</sub> = the Prepayment Amount calculated according to Section G.1

F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Special Tax A obligation

A = the Administrative Fees and Expenses determined pursuant to Section G.1

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax A obligation for the Assessor's Parcel shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax A obligation, (ii) the percentage of the Maximum Special Tax A obligation such owner wishes to prepay, and (iii) the company or agency that will be acting as the escrow agent, if any. Within 5 days of receipt of such notice, the CFD Administrator shall notify such property owner of the amount of the

non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the amount of a partial prepayment. Within 15 business days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the amount of the Partial Prepayment for the Assessor's Parcel. A Partial Prepayment must be made not less than 60 days prior to the redemption date for the Outstanding Bonds to be redeemed with the proceeds of the Partial Prepayment.

With respect to any Assessor's Parcel for which the Maximum Special Tax A obligation is partially prepaid, the CFD Administrator shall (i) distribute the Partial Prepayment Amount as provided in Paragraph 15 of Section G.1, and (ii) indicate in the records of the CFD that there has been a Partial Prepayment for the Assessor's Parcel and that a portion of the Special Tax A obligation equal to the remaining percentage (1.00 - F) of Special Tax A obligation will continue on the Assessor's Parcel pursuant to Section E.

## **H. SPECIAL TAX A REDUCTION**

The following definitions apply to this Section H:

**"Date of Issuance"** means the date a bond purchase contract related to the sale of the Bonds is entered into between the underwriter of the Bonds and CFD No. 2016-2.

**"Plan Type"** means a discrete residential plan type (generally consisting of residential dwelling units that share a common product type (e.g., detached, attached, cluster) and that have nearly identical amounts of living area) that is constructed or expected to be constructed within CFD No. 2016-2 as identified in the Price Point Study.

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

**"Price Point Consultant"** means any consultant or firm of such consultants selected by CFD No. 2016-2 that (a) has substantial experience in performing price point studies or otherwise estimating or confirming pricing for Residential Units within community facilities districts, (b) is well versed in analyzing economic and real estate data that relates to the pricing of Residential Units in community facilities districts, (c) is independent and not under the control of CFD No. 2016-2 or the City, (d) does not have any substantial interest, direct or indirect, with or in (i) CFD No. 2016-2, (ii) the City, (iii) any owner of real property in CFD No. 2016-2, or (iv) any real property in CFD No. 2016-2, and (e) is not connected with CFD No. 2016-2 or the City as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 2016-2 or the City.

**"Price Point Study"** means a price point study or a letter updating a previous price point study, which (a) has been prepared by the Price Point Consultant, (b) sets forth the Plan Types constructed or expected to be constructed within CFD No. 2016-2, (c) sets forth the estimated number of constructed and expected Residential Units for each Plan Type, (d) sets forth such Price Point Consultant's estimate of the Price Point for each Plan Type and (e) uses a date for establishing such Price Points that is no earlier than 30 days prior to the date the Price Point Study is delivered to the CFD Administrator pursuant to Section H herein. The Price Point Study will only include the for-sale Residential Property in CFD No. 2016-2.

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

**"Total Tax and Assessment Obligation"** means, with respect to a Plan Type in CFD No. 2016-2, for the Fiscal Year for which the calculation is being performed, the quotient of (a) the sum of the Assigned Special Tax A, applicable Special Tax B, Special Tax C (Contingent), if it is being levied in such Fiscal Year, and

estimated *ad valorem* property taxes, special assessments, special taxes for any overlapping community facilities districts, and any other governmental taxes, fees and charges levied or imposed on all Residential Units of such Plan Type in CFD No. 2016-2 in such Fiscal Year or that would have been levied or imposed on all such Residential Units had such Residential Units been completed, sold and subject to such levies and impositions in such Fiscal Year divided by (b) the number of Residential Units in such Plan Type in CFD No. 2016-2. The Total Tax and Assessment Obligation for each Plan Type shall be calculated based on the applicable Building Square Footage, Price Point, and number of constructed and expected Residential Dwelling Units for such Plan Type in CFD 2016-2 as identified in the Price Point Study.

Prior to the issuance of the first series of Bonds, the following steps shall be taken for each Land Use Category of for-sale Residential Property in CFD No. 2016-2 for evaluating Special Tax A:

Step No.:

1. At least 30 days prior to the expected Date of Issuance of the first series of Bonds, CFD No. 2016-2 shall cause a Price Point Study to be delivered to the CFD Administrator.
2. As soon as practicable after receipt of the Price Point Study, the CFD Administrator shall calculate the Total Tax and Assessment Obligation and Total Effective Tax Rate for each Plan Type in CFD No. 2016-2.
3. Separately, for each Land Use Category of for-sale Residential Property in CFD No. 2016-2, the CFD Administrator shall determine whether or not the Total Effective Tax Rate for all Plan Types in a Land Use Category is less than or equal to 1.95%.
  - a. If the Total Effective Tax Rate for all Plan Types in a Land Use Category in CFD No. 2016-2 is less than or equal to 1.95%, then there shall be no change in Special Tax A for such Land Use Category in CFD No. 2016-2.
  - b. If the Total Effective Tax Rate for any Plan Type in a Land Use Category in CFD No. 2016-2 is greater than 1.95%, the CFD Administrator shall calculate a revised Assigned Special Tax A for such Land Use Category in CFD No. 2016-2, which revised Assigned Special Tax A shall be the highest amount (rounded to the nearest whole dollar) that will not cause the Total Effective Tax Rate for any Plan Type in such Land Use Category to exceed 1.95%.
4. If the Assigned Special Tax A for any Land Use Category is revised pursuant to step 3.b. above, the CFD Administrator shall calculate a revised Backup Special Tax A for all Developed Property within CFD No. 2016-2. The revised Backup Special Tax A per Acre shall be an amount (rounded to the nearest whole dollar) equal to the Backup Special Tax A per Acre as set forth in Section D.1.c. above, reduced by a percentage equal to the weighted average percentage reduction in the Assigned Special Tax A for all Land Use Categories of Residential Property resulting from the calculations in steps 3.a. and 3.b. above. The weighted average percentage will be calculated by taking the sum of the products of the number of units constructed or expected to be constructed in each Land Use Category multiplied by the percentage change in the Assigned Special Tax A (pursuant to step 3.b. above) for each Land Use Category (or 0 for Land Use Categories that are not changing). This amount is then divided by the total number of units constructed or expected to be constructed within CFD No. 2016-2 and converted to a percentage.
5. If the Assigned Special Tax A for any Land Use Category is revised pursuant to step 3.b. above, the CFD Administrator shall prepare and execute a Certificate of Reduction in Special Tax A substantially in the form of Exhibit "A" hereto and shall deliver such Certificate of Reduction in Special Tax A to CFD No. 2016-2. The Certificate of Reduction in Special Tax A

shall be completed for all Land Use Categories and shall set forth, as applicable, either (i) the reduced Assigned Special Tax A for a Land Use Category as calculated pursuant to step 3.b., or (ii) the Assigned Special Tax A as identified in Table 1 Section D for a Land Use Category that was not revised as determined pursuant to step 3.a.; as well as either (i) the revised Backup Special Tax A as calculated pursuant to step 4, or (ii) the Backup Special Tax A as identified in Section D.1.c. that was not revised as determined pursuant to step 4.

6. If the Date of Issuance of the first series of Bonds is within 120 days of the date of receipt of the Price Point Study by the CFD Administrator, CFD No. 2016-2 shall execute the acknowledgement on such Certificate of Reduction in Special Tax A, dated as of the closing date of such Bonds, and upon the closing of such first series of Bonds, the Assigned Special Tax A for each Land Use Category and the Backup Special Tax A shall be, for all purposes, as set forth in such Certificate of Reduction in Special Tax A. If the Date of Issuance of the first series of Bonds is not within 120 days of the date of receipt of the Price Point Study by the CFD Administrator, such Certificate of Reduction in Special Tax A shall not be acknowledged by CFD No. 2016-2 and shall, as of such date, be void and of no further force and effect. In such case, if subsequently a first series of Bonds is expected to be issued, at least 30 days prior to the expected Date of Issuance of such first series of Bonds, the CFD Administrator shall cause a new Price Point Study to be delivered to the CFD Administrator and, following such delivery, steps 2 through 5 of this section shall be performed based on such new Price Point Study.

7. As soon as practicable after the execution by CFD No. 2016-2 of the acknowledgement on the Certificate of Reduction in Special Tax A, CFD No. 2016-2 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for CFD No. 2016-2 reflecting the Assigned Special Tax A and the Backup Special Tax A for CFD No. 2016-2 set forth in such Certificate of Reduction in Special Tax A.

8. If the Assigned Special Tax A is not required to be changed for any Land Use Category based on the calculations performed under step 3 above, there shall be no reduction in the Maximum Special Tax A, and no Certificate of Reduction in Special Tax A shall be required. However the CFD Administrator shall prepare and deliver to CFD No. 2016-2 a Certificate of No Reduction in Special Tax A substantially in the form of Exhibit "B" hereto dated as of the closing date of the first series of Bonds that states that the calculations required pursuant to this Section H have been made and that no changes to the Maximum Special Tax A are necessary.

9. CFD No. 2016-2 and the CFD Administrator shall take no further actions under this Section H upon the earlier to occur of the following: (i) the execution of the acknowledgement by CFD No. 2016-2 on a Certificate of Reduction in Special Tax A pursuant to step 6; or (ii) the delivery by the CFD Administrator of a Certificate of No Reduction in Special Tax A pursuant to step 8.

10. Prior to the issuance of the first series of Bonds, Special Tax A may also be reduced in accordance with the Acquisition Agreement.

## **I. TERMINATION OF SPECIAL TAX A**

For each Fiscal Year that any Bonds are outstanding the Special Tax A shall be levied on all Assessor's Parcels subject to the Special Tax A as necessary to satisfy the Special Tax A Requirement. The Special Tax A shall cease not later than the 2057-58 Fiscal Year, however, Special Tax A will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined (i) that all required interest and principal payments on the CFD No. 2016-2 Bonds have been paid; (ii) all authorized facilities of CFD No. 2016-2 have been acquired and all reimbursements have been paid pursuant to the Acquisition Agreement, (iii) no

delinquent Special Tax A remain uncollected and (iv) all other obligations of CFD No. 2016-2 Special Tax A have been satisfied.

**J. MANNER OF COLLECTION**

The Special Tax A shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2016-2 may collect Special Tax A at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

**K. SPECIAL TAX B**

Commencing Fiscal Year 2016-2017 and for each subsequent Fiscal Year, the City Council shall levy Special Tax B on all Taxable Property, up to the applicable Maximum Special Tax B to fund the Special Tax B Requirement.

**L. ASSIGNMENT TO LAND USE CATEGORY FOR SPECIAL TAX B**

For each Fiscal Year, all Assessor's Parcels of Taxable Property within CFD No. 2016-2 shall be classified as Developed Property, Approved Property, or Undeveloped Property, and shall be subject to the levy of Special Tax B as determined pursuant to Sections M and N below. Assessor's Parcels of Developed Property and Approved Property shall be classified as either Residential Property or Non-Residential Property. Residential Property shall be further classified as Single Family Residential Property or Multi-Family Property. For Single Family Residential Property the number of Residential Units shall be determined by the CFD Administrator.

**M. MAXIMUM SPECIAL TAX B**

For purposes of determining the applicable Maximum Special Tax B for Assessor's Parcels of Developed Property which are classified as Single Family Residential Property, all such Assessor's Parcels shall be assigned the number of Residential Unit(s) constructed thereon, or approved to be constructed thereon, as specified in or shown on the Building Permit(s) issued or Final Map as determined by the CFD Administrator. Once a single family attached building or buildings have been built on an Assessor's Parcel, the CFD Administrator shall determine the actual number of Residential Units contained within the building or buildings, and the Special Tax B levied against the Assessor's Parcel in the next Fiscal Year shall be calculated by multiplying the actual number of Residential Units by the Maximum Special Tax B per Residential Unit.

For purposes of determining the applicable Maximum Special Tax B for Assessor's Parcels of Developed Property and Approved Property which are classified as Multifamily Property or Non-Residential Property, all such Assessor's Parcels shall be assigned the number of Acres as shown on the Final Map as determined by the CFD Administrator. Once the CFD Administrator determines the actual number of Acres for an Assessor's Parcel, the Special Tax B levied against the Assessor's Parcel in the next Fiscal Year shall be calculated by multiplying the number of Acres by the Maximum Special Tax per Taxable Acre.

**1. Developed Property**

**a. Maximum Special Tax B**

The Maximum Special Tax B for each Assessor's Parcel of Taxable Property for Fiscal Year 2016-2017 is identified in Table 2 below:

**TABLE 2**  
**MAXIMUM SPECIAL TAX B FOR DEVELOPED PROPERTY**

<b>Land Use Category</b>	<b>Taxable Unit</b>	<b>Maximum Special Tax Per Taxable Unit</b>
1. Single Family Residential Property	RU	\$199
2. Multifamily Property	Acre	\$3,249
3. Non-Residential Property	Acre	\$3,249

On each July 1, commencing on July 1, 2017 the Maximum Special Tax B for Developed Property shall increase by i) the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or ii) by two percent (2.0%), whichever is greater.

**b. Multiple Land Use Categories**

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Category. The Maximum Special Tax B that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax B that can be levied for each Land Use Category located on that Assessor's Parcel. For an Assessor's Parcel that contains more than one land use, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each land use as determined by reference to the site plan approved by the City for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

**2. Approved Property and Undeveloped Property**

The Maximum Special Tax B for each Assessor's Parcel of Approved Property and Undeveloped Property for Fiscal Year 2016-2017 is identified in Table 3 below:

**TABLE 3**  
**MAXIMUM SPECIAL TAX B RATES**

<b>Maximum Special Tax B Per Acre</b>
\$3,249

On each July 1, commencing on July 1, 2017 the Maximum Special Tax B for Approved Property and Undeveloped Property shall increase by i) the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or ii) by two percent (2.0%), whichever is greater.

**N. METHOD OF APPORTIONMENT OF ANNUAL SPECIAL TAX B**

Commencing with Fiscal Year 2016-2017 and for each following Fiscal Year, the Council shall determine the Special Tax B Requirement and shall levy the Special Tax B on all Assessor's Parcels of Taxable Property until the aggregate amount of Special Tax B equals the Special Tax B Requirement. The Special Tax B shall be levied for each Fiscal Year as follows:

Step One: The Special Tax B shall be levied Proportionately on all Assessor's Parcels of Developed Property up to 100% of the applicable Maximum Special Tax B to satisfy the Special Tax B Requirement;

Step Two: If additional moneys are needed to satisfy the Special Tax B Requirement after the first step has been completed, the Special Tax B shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax B for Approved Property;

Step Three: If additional monies are needed to satisfy the Special Tax B Requirement after the first two steps has been completed, the Special Tax B shall be levied Proportionately on all Assessor's Parcels of Undeveloped Property up to 100% of the Maximum Special Tax B for Undeveloped Property.

**O. DURATION OF SPECIAL TAX B**

The Special Tax B shall be levied in perpetuity to fund the Special Tax B Requirement, unless no longer required as determined at the sole discretion of the City Council.

**P. MANNER OF COLLECTION**

The Special Tax B shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that CFD No. 2016-2 may collect the Special Tax B at a different time or in a different manner if necessary to meet its funding requirements.

**Q. SPECIAL TAX C (CONTINGENT)**

The City Council shall levy Special Tax C (Contingent) commencing in the first Fiscal Year following the POA's default of its obligation to maintain the improvements described in Exhibit "D" attached hereto, which default shall be deemed to have occurred in each of the following circumstances:

(i) the POA files for bankruptcy;

(ii) the POA is dissolved;

(iii) the POA ceases to levy annual assessments for the maintenance of the improvements described above; or

(iv) the POA fails to maintain such improvements at the same level as the City maintains similar improvements throughout the City and within ninety (90) days after written notice from the City, or such longer period permitted by the City Manager, fails to remedy such maintenance deficiency to the reasonable satisfaction of the City Council.

**R. ASSIGNMENT TO LAND USE CATEGORY FOR SPECIAL TAX C (CONTINGENT)**

For each Fiscal Year that Special Tax C (Contingent) is authorized to be levied, all Assessor's Parcels of Taxable Property within CFD No. 2016-2 shall be classified as Developed Property, Approved Property, or Undeveloped Property, and shall be subject to the levy of Special Taxes as determined pursuant to Sections S and T below. Assessor's Parcels of Developed Property and Approved Property shall be classified as either Residential Property or Non-Residential Property. Residential Property shall be further classified as Single Family Residential Property or Multi-Family Property. For Single Family Residential Property the number of Residential Units shall be determined by the CFD Administrator.

## **S. MAXIMUM SPECIAL TAX C (CONTINGENT)**

For purposes of determining the applicable Maximum Special Tax C (Contingent) for Assessor's Parcels of Developed Property which are classified as Single Family Residential Property, all such Assessor's Parcels shall be assigned the number of Residential Unit(s) constructed thereon, or approved to be constructed thereon, as specified in or shown on the Building Permit(s) issued or Final Map as determined by the CFD Administrator. Once a single family attached building or buildings have been built on an Assessor's Parcel, the CFD Administrator shall determine the actual number of Residential Units contained within the building or buildings, and the Special Tax C (Contingent) levied against the Assessor's Parcel in the next Fiscal Year shall be calculated by multiplying the actual number of Residential Units by the Maximum Special Tax C (Contingent) per Residential Unit identified for the Assessor's Parcel.

For purposes of determining the applicable Maximum Special Tax C (Contingent) for Assessor's Parcels of Developed Property and Approved Property which are classified as Multifamily Property or Non-Residential Property, all such Assessor's Parcels shall be assigned the number of Acres as shown on the Final Map as determined by the CFD Administrator. Once the CFD Administrator determines the actual number of Acres for an Assessor's Parcel, the Special Tax C (Contingent) levied against an Assessor's Parcel in the next Fiscal Year shall be calculated by multiplying the number of Acres by the Maximum Special Tax C (Contingent) per Acre.

### **1. Developed Property**

#### **a. Maximum Special Tax C (Contingent)**

The Maximum Special Tax C (Contingent) for each Assessor's Parcel of Taxable Property for Fiscal Year 2016-2017 is identified in Table 2 below:

**TABLE 2  
MAXIMUM SPECIAL TAX C (CONTINGENT) FOR DEVELOPED PROPERTY**

<b>Land Use Category</b>	<b>Taxable Unit</b>	<b>Maximum Special Tax Per Taxable Unit</b>
1. Single Family Residential Property	RU	\$44
2. Multifamily Property	Acre	\$710
3. Non-Residential Property	Acre	\$710

On each July 1, commencing on July 1, 2017 the Maximum Special Tax C (Contingent) for Developed Property shall increase by i) the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or ii) by two percent (2.0%), whichever is greater.

#### **b. Multiple Land Use Categories**

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Category. The Maximum Special Tax C (Contingent) that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax C (Contingent) that can be levied for each Land Use Category located on that Assessor's Parcel. For an Assessor's Parcel that contains more than one land use, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

**2. Approved Property and Undeveloped Property**

The Maximum Special Tax C (Contingent) for each Assessor's Parcel of Approved Property and Undeveloped Property for Fiscal Year 2016-2017 is identified in Table 3 below:

**TABLE 3  
MAXIMUM SPECIAL TAX C (CONTINGENT) FOR APPROVED PROPERTY AND  
UNDEVELOPED PROPERTY**

<b>Maximum Special Tax C (Contingent) Per Acre</b>
<b>\$710</b>

On each July 1, commencing on July 1, 2017 the Maximum Special Tax C (Contingent) for Approved Property and Undeveloped Property shall increase by i) the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or ii) by two percent (2.0%), whichever is greater.

**T. METHOD OF APPORTIONMENT OF ANNUAL SPECIAL TAX**

Commencing with the first Fiscal Year in which Special Tax C (Contingent) is authorized to be levied and for each following Fiscal Year, the Council shall determine the Special Tax C (Contingent) Requirement and shall levy the Special Tax C (Contingent) on all Assessor's Parcels of Taxable Property until the aggregate amount of Special Tax C (Contingent) equals the Special Tax C (Contingent) Requirement. The Special Tax C (Contingent) shall be levied for each Fiscal Year as follows:

- Step One: The Special Tax C (Contingent) shall be levied Proportionately on all Assessor's Parcels of Developed Property up to 100% of the applicable Maximum Special Tax C (Contingent) to satisfy the Special Tax C (Contingent) Requirement;
- Step Two: If additional moneys are needed to satisfy the Special Tax C (Contingent) Requirement after the first step has been completed, the Special Tax C (Contingent) shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax C (Contingent) for Approved Property;
- Step Three: If additional monies are needed to satisfy the Special Tax C (Contingent) Requirement after the first two steps has been completed, the Special Tax C (Contingent) shall be levied Proportionately on all Assessor's Parcels of Undeveloped Property up to 100% of the Maximum Special Tax C (Contingent) for Undeveloped Property.

**U. DURATION OF SPECIAL TAX C (CONTINGENT)**

The Special Tax C (Contingent) shall be levied in perpetuity to fund the Special Tax C (Contingent) Requirement, unless no longer required as determined at the sole discretion of the City Council.

**V. MANNER OF COLLECTION OF SPECIAL TAX C (CONTINGENT)**

The Special Tax C (Contingent) shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that CFD No. 2016-2 may collect the Special Tax C (Contingent) at a different time or in a different manner if necessary to meet its funding requirements.

## **W. APPEALS OF SPECIAL TAXES**

Any taxpayer may file a written appeal of the Special Taxes on his/her Assessor's Parcel(s) with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination. If the CFD Administrator agrees with the appellant, the CFD Administrator shall take any of the following actions, in order of priority, in order to correct the error:

- (i) amend the Special Tax levy for the current Fiscal Year prior to the payment date;
- (ii) require the CFD to reimburse the taxpayer the amount of the overpayment to the extent of the available funds of CFD No. 2016-2; or
- (iii) grant a credit against, eliminate or reduce the future Special Taxes levied on the taxpayer's property within CFD No. 2016-2 in the amount of the overpayment.

The CFD Administrator shall interpret this Rate and Method of Apportionment and make determinations relative to the annual levy and administration of the Special Taxes and any taxpayer who appeals, as herein specified.

**EXHIBIT "A"**

**CERTIFICATE OF REDUCTION OF SPECIAL TAX A**

**COMMUNITY FACILITIES DISTRICT NO. 2016-2 (TERRASSA)  
OF THE CITY OF CORONA**

1. Pursuant to Section H of the Rate and Method of Apportionment, the Maximum Special Tax A for Developed Property for [certain or all] Land Use Categories within CFD No. 2016-2 has been reduced.
2. The calculations made pursuant to Section H were based upon a Price Point Study that was received by the CFD Administrator on \_\_\_\_\_.
3. Tables 1A below show the Assigned Special Tax A for each Land Use Category in CFD No. 2016-2 after such reduction.

**TABLE 1A  
ASSIGNED SPECIAL TAX A FOR DEVELOPED PROPERTY**

<b>Land Use Category</b>	<b>Taxable Unit</b>	<b>Building Square Footage</b>	<b>Assigned Special Tax Per Taxable Unit</b>
1. Single Family Residential Property	RU	Less than 1,600	\$
2. Single Family Residential Property	RU	1,600 to 1,800	\$
3. Single Family Residential Property	RU	1,801 to 2,000	\$
4. Single Family Residential Property	RU	2,001 to 2,200	\$
5. Single Family Residential Property	RU	2,201 to 2,400	\$
6. Single Family Residential Property	RU	Greater than 2,400	\$
7. Multifamily Property	Acres	N/A	\$

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

The Backup Special Tax A for an Assessor's Parcel within a Final Map classified or to be classified as Single Family Residential Property shall be \$\_\_\_\_\_ per unit. This Backup Special Tax A has been established based on the land use configurations shown on Tract Map No. \_\_\_\_\_. In the event any portion of Tract Map No. \_\_\_\_\_ is changed or modified, the Backup Special Tax A for all Assessor's Parcels within such changed or modified area shall be \$\_\_\_\_\_ per Acre.

In the event any superseding Tract Map is recorded as a Final Map within the Boundaries of the CFD, the Backup Special Tax A for all Assessor's Parcels within such Final Map shall be \$\_\_\_\_\_ per Acre.

5. Upon execution of the Certificate of Reduction of Special Tax A by the City and CFD No. 2016-2 the City shall cause an amended Notice of Special Tax Lien for CFD No. 2016-2 to be recorded reflecting the modifications set forth herein.

Submitted

CFD ADMINISTRATOR

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

Date: \_\_\_\_\_

By execution hereof, the undersigned acknowledges, on behalf of CFD No. 2016-2, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

Community Facilities District No. 2016-2 (Terrassa) of the City of Corona

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

Date as of: [closing date of Bonds]

**EXHIBIT "B"**

**CERTIFICATE OF NO REDUCTION OF SPECIAL TAX A**

**COMMUNITY FACILITIES DISTRICT NO. 2016-2 (TERRASSA)  
OF THE CITY OF CORONA**

1. All calculations required pursuant to Section H of the Rate and Method of Apportionment have been made based upon a Price Point Study that was received by the CFD Administrator on \_\_\_\_\_.
2. Total Effective Tax Rate for all Plan Types in all Land Use Categories is less than or equal to 1.95%
3. The Maximum Special Tax A for Developed Property within CFD No. 2016-2, including the Assigned Special Tax A set forth in Sections D.1.a. and the Backup Special Tax A set forth in Section D.1.c. of the Rate and Method of Apportionment, shall remain in effect and not be reduced.

Submitted

CFD ADMINISTRATOR

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

Date as of: [closing date of Bonds]

## **EXHIBIT “C”**

### **DESCRIPTION OF AUTHORIZED SPECIAL TAX B SERVICES**

#### **COMMUNITY FACILITIES DISTRICT NO. 2016-2 (TERRASSA) OF THE CITY OF CORONA**

The services which may be funded with proceeds of Special Tax B of CFD No. 2016-2, as provided by Section 53313 of the Act, will include all costs attributable to maintaining, servicing, cleaning, repairing and/or replacing landscaped areas (may include reserves for replacement) in public street right-of-ways, public landscaping, public open spaces and other similar landscaped areas officially dedicated for public use. These services including the following:

(a) maintenance and lighting of parks, parkways, streets, roads and open space, which maintenance and lighting services may include, without limitation, furnishing of electrical power to street lights; repair and replacement of damaged or inoperative light bulbs, fixtures and standards; maintenance (including irrigation and replacement) of landscaping vegetation situated on or adjacent to parks, parkways, streets, roads and open space; maintenance and repair of irrigation facilities; maintenance of public signage; graffiti removal from and maintenance and repair of public structures situated on parks, parkways, streets, roads and open space; maintenance and repair of playground or recreation program equipment or facilities situated on any park; and

(b) maintenance and operation of water quality improvements which include storm drainage and flood protection facilities, including, without limitation, drainage inlets, catch basin inserts, infiltration basins, flood control channels, fossil fuel filters, and similar facilities. Maintenance services may include but is not limited to the repair, removal or replacement of all or part of any of the water quality improvements, fossil fuel filters within the public right-of-way including the removal of petroleum hydrocarbons and other pollutants from water runoff, or appurtenant facilities, clearing of inlets and outlets; erosion repairs; and cleanup to improvements, and other items necessary for the maintenance, servicing; or both of the water quality basin improvements within flood control channel improvements; and

(c) public street sweeping, on the segments of the arterials within the boundaries of CFD No. 2016-2; as well as local roads within residential subdivisions located within CFD No. 2016-2; and any portions adjacent to the properties within CFD No. 2016-2; and

In addition to payment of the cost and expense of the forgoing services, proceeds of Special Tax B may be expended to pay “Administrative Expenses,” as said term is defined in the Rate and Method of Apportionment.

**EXHIBIT “D”**

**DESCRIPTION OF AUTHORIZED SPECIAL TAX C SERVICES**

**COMMUNITY FACILITIES DISTRICT NO. 2016-2 (TERRASSA)  
OF THE CITY OF CORONA**

The services which may be funded with proceeds of Special Tax C (Contingent) of CFD No. 2016-2, as provided by Section 53313 of the Act, will include all costs attributable to maintaining, servicing, cleaning, repairing and/or replacing water quality improvements (may include reserves for replacement) in public street right-of-ways, public landscaping, public open spaces and other similar landscaped areas officially dedicated for public use.

The authorized Special Tax C Services include the maintenance and operation of water quality improvements, which include the bio-retention facility and appurtenances as shown on the Final WQMP Site Plan and as an Exhibit in the Report of Responsible Officer, which shall be maintained as described in the Storm Water Management Plan on file with the City of Corona. Maintenance services may include, but are not limited to the repair, removal or replacement of all or part of any of the water quality improvements.

In addition to payment of the cost and expense of the forgoing services, proceeds of Special Tax C (Contingent) may be expended to pay “Administrative Expenses,” as said term is defined in the Rate and Method of Apportionment.

**APPENDIX B**  
**APPRAISAL REPORT**

## APPENDIX C

### SUPPLEMENTAL INFORMATION CONCERNING CITY OF CORONA AND COUNTY OF RIVERSIDE

*The Bonds will not be secured by any pledge of ad valorem taxes or City General Fund revenues but will be payable solely from Special Taxes to levied on and collected from the owners of certain taxable land within the District. The information set forth below is included in the Official Statement for background purposes only.*

#### General Description and Background

Incorporated in 1896, the City of Corona is a general law city that now functions under a Council/Manager form of government. A five member City Council is elected at large for staggered four-year terms. The Mayor is appointed annually by and from the City Council. The City Manager is appointed by the City Council.

Riverside County, which encompasses 7,303 square miles, was organized in 1893 from territory in San Bernardino and San Diego Counties. Located in the southeastern portion of California, Riverside County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the South by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. There are 28 incorporated cities in Riverside County.

Riverside County's varying topology includes desert, valley and mountain areas as well as gently rolling terrain. Three distinct geographical areas characterize Riverside County: the western valley area, the higher elevations of the mountains, and the deserts. The western valley, the San Jacinto Mountains and the Cleveland National Forest experience the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions. Riverside County is the site for famous resorts, such as Palm Springs, as well as a leading area for inland water recreation. Nearly 20 lakes in Riverside County are open to the public. The dry summers and moderate to cool winters make it possible to enjoy these and other recreational and cultural facilities on a year-round basis.

#### Population

The following sets forth the City, the County and the State population estimates as of January 1, for the years 2013 to 2016:

#### CITY OF CORONA, RIVERSIDE COUNTY AND STATE OF CALIFORNIA Estimated Population

<i>Year (January 1)</i>	<i>City of Corona</i>	<i>Riverside County</i>	<i>State of California</i>
2013	158,944	2,266,290	38,238,492
2014	161,472	2,291,699	38,572,211
2015	162,746	2,318,762	38,915,880
2016	163,931	2,348,213	39,189,035
2017	167,759	2,384,783	39,523,613

Source: State of California Department of Finance, Demographic Research Unit. March 2010 Benchmark.

## Commerce

A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2016 in the City were reported to be \$3,396,904,000, an 2.30% increase over the total taxable sales of \$3,320,556,000 reported during calendar year 2015.

**CITY OF CORONA**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in thousands)**

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2012	2,617	\$1,773,853	4,077	\$2,855,833
2013	2,517	1,849,050	4,004	3,111,998
2014	2,558	1,917,343	4,057	3,231,208
2015	2,532	1,922,579	4,416	3,320,556
2016	2,534	1,934,927	4,489	3,396,904

<sup>(1)</sup> Retail stores data not comparable to prior years.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2016 in the County were reported to be \$34,231,143,000, a 4.01% increase over the total taxable sales of \$32,910,909,000 reported during calendar year 2015.

**COUNTY OF RIVERSIDE**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in thousands)**

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2012	34,683	\$20,016,668	48,316	\$28,096,009
2013	33,391	21,306,774	46,805	30,065,467
2014	34,910	22,646,343	48,453	32,035,687
2015	38,184	23,281,724	56,846	32,910,909
2016	38,378	24,022,135	57,742	34,231,143

<sup>(1)</sup> Retail stores data not comparable to prior years.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

## Employment and Industry

The City is included in the Riverside-San Bernardino-Ontario labor market area. The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 5.9% in 2016, down from 6.6% in 2015. This compares with an unadjusted unemployment rate of 5.4% for California and 4.9% for the nation during the same period. The unemployment rate was 6.1% in Riverside County, and 5.7% in San Bernardino County.

The following table shows the average annual estimated numbers of wage and salary workers by industry. The table does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

### **RIVERSIDE-SAN BERNARDINO-ONTARIO METROPOLITAN STATISTICAL AREA (RIVERSIDE COUNTY)**

#### **Civilian Labor Force, Employment and Unemployment (Annual Averages)**

	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Civilian Labor Force	1,879,300	1,893,000	1,920,100	1,956,600	1,987,400
Civilian Employment	1,662,700	1,706,900	1,764,600	1,828,400	1,870,200
Civilian Unemployment	216,600	186,100	155,600	128,200	117,200
Civilian Unemployment Rate	11.5%	9.8%	8.1%	6.6%	5.9%
 Total Farm	 15,000	 14,500	 14,400	 14,800	 14,700
Total Nonfarm	1,185,200	1,233,300	1,289,300	1,353,100	1,400,800
Total Private	960,600	1,008,100	1,060,500	1,119,800	1,160,300
Goods Producing	150,500	158,600	170,200	183,000	192,300
Mining and Logging	1,200	1,200	1,300	1,300	900
Construction	62,600	70,000	77,600	85,700	92,500
Manufacturing	86,700	87,300	91,300	96,100	98,900
Service Providing	1,034,700	1,074,700	1,119,100	1,170,100	1,208,508
Trade, Transportation and Utilities	287,600	299,700	314,900	332,000	346,300
Wholesale Trade	52,200	56,400	58,900	61,600	62,900
Retail Trade	162,400	164,800	169,400	174,300	179,800
Transportation, Warehousing and Utilities	73,000	78,400	86,600	97,400	104,400
Information	11,700	11,500	11,300	11,400	11,600
Financial Activities	40,700	41,800	42,900	43,900	45,300
Professional and Business Services	127,100	132,400	139,300	147,400	145,800
Educational and Health Services	173,600	187,600	194,800	205,100	214,300
Leisure and Hospitality	129,400	135,900	144,800	151,700	159,700
Other Services	40,100	41,100	43,000	44,000	45,100
Government	<u>224,600</u>	<u>225,200</u>	<u>228,800</u>	<u>233,300</u>	<u>240,500</u>
Total, All Industries	<u>1,200,200</u>	<u>1,247,800</u>	<u>1,303,700</u>	<u>1,367,900</u>	<u>1,415,400</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding.

Source: State of California, Employment Development Department, March 2016 Benchmark.

## Major Employers

The table below shows the 10 largest employers in the City.

### CITY OF CORONA LARGEST EMPLOYERS (As of June 30, 2017)

<i>Employer</i>	<i>Number of Employees</i>	<i>% of Total City Employment <sup>(1)</sup></i>
Corona-Norco Unified School District	5,399	6.57%
Corona Regional Medical Center	1,113	1.35
Kaiser Permanente	995	1.21
All American Asphalt	840	1.02
City of Corona	805	0.98
Fender Guitar	650	0.79
Monster Energy	607	0.74
TWR Framing Enterprises	600	0.73
Thermal Structures	500	0.61
Veg Fresh Farms	425	0.52
Total	11,934	14.52%

Source: City of Corona 2017 Comprehensive Annual Financial Report.

The table below shows the 10 largest employers in the County.

### COUNTY OF RIVERSIDE LARGEST EMPLOYERS (As of June 30, 2017)

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	County of Riverside	22,538	County Government
2.	University of California, Riverside	8,686	University
3.	March Air Reserve Base	8,500	Military Reserve Base
4.	Amazon	7,500	Online Retailer/Warehouse
5.	Kaiser Permanente Riverside Medical Center	5,739	Medical Center
6.	Corona-Norco Unified School District	5,399	School District
7.	Riverside Unified School District	4,236	School District
8.	Pechanga Resort & Casino	4,000	Casino & Resort
9.	Riverside University Health Systems – Medical Center	3,876	Medical Center
10.	Eisenhower Medical Center	3,665	Medical Center

Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2017.

## Construction Activity

The following is a five-year summary of the valuation of building permits issued in the City.

### **CITY OF CORONA Building Permit Valuations (Valuation in Thousands of Dollars)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Valuation (\$000):					
Residential	\$23,973	\$ 33,878	\$ 77,425	\$ 52,535	\$ 23,341
Non-residential	<u>46,137</u>	<u>95,334</u>	<u>64,420</u>	<u>89,581</u>	<u>81,914</u>
Total*	\$70,110	\$129,212	\$141,845	\$142,116	\$105,225
Residential Units:					
Single family	78	39	30	28	66
Multiple family	<u>0</u>	<u>237</u>	<u>626</u>	<u>533</u>	<u>0</u>
Total	78	276	656	561	66

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

The following is a five-year summary of the valuation of building permits issued in the County.

### **COUNTY OF RIVERSIDE Building Permit Valuations (Valuation in Thousands of Dollars)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Valuation (\$000's)					
Residential	\$1,079,405	\$1,375,593	\$1,621,751	\$1,536,742	\$1,759,535
Non-Residential	<u>657,595</u>	<u>873,977</u>	<u>814,990</u>	<u>911,465</u>	<u>1,346,019</u>
Total	\$1,737,000	\$2,249,570	\$12,436,741	\$1,448,207	\$3,105,554
Units					
Single Family	3,720	4,716	5,007	5,007	5,662
Multiple Family	<u>909</u>	<u>1,427</u>	<u>1,931</u>	<u>1,189</u>	<u>1,039</u>
Total	4,629	6,143	6,938	6,196	6,701

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

## **APPENDIX D**

### **SUMMARY OF FISCAL AGENT AGREEMENT**

*The following is a summary of certain provisions of the Fiscal Agent Agreement (the “Agreement”) not otherwise described in the text of this Official Statement. This summary is not intended to be definitive, and reference is made to the text of the Fiscal Agent Agreement (the “Agreement”) for the complete provisions thereof.*

[TO COME FROM BOND COUNSEL]

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATES OF THE CITY AND THE DEVELOPER

#### CONTINUING DISCLOSURE CERTIFICATE OF THE CITY

This Continuing Disclosure Certificate, dated as of April 1, 2018 (the “Disclosure Certificate”), is executed and delivered by the City of Corona (the “Issuer”), for and on behalf of Community Facilities District No. 2016-2 (Terrassa) of the City of Corona, in connection with the issuance and delivery by the Issuer of its \$\_\_\_\_\_ Community Facilities District No. 2016-2 (Terrassa) of the City of Corona 2018 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of April 1, 2018 (the “Fiscal Agent Agreement”), by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the “Fiscal Agent”). The Issuer covenants as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income purposes.

“Disclosure Representative” shall mean the City Manager or the Assistant City Manager/Administrative Services Director of the Issuer, or their designee, or such other officer or employee as the Issuer shall designate in writing from time to time.

“Dissemination Agent” shall mean, initially, the Issuer, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the then current Dissemination Agent a written acceptance of such designation.

“Fiscal Year” shall mean the period from July 1 to June 30, or any other period selected by the Issuer as its fiscal year.

“Listed Events” shall mean any of the events listed in Section 5(a) and (b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future

“Official Statement” shall mean the Official Statement dated April \_\_, 2018 relating to the Bonds.

“Participating Underwriter” shall mean the original underwriter of the Bonds that is required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

### SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, provide not later than March 1 after the end of the Issuer’s Fiscal Year, commencing with the report due on March 1, 2019, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report; and provided further that the first Annual Report shall consist solely of the Official Statement.

An Annual Report shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months. The Issuer’s Fiscal Year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify the MSRB and the Fiscal Agent of a change in its Fiscal Year.

(b) Not later than fifteen (15) business days prior to each March 1, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in a timely manner in the manner prescribed by the MSRB.

(c) The Dissemination Agent shall: (i) determine each year prior to March 1 the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and (b) if the Dissemination Agent is other than the Issuer, certify to the Issuer that the Annual Report has been filed with the MSRB pursuant to this Disclosure Certificate, and stating, to the extent that it can confirm such filing of the Annual Report, the date that it was filed.

SECTION 4. Content of Annual Report. The Issuer’s Annual Report shall contain or include by reference:

(a) The audited financial statements of the Issuer for the most recent Fiscal Year of the Issuer then ended. If the Issuer prepares audited financial statements and if the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the Issuer in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the Issuer shall be audited by such auditor as shall then be required or permitted by State law or the Fiscal Agent Agreement. Audited financial statements, if prepared by the Issuer, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide the information referenced in Section 8(d) below.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following information.

(i) the principal amount of Bonds outstanding as of the September 2 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Fiscal Agent Agreement as of the September 2 preceding the filing of the Annual Report;

(iii) a description of any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors for approval prior to the filing of the Annual Report and a summary of the facts related to the collection of any Backup Special Tax and a description of any parcels for which the Special Taxes have been prepaid, including the amount prepaid, since the date of the last Annual Report;

(iv) an update of Table 5 in the Official Statement, provided, however, that such update need not include the appraised value of the property within the District and may include the assessed value of such property for the then current Fiscal Year;

(v) a description of any event known to the Issuer which reduces the taxable acreage or which results in a moratorium on future building within the District;

(vi) a table setting forth for the five most recent Fiscal Years in which Special Taxes were levied, the amount of Special Taxes levied in each Fiscal Year and the percentage delinquent as of June 30 of such Fiscal Year and as of the date of the Annual Report, which may be in the form of Table 7 in the Official Statement, and a description of the status of any foreclosure actions being pursued by the Issuer with respect to delinquent Special Taxes; and

(vii) any information not already included under (i) through (vi) above that the Issuer is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

(c) Any or all of the items listed in subsections (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on credit enhancements reflecting financial difficulties.

(iv) Substitution of credit or liquidity providers, or their failure to perform.

(v) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB).

(vi) Tender offers.

- (vii) Defeasances.
- (viii) Rating changes.
- (ix) Bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not more than ten (10) business days after occurrence:

(i) Unless described in Section 5(a)(v), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds.

- (ii) Modifications to the rights of Bondholders.
- (iii) Optional, unscheduled or contingent Bond calls.
- (iv) Release, substitution or sale of property securing repayment of the Bonds.
- (v) Non-payment related defaults.

(vi) The consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(vii) Appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the Issuer, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) business days after the event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(vii) and (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Fiscal Agent Agreement.

(d) If the Issuer determines that a Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the Issuer, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Issuer and, if the Dissemination Agent is other than the Issuer, the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The obligation of the Issuer under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing 30 days' written notice to the Issuer and the Fiscal Agent. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Issuer and shall have no duty to review any information provided to it by the Issuer. The Dissemination Agent shall have no duty to prepare any information report, nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Issuer in a timely manner and in a form suitable for filing.

SECTION 8. Amendment.

(a) This Disclosure Certificate may be amended, without the consent of the Owners, if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby; (ii) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the Issuer shall have obtained an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the same effect as set forth in clause (ii) above and to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners.

(b) This Disclosure Certificate may be amended upon obtaining consent of Owners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of the Owners of the Bonds, provided that the conditions set forth in Section 8(a)(i), (ii) and (iii) have been satisfied.

(c) To the extent any amendment to this Disclosure Certificate results in a change in the type of financial information or operating data provided pursuant to this Disclosure Certificate, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this

Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and the Rule, may apply to the Issuer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer or the Fiscal Agent to comply with this Disclosure Certificate shall be an action to compel performance.

No Owner or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Issuer satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Issuer shall have refused to comply therewith within a reasonable time.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Fiscal Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Owners, or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative:	Assistant City Manager/Administrative Services Director City of Corona 400 South Vicentia Avenue Corona, California 92882-2187
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Fiscal Agent:	The Bank of New York Mellon Trust Company, N.A. 400 South Hope Street, Suite 500 Los Angeles, California 90071
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Participating Underwriter:

Stifel, Nicolaus & Company, Incorporated  
One Montgomery Street, 35th Floor  
San Francisco, California 94104

CITY OF CORONA, for and on behalf of  
COMMUNITY FACILITIES DISTRICT  
NO. 2016-1 (TERRASSA) OF THE CITY OF  
CORONA, COUNTY OF RIVERSIDE, STATE  
OF CALIFORNIA

By: \_\_\_\_\_  
Assistant City Manager/Administrative  
Services Director

## CONTINUING DISCLOSURE CERTIFICATE OF THE DEVELOPER

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated as of April 1, 2018, is executed and delivered by TRI Pointe Homes, Inc. (the “Developer”), in connection with the issuance and delivery by the City of Corona (the “Issuer”) of its Community Facilities District No. 2016-2 (Terrassa) of the City of Corona 2018 Special Tax Bonds (collectively, the “Bonds”). The Bonds are being issued and delivered pursuant to a Fiscal Agent Agreement by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the “Fiscal Agent”), dated as of April 1, 2018 (the “Fiscal Agent Agreement”). The Developer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Developer to assist the Participating Underwriter in the marketing of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Affiliate” shall mean any Person presently directly (or indirectly through one or more intermediaries) currently under managerial control of the Developer, and about whom information could be material to potential investors in their investment decision regarding the Bonds (including, without limitation, information relevant to the proposed development of the Property which the Developer owns or the Developer’s ability to pay the Special Taxes related to the Property which the Developer owns).

“Annual Report” shall mean any Annual Report provided by the Developer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” means Spicer Consultant Group, LLC, or any successor Dissemination Agent designated in writing by the Developer, with the written consent of the Issuer, and which has filed with the Issuer a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Certificate.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

“Fiscal Year” shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30.

“Government Authority” shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement, dated March \_\_, 2018, relating to the Bonds.

“Participating Underwriter” means Stifel Nicolaus & Company, Incorporated, the original underwriter of the Bonds.

“Person” shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

“Property” means the real property within the boundaries of the District owned by the Developer or any Affiliate.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Semiannual Report” shall mean any report to be provided by the Developer on or prior to October 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Special Taxes” shall mean the special taxes levied by the District and pledged to the repayment of the Bonds.

“State” shall mean the State of California.

### SECTION 3. Provision of Annual Reports.

(a) The Developer shall, or, upon written direction of the Developer, the Dissemination Agent shall, not later than April 1 of each year, commencing April 1, 2019, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, April 1 falls on a Saturday, Sunday or a holiday on which the Dissemination Agent’s offices are closed for business, such deadline shall be extended to the next following day on which the Dissemination Agent’s offices are open for business. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate. In addition, the Developer shall, or, upon written direction of the Developer, the Dissemination Agent shall, not later than October 1 of each year, commencing October 1, 2018, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, October 1 falls on a Saturday, Sunday or a holiday on which the Dissemination Agent’s offices are closed for business, such deadline shall be extended to the next following day on which the Dissemination Agent’s offices are open for business.

(b) Not later than fifteen (15) Calendar Days prior to the date specified in subsection (a) for providing the Annual Report and Semiannual Report to the Repository, the Developer shall provide the Annual Report or the Semiannual Report, as applicable, to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Developer is preparing, or causing to be prepared, the Annual Report or the Semiannual Report, as applicable, and the date which the Annual Report or the Semiannual Report, as applicable, is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Annual Report or the Semiannual Report, as applicable, or notification as described in the preceding sentence, the Dissemination Agent shall notify the Developer of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide an Annual Report or Semiannual Report to the Repository by the date required in subsection (a) or to verify that an Annual Report or Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository in the form required by the Repository.

(d) The Developer shall, or the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report and the Semiannual Report the name and address of the Repository; and

(ii) promptly after filing the Annual Report or Semiannual Report, provide notice the Issuer certifying that the Annual Report or the Semiannual Report, as applicable, has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

#### SECTION 4. Content of Annual Report and Semiannual Report.

(a) The Developer's Annual Report and Semiannual Report shall contain or include by reference the information which is available within thirty (30) days of the filing of the Annual Report or the Semiannual Report, as applicable, relating to the following:

1. A discussion of the sources of funds to finance development of the Property, and whether any material defaults exist under any loan arrangement related to such financing.

2. An update of Tables 2A and 2B in the Official Statement.

3. Status of completion of the development of the Property being undertaken by the Developer and its Affiliates, and any major legislative, administrative and judicial challenges known to the Developer affecting the development of the Property or the time for construction of any public or private improvements to the Property to be made by the Developer or any Affiliate (the "Developer Improvements").

4. A statement as to whether or not the Developer or any Affiliate owning any Property is current on the payment of Special Taxes levied on the Property and if such Developer or any such Affiliate is delinquent in the payment of such Special Taxes, a statement identifying each entity that is so delinquent, specifying the amount of each such delinquency and describing any plans to resolve such delinquency.

5. Any sale by the Developer or any Affiliate of the Developer of the Property or any portion thereof to another Person, other than to buyers of completed homes, including a description of the property sold (acreage, number of lots, etc.) and the identity of the Person that so purchased the property.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Developer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(c) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Developer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Developer shall give notice of the occurrence of any of the following events with respect to the Bonds, if material under clauses (b) and (c) as soon as practicable after the occurrence of any of the following events:

1. Failure of the Developer or any Affiliate to pay any real property taxes, special taxes or assessments levied on the Property;
2. Damage to or destruction of any of the Developer Improvements which has a material adverse effect on the value of the Property;
3. Material default by the Developer or any Affiliate that continues to exist beyond the applicable notice and cure periods on any loan with respect to the construction or permanent financing of the Developer Improvements;
4. Material default by the Developer or any Affiliate that continues to exist beyond the applicable notice and cure periods on any loan secured by all or any portion of the Property;
5. Payment default by the Developer or any Affiliate that continues to exist beyond the applicable notice and cure periods on any loan of the Developer or any Affiliate (whether or not such loan is secured by property within the District);
6. The filing of any proceedings with respect to the Developer, in which the Developer may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts; and
7. The filing of any lawsuit against the Developer or any of its Affiliates which, in the reasonable judgment of the Developer, will adversely affect the completion of the Developer Improvements or the development of the Property, or litigation which if decided against the Developer or any of its Affiliates, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall promptly file a notice of such occurrence with the Dissemination Agent, which shall then promptly distribute such notice to the Repository, with a copy to the Issuer.

SECTION 6. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Certificate shall terminate upon the following events:

- (a) the legal defeasance, prior redemption or payment in full of all of the Bonds, or
- (b) if, at any time, the Developer and its Affiliates own Property within the District which is responsible for less than twenty percent (20%) of the Special Taxes levied in the current Fiscal Year.

If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for an Annual Report or Semiannual Report hereunder.

SECTION 7. Dissemination. The Developer may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Developer, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Developer pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing (i) thirty days written notice to the Developer and the Issuer, and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Developer, or the type of business conducted;

(b) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the Issuer, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and

(c) The Developer, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) above.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report, Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Annual Report, Semiannual Report, or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report, Semiannual Report, or notice of occurrence of a Listed Event.

The Developer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Developer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Developer under such laws.

SECTION 10. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any Bondowner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Developer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Developer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against

any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Developer, the Fiscal Agent, the Bond Owners, or any other party. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Reporting Obligation of Developer's Transferees. The Developer shall, in connection with any sale or transfer of ownership of land within the District which will result in the transferee (which term shall include any successors and assigns of the Developer) becoming responsible for the payment of more than 20 percent of the Special Taxes levied on property within the District in the Fiscal Year following such transfer, cause such transferee to enter into a disclosure certificate with terms substantially similar to the terms of this Disclosure Certificate, whereby such transferee agrees to provide the information of the type described in Sections 4 and 5 of this Disclosure Certificate; provided that such transferee's obligations under such disclosure certificate shall terminate upon the land owned by the transferee becoming responsible for the payment of less than twenty (20) percent of the annual Special Taxes.

SECTION 13. Developer as Independent Contractor. In performing under this Disclosure Certificate, it is understood that the Developer is an independent contractor and not an agent of the Issuer.

SECTION 14. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Developer:	TRI Pointe Homes, Inc. 19520 Jamboree Road, Suite 200 Irvine, CA. 92612 Attn: Vice President, Project Manager
Dissemination Agent:	Spicer Consulting Group, LLC 25220 Hancock Avenue, Suite 300 Murrieta, CA 92562
Participating Underwriter:	Stifel Nicolaus & Company, Incorporated One Montgomery Street, 35th Floor San Francisco, California 94104 Attn: Municipal Bond Division
Issuer:	City of Corona 400 South Vicentia Avenue Corona, CA 92882

SECTION 15. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Developer, the Issuer, the Dissemination Agent, the Participating Underwriter and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 16. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

TRI POINTE HOMES, INC

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

AGREED AND ACCEPTED:  
SPICER CONSULTING GROUP, LLC,  
as Dissemination Agent

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**APPENDIX F**

**PROPOSED FORM OF BOND COUNSEL OPINION**

[TO COME FROM BOND COUNSEL]

## APPENDIX G

### INFORMATION CONCERNING DTC

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial

Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.