



Agenda Report

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File #: 18-2236

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**AGENDA REPORT  
REQUEST FOR CITY COUNCIL ACTION**

DATE: 11/7/2018

TO: Honorable Mayor and City Council Members

FROM: Administrative Services Department

**SUBJECT:**

City Council consideration to adopt Resolution No. 2018-117 authorizing the issuance of bonds of Community Facilities District No. 2017-2 (Valencia/Seville) designated 2018 Special Tax Bonds, appointing Fiscal Agent, approving Fiscal Agent Agreement and Purchase Contract and authorizing negotiation of terms of the sale of said Bonds, approving Preliminary Official Statement and authorizing preparation of Final Official Statement and approving Continuing Disclosure Certificate.

**RECOMMENDED ACTION:**

That the City Council:

1. Adopt Resolution No. 2018-117 authorizing the issuance of bonds of Community Facilities District No. 2017-2 (Valencia/Seville) designated 2018 Special Tax Bonds (the "Bonds"), appointing Fiscal Agent, approving Fiscal Agent Agreement and Purchase Contract and authorizing negotiation of terms of the sale of said Bonds, approving Preliminary Official Statement and authorizing preparation of Final Official Statement and approving Continuing Disclosure Certificate.
2. Authorize the City Manager and the Assistant City Manager/Administrative Services Director to execute all related service agreements and purchase orders for the financing team.

**ANALYSIS:**

On July 19, 2017, Community Facilities District No. 2017-2 (Valencia/Seville) (the "District") was established by Resolution 2017-058 (the "Resolution of Formation") by the City Council; on the same date the City Council adopted Resolution 2017-059 (the "Resolution of Necessity") determining the necessity for the District to incur a bonded indebtedness in an aggregate principal amount not to exceed \$5,000,000. Also on July 19, 2017, consolidated elections were held within the District on the propositions of whether a bonded indebtedness in an aggregate principal amount of not to exceed

\$5,000,000 should be incurred by and for the District for the purpose of financing certain public facilities, the annual levy of special taxes to pay principal of and interest on bonds of the District and to pay the costs of public facilities, the annual levy of special taxes within the District to pay the costs of certain services, and establishing an appropriations limit for the District, as a result of the consolidated special elections, the District was authorized to issue bonds for the purpose of financing certain public facilities for the District in an aggregate principal amount not to exceed \$5,000,000.

At the November 7, 2018 meeting the City Council will consider the adoption of a resolution authorizing the issuance and sale of the Bonds in an aggregate principal amount not to exceed \$4,500,000. These Bonds will be sold to finance certain public facilities of the City and school facilities of the Corona-Norco Unified School District (the "Facilities").

Pursuant to Government Code Section 53345.8, the City Council, as the legislative body of the District, may sell bonds of the District only if it determines prior to the sale of such bonds that the value of the real property that would be subject to the special tax to pay debt service on the bonds will be at least three (3) times the principal amount of the bonds to be sold and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Mello-Roos Community Facilities Act of 1982 on property within the District or a special assessment levied on property within the District.

The appraised value of the taxable property within the District, based on the appraisal prepared by Kitty Siino & Associates, Inc. (the "Appraisal"), is \$26,373,832 as of September 11, 2018. If the Bonds are issued in an aggregate principal amount that does not exceed \$4,500,000, then the appraised value of the taxable property in the District, as set forth in the Appraisal, will be more than three (3) times such principal amount of the bonds.

Resolution No. 2018-117 authorizes the Mayor, the City Manager and the Assistant City Manager/Administrative Services to proceed with the issuance of the Bonds and to execute and deliver the final form of the Purchase Contract between the City on behalf of the District and Stifel, Nicolaus & Company, Incorporated (the "Underwriter") within certain parameters, which are (a) the true interest cost on the Bonds shall not exceed six percent (6.0%), (b) the purchase price to be paid by the Underwriter for the purchase of the Bonds shall not be more than an amount equal to two percent (2.0%) (exclusive of original issue discount) of the aggregate principal amount of the Bonds, and (c) the last maturity of the Bonds shall be paid and redeemed no later than September 1, 2048.

Exhibit A to the Bond Resolution 2018-117 sets forth good faith estimates with respect to the Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the City by CSG Advisors Incorporated, the City's municipal advisor (the "Municipal Advisor") in consultation with the Underwriter.

The documents, the form of which are presented to the City Council, relating to the issuance of the Bonds include a Fiscal Agent Agreement, Purchase Contract, Preliminary Official Statement, and Continuing Disclosure Certificate.

The Fiscal Agent Agreement provides for the terms of the Bonds to be issued and provides for certain funds and accounts into which proceeds of the Bonds will be deposited and invested until spent on the Facilities. Additionally, the Fiscal Agent Agreement creates certain other funds and accounts which provide for the payment of principal of and interest on the Bonds, including the redemption of

the Bonds.

The Purchase Contract provides the conditions which must be met in order to successfully deliver the Bonds to the Underwriter, and the price to be paid for the Bonds.

The Preliminary Official Statement describes the terms of the Bonds and describes the security for payment of the Bonds. Once the terms of the Bonds are set (*i.e.* price, interest rate and maturity), that information is included in a final Official Statement which is used by the Underwriter to provide to the investing public.

The Continuing Disclosure Certificate, which is included as an exhibit to the Preliminary Official Statement, requires that the City provide certain information regarding the development and the special taxes on a regular basis to the secondary market place.

Should the Bond Resolution be approved, the bond sale will proceed according to a schedule which calls for the Bonds being delivered to the Underwriter in December 2018, in exchange for the purchase price that will be received on the date of closing.

**COMMITTEE ACTION:**

Not applicable.

**STRATEGIC PLAN:**

This item supports the City's Strategic Plan Goal 6: Improve Communications with Our Community; Objective a: Commit to transparency in all City actions.

**FISCAL IMPACT:**

The sale of the Bonds has no direct fiscal impact to the City of Corona. The Bonds to be issued by the District will be the sole responsibility of the property owners through a levy of special taxes on property within the District; the City has no responsibility for the debt service associated with these Bonds. Cost of issuance will be borne by the bond proceeds as well. Staff's time administering the Bonds will be built into the annual levy process and reimbursed by the special taxes collected.

**ENVIRONMENTAL ANALYSIS:**

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the action is not subject to CEQA. This action merely adopts the resolutions and authorizes the approval of other documents necessary to issue the Bonds, and there is no possibility that adopting the resolution will have a significant effect on the environment.

**PREPARED BY:** JENNIFER SCHAEFER, FINANCE MANAGER II

**REVIEWED BY:** KERRY D. EDEN, ASSISTANT CITY MANAGER/ADMINISTRATIVE SERVICES DIRECTOR

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**File #:** 18-2236

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**REVIEWED BY:** MICHELE NISSEN, ASSISTANT CITY MANAGER

**SUBMITTED BY:** DARRELL TALBERT, CITY MANAGER

1. Fiscal Agent Agreement
2. Purchase Contract
3. Preliminary Official Statement
4. Continuing Disclosure Certificate

## **RESOLUTION NO. 2018-117**

### **RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORONA AUTHORIZING THE ISSUANCE OF BONDS OF COMMUNITY FACILITIES DISTRICT NO. 2017-2 (VALENCIA/SEVILLE) DESIGNATED 2018 SPECIAL TAX BONDS, APPOINTING FISCAL AGENT, APPROVING FISCAL AGENT AGREEMENT AND PURCHASE CONTRACT AND AUTHORIZING NEGOTIATION OF TERMS OF THE SALE OF SAID BONDS, APPROVING PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING PREPARATION OF FINAL OFFICIAL STATEMENT AND APPROVING CONTINUING DISCLOSURE CERTIFICATE**

**WHEREAS**, Community Facilities District 2017-2 (Valencia/Seville) of the City of Corona, County of Riverside, State of California (the “District”) was established on July 19, 2017 by adoption by the City Council (the “City Council”) of the City of Corona (the “City”) of Resolution No. 2017-058; and

**WHEREAS**, on July 19, 2017, the City Council also adopted Resolution No. 2017-059 determining the necessity for the District to incur bonded indebtedness in an aggregate principal amount not to exceed \$5,000,000; and

**WHEREAS**, on July 19, 2017, consolidated special elections were held within the District and there was submitted to the qualified voters of the District, among other propositions, the proposition of whether a bonded indebtedness in an aggregate principal amount not to exceed \$5,000,000 should be incurred by and for the District for the purpose of financing certain public facilities for the benefit of the District (the “Facilities”), and more than two-thirds of the votes cast in said consolidated special elections were cast in favor of incurring such bonded indebtedness, and the District was thereby authorized to issue bonds in an aggregate principal amount not to exceed \$5,000,000 for the purposes set forth in said proposition; and

**WHEREAS**, the City Council has determined (i) that it is necessary that bonds of the District designated “Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona 2018 Special Tax Bonds” be issued in an aggregate principal amount which shall not exceed \$4,500,000 (the “Bonds”) to finance the design, construction and acquisition of the Facilities; and

**WHEREAS**, payment of the principal of and interest on the Bonds will be secured by special taxes to be levied on parcels of taxable property in the District (the “Special Taxes”); and

**WHEREAS**, pursuant to Section 53345.8 of the California Government Code, the City Council, as the legislative body of the District, may sell bonds of the District only if it determines prior to the sale of such bonds that the value of the real property that would be subject to the Special Tax to pay debt service on the bonds will be at least three (3) times the principal amount of the bonds to be sold and the principal amount of all other bonds outstanding

that are secured by a special tax levied pursuant to the Mello-Roos Community Facilities Act of 1982 (Section 53311, *et seq.*, of the California Government Code) on property within the District or a special assessment levied on property within the District; and

**WHEREAS**, the appraised value of the taxable property within the District, based upon the appraisal prepared by Kitty Siino & Associates, Inc. (the “Appraiser”), and as set forth in the report of the Appraiser dated October 3, 2018 (the “Appraisal”), is \$26,373,832 as of September 11, 2018; and

**WHEREAS**, if the Bonds are issued and sold in an aggregate principal amount that does not exceed \$4,500,000, the appraised value of the taxable property in the District, as set forth in the Appraisal, will be more than three (3) times such principal amount of the Bonds, and there are no other special tax or assessment bonds of the District; and

**WHEREAS**, there has been presented to the City Council a form of Purchase Contract (the “Purchase Contract”) whereby Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) has offered to purchase the Bonds from the City, and a form of Preliminary Official Statement relating to the Bonds; and

**WHEREAS**, there has also been presented to the City Council a form of Fiscal Agent Agreement (the “Fiscal Agent Agreement”) with respect to the Bonds to be executed and delivered by the City and The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the “Fiscal Agent”), whereby the Fiscal Agent will authenticate and deliver the Bonds and perform certain other duties; and

**WHEREAS**, there has also been presented to the City Council a form of Continuing Disclosure Certificate to be executed and delivered by the City, for the benefit of the owners of the Bonds and in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission, as amended (the “Rule”); and

**WHEREAS**, the City Council has considered the forms of the Fiscal Agent Agreement, the Continuing Disclosure Certificate, the Purchase Contract and the Preliminary Official Statement and has determined that it is in the best interest of the owners of property in and the future residents of the District that the City Council authorize the issuance and sale of the Bonds and the execution and delivery of said agreements and approve and authorize the distribution of the Preliminary Official Statement subject to the conditions hereinafter contained; and

**WHEREAS**, Section 5852.1 of the Government Code of the State of California (“Section 5852.1”) provides that the City Council obtain from an underwriter, financial advisor or private lender and disclose, in a meeting open to the public, prior to authorization of the issuance of the Bonds, good faith estimates of: (a) the true interest cost of the Bonds, (b) the finance charge of the Bonds, meaning the sum of all fees and charges paid to third parties, (c) the amount of proceeds of the Bonds received less the finance charge described above and any reserves or capitalized interest paid or funded with proceeds of the Bonds and (d) the sum total of all debt service payments on the Bonds calculated to the final maturity of the Bonds plus the fees and charges paid to third parties not paid with the proceeds of the Bonds; and

**WHEREAS**, in accordance with Section 5852.1, the City Council has obtained such good faith estimates from CSG Advisors Incorporated, the City's municipal advisor (the "Municipal Advisor"), and such estimates are disclosed in Exhibit A attached hereto; and

**WHEREAS**, the City Council wishes at this time to authorize all proceedings relating to the issuance and sale of the Bonds and all other agreements and documents relating thereto.

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE CITY COUNCIL OF THE CITY OF CORONA AS FOLLOWS:**

**Section 1. Findings.** The City Council finds (a) that the preceding recitals are true and correct, (b) that the sale of the Bonds at private sale, without advertising for bids, will result in a lower overall cost to the District, and (c) that if the Bonds are issued and sold in an aggregate principal amount that does not exceed \$4,500,000, the value of the parcels of real property within the District which will be subject to the levy of the Special Taxes to pay the principal of and interest on the Bonds, based on the appraised value of such parcels as determined by the Appraiser and as set forth in the Appraisal, *i.e.*, \$26,373,832, will be more than three (3) times the principal amount of such Bonds and all other outstanding bonds that are secured by special taxes that are to be levied on such parcels or special assessments that have been levied on such parcels.

**Section 2. Authorization of the Issuance of the Bonds.** The City Council authorizes the issuance and sale of the Bonds in an aggregate principal amount which shall not exceed \$4,500,000. The Mayor, the City Manager and the Assistant City Manager/Administrative Services Director (each an "Authorized Representative") are authorized and directed to take all steps and actions which are necessary to accomplish the issuance, sale and delivery of the Bonds pursuant to the authorization given by and the conditions specified in this resolution. The Mayor and the City Clerk of the City are authorized to execute the Bonds for and on behalf of the City and the District by their manual or facsimile signatures. The Bonds shall be dated as of their date of delivery pursuant to the Purchase Contract.

**Section 3. Approval of Fiscal Agent Agreement.** The form of Fiscal Agent Agreement which provides generally for (i) the authentication and delivery by the Fiscal Agent of the Bonds, (ii) the establishment and administration by the Fiscal Agent of certain funds and accounts for the benefit of the City and the owners of the Bonds, (iii) the payment by the Fiscal Agent of the principal of and interest on the Bonds from the Special Tax Revenues (as defined therein), and (iv) the performance of other duties by the Fiscal Agent, is approved in the form provided to the City Council at the meeting at which this resolution is adopted, and the Authorized Representatives are each individually authorized to execute and deliver, on behalf of the City, such Fiscal Agent Agreement with respect to the Bonds.

**Section 4. Approval of Preliminary Official Statement; Preparation of Final Official Statement.** The Preliminary Official Statement is approved, and the City Manager or the Assistant City Manager/Administrative Services Director are each authorized to consent to and assist in the preparation of such modifications thereto as may be specified by Best Best & Krieger LLP, bond counsel to the City ("Bond Counsel"), Stradling Yocca Carlson & Rauth, disclosure counsel to the City ("Disclosure Counsel") and the Municipal Advisor. The City

Manager or the Assistant City Manager/Administrative Services Director are each authorized to determine, with the assistance of Bond Counsel, Disclosure Counsel and the Municipal Advisor when the Preliminary Official Statement is to be deemed final within the meaning of the Rule and to deliver a certificate to that effect to the Underwriter. The Underwriter is authorized to distribute the Preliminary Official Statement as approved hereby, or as modified with the consent of the City Manager or the Assistant City Manager/Administrative Services Director to prospective purchasers of the Bonds. The City Manager or the Assistant City Manager/Administrative Services Director and the Municipal Advisor are authorized to participate in the preparation of the Final Official Statement, based on the Preliminary Official Statement, and such modifications thereto as may be agreed to by Bond Counsel, Disclosure Counsel, the Municipal Advisor and the Underwriter. The City Manager or the Assistant City Manager/Administrative Services Director are each authorized to sign the Final Official Statement on behalf of the City and the District.

**Section 5. Appointment of Professionals.** The City Council hereby authorizes and approves the following professionals to provide services in connection with the issuance of the Bonds:

(a) **Fiscal Agent.** The Bank of New York Mellon Trust Company, N.A. is appointed as Fiscal Agent pursuant to the Fiscal Agent Agreement and to take any and all action provided therein to be taken by the Fiscal Agent;

(b) **Municipal Advisor.** CSG Advisors Incorporated is hereby appointed to provide municipal advisory services;

(c) **Bond Counsel.** Best Best & Krieger LLP is hereby appointed as bond Counsel in connection with the issuance of the Bonds;

(d) **Special Tax Consultant.** Spicer Consulting Group, LLC is hereby appointed as Special Tax Consultant in connection with the issuance of the Bonds; and

(e) **Disclosure Counsel.** Stradling Yocca Carlson & Rauth is hereby appointed as Disclosure Counsel in connection with the issuance of the Bonds.

**Section 6. Sale of Bonds; Purchase Contract.** The City Council approves and authorizes the issuance and sale of the Bonds by negotiation with the Underwriter pursuant to the Purchase Contract between the City and the Underwriter in the form presented to the City Council at the meeting at which this resolution is adopted, together with any changes therein or additions thereto which are deemed advisable by the City Manager or the Assistant City Manager/Administrative Services Director upon consultation with Bond Counsel and the Municipal Advisor. The City Manager or the Assistant City Manager/Administrative Services Director are each authorized and directed to execute and deliver the final form of the Purchase Contract on behalf of the City and the District upon the submission of an offer by the Underwriter to purchase the Bonds, which offer is acceptable to the City Manager or the Assistant City Manager/Administrative Services Director and is consistent with the requirements of this resolution; provided that the true interest cost on the Bonds shall not exceed six percent (6.00%); the Underwriter's discount for the purchase of the Bonds shall not be greater than two

percent (2.00%) (exclusive of original issue discount) of the aggregate principal amount of the Bonds; and the last maturity of the Bonds shall be paid and redeemed no later than September 1, 2048. When the City Manager or the Assistant City Manager/Administrative Services Director has negotiated the Purchase Contract with the Underwriter within the parameters specified above and when the other terms and conditions of the Purchase Contract are satisfactory to the City Manager or the Assistant City Manager/Administrative Services Director and Bond Counsel, the City Manager or the Assistant City Manager/Administrative Services Director is authorized to execute and deliver the Purchase Contract to the Underwriter on behalf of the City and the District.

**Section 7. Accountability Measures.** Pursuant to Section 53410 of the California Government Code, the issuance of and sale of the Bonds is subject to the following accountability measures:

(a) The proceeds of the Bonds shall be applied only for the specific purposes identified in the propositions regarding the authorization of the District incurring bonded indebtedness which the qualified electors of the District approved in the election held on July 19, 2017;

(b) Except as otherwise provided in the Fiscal Agent Agreement, the proceeds of the sale of the Bonds shall be deposited in the funds and accounts established pursuant to the Fiscal Agent Agreement and the proceeds deposited in each such fund or account shall be expended as provided in the Fiscal Agent Agreement with respect to each such fund or account; and

(c) The Assistant City Manager/Administrative Services Director shall file a report with the City Council at least once in each calendar year, beginning in 2019, which shall contain the information required by Section 53411 of the California Government Code with respect to the expenditure of the proceeds of the sale of the Bonds and the status of the construction and acquisition of the public facilities comprising the Project (as defined in the Fiscal Agent Agreement).

**Section 8. Findings Regarding the Levy and Rates of Special Taxes.** The City Council finds that the City will covenant in the Fiscal Agent Agreement, for the benefit of the owners of the Bonds, that it will not initiate proceedings under the Mello-Roos Community Facilities Act of 1982 to reduce the Maximum Special Tax rates on then existing Developed Property (as defined in the Fiscal Agent Agreement) 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 Council further finds and determines that any reduction or limitation of the Special Tax rates below the Maximum Rates would interfere with the timely retirement of the Bonds.

**Section 9. Approval of Continuing Disclosure Certificate.** The Continuing Disclosure Certificate is approved in the form submitted to the City Council at the meeting at which this resolution is adopted, and the City Manager or the Assistant City Manager/Administrative Services Director is authorized to execute and deliver said certificate on behalf of the City.

**Section 10. Modifications.** The approval of the Fiscal Agent Agreement, the Continuing Disclosure Certificate and the Purchase Contract given by this resolution shall apply to any modification or amendment of any of said agreements which is agreed upon and approved by Bond Counsel, the Municipal Advisor and the City Manager or the Assistant City Manager/Administrative Services Director as being necessary to carry out the provisions thereof and the authorization and direction provided in this resolution.

**Section 11. Further Action.** The Authorized Representatives are authorized to take any and all action which is directed by Bond Counsel with respect to the execution and delivery of the Fiscal Agent Agreement, the Continuing Disclosure Certificate and the Purchase Contract and the issuance, sale and delivery of the Bonds, which in the opinion of Bond Counsel is necessary in order for the authorization and direction provided in this resolution to be carried out.

**Section 12. Conditions of Approval.** The approvals, authorization and direction given by this resolution are conditioned upon the satisfaction of the requirements of Section 6 hereof with respect to the issuance and sale of the Bonds. The officers of the City designated above shall not take any action with respect to the execution and delivery of the Fiscal Agent Agreement, the Continuing Disclosure Certificate and the Purchase Contract or the issuance, sale and delivery of the Bonds unless and until such conditions are satisfied; provided, however, that upon satisfaction of such conditions, this resolution shall be fully effective and shall be carried out by such officers without further approval or action of the City Council. The approvals, authorization and direction provided by this resolution shall continue, subject to the satisfaction of such conditions, until June 30, 2019, and the Bonds may be sold, and the Bonds, the Fiscal Agent Agreement, the Continuing Disclosure Certificate, the Purchase Contract, the Preliminary Official Statement and the Final Official Statement may be dated, entered into, executed and delivered or distributed, as appropriate, on any date selected by the Authorized Representatives and the Municipal Advisor and the Underwriter prior to said date.

**Section 13. Effective Date.** This resolution shall take effect upon adoption and shall remain in effect until June 30, 2019, or if the Bonds are issued prior to said date, until all of the Bonds are paid at or redeemed prior to maturity.

**PASSED, APPROVED AND ADOPTED** this 7th day of November, 2018.

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Mayor of the City of Corona, California

ATTEST:

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City Clerk of the City of Corona, California

**CERTIFICATION**

I, Sylvia Edwards, City Clerk of the City of Corona, California, do hereby certify that the foregoing Resolution was regularly passed and adopted by the City Council of the City of Corona, California, at a regular meeting thereof held on the 7th day of November, 2018, by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAINED:**

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed the official seal of the City of Corona, California, this 7th day of November, 2018.

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City Clerk of the City of Corona

## EXHIBIT A

### GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the City by the Municipal Advisor in consultation with the Underwriter.

*Principal Amount.* The Municipal Advisor has informed the City that, based on the financing plan and current market conditions, it's good faith estimate of the aggregate principal amount of the Bonds to be sold is **\$3,460,000** (the "Estimated Principal Amount"), which excludes approximately **\$64,000** of net premium estimated to be generated based on current market conditions. Net premium is generated when, on a net aggregate basis for a single issuance of bonds, the price paid for such bonds is higher than the face value of the bonds.

*True Interest Cost of the Bonds.* The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is **4.87%**.

*Finance Charge of the Bonds.* The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is **\$269,000**.

*Amount of Proceeds to be Received.* The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the City, on behalf of the District, for the sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is **\$2,940,000**.

*Total Payment Amount.* The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Bonds, plus the finance charge for the Bonds, as described above, not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is **\$6,645,000** (excluding any offsets from reserves or capitalized interest).

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such

good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the financing plan or finance charges, or a combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the City, on behalf of the District, based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the City.

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FISCAL AGENT AGREEMENT

by and between

THE CITY OF CORONA

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.  
as Fiscal Agent

Dated as of December 1, 2018

Relating to

Community Facilities District No. 2017-2  
(Valencia/Seville)  
of the City of Corona  
County of Riverside  
State of California

\$ \_\_\_\_\_  
2018 Special Tax Bonds

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## FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the “Agreement”) is made and entered into as of December 1, 2018, by and between the City of Corona, a municipal corporation (the “City”), for and on behalf of Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona, County of Riverside, State of California (the “District”), and The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the “Fiscal Agent”).

### W I T N E S S E T H:

WHEREAS, the City Council of the City (the “City Council”) has established the District pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code (the “Act”); and

WHEREAS, the District is authorized to incur bonded indebtedness and issue bonds in the aggregate principal amount of \$5,000,000 for the purpose of financing the construction and acquisition of certain public facilities and the City Council has determined that it is necessary that bonds of the District be issued and sold in the aggregate principal amount of \$\_\_\_\_\_ for the purpose of financing the construction and acquisition of the public facilities which are hereinafter identified as the Project; and

WHEREAS, on [November 7, 2018], the City Council adopted Resolution No. 2018-117 (the “Resolution”) authorizing the issuance and sale of Bonds pursuant to this Agreement, designated “Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona 2018 Special Tax Bonds” (the “Bonds”) for the purpose of financing the construction and acquisition of such public facilities, or to reimburse the costs thereof; and

WHEREAS, it is in the public interest and for the benefit of the District, the City, the persons responsible for the payment of special taxes and the owners of the Bonds that the City enter into this Agreement to provide for the issuance of the Bonds, the disbursement of proceeds of the Bonds, the disposition of the special taxes securing the Bonds, and the administration and payment of the Bonds; and

WHEREAS, all things necessary to cause the Bonds, when executed by the City and authenticated by the Fiscal Agent for the District and issued as in the Act, the Resolution (as hereinafter defined) and this Agreement provided, to be legal, valid and binding special obligations of the District in accordance with their terms, and all things necessary to cause the authorization, execution and delivery of this Agreement and the authorization, execution, authentication and delivery of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

## ARTICLE I AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Agreement. This Agreement is entered into pursuant to the provisions of the Act and the Resolution.

Section 1.02. Agreement for Benefit of Owners. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City and/or the District shall be for the equal benefit, protection and security of the Owners. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement. The Fiscal Agent may become the owner of any of the Bonds with the same rights it would have if it were not Fiscal Agent.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Agreement, of any Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

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

“Administrative Expenses” means any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the City in carrying out its duties hereunder (including, but not limited to, the levying and collection of the Special Taxes) including the fees and expenses of its counsel, an allocable share of the salaries of City staff directly related thereto and a proportionate amount of City general administrative overhead related thereto, any amounts paid by the City from its general funds pursuant to Section 6.02 hereof, the fees and expenses of the Municipal Advisor, and the Special Tax Consultant, the costs of the District, the City or any designee of either thereof of complying with the arbitrage rebate requirements; the costs to the District, the City or any designee of either thereof of complying with the District, City or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the District, or City, or any designee of either thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the District’s annual administration fee and third party expenses; and all other costs and expenses of the City or the Fiscal Agent incurred in connection with the discharge of their respective duties hereunder and, in the case of the City, in any way related to the administration of the District.

“Administrative Expense Fund” means the fund by that name established by Section 3.05(A) hereof.

“Agreement” means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions hereof.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds scheduled to be paid.

“Appraisal” means the appraisal of the estimated market values of the properties within the District prepared by Kitty Siino & Associates, Inc. dated October 3, 2018.

“Auditor” means the Auditor-Controller of the County of Riverside.

“Authorized Officer” means the City Manager or Assistant City Manager/Director of Administrative Services or any officer or employee of the City authorized by the City Council or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

“Bond Counsel” means any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund by that name established by Section 4.02(A) hereof.

“Bond Year” means the period beginning on the Closing Date and ending on September 1, 2019 and thereafter the period beginning on each September 2 and ending on the following September 1.

“Bonds” means, unless otherwise expressly provided, the Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona 2018 Special Tax Bonds authorized by and at any time Outstanding pursuant to the Act and this Agreement.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the State of California or in any state in which the Fiscal Agent has its Principal Office are authorized or obligated by law or executive order to be closed.

“City” means the City of Corona.

“City Council” means the City Council of the City.

“City Facilities Account” means the account by that name established in the Improvement Fund by Section 3.03(A) hereof.

“Closing Date” means the date upon which there is an exchange of the Bonds for the proceeds representing payment of the purchase price of the Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate of the City, dated as of December 1, 2018, as originally executed by the City and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, including but not limited to the preliminary official statement and official statement regarding the Bonds, closing costs, filing and recording fees, premiums for any reserve fund, surety bond or bond insurance policy, initial fees and charges of the Fiscal Agent including its first annual administration fee and the fees of its counsel, expenses incurred by the City in connection with the issuance of the Bonds and the establishment of the District, Bond (underwriter’s) discount, legal fees and charges, including the fees of Bond Counsel and counsel to the Underwriter, Municipal Advisor’s fees, charges for authentication, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund by that name established by Section 3.06(A) hereof.

“Debt Service” means the amount of interest and principal payable on the Bonds scheduled to be paid during the period of computation, excluding amounts payable during such period which relate to principal of the Bonds which are scheduled to be retired and paid before the beginning of such period.

“Defeasance Securities” means, for purposes of Section 10.03(C) hereof, the following:

(i) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series - “SLGs”);

(ii) Direct obligations of the United States Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities;

(iii) Resolution Funding Corporation (REFCORP) obligations; provided that only the interest component of REFCORP strips which have been stripped by request of the Federal Reserve Bank of New York in book-entry form are acceptable;

(iv) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s; provided, however, that if the issue is only rated by Standard & Poor’s (*i.e.*, there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct United States or United States guaranteed obligations, or “AAA” rated pre-refunded municipal bonds; and

(v) Obligations issued by the following agencies which are backed by the full faith and credit of the United States of America:

(a) U.S. Export-Import Bank  
Direct obligations or fully guaranteed certificates of beneficial ownership

- (b) Farmers Home Administration  
Certificates of beneficial ownership
- (c) Federal Financing Bank
- (d) General Services Administration  
Participation certificates
- (e) United States Maritime Administration  
Guaranteed Title XI financing
- (f) United States Department of Housing and Urban Development  
Project notes  
Local Authority Bonds  
New Communities Debentures - United States government  
guaranteed debentures  
United States Public Housing Notes and Bonds - United States  
government guaranteed public housing notes and bonds.

“District” means Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona, County of Riverside, State of California.

“Event of Default” shall mean any one or more of the events described in Section 9.1 hereof.

“Federal Securities” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (i) Cash; and
- (ii) Direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TIGRS), or obligations, the payment of principal of and interest on which is unconditionally guaranteed by the United States of America.

“Fiscal Agent” means The Bank of New York Mellon Trust Company, N.A., the Fiscal Agent appointed by the City, acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01 hereof.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Improvement Fund” means the fund by that name established by Section 3.03(A) hereof.

“Independent Financial Consultant” means a firm of certified public accountants, a financial consulting firm, a consulting engineering firm or engineer which is not an employee of, or otherwise controlled by, the City.

Information Services” means in accordance with then-current guidelines of the Securities and Exchange Commission, the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) or such service or services as the City may designate in a certificate delivered to the Fiscal Agent.

“Interest Account” means the account by that name established in the Bond Fund by Section 4.02 (A).

“Interest Payment Dates” means March 1 and September 1 of each year, commencing [March 1, 2019], until the maturity or redemption of all Outstanding Bonds.

“Investment Earnings” means all interest earned and any gains and losses on the investment of moneys in any fund or account created by this Agreement, excluding interest earned and gains and losses on the investment of moneys in the Rebate Fund.

“Joint Community Facilities Agreement” means the Joint Community Facilities Agreement Between City of Corona and Corona-Norco Unified School District, dated as of May 17, 2017, entered into by and between the City and the School District.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

“Moody’s” shall mean Moody’s Investors Service, a national rating service with offices in New York, New York.

“Municipal Advisor” means an independent financial consulting firm appointed by the City to advise the City as to financial matters relating to the Bonds.

“Officer’s Certificate” means a written certificate of the City signed by an Authorized Officer of the City.

“Ordinance” means any ordinance of the City or resolution of the City Council levying the Special Taxes.

“Original Purchaser” means the first purchaser of the Bonds from the City.

“Outstanding,” when used as of any particular time with reference to the Bonds, means (subject to the provisions of Section 8.04 hereof) all Bonds except:

(i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;

(ii) Bonds called for redemption which, for the reasons specified in Section 2.03 (F) hereof, are no longer entitled to any benefit under this Agreement other than the right to receive payment of the redemption price therefor;

(iii) Bonds paid or deemed to have been paid within the meaning of Section 10.03 hereof; and

(iv) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City and authenticated by the Fiscal Agent pursuant to this Agreement or any Supplemental Agreement.

“Owner” means any person who shall be the registered owner of any Outstanding Bond.

“Parity Bonds” means bonds issued by the District for the purpose of accomplishing the defeasance and redemption of all or a portion of the Outstanding Bonds pursuant to Section 2.13 hereof.

[“Park Facilities Account” means the account by that name established in the Improvement Fund by Section 3.03(A) hereof.]

“Permitted Investments” means:

(i) Federal Securities;

(ii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

- (a) U.S. Export-Import Bank  
Direct obligations or fully guaranteed certificates of beneficial ownership
- (b) Farmers Home Administration  
Certificates of beneficial ownership
- (c) Federal Financing Bank
- (d) Federal Housing Administration Debentures
- (e) General Services Administration  
Participation certificates
- (f) Government National Mortgage Association (GNMA)  
GNMA - guaranteed mortgage-backed bonds  
GNMA - guaranteed pass-through obligations
- (g) U.S. Maritime Administration  
Guaranteed Title XI financing

- (h) U.S. Department of Housing and Urban Development  
Project Notes  
Local Authority Bonds  
New Communities Debentures - United States government guaranteed debentures  
U.S. Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds;

(iii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- (a) Federal Home Loan Bank System  
Senior debt obligations
- (b) Federal Home Loan Mortgage Corporation  
Participation Certificates  
Senior debt obligations
- (c) Federal National Mortgage Association  
Mortgage-backed securities and senior debt obligations
- (d) Student Loan Marketing Association  
Senior debt obligations
- (e) Resolution Funding Corporation  
(REFCORP) obligations
- (f) Farm Credit System  
Consolidated systemwide bonds and notes;

(iv) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of "AAAm-G," "AAA-m" or "AA-m" and, if rated by Moody's, rated "Aaa," "Aa1" or "Aa2" by Moody's, including funds for which the Fiscal Agent, its parent holding company, if any, or any affiliates or subsidiaries of the Fiscal Agent or such holding company receive and retain a fee for services provided to the fund whether as a custodian, transfer agent, investment advisor or otherwise;

(v) Certificates of deposit secured at all times by collateral described in clauses (i) and/or (ii) above. Such certificates must be issued by commercial banks, including the Fiscal Agent and its affiliates, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Fiscal Agent on behalf of the Owners of the Bonds must have a perfected first security interest in the collateral;

(vi) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF including those that may be issued or provided by the Fiscal Agent and its affiliates;

(vii) Investment agreements with domestic or foreign banks, insurance companies or corporations the long-term debt or claims paying ability of which or, in the case of a guaranteed corporation, the long-term debt of the guarantor, or, in the case of a monoline financial guaranty insurance company, the claims paying ability or financial strength, of the guarantor is rated in at least the double A category by Standard & Poor's and Moody's; provided that, by the terms of the investment agreement:

(a) interest payments are to be made to the Fiscal Agent at times and in amounts as necessary to pay Debt Service on the Bonds (if the funds invested pursuant to the investment agreement are from the Reserve Fund);

(b) the investment agreement shall provide that the invested funds are available for withdrawal without penalty or premium at any time upon not more than seven (7) days' prior notice (The City and the Fiscal Agent shall give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium payable.);

(c) the investment agreement shall provide that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) the City and the Fiscal Agent receive the opinion of domestic counsel (which opinion shall be addressed to the City and the Fiscal Agent) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the City and the Fiscal Agent;

(e) the investment agreement shall provide that if during its term

(1) the provider's (or its guarantor's) rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with the applicable state and federal laws (other than by means of entries on the provider's books) to the City, the Fiscal Agent or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims, the market value of which collateral is maintained at one hundred four percent (104%) of securities identified in clauses (i) and (ii) of this definition; or (ii) assign the investment agreement and all of its obligations thereunder to a financial institution mutually acceptable to the provider, the City and the Fiscal Agent which is rated either in the first or second highest category by Standard & Poor's and Moody's; and

(2) the provider's (or its guarantor's) rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the City or the Fiscal Agent, within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the invested funds, in either case with no penalty or premium to the City or the Fiscal Agent; and

(f) the investment agreement shall provide and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the

investment agreement at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this shall mean the Holder of the Collateral is in possession of such collateral); and

(g) the investment agreement shall provide that if during its term

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the City or the Fiscal Agent, be accelerated and amounts invested and accrued but unpaid interest thereon shall be paid to the City or the Fiscal Agent, as appropriate; and

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be paid to the City or the Fiscal Agent, as appropriate;

(viii) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by Standard & Poor's;

(ix) Bonds or notes issued by any state or municipality which are rated by Moody's and/or Standard & Poor's in one of the two highest rating categories assigned by them;

(x) Federal funds or bankers acceptances with a maximum term of one year of any bank or deposit accounts, including the Fiscal Agent and its affiliates, which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or better by Moody's and "A-1" or better by Standard & Poor's;

(xi) Repurchase agreements which satisfy the following criteria:

(a) Repurchase agreements must be between the City or the Fiscal Agent and an entity which is:

(1) A primary dealer on the Federal Reserve reporting dealer list which is rated "A" or better by Standard & Poor's and Moody's, or

(2) A bank rated "A" or above by Standard & Poor's and Moody's; or

(3) A corporation the long-term debt or claims paying ability of which, or in the case of a guaranteed corporation, the long-term debt of the guarantor, or, in the case of a monoline financial guaranty insurance company, the claims paying ability or financial strength of the guarantor, is rated in at least the double A category by Standard & Poor's and Moody's.

(b) The written agreement must include the following:

(1) Securities which are acceptable for transfer are:

(A) direct obligations of the United States government, or

(B) obligations of federal agencies backed by the full faith and credit of the United States of America (or the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)),

(2) The collateral must be delivered to the City or the Fiscal Agent (if the Fiscal Agent is not supplying the collateral) or a third party acting as agent for the Fiscal Agent (if the Fiscal Agent is supplying the collateral) before or simultaneous with payment (perfection by possession of certificated securities),

(3) (A) The securities must be valued weekly, marked-to-market at current market price plus accrued interest, and

(B) The value of the collateral must be at least equal to one hundred four percent (104%) of the amount of money transferred by the Fiscal Agent to the dealer, bank or corporation under the agreement plus accrued interest. If the value of the securities held as collateral is reduced below one hundred four percent (104%) of the value of the amount of money transferred by the Fiscal Agent, then additional acceptable securities and/or cash must be provided as collateral to bring the value of the collateral to one hundred four percent (104%); provided, however, that if the securities used as collateral are those of FNMA or FHLMC, then the value of the collateral must equal to one hundred five percent (105%) of the amount of money transferred by the Fiscal Agent; and

(xii) the Local Agency Investment Fund in the State Treasury of the State of California as permitted by the State Treasurer pursuant to Section 16429.1 of the California Government Code.

“Principal Account” means the account by that name established in the Bond Fund by Section 4.02 (A).

“Principal Office” means the principal corporate trust office of the Fiscal Agent in Los Angeles, California or such other addresses may be specified in writing by the Fiscal Agent; provided, however, that for purposes of the transfer, registration, exchange, payment and surrender of Bonds “Principal Office” means the office or agency of the Fiscal Agent at which, at any time, its corporate trust agency business shall be conducted or such other office or address as may be specified in writing by the Fiscal Agent.

“Proceeds,” when used with reference to the Bonds, means the aggregate principal amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any, less Original Purchaser’s discount.

“Project” means the public facilities which are to be financed with the proceeds of the sale of the bonds of the District, as described in Resolution No. 2017-058 adopted by the City Council on July 19, 2017.

“Rate and Method of Apportionment” means the rate and method of apportionment of special taxes originally authorized to be levied on property within the District as approved at a special election held within the District on July 19, 2017, and as it may be modified from time to time in accordance with the Act.

“Rebate Certificate” means the certificate delivered by the City upon the delivery of the Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate.

“Rebate Fund” means the fund by that name established by Section 6.02 hereof.

“Record Date” means the fifteenth (15th) day of the month next preceding the applicable Interest Payment Date whether or not such day is a Business Day.

“Regulations” means the temporary and permanent regulations of the United States Department of the Treasury promulgated under the Code.

“Representation Letter” means the representation letter which the City has delivered to The Depository Trust Company (“DTC”) with respect to the utilization of the book-entry system maintained by DTC for the issuance and registration of bonds.

“Reserve Fund” means the fund by that name established by Section 4.03(A) hereof.

“Reserve Requirement” means, as of the date of calculation, as determined by the City and provided in writing to the Fiscal Agent, the lesser of (i) ten percent (10%) of the original issue price of the Bonds calculated in accordance with Treasury Regulations Section 1.148-2(f)(1), (ii) Maximum Annual Debt Service on the Bonds or (iii) 125 percent (125%) of average Annual Debt Service on the Bonds.

“Resolution” means Resolution No. 2018-117, adopted by the City Council on November 7, 2018.

“School District” means the Corona-Norco Unified School District.

“School District Facilities Account” means the account by that name established in the Improvement Fund by Section 3.03(A) hereof.

“School District Certificate” means a certificate signed by the Superintendent or an Assistant Superintendent of the School District requesting disbursement of funds from the School District Facilities Account pursuant to Section 3.03(B)(2) hereof.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50<sup>th</sup> Floor, New York, New York, 10041-0099, Call Notification Department, Fax (212) 855-7232, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Special Taxes” or “Special Tax” means Special Tax A (as defined in the Rate and Method of Apportionment) levied by the City Council on parcels of taxable property within the District pursuant to the Act and this Agreement.

“Special Tax Fund” means the fund by that name established by Section 3.04(A) hereof.

“Special Tax Prepayments” means amounts received by the City as prepayments of all or a portion of the Special Tax obligation of a parcel of property in the District.

“Special Tax Prepayments Account” means the account by that name established by the Fiscal Agent in the Bond Fund pursuant to Section 4.02(A) hereof.

“Special Tax Revenues” means 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.

“Standard & Poor’s” shall mean S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, a national rating service with offices in New York, New York.

“Tax Consultant” means an engineer or financial consultant or other such person or firm with expertise in the apportionment and levy of special taxes in community facilities districts which is employed by the City to assist the City in levying the Special Taxes.

## ARTICLE II THE BONDS

Section 2.01. Principal Amount; Designation. The Bonds in the aggregate principal amount of \$\_\_\_\_\_ are hereby authorized to be issued by the City for the District under and subject to the terms of the Resolution, this Agreement, the Act and other applicable laws of the State of California. The Bonds shall be designated “Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona 2018 Special Tax Bonds.” The Bonds shall be issued in the form attached hereto as Exhibit A.

### Section 2.02. Terms of Bonds.

(A) The Bonds. The Bonds shall be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple thereof. The Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent. The Bonds shall be dated [December \_\_, 2018].

(B) Maturities. The Bonds shall mature and become payable on September 1 of each year, as follows:

Maturity Dates ( <u>September 1</u> )	Principal <u>Amounts</u>	Interest <u>Rates</u>
2019	\$	%
2020		
2021		
2022		
2023		
2024		
2025		
2026		

Maturity Dates (September 1)	Principal Amounts	Interest Rates
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2048		

(C) Interest. The Bonds shall bear interest at the rates set forth in subsection (B) above payable on the Interest Payment Dates in each year. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof 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 Record Date preceding such Interest Payment 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 December \_\_, 2018; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon or from December \_\_, 2018, if no interest has previously been paid or made available for payment thereon.

(D) Method of Payment. Interest on the Bonds is payable by check of the Fiscal Agent mailed by first class mail, postage prepaid, on each Interest Payment Date, to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America by check of the Fiscal Agent upon surrender of such Bonds at the Principal Office of the Fiscal Agent; provided, however, that at the written request of the Owner of at least \$1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Fiscal Agent prior to any Record Date, interest on such Bonds shall be paid to such Owner on each succeeding Interest Payment Date by wire transfer of immediately available funds to an account in the United States of America designated in such written request.

(E) CUSIP Identification Numbers. "CUSIP" identification numbers shall be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds. In addition, failure on the part of the City or the Fiscal Agent to use such CUSIP numbers in any notice to the Owners shall not constitute an Event of Default or any violation of the City's contract with the Owners and shall not impair the effectiveness of any such notice.

Section 2.03. Redemption.

(A) 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, at the option of the City 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:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 20 and March 1, 20	[103%
September 1, 20 and March 1, 20	102
September 1, 20 and March 1, 20	101
September 1, 20 and each Interest Payment Date thereafter	100]

(B) 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:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date through March 1, 20	103%
September 1, 20 and March 1, 20	102
September 1, 20 and March 1, 20	101
September 1, 20 and any Interest Payment Date thereafter	100

(C) [Mandatory Sinking Fund Redemption. The Outstanding Bonds maturing on September 1, 20\_\_ 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[ ]

<u>Redemption Date</u>	<u>Sinking Payment</u>
<u>(September 1)</u>	
20	\$
20	
20	
20	
20	
20	
20	
20	
20 (maturity)	

The amounts in the foregoing schedules 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 redemption of the Bonds pursuant to subsection (A) or subsection (B) above. The City shall provide the Fiscal Agent with a revised sinking fund schedule.

(D) Purchase of Bonds. In lieu of payment at maturity or redemption under this Section 2.03, 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 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.

(E) 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 forty-five (45) days prior to the applicable redemption date specifying the principal amounts and maturities of the Bonds to be redeemed. The provisions of this subsection (E) shall not apply to the redemption of the Bonds pursuant to Section 2.03(C) hereof.

(F) 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 thirty (30) days but not more than sixty (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 this Section 2.03 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 District 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 a mandatory redemption pursuant to Section 2.03(B) hereof, 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 this 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.

(G) 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 this 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 this Section 2.03 shall be canceled by the Fiscal Agent.

Section 2.04. Form of Bonds. The Bonds, including the Fiscal Agent's certificate of authentication and the assignment to appear thereon, shall be substantially in the form set forth in

Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions as permitted or required by this Agreement.

Section 2.05. Execution of Bonds. The Bonds shall be executed on behalf of the District by the facsimile signatures of the Mayor and City Clerk of the City, who are in office on the date of this Agreement or at any time thereafter. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bond to the Owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bond to the Owner. Any Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of such Bond shall be the proper officers of the City although at the nominal date of such Bond any such person shall not have been such officer of the City.

Only such Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A hereto or Exhibit B hereto, as appropriate, manually executed and dated by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of authentication of the Fiscal Agent shall be conclusive evidence that such Bonds have been duly authenticated, registered and delivered hereunder, and are entitled to the benefits of this Agreement.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08 hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office of the Fiscal Agent, accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting transfer of a Bond any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds of like aggregate principal amount.

No transfers of Bonds shall be required to be made (i) during the fifteen (15) days preceding the date established by the Fiscal Agent for selection of Bonds for redemption, or (ii) with respect to Bonds which have been selected for redemption.

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Fiscal Agent only for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity and interest rate. The cost for any services rendered or any expense incurred by the Fiscal Agent in connection with any such exchange shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting exchange of a Bond any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (i) during the fifteen (15) days preceding the date established by the Fiscal Agent for selection of Bonds for redemption, or (ii) with respect to Bonds which have been selected for redemption.

Section 2.08. Bond Register. The Fiscal Agent shall keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds which books shall show the series, number, CUSIP identification number, date of issuance, amount, rate of interest and Owner of each Bond and shall at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided.

Section 2.09. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the City, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent shall designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Agreement as definitive Bonds authenticated and delivered hereunder.

Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the City, at the expense of the Owner of said Bond, shall execute, and the Fiscal Agent shall authenticate and deliver, a replacement Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled and destroyed by the Fiscal Agent. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the City, at the expense of the Owner, shall execute, and the Fiscal Agent shall authenticate and deliver, a replacement Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The City or Fiscal Agent may require payment of a sum not exceeding the actual cost of preparing each replacement Bond delivered under this Section 2.10 and of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery thereof. Any Bond delivered under the provisions of this Section 2.10 in replacement of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation of the District whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued pursuant to this Agreement.

Section 2.11. Special Obligation. All obligations of the City and the District under this Agreement and the Bonds shall be special obligations of the City and the District, payable solely from the Special Tax Revenues and the funds pledged therefor pursuant hereto. Neither the faith and credit nor the taxing power of the City, the District (except to the limited extent set forth

herein) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Section 2.12. Book-Entry. The Bonds shall be initially issued in the form of a single, fully registered Bond for each maturity (which may be typewritten). Upon initial issuance, the ownership of such Bonds shall be registered in the name of the Nominee identified below as nominee of The Depository Trust Company, New York, New York and its successors and assigns (the “Depository” or “DTC”). Except as hereinafter provided, all of the Outstanding Bonds shall be registered in the name of the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to this Section 2.12 (the “Nominee”).

With respect to the Bonds registered in the name of the Nominee, neither the City nor the Fiscal Agent shall have any responsibility or obligation to any broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as securities depository (the “Participant”) or to any person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, neither the City nor the Fiscal Agent shall have any responsibility, liability or obligation whatsoever with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person, other than an Owner of a Bond as shown in the registration books maintained by the Fiscal Agent pursuant to Section 2.08 hereof (the “Registration Books”), of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the City redeems the Bonds in part, or (iv) the payment to any Participant or any other person, other than an Owner of a Bond as shown in the Registration Books, of any amount with respect to principal of or interest on the Bonds. The City and the Fiscal Agent may treat and consider conclusively the person in whose name each Bond is registered as the holder and absolute Owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of giving notices of redemption, if applicable, and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The City shall pay all principal of and interest on the Bonds only to or upon the order of the respective Owner of a Bond, as shown in the Registration Books, or his or her attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City’s obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner of a Bond, as shown in the Registration Books, shall receive a Bond evidencing the obligation of the City to make payments of principal and interest pursuant to this Agreement. Upon delivery by the Depository to the Owners of the Bond, and the City of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Agreement shall refer to such nominee of the Depository.

In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the Depository shall no longer so act and gives notice to the City of such determination, then the City will discontinue the book-entry system with the Depository. If the City determines to replace the Depository with another qualified securities depository, the City shall prepare or direct the preparation of a new, single, separate, fully registered Bond, per

maturity, registered in the name of such successor or substitute qualified securities depository or its nominee. If the City fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names Owners of the Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions of Sections 2.06 and 2.07 hereof, and the City shall prepare and deliver Bonds to the Fiscal Agent for authentication and delivery to the Owners thereof for such purpose.

In the event of a reduction in aggregate principal amount of Bonds Outstanding or an advance refunding of part of the Bonds Outstanding, the Depository, in its discretion, (a) may request the City to prepare and issue a new Bond or (b) may make an appropriate notation on a Bond indicating the date and amounts of such reduction in principal, but in such event the Registration Books maintained by the Fiscal shall be conclusive as to what amounts are Outstanding with respect to the Bond, except in the case of final maturity, in which case the Bond must be presented to the Fiscal Agent prior to payment.

Notwithstanding any other provision of this Agreement to the contrary, so long as any Bond is registered in the name of the Nominee, all payments of principal and interest with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository and acceptable to the City.

The initial Nominee shall be Cede & Co., as Nominee of DTC.

Section 2.13. Parity Bonds. The District and the City covenant that except as provided below 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 or on a parity with the lien of the Bonds. Nothing in this Agreement shall, however, preclude, subject to the limitations contained hereunder, the redemption prior to maturity of any Bonds subject to call and redemption and payment of said Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California, which shall be payable from and have a lien upon the Special Tax Revenues on a parity with the Bonds to be outstanding following the issuance of such refunding bonds.

ARTICLE III  
ISSUANCE OF BONDS; APPLICATION OF PROCEEDS;  
IMPROVEMENT FUND; SPECIAL TAX FUND; ADMINISTRATIVE EXPENSE FUND;  
COSTS OF ISSUANCE FUND

Section 3.01. Issuance and Delivery of Bonds. At any time after the execution of this Agreement, the City may issue the Bonds for the District in the aggregate principal amounts set forth in Section 2.01 hereof and deliver the Bonds to the Original Purchaser. The Authorized Officers of the City are hereby authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the Bonds in accordance with the provisions of the Act, the Resolution and this Agreement, to authorize the payment of Costs of Issuance by the

Fiscal Agent from the proceeds of the Bonds, and to do and cause to be done any and all acts and things necessary or convenient for delivery of the Bonds to the Original Purchaser.

Section 3.02. Application of Proceeds of Sale of Bonds.

The Proceeds of the sale of the Bonds to the Original Purchaser shall be paid to the Fiscal Agent, who shall forthwith set aside, pay over and deposit such Proceeds on the Closing Date as follows:

- (A) Deposit in the Reserve Fund the amount of \$[\_\_\_\_\_], which constitutes the Reserve Requirement on the Closing Date;
- (B) Deposit in the Capitalized Interest Sub-Account the amount of \$[\_\_\_\_\_];
- (C) [Deposit in the Park Facilities Account in the Improvement Fund the amount of \$[\_\_\_\_\_];]
- (D) Deposit in the City Facilities Account in the Improvement Fund the amount of \$[\_\_\_\_\_];
- (E) Deposit in the School District Facilities Account in the Improvement Fund the amount of \$[\_\_\_\_\_];
- (F) Deposit in the Costs of Issuance Fund the amount of \$[\_\_\_\_\_]; and
- (G) Deposit in the Improvement Fund the amount of \$[\_\_\_\_\_].

Section 3.03. Improvement Fund.

(A) Establishment of Improvement Fund. There is hereby established, as a separate fund to be held by the Fiscal Agent, the “Community Facilities District No. 2017-2 of the City of Corona 2018 Special Tax Bonds Improvement Fund.” There are hereby established as separate accounts in the Improvement Fund, the [“Park Facilities Account”,] the “City Facilities Account” and the “School District Facilities Account” to the credit of which deposits shall be made as required by paragraphs (C) and (D) of Section 3.02 hereof. Moneys in the Improvement Fund shall be held by the Fiscal Agent for the benefit of the City and the School District, and shall be disbursed, except as otherwise provided in subsection (D) of this Section 3.03, for the payment or reimbursement of the costs of the design, acquisition and construction of the Project.

(B) Procedure for Disbursement.

(1) [Park Facilities Account and] City Facilities Account. Disbursements from the [Park Facilities Account and the] City Facilities Account shall be made by the Fiscal Agent upon receipt of an Officer’s Certificate which shall:

(i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made and the person to which the disbursement is to be paid along with payment instructions; and

(ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officer's Certificate previously filed with the Fiscal Agent requesting disbursement, and that the amount being requested is an appropriate disbursement from the [Park Facilities Account or the] City Facilities Account, as applicable.

(2) School District Facilities Account. Disbursements from the School District Facilities Account shall be made by the Fiscal Agent upon receipt of a School District Certificate or an Officer's Certificate which shall:

(i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made and the person to which the disbursement is to be paid along with payment instructions;

(ii) certify that the amount required to be disbursed is for payment of costs related to the construction and acquisition of the School District Facilities as described in the Joint Community Facilities Agreement; and

(iii) certify that no portion of the amount then being requested to be disbursed was set forth in any School District Certificate or Officer's Certificate previously filed with the Fiscal Agent requesting disbursement, and that the amount being requested is an appropriate disbursement from the School District Facilities Account.

(C) Investment. Moneys in the Improvement Fund shall be invested and deposited in accordance with Section 6.01 hereof. Investment Earnings with respect to the Improvement Fund shall be retained by the Fiscal Agent in such fund to be used for the purposes of such fund.

(D) Closing of Fund. Upon the filing of an Officer's Certificate stating that the construction and acquisition of the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund, and further stating that moneys on deposit in the Improvement Fund are not needed to complete the Project or reimburse the cost thereof, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Principal Account of the Bond Fund to be used to pay the principal of the Bonds.

(E) Officer's Certificate. Upon receipt of an Officer's Certificate delivered pursuant to this Section 3.03, the Fiscal Agent is authorized to act thereon without further inquiry and shall not be responsible for the accuracy of the statements made in such Officer's Certificate or the application of the funds disbursed pursuant thereto, and shall be absolutely protected and incur no liability in relying on such Officer's Certificate.

Section 3.04. Special Tax Fund.

(A) Establishment of Special Tax Fund. There is hereby established, as a separate fund to be held by the Fiscal Agent, the "Community Facilities District No. 2017-2 of the City of Corona 2018 Special Tax Bonds Special Tax Fund" to the credit of which the City shall deposit, as hereinafter provided, not later than ten (10) Business Days after receipt, all Special Tax Revenues received by the City. Moneys in the Special Tax Fund, and all accounts therein, shall be held in trust by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, shall be disbursed as provided below and, pending disbursement, shall 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 shall be transferred by the City not later than ten (10) Business Days after receipt to the Fiscal Agent for deposit by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to Section 4.02(A) hereof.

(B) Disbursements. As soon as practicable after the receipt from the City of any Special Tax Revenues, but no later than ten (10) Business Days after such receipt, the Fiscal Agent shall 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 (as determined by the City); 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 each Fiscal Year. Thereafter, the Fiscal Agent shall deposit in the Interest Account and the Principal Account of the Bond Fund, as provided in Section 4.02(B). 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 the amount, if any, on deposit in the Special Tax Fund, together with the amount then on deposit in the Bond Fund (including the Principal Account therein but not including, however, the Interest Account or 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) one-twelfth (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, 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 the Administrative Expense Fund to pay any additional Administrative Expenses during the then current Fiscal Year, as directed in writing by the City. Subject to the requirement in the foregoing sentence, on each September 2, commencing September 2, 2019

any funds remaining in the Special Tax Fund which are not needed to pay principal of or interest on the Bonds then due and payable may be retained in the Special Tax Fund to reduce the Special Taxes levied in future years (subject to the limitations set forth in the Rate and Method of Apportionment) at the written direction of the City. The Fiscal Agent shall have no obligation to monitor the City's obligations as set forth in this paragraph.

(C) Investment. Moneys in the Special Tax Fund shall be invested and deposited in accordance with Section 6.01 hereof. Investment Earnings shall be retained in the Special Tax Fund to be used for the purposes of such fund.

#### Section 3.05. Administrative Expense Fund.

(A) Establishment of Administrative Expense Fund. There is hereby established, as a separate account to be held by the Fiscal Agent, the "Community Facilities District No. 2017-2 of the City of Corona 2018 Special Tax Bonds Administrative Expense Fund" to the credit of which deposits shall be made as required by Section 3.04(B) hereof. Moneys in the Administrative Expense Fund shall be held in trust by the Fiscal Agent for the benefit of the City, and shall be disbursed as provided below.

(B) Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense (or a Cost of Issuance) and the nature of such Administrative Expense (or Cost of Issuance).

(C) Investment. Subject to the provisions of subsection (B) above, moneys in the Administrative Expense Fund shall be invested and deposited in accordance with Section 6.01 hereof. Investment Earnings shall be retained by the Fiscal Agent in the Administrative Expense Fund to be used for the purposes of such fund.

#### Section 3.06. Costs of Issuance Fund.

(A) Establishment of Costs of Issuance Fund. There is hereby established, as a separate account to be held by the Fiscal Agent, the "Community Facilities District No. 2017-2 of the City of Corona 2018 Special Tax Bonds Costs of Issuance Fund" to the credit of which a deposit shall be made as required by paragraph (B) of Section 3.02 hereof. Moneys in the Costs of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

(B) Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by an Authorized Officer and delivered to the Fiscal Agent concurrently with the delivery of the Bonds. The Fiscal Agent shall pay all Costs of Issuance upon receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee in such requisition, or upon receipt of an Officer's Certificate requesting payment of a Cost of Issuance not listed on the initial requisition delivered to the Fiscal Agent on the Closing Date. Each such invoice or Officer's Certificate shall be sufficient evidence to the Fiscal Agent of the facts stated therein

and the Fiscal Agent shall have no duty to confirm the accuracy of such facts. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of ninety (90) days from the Closing Date and shall then transfer and deposit any moneys remaining therein, including any Investment Earnings thereon, in the Improvement Fund.

(C) Investment. Moneys in the Costs of Issuance Fund shall be invested and deposited in accordance with Section 6.01 hereof. Investment Earnings shall be retained by the Fiscal Agent in the Costs of Issuance Fund to be used for the purposes of such fund.

#### ARTICLE IV SPECIAL TAX REVENUES; BOND FUND; RESERVE FUND

##### Section 4.01. Pledge of Special Tax Revenues.

The Bonds shall be secured by a pledge of and lien upon (which shall be effected in the manner and to the extent herein provided) all of the Special Tax Revenues (except the amount which will be deposited in the Administrative Expense Fund for each Fiscal Year pursuant to Section 3.04(B) hereof) and all moneys deposited in the Bond Fund and all moneys deposited in the Reserve Fund. The Bonds shall be equally secured by a pledge of and lien upon the Special Tax Revenues and such moneys without priority for number, date of Bond, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premium upon the redemption of any thereof shall be and is secured by a pledge of and lien upon the Special Tax Revenues and such moneys. The Special Tax Revenues and all moneys deposited into such accounts are hereby dedicated in their entirety to the payment of the principal of the Bonds, and interest and any premium on, the Bonds, as provided herein and in the Act, until all of the Bonds have been paid and retired or until moneys or Defeasance Securities have been set aside irrevocably for that purpose in accordance with Section 10.03 hereof.

##### Section 4.02. Bond Fund.

(A) Deposits. There is hereby established, as a separate fund to be held by the Fiscal Agent, the "Community Facilities District No. 2017-2 of the City of Corona 2018 Special Tax Bonds Bond Fund" to the credit of which deposits shall be made as required by Section 3.04(B) and Section 4.03(C) and (D) hereof and any other provision of this Agreement or the Act. There are hereby established in the Bond Fund, as separate accounts to be held by the Fiscal Agent, the "Interest Account" and the "Principal Account." There is hereby also established in the Bond Fund, as a separate account to be held by the Fiscal Agent, the "Special Tax Prepayments Account" to the credit of which deposits shall be made as required by Section 3.04(A) hereof. There is also established in the Interest Fund as a separate subaccount, the "Capitalized Interest Sub-account" to the credit of which a deposit shall be made as required by Section 3.02(B) hereof. 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.

(B) Disbursements. On or before each Interest Payment Date, the Fiscal Agent shall transfer from the Special Tax Fund 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:

(1) 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 Special Tax Fund.

(a) Capitalized Interest Sub-Account. On or before the Interest Payment Date which occurs on March 1, 2019, the Fiscal Agent shall withdraw from the Capitalized Interest Sub-Account and transfer to the Interest Account the amount which is necessary to cause the amount on deposit in the Interest Account to be equal to the amount of Debt Service which is due and payable on the Outstanding Bonds on such Interest Payment Date. The amount, if any, on deposit in the Capitalized Interest Sub-Account on March 2, 2019 shall be withdrawn by the Fiscal Agent and transferred to the Special Tax Fund and the Capitalized Interest Sub-Account shall be closed.

(2) 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 pursuant to Section 2.02 hereof, 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 any of the provisions of Section 2.03 hereof. 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 Section 2.03 hereof. 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 Special Tax Fund.

In the event that moneys on deposit in the Special Tax Fund 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 Section 4.03(B) hereof, 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 due or is to be 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.

(C) Special Tax Prepayments Account Deposits and Disbursements. Within ten (10) Business Days after receiving a Special Tax Prepayment the City shall deliver the amount thereof to the Fiscal Agent, together with an Officer's Certificate notifying the Fiscal Agent that the amount being delivered is a Special Tax Prepayment which is to be deposited in the Special Tax Prepayments Account. Upon receiving a Special Tax Prepayment from the City and such an Officer's Certificate, the Fiscal Agent shall deposit the amount of the Special Tax Prepayment in the Special Tax Prepayments Account. Such an Officer's Certificate may be combined with the Officer's Certificate which the City is required to deliver to the Fiscal Agent pursuant to Section 4.03(F) hereof. Moneys on deposit in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Principal Account on the next date for which notice of the redemption of the Bonds can timely be given under Section 2.03(F) hereof and shall be used to redeem the Bonds on the redemption date selected in accordance with Section 2.03(B) hereof. Pending such transfer, the moneys on deposit in the Special Tax Prepayments Account shall be invested in Defeasance Securities, in accordance with Section 6.01 hereof, at such yield as, in the opinion of Bond Counsel, is necessary to preserve the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. Investment earnings on the moneys on deposit in the Special Tax Prepayments Account shall be retained in such account. The City shall provide direction in writing to the Fiscal Agent which shall include an exhibit of the Bond Counsel's determination.

(D) Investment. Except as provided in subsection (C) above, moneys in the Bond Fund, including all accounts therein, shall be invested and deposited in accordance with Section 6.01 hereof. Investment Earnings shall be retained in the Bond Fund, except to the extent they are required to be deposited by the Fiscal Agent in the Rebate Fund in accordance with Section 6.02 hereof.

Amounts in the Bond Fund, including all accounts therein, shall also be withdrawn and deposited in the Rebate Fund as provided in Section 6.02 hereof.

#### Section 4.03. Reserve Fund.

(A) Establishment of Fund. There is hereby established, as a separate fund to be held by the Fiscal Agent, the "Community Facilities District No. 2017-2 of the City of Corona 2018 Special Tax Bonds Reserve Fund" to the credit of which a deposit shall be made as required by paragraph (A) of Section 3.02 hereof, which deposit is equal to the Reserve Requirement, and to which deposits shall be made as provided in Section 3.04(B) hereof. 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.

(B) Use of Fund. Except as otherwise provided in this Section, (i) 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 subsection (E) of this Section 4.03, for the purpose of redeeming Bonds.

(C) Transfer Due to Deficiency in Interest and Principal Accounts. Whenever transfer is made from the Reserve Fund to the Interest Account or the Principal Account due to a deficiency in either such account, the Fiscal Agent shall provide written notice thereof to the City.

(D) Transfer of Excess of Reserve Requirement. Whenever, on any September 2, the amount in the Reserve Fund, less Investment Earnings resulting from the investment of the funds therein which pursuant to Section 6.02 hereof must be rebated to the United States, as previously directed by the City, exceeds the Reserve Requirement, as calculated by the City, the Fiscal Agent shall provide written notice to the City of the amount of the excess. Upon receiving written direction from an Authorized Officer (upon which the Fiscal Agent may conclusively rely), the Fiscal Agent shall, subject to the requirements of Section 6.02 hereof, transfer an amount from the Reserve Fund which will reduce the amount on deposit therein to an amount equal to the Reserve Requirement to the Interest Account and the Principal Account, in the priority specified in Section 4.02(B)(1) and (2) hereof, to be used for the payment of the interest on and principal of the Bonds on the next succeeding Interest Payment Date in accordance with Section 4.02 hereof.

(E) Transfer When Balance Exceeds Outstanding Bonds. 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 Section 4.02(B)(1) and (2) hereof, to be applied, on the next succeeding Interest Payment Date, to the payment and redemption, in accordance with Section 2.03 and Section 4.02 hereof 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.

(F) Transfers on Payment of Special Tax Obligations. Whenever the City receives a Special Tax Prepayment, the City shall by an Officer's Certificate notify the Fiscal Agent thereof and of the amount by which the Reserve Fund is to be reduced and which is transferrable from the Reserve Fund to the Principal Account of the Bond Fund, which amount shall be specified in the Officer's Certificate. Each such Officer's Certificate shall be accompanied by a report of an Independent Financial Consultant verifying the accuracy of the

calculation of the amount to be transferred from the Reserve Fund to the Principal Account (“Verification”). Upon receipt of each such Officer’s Certificate and Verification, upon which the Fiscal Agent may conclusively rely, the Fiscal Agent shall at such time as the amount of such Special Tax Prepayment will be used to redeem Bonds, as provided in Section 4.02(B)(2) hereof, transfer the amount specified in such Officer’s Certificate to the Principal Account and use such amount, together with the amount of such Special Tax Prepayment, to redeem Bonds, as provided in Section 4.02(B)(2) hereof. Notwithstanding the preceding provisions of this subsection, no amount shall be transferred from the Reserve Fund to the Principal Account if the amount on deposit in the Reserve Fund is, or as a result of such transfer would be, less than the Reserve Requirement following such redemption.

(G) Investment. Moneys on deposit in the Reserve Fund shall be invested in Permitted Investments which do not have maturities extending beyond five (5) years; provided, however, if the Reserve Fund is invested in an investment agreement (as defined in clause (vii) of the definition of Permitted Investments in Section 1.03 hereof) or a repurchase agreement (as defined in clause (xi) of such definition) such agreement may have a maturity longer than five (5) years if the Fiscal Agent is authorized by the provisions of such agreement to draw the full amount thereof, without penalty, if required for the purposes of the Reserve Fund. The City shall cause the Permitted Investments, other than such investment agreements, in which moneys on deposit in the Reserve Fund are invested to be valued at fair market value and at least once in each Fiscal Year. The Fiscal Agent’s pricing service, as reflected on its monthly statements, satisfies fair market value.

## ARTICLE V OTHER COVENANTS OF THE CITY

Section 5.01. Punctual Payment. The City will punctually pay or cause to be paid the principal of and interest and any premium on the Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement to the extent that the Special Tax Revenues are available therefor, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.02. Special Obligation. The Bonds are special obligations of the City and the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Bond Fund, the Reserve Fund and the Special Tax Fund.

Section 5.03. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 5.04. Against Encumbrances. The City shall not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by this Agreement.

Section 5.05. Books and Accounts. The City shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Administrative Expense Fund. Such books of record and accounts shall at all times during business hours, upon reasonable notice, be subject to the inspection of the Owners of not less than ten percent (10%) of the aggregate principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Section 5.06. Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Section 5.07. Collection of Special Tax Revenues. The City shall comply with all requirements of the Act, including the enactment of necessary Ordinances, so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of the payment or collection of delinquent Special Taxes.

On or within five (5) Business Days of June 1 of each year, the Fiscal Agent shall provide the City with a notice stating the amount then on deposit in the Special Tax Fund, the Bond Fund and the Reserve Fund (including all accounts and sub-accounts therein), the monthly statements provided by the Fiscal Agent shall satisfy this notice requirement. The receipt of such notice by the City or the failure of the Fiscal Agent to give such notice shall in no way affect the obligations of the City under the following two paragraphs. The Fiscal Agent shall have no liability if it does not provide such notice to the City. Upon receipt of such notice, the City shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current Fiscal Year.

The City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Act by August 10 of each year (or such later date as may be authorized by the Act or any amendment thereof) that the Bonds are Outstanding, such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the tax roll for the Fiscal Year then beginning. Upon the completion of the computation of the amounts of the levy of the Special Taxes, the City shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the tax roll. Notwithstanding the preceding provisions of this paragraph, the City Council may elect, as permitted by the Act, to collect the Special Taxes to be levied for any Fiscal Year directly from the owners of the parcels of taxable property upon which the Special Taxes are levied rather than by transmitting the Special Taxes to the Auditor for collection on the tax roll; provided that, in such event, the City shall otherwise comply with the provisions of this Section 5.07.

The City shall fix and levy the amount of Special Taxes within the District required for the payment of the principal of and interest on any Outstanding Bonds becoming due and payable during the ensuing calendar year, including any necessary replenishment of the Reserve Fund, and the amount estimated to be sufficient to pay the Administrative Expenses during such calendar year. The Special Taxes so levied shall not exceed the authorized amounts for the District as provided in the proceedings for the establishment of the District.

The Special Taxes shall be payable and be collected (except in the event of judicial foreclosure proceedings pursuant to Section 5.11 hereof) in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

The City will not, in collecting the Special Taxes or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to Sections 53340, 53344.1, 53356.1 and 53356.5 of the California Government Code in any manner which would materially and adversely affect the interests of the Owners and, in particular, will not permit the tender of Bonds in full or partial payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant certifying that to accept such tender will not result in the City having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds and remaining Outstanding following such tender.

Section 5.08. Levy of Special Taxes for Administrative Expenses. The City covenants that, to the extent that it is legally permitted to do so, (a) it will levy the Special Taxes for the payment of the Administrative Expenses which are expected to be incurred in each Fiscal Year, and (b) 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 one hundred ten percent (110%) of Maximum Annual Debt Service on the Outstanding Bonds. For purposes of this Section, "Developed Property" has the meaning set forth in the Rate and Method of Apportionment.

The City further covenants 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.

Section 5.09. Further Assurances. The City will adopt, make, execute and deliver any and all such further ordinances, resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Agreement.

Section 5.10. Tax Covenants. The City covenants that:

(A) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of the initial issuance and delivery of the Bonds, would have caused any of the Bonds to be “arbitrage bonds” within the meaning of Section 103(b) and Section 148 of the Code;

(B) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Bonds, would result in loss of exclusion from gross income for purposes of federal income taxation under Section 103(a) of the Code of interest paid with respect to the Bonds;

(C) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Bonds, would have caused any of the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(D) It will comply with the Rebate Certificate as a source of guidance for achieving compliance with the Code; and

(E) In order to maintain the exclusion from gross income for purposes of federal income taxation of interest paid with respect to the Bonds, it will comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code.

The covenants of the City contained in this Section 5.10 shall survive the payment, redemption or defeasance of Bonds pursuant to Section 10.03 hereof.

Section 5.11. Covenant to Foreclose. Pursuant to Section 53356.1 of the California Government Code, the City covenants with and for the benefit of the Owners of the Bonds that: (i) 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 (ii) 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 ninety-five percent (95%) of the total Special Taxes levied, and diligently pursue to completion such foreclosure proceedings.

Section 5.12. Prepayment of Special Taxes. 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 Tax Consultant and shall not accept any such prepayment unless such consultant certifies in writing that following the acceptance of the proposed prepayment by the City and the redemption of Bonds with such prepayment, the maximum amount of the Special Taxes that may be levied on all Taxable Property (as defined in the Rate and Method of Apportionment) in the District following such prepayment will be at least 1.10 times Maximum Annual Debt Service on the Bonds which will remain Outstanding following such redemption plus estimated Administrative Expenses.

Section 5.13. Calculation of Prepayments. The City will cause all Special Tax Prepayments to be calculated to include the amount of the premium on the Outstanding Bonds that will be redeemed with the Special Tax Prepayment and negative arbitrage on the investment of the Special Tax Prepayment from the date of receipt until the Interest Payment Date upon which the Special Tax Prepayment and the amount to be transferred from the Reserve Fund to the Principal Account pursuant to Section 4.03(F) hereof will be used to redeem Outstanding Bonds pursuant to Section 2.03(B) hereof. The City will not include in any calculation of the amount of any Special Tax Prepayment for any parcel of taxable property in the District a proportionate amount of the amount then on deposit in the Reserve Fund, if at the time of such calculation the amount on deposit in the Reserve Fund is less than the Reserve Requirement.

Section 5.14. Continuing Disclosure. The City hereby covenants and agrees that they will comply with and carry out all of the provisions of the Continuing Disclosure Certificate.

Section 5.15. Accountability Measures. The City shall comply with the requirements of Section 53410 of the California Government Code with respect to the deposit and expenditure of the Proceeds of the sale of the Bonds and shall cause the appropriate officer of the City to file a report with the City Council no later than January 31, 2019, and annually thereafter, which shall contain the information required by Section 53411 of the California Government Code with respect to the expenditure of the Proceeds.

## ARTICLE VI INVESTMENTS; DISPOSITION OF INVESTMENT PROCEEDS; LIABILITY OF THE CITY

Section 6.01. Deposit and Investment of Moneys in Funds. Subject in all respects to the provisions of Section 6.02 hereof, moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall hold funds uninvested. The Fiscal Agent shall not have any responsibility for determining the legality of any Permitted Investments. The Fiscal Agent shall have no obligation to pay additional interest or maximize investment income on any funds held by it. Neither the City nor the Owners of the Bonds shall have any claim of any kind against the Fiscal Agent in connection with investments properly made pursuant to this Section 6.01. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of Investment Earnings in funds and accounts.

The Fiscal Agent and its affiliates may act as sponsor, advisor, depository, principal or agent in the holding, acquisition or disposition of any investment. The Fiscal Agent shall not incur any liability for losses arising from any investments made pursuant to this Section 6.01. For purposes of determining the amount on deposit in any fund or account held hereunder, all Permitted Investments or investments credited to such fund or account shall be valued at the cost thereof (excluding accrued interest and brokerage commissions, if any).

Subject in all respects to the provisions of Section 6.02 hereof, investments in any and all funds and accounts may be commingled in a single fund for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent hereunder, provided that the Fiscal Agent shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

The Fiscal Agent shall sell or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited, and the Fiscal Agent shall not be liable or responsible for any loss resulting from the acquisition or disposition of any such investment security in accordance herewith.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City or the District the right to receive brokerage confirmations of securities transactions as they occur, the City for itself and the District specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent shall furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent hereunder.

The Fiscal Agent may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate.

Section 6.02. Rebate Fund; Rebate to the United States. There is hereby created, to be held by the Fiscal Agent, as a separate account distinct from all other funds and accounts held by the Fiscal Agent under this Agreement, the Rebate Fund. The Fiscal Agent shall, in accordance with written directions received from an Authorized Officer, deposit into the Rebate Fund moneys transferred by the City to the Fiscal Agent pursuant to the Rebate Certificate or moneys transferred by the Fiscal Agent from the Reserve Fund. The Rebate Fund shall be held either uninvested or invested only in Federal Securities at the written direction of the City. Moneys on deposit in the Rebate Fund shall be applied only to payments made to the United States, to the extent such payments are required by the Rebate Certificate. The Fiscal Agent shall, upon written request and direction of the City, make such payments to the United States.

The Fiscal Agent may rely conclusively upon the City's determinations, calculations and certifications required by this Section. The Fiscal Agent shall have no responsibility to independently make any calculation or determination or to review the City's calculations hereunder. The Fiscal Agent's sole responsibilities under this Section 6.02 are to follow the written instructions of the City pertaining hereto. The City shall be responsible for any fees and expenses incurred by the Fiscal Agent pursuant to this Section 6.02.

The Fiscal Agent shall, upon written request and direction from the City, transfer to or upon the order of the City any moneys on deposit in the Rebate Fund in excess of the amount, if any, required to be maintained or held therein in accordance with the Rebate Certificate.

Section 6.03. Liability of City. The City shall not incur any responsibility in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds.

In the absence of bad faith, the City may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City and conforming to the requirements of this Agreement. The City shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of this Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations hereunder, or in the exercise of and of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The City may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Agreement the City shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the City, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent, and such certificate shall be full warranty to the City for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the City may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 6.04. Employment of Agents by City. In order to perform its duties and obligations hereunder, the City may employ such persons or entities as it deems necessary or advisable. The City shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

## ARTICLE VII THE FISCAL AGENT

Section 7.01. Appointment of Fiscal Agent. The Bank of New York Mellon Trust Company, N.A. is hereby appointed Fiscal Agent, registrar and paying agent for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent.

Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section 7.01, shall be the successor to the Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

The City may, upon a 30-day notice of removal, remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, national banking association, corporation or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank, national banking association, corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section 7.01 within forty-five (45) days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the City, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Section 7.02. Liability of Fiscal Agent. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City and the District, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, nor shall the Fiscal Agent incur any responsibility in respect thereof, other than in

connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

In the absence of bad faith, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of this Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent shall not be liable for any error of judgment made in good faith by the Fiscal Agent unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

No provision of this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

The Fiscal Agent shall not be responsible for accounting for, or paying to, any party to this Agreement, including, but not limited to the City and the Owners, any returns on or benefit from funds held for payment of unredeemed Bonds or outstanding checks and no calculation of the same shall affect, or result in any offset against, fees due to the Fiscal Agent under this Agreement.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners pursuant to this Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

All indemnification and releases from liability granted herein to the Fiscal Agent shall extend to the directors, officers and employees of the Fiscal Agent.

The Fiscal Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization

codes, passwords and/or authentication keys issued by the Fiscal Agent, or another method or system specified by the Fiscal Agent as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Fiscal Agent an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Fiscal Agent Instructions using Electronic Means and the Fiscal Agent in its discretion elects to act upon such Instructions, the Fiscal Agent’s understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Fiscal Agent cannot determine the identity of the actual sender of such Instructions and that the Fiscal Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Fiscal Agent have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Fiscal Agent and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Fiscal Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Fiscal Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

The permissive right of the Fiscal Agent to do things enumerated in this Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

The Fiscal Agent may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, affiliates, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Fiscal Agent shall not be answerable for any willful misconduct or negligence on the part of any attorney, agent or receiver selected by it with reasonable care.

Section 7.03. Information. The Fiscal Agent shall provide to the City such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the City shall reasonably request, including, but not limited to, quarterly statements reporting funds held and transactions by the Fiscal Agent.

Section 7.04. Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, Bond or other paper or document believed by it to be genuine and to

have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Fiscal Agent hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a certificate of the City, and such certificate shall be full warranty to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 7.05. Compensation, Indemnification. The City shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Agreement, and the Fiscal Agent shall have a first priority lien therefor on any funds at any time held by it in the Administrative Expense Fund, and the Fiscal Agent shall pay and reimburse all expenses, charges, fees and other disbursements, including those of its attorneys, agents and employees, incurred in connection therewith from the funds held by it in the Administrative Expense Fund. The City further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents, harmless against any liabilities, costs, claims, expenses or charges of any kind whatsoever (including fees and expenses of its attorneys) which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligation of the City under this Section 7.05 shall survive resignation or removal of the Fiscal Agent under this Agreement and payment of the Bonds and discharge of this Agreement.

Section 7.06. Books and Accounts. The Fiscal Agent shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it to the expenditure of amounts disbursed from the Bond Fund, the Special Tax Fund, the Administrative Expense Fund, the Reserve Fund and the Costs of Issuance Fund. Such books of record and accounts shall, upon reasonable notice, at all times during business hours be subject to the inspection of the City and the Owners of not less than ten percent (10%) of the aggregate principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

ARTICLE VIII  
MODIFICATION OR AMENDMENT OF THIS AGREEMENT

Section 8.01. Amendments Permitted.

(A) This Agreement and the rights and obligations of the District and the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of the Owners, or with the written consent, without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04 hereof. No such modification or amendment shall (i) extend the maturity of any Bond or the time for paying interest thereon, or otherwise alter or impair the obligation of the City on behalf of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation of any pledge of or lien upon the Special Tax Revenues, or the moneys on deposit in the Special Tax Fund, the Bond Fund or the Reserve Fund, superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California and this Agreement), (iii) reduce the percentage of Bonds required for the amendment hereof, or (iv) reduce the principal amount of or redemption premium on any Bond or reduce the interest rate thereon. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of this Section 8.01 and the Fiscal Agent may conclusively rely on such opinion.

(B) This Agreement and the rights and obligations of the District and the City and the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City and the District in this Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City and the District;

(2) to make modifications not adversely affecting any Outstanding Bonds in any material respect;

(3) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions of this Agreement, or in regard to questions arising under this Agreement, as the City and the Fiscal Agent may deem necessary or desirable and not inconsistent with this Agreement, and which shall not adversely affect the rights of the Owners;

(4) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of moneys to the United States or otherwise as may be necessary to assure exclusion from

gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations; or

(5) to provide for the issuance of Parity Bonds to pay and discharge the indebtedness of a portion of the Outstanding Bonds pursuant to Section 2.13 and Section 10.03 hereof.

Section 8.02. Owners' Meetings. The City may at any time call a meeting of the Owners. In such event, the City is authorized to fix the time and place of any such meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of the meeting.

Section 8.03. Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01(A) hereof, to take effect when and as provided in this Section 8.03. A copy of the Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, postage prepaid, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of the Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided.

Such a Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 10.04 hereof. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the documents required by this Section 8.03 to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article VIII) upon the City, the District and the Owners of all Bonds then Outstanding at the expiration of sixty (60) days after such filing, except in the

event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60)-day period.

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or participate in any action provided for in this Article VIII. Upon request of the Fiscal Agent, the City shall specify to the Fiscal Agent those Bonds disqualified pursuant to this Section and the Fiscal Agent may conclusively rely on such certificate.

Section 8.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Agreement of the City and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendments. The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and upon presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for like Bonds then Outstanding, upon surrender of such Bonds.

Section 8.07. Amendatory Endorsement of Bonds. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

## ARTICLE IX EVENTS OF DEFAULT AND REMEDIES

Section 9.01. Events of Default. Any one or more of the following events shall be an Event of Default:

(a) failure to pay any installment of principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise;

(b) failure to pay any installment of interest on any Bonds when and as the same shall become due and payable; or

(c) other than as referred to in subsection (a) or (b), failure by the City, for and on behalf of the District, to observe or perform any covenant, condition, agreement or provision in this Agreement on its part to be observed or performed for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Fiscal Agent or the Owners of 25% in aggregate principal amount of the Outstanding Bonds ; except that, if such failure can be remedied but not within such thirty (30) day period and if the City has taken all action reasonably possible to remedy such failure within such thirty (30) day period, such failure shall not become an Event of Default for so long as the City shall diligently proceed to remedy same.

Section 9.02. Remedies of Owners. Upon the occurrence and continuance of an Event of Default, the Owners shall have the right to exercise all remedies contemplated under this Agreement as follows:

(a) by mandamus or other action, suit, or proceeding at law or in equity to enforce the Owner's rights against the City, and its members, officers and employees, and to compel the City, and its members, officers and employees perform and carry out their duties under the Act and the agreements and covenants with the Owner contained herein;

(b) by suit in equity to enjoin any acts or things that are unlawful or violate the rights of the Owners; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the City and its officers and employees, acting for and on behalf of the District, to account as if it and they were the trustees of an express trust.

Section 9.03. Application of Special Taxes and Other Funds After Default. If an Event of Default shall occur and be continuing, all Special Taxes, including any penalties, costs, fees and other charges accruing under the Act, and any other funds then held or thereafter received by the Fiscal Agent under any of the provisions of this Agreement shall be applied by the Fiscal Agent as follows and in the following order:

First, to the payment of any expenses necessary in the opinion of the Fiscal Agent to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges, and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Agreement;

Second, to the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Agreement, as follows:

(a) to the payment of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, without any discrimination or preference; and

(b) to the payment of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal

at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date, without any discrimination or preference.

Section 9.04. Restoration of Positions. In case any proceedings taken by the Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Owners, then in every such case the City and the Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers, and duties of the City and the Owners shall continue as though no such proceedings had been taken.

Section 9.05. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right or remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 9.06. Delay or Omission Not Waiver. No delay or omission of any Owners to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Agreement or by law to the Owners of the Bonds may be exercised from time to time, and as often as may be deemed expedient, by the Owners.

## ARTICLE X MISCELLANEOUS

Section 10.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the City, the Fiscal Agent and the Owners, any right, remedy or claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 10.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Agreement or any Supplemental Agreement either the City or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 10.03. Discharge of Agreement.

If the City shall pay and discharge the indebtedness on all or a portion (a "Partial Discharge") of the Outstanding Bonds in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of and interest and any premium on such Bonds, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, an amount of money which, together with the amounts then on deposit in the Bond Fund (including all accounts therein), the Special Tax Fund and the Reserve Fund, or in the event of a Partial Discharge, the appropriate portion of such amounts, as determined by the City, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums, if any; or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash or non-callable Defeasance Securities in such amount as the City shall determine, as confirmed by an Independent Financial Consultant, will, together with the interest to accrue thereon and amounts then on deposit in the Bond Fund (including all accounts therein), the Special Tax Fund and the Reserve Fund, or in the event of a Partial Discharge, the appropriate portion of such amounts, as determined by the City and confirmed by an Independent Financial Consultant, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any such Bonds shall not have been surrendered for payment, the pledge of the Special Tax Revenues and other funds provided for in this Agreement and all other obligations of the City and the District under this Agreement with respect to such Bonds shall cease and terminate, except the obligation of the City to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon, the obligation of the City to pay all amounts owing to the Fiscal Agent pursuant to Section 7.05 hereof, and the obligations of the City pursuant to the covenants contained in Section 5.10 hereof; and thereafter Special Taxes shall not be payable to the Fiscal Agent. Notice of such election shall be filed with the Fiscal Agent. The satisfaction and discharge of this Agreement as to all of the Outstanding Bonds shall be without prejudice to the rights of the Fiscal Agent to charge and be reimbursed by the City for the expenses which it shall thereafter incur in connection herewith.

Any funds held by the Fiscal Agent to pay and discharge the indebtedness on such Bonds, upon payment of all fees and expenses of the Fiscal Agent, which are not required for such purpose, shall be paid over to the City.

Section 10.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such a request, declaration or other instrument, or of a writing appointing such an attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such a notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registration books maintained by the Fiscal Agent pursuant to Section 2.08 hereof.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

Section 10.05. Waiver of Personal Liability. No member, officer, agent or employee of the City or the District shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 10.06. Notices to and Demands on City and Fiscal Agent. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the City may be given or served by being deposited postage prepaid (first class, registered or certified) in a post office letter box addressed (until another address is filed by the City with the Fiscal Agent) as follows:

City of Corona  
400 South Vicentia Avenue  
Corona, CA 92882  
Attn: Assistant City Manager/Administrative Services Director

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the City to or on the Fiscal Agent may be given or served by being deposited postage prepaid (first class, registered or certified) in a post office letter box addressed (until another address is filed by the Fiscal Agent with the City) as follows:

The Bank of New York Mellon Trust Company, N.A.  
400 South Hope Street, Suite 500  
Los Angeles, CA 90071  
Attn: Corporate Trust

Section 10.07. Partial Invalidity. If any section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held by a court of competent jurisdiction to be illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The City hereby declares that it would have executed and delivered this Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 10.08. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent in trust for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payment of such principal, interest and premium have become payable, if such moneys were held by the Fiscal Agent at such date, shall be paid by the

Fiscal Agent to the City as its absolute property free from any trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the City for the payment of the principal of, and interest and any premium on, their Bonds.

Section 10.09. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 10.10. Conflict with Act. In the event of a conflict between any provision of this Agreement with any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 10.11. Conclusive Evidence of Regularity. Bonds issued pursuant to this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 10.12. Payment on Business Day. In any case where the date of the payment of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption is other than a Business Day, the payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required, and no interest shall accrue for the period from and after such date.

Section 10.13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the City has caused this Agreement to be executed in its name on behalf of the District, and the Fiscal Agent, in acknowledgment of its acceptance of the trusts created hereunder, has caused this Agreement to be executed in its name, all as of December 1, 2018.

CITY OF CORONA, for and on behalf of  
COMMUNITY FACILITIES DISTRICT NO.  
2017-2 (VALENCIA/SEVILLE) OF THE CITY  
OF CORONA, COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA

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

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Fiscal Agent

By: \_\_\_\_\_  
Authorized Officer

EXHIBIT A

FORM OF BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE AGREEMENT) TO THE FISCAL AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND AUTHENTICATED AND DELIVERED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF RIVERSIDE  
COMMUNITY FACILITIES DISTRICT NO. 2017-2  
(VALENCIA/SEVILLE)  
OF THE CITY OF CORONA  
2018 SPECIAL TAX BOND

INTEREST RATE

MATURITY DATE

DATED DATE  
December \_\_, 2018

CUSIP NO.

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

DOLLARS

The City of Corona (the "City"), for and on behalf of Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona, County of Riverside, State of California (the "District"), for value received, hereby promises to pay, from the Special Taxes (as hereinafter defined) to be collected in the District or amounts in certain of the funds and accounts held under the Agreement (as hereinafter defined) to the registered owner named above, or registered assigns, on the maturity date specified above, the principal amount specified above, and to pay interest on such principal amount from December \_\_, 2018, or from the most recent interest payment date to which interest has been paid or duly provided for, semiannually on March 1 and September 1, commencing [March 1, 2019] ("Interest Payment Dates"), at the interest rate specified above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable by check to the registered owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the Principal Office of The Bank of New York Mellon Trust Company, N.A. (the "Fiscal Agent"). Interest on this Bond shall be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, on each Interest Payment Date to the registered owner hereof as of the close of business on the fifteenth

(15th) day of the month preceding the month in which the Interest Payment Date occurs (the “Record Date”) at such registered owner’s address as it appears on the registration books maintained by the Fiscal Agent; except that at the written request of the owner of at least \$1,000,000 in aggregate principal amount of outstanding Bonds filed with the Fiscal Agent prior to the Record Date preceding any Interest Payment Date, interest on such Bonds shall be paid to such owner on such Interest Payment Date by wire transfer of immediately available funds to an account in the United States of America designated in such written request.

This Bond is one of a duly authorized issue of bonds approved by the qualified electors of the District pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code (the “Mello-Roos Act”), for the purpose, among others, of financing the construction and acquisition of certain public facilities within and for the District, and is one of the series of Bonds designated “Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona 2018 Special Tax Bonds (the “Bonds”), in the aggregate principal amount of \$ \_\_\_\_\_. The issuance of the Bonds and the terms and conditions thereof are provided for by a resolution adopted by the City Council of the City [November 7, 2018] (the “Resolution”), and the Fiscal Agent Agreement, dated as of December 1, 2018, between the City and the Fiscal Agent (the “Agreement”), and this reference incorporates the Resolution and the Agreement herein, and by acceptance hereof the owner of this Bond assents to the terms and conditions of the Resolution and the Agreement. The Resolution is adopted under, the Agreement is executed under, this Bond is issued under, and all are to be construed in accordance with, the laws of the State of California.

Pursuant to the Mello-Roos Act, the Agreement and the Resolution, the principal of and interest on the Bonds are payable from the annual levy of Special Taxes authorized under the Mello-Roos Act to be collected within the District (the “Special Taxes”) and are secured by a pledge of and first lien upon the revenues derived therefrom and certain funds held by the Fiscal Agent pursuant to the Agreement.

Interest on this Bond shall be payable from the Interest Payment Date next preceding the date of its authentication, 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 Record Date preceding such Interest Payment 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 December \_\_, 2018; provided, however, that if at the time of authentication of this Bond, interest is in default hereon, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment hereon, or from December \_\_, 2018 if no interest has previously been paid or made available for payment hereon.

Any tax for the payment hereof shall be limited to the Special Taxes, except to the extent that provision for payment has been made by the City as may be permitted by law. The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than as described hereinabove.

The City has covenanted for the benefit of the owners of the Bonds that (i) 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 (ii) 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 ninety-five percent (95%) of the total Special Taxes levied, and diligently pursue to completion such foreclosure proceedings.

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, at the option of the City 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:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 20__ and March 1, 20__	[103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and each Interest Payment Date thereafter	100]

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:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and any Interest Payment Date thereafter	100

The outstanding Bonds maturing on September 1, 20\_\_ are subject to mandatory sinking fund redemption, in part, without premium, on September 1, 20\_\_, and on each September 1 thereafter to maturity as provided in the Agreement.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner and to the extent provided in the Agreement.

From and after the date fixed for redemption, if funds available for the payment of the redemption prices of the Bonds selected for redemption shall have been deposited in the Bond Fund, such Bonds shall cease to be entitled to any benefit under the 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.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest.

Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for that purpose and authenticated by the manual signature of an authorized signatory of the Fiscal Agent upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner or his duly authorized attorney, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof and interest hereon shall be payable only to the registered owner or to such owner's order.

The Fiscal Agent shall require the registered owner requesting transfer or exchange hereof to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

The Agreement and the rights and obligations of the City and the District thereunder may be modified or amended as set forth therein.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been dated and manually signed on behalf of the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the City of Corona, for Community Facilities District No. 2017-2 (Valencia/Seville) thereof, has caused this Bond to be dated December \_\_, 2018, and to be signed by the facsimile signature of the Mayor of the City and countersigned by the facsimile signature of the City Clerk.

CITY OF CORONA for and on behalf of  
COMMUNITY FACILITIES DISTRICT NO.  
2017-2 (VALENCIA/SEVILLE) OF THE CITY  
OF CORONA, COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA

ATTEST:

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City Clerk of the City of Corona

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Mayor of the City of Corona

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-defined Agreement.

Dated: December \_\_, 2018

The Bank of New York Mellon Trust Company,  
N.A., Fiscal Agent

By: \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

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(Name, Address and Tax Identification or

---

Social Security Number of Assignee)

the within registered Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer said Bond on the books of the Fiscal Agent, with full power of substitution in the premises.

Dated: \_\_\_\_\_

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NOTE: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

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NOTE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Fiscal Agent.

## PURCHASE CONTRACT

\$ \_\_\_\_\_  
**COMMUNITY FACILITIES DISTRICT NO. 2017-2  
(VALENCIA/SEVILLE)  
OF THE CITY OF CORONA  
2018 SPECIAL TAX BONDS**

\_\_\_\_\_, 2018

City of Corona  
400 South Vicentia Avenue  
Corona, California 92882  
Attn: Assistant City Manager/  
Administrative Services Director

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”), offers to enter into this Purchase Contract (this “**Purchase Contract**”) with the City of Corona (the “**City**”), for and on behalf of Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona (the “**District**”), which, upon your acceptance of this offer, will be binding upon the City and Underwriter. Terms not otherwise defined herein shall have the same meanings as set forth in the Fiscal Agent Agreement described below.

This offer is made subject to the acceptance by the City of this Purchase Contract on or before 5:00 p.m. California time on the date set forth above.

1. Upon the terms and conditions and in reliance upon the respective representations, warranties and covenants herein, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to sell to the Underwriter, all (but not less than all) of the above-captioned bonds (the “**Bonds**”) at a purchase price (the “**Purchase Price**”) of \$\_\_\_\_\_ (equal to the par amount of the Bonds (\$\_\_\_\_\_)) [*plus*][*less*] [*net*] original issue [*premium*][*discount*] of \$\_\_\_\_\_, less an Underwriter's discount of \$\_\_\_\_\_.

The Bonds will be issued by the City pursuant to the Mello-Roos Community Facilities Act of 1982 (constituting Section 53311 et seq. of the California Government Code) (the “**Act**”) and Resolution No. 2018-117 adopted on November 7, 2018 (the “**Bond Resolution**”), by the City Council of the City of Corona (the “**City Council**”). The special taxes to provide a source of payment for the Bonds (the “**Special Taxes**”) will be levied pursuant to (i) Resolution No. 2017-058 adopted by the City Council on July 19, 2017, which established the District and authorized the levy of a special tax within the District (the “**Resolution of Formation**”) and (ii) a two-thirds vote of the qualified electors at an election held in the District on July 19, 2017.

The City Council also adopted the following pursuant to the Act in connection with formation of the District and the levy of the Special Taxes (collectively with the Resolution of Formation, the “**Formation Resolutions and the Ordinance**”): (i) Resolution No. 2017-032 (the resolution of intention to establish the District), (ii) Resolution No. 2017-033 (the resolution

declaring necessity for the District to incur bonded indebtedness), (iii) Resolution No. 2017-059 (the resolution determining necessity to incur bonded indebtedness), (iv) Resolution No. 2017-060 (resolution calling special election); (v) Resolution No. 2017-061 (the election results resolution), and (vi) Ordinance No. 3262 (the ordinance).

The Bonds will be issued pursuant to the terms of a Fiscal Agent Agreement (the “**Fiscal Agent Agreement**”), dated as of December 1, 2018, between the City, for and on behalf of the District, and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as fiscal agent (the “**Fiscal Agent**”). The proceeds of the sale of the Bonds will be used by the City and the Corona-Norco Unified School District to finance certain public facilities (the “**Facilities**”), fund a reserve fund and pay costs of issuing the Bonds. Proceeds of the Bonds will be applied in accordance with the Fiscal Agent Agreement.

2. The Bonds will mature on the dates and in the principal amounts, and will bear interest at the rates, as set forth in Exhibit C hereto. The Underwriter agrees to make a bona fide public offering of all the Bonds at the offering prices set forth on the inside cover page of the Final Official Statement described below.

3. (a) The City agrees to deliver to the Underwriter as many copies of the Official Statement, dated the date hereof, relating to the Bonds (as supplemented and amended from time to time, the “**Final Official Statement**”) as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “**Rule**”). The City agrees to deliver such Final Official Statements within seven business days after the execution hereof, or such earlier date identified by the Underwriter to be necessary to allow the Underwriter to meet its obligations under the Rule and Rule G-32 of the Municipal Securities Rulemaking Board (the “**MSRB**”). The Underwriter agrees to deposit the Final Official Statement with the MSRB on or as soon as practicable after the Closing Date (defined below). The Underwriter agrees to deliver a copy of the Final Official Statement to each of its customers purchasing Bonds no later than the settlement date of the transaction.

(b) The City has authorized and approved the Preliminary Official Statement dated \_\_\_\_\_, 2018 (the “**Preliminary Official Statement**”), and the Final Official Statement and consents to their distribution and use by the Underwriter and the execution and approval of the Final Official Statement by a duly authorized officer of the City. The City deems such Preliminary Official Statement final as of its date for purposes of the Rule, except for information allowed by the Rule to be omitted, and has executed a certificate to that effect in the form of Exhibit D. In connection with the printing and distribution of the Preliminary Official Statement, the Property Owner (defined below) executed a letter of representations in the applicable form attached hereto as Exhibit F.

In connection with issuance of the Bonds, and in order to assist the Underwriter in complying with the Rule, the City will execute a Continuing Disclosure Certificate dated the date of delivery of the Bonds (the “**City Continuing Disclosure Certificate**”). Concurrently, VD Corona Kellogg, LLC, a California limited liability company (the “**Property Owner**”) will enter into a Continuing Disclosure Certificate agreed to and accepted by Spicer Consulting Group, LLC, as dissemination agent (the “**Dissemination Agent**”) (the “**Property Owner Continuing Disclosure Certificate**”), dated the date of delivery of the Bonds, for the benefit of the owners of the Bonds.

Pursuant to the Property Owner Continuing Disclosure Certificate, the Property Owner will undertake to provide certain data regarding the Property Owner's activities in the District for a limited period. The forms of the City Continuing Disclosure Certificate and the Property Owner Continuing Disclosure Certificate are attached as Appendix E to the Final Official Statement.

4. The City represents and warrants to the Underwriter that:

(a) Each of the City and District is duly organized and validly existing under the laws of the State of California (the "**State**"), and the City has the full legal right, power and authority, among other things, (i) upon satisfaction of the conditions in this Purchase Contract and the Fiscal Agent Agreement, to issue the Bonds for the purpose of financing the design, acquisition and construction of the Facilities, and (ii) to secure the Bonds in the manner contemplated in the Fiscal Agent Agreement.

(b) The City Council has the full legal right, power and authority to adopt the Bond Resolution and the Formation Resolutions and the Ordinance, and the City has the full legal right, power and authority to (i) enter into this Purchase Contract, the Fiscal Agent Agreement and the City Continuing Disclosure Certificate, (ii) issue, sell and deliver the Bonds to the Underwriter as provided herein, and (iii) carry out and consummate all other transactions on its part contemplated by each of the aforesaid documents (such documents together with the Final Official Statement are collectively referred to herein as the "**City Documents**"), and the City and the City Council have complied with all provisions of applicable law, including the Act, in all matters relating to such transactions.

(c) The City has duly authorized (i) the execution and delivery by the City of the Bonds and the execution, delivery and due performance by the City of its obligations under the City Documents, (ii) the distribution and use of the Preliminary Official Statement and execution, delivery and distribution of the Final Official Statement, and (iii) the taking of any and all such action as may be required on the part of the City to carry out, give effect to and consummate the transactions on its part contemplated by such instruments. All consents or approvals necessary to be obtained by the City in connection with the foregoing have been received, and the consents or approvals so received are still in full force and effect.

(d) The Bond Resolution and the Formation Resolutions and the Ordinance have been duly adopted by the City Council and are in full force and effect; and the Fiscal Agent Agreement, when executed and delivered by the City and the other party thereto, will constitute a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally.

(e) When delivered to the Underwriter, the Bonds will have been duly authorized by the City Council and duly executed, issued and delivered by the City and will constitute legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally, and will be entitled to the benefit and security of the Fiscal Agent Agreement.

(f) The information relating to the City and the District (excluding information relating to the Property Owner and its property and activities in the District) contained in the Preliminary Official Statement is true and correct in all material respects, and the

Preliminary Official Statement does not as of its date contain any untrue or misleading statement of a material fact relating to the City or the District (excluding information relating to the Property Owner and its property and activities in the District) or omit to state any material fact relating to the City and the District (excluding information relating to the Property Owner and its property and activities in the District) necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) If, at any time prior to the earlier of (i) receipt of notice from the Underwriter that the Final Official Statement is no longer required to be delivered under the Rule or (ii) the Closing (as described in Section 6 below), any event known to the officers of the City participating in the issuance of the Bonds occurs with respect to the City or the District as a result of which the Final Official Statement as then amended or supplemented might include an untrue statement of a material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the City shall promptly notify the Underwriter in writing of such event. Any information supplied by the City for inclusion in any amendments or supplements to the Final Official Statement will not contain any untrue or misleading statement of a material fact relating to the City or the District or omit to state any material fact relating to the City or the District necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) None of the adoption of the Bond Resolution or the Formation Resolutions and the Ordinance, the execution and delivery of the City Documents, or the consummation of the transactions on the part of the City contemplated herein or therein or the compliance by the City with the provisions hereof or thereof will conflict with, or constitute on the part of the City, a violation of, or a breach of or default under, (i) any material indenture, mortgage, commitment, note or other agreement or instrument to which the City is a party or by which it is bound, (ii) any provision of the State Constitution or (iii) any existing law, rule, regulation, ordinance, judgment, order or decree to which the City (or the members of the City Council or any of its officers in their respective capacities as such) is subject, that would have a material adverse effect on the ability of the City to perform its obligations under the City Documents.

(i) The City has never been in default at any time, as to principal of or interest on any obligation which it has issued, including those which it has issued as a conduit for another entity, which default may have an adverse effect on the ability of the City to consummate the transactions on its part under the City Documents, except as specifically disclosed in the Final Official Statement; and other than the Fiscal Agent Agreement, the City has not entered into any contract or arrangement of any kind which might give rise to any lien or encumbrance on the Special Taxes.

(j) Except as is specifically disclosed in the Final Official Statement, to the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which the City has been served with process or threatened, that in any way questions the powers of the City Council or the City referred to in paragraph (b) above, or the validity of any proceeding taken by the City Council in connection with the issuance of the Bonds, or wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by this Purchase Contract, or of any other City Document, or that, in any way, could adversely affect the validity or enforceability of the Bond Resolution,

the Formation Resolutions and the Ordinance, the City Documents or the Bonds or, to the knowledge of the City, which in any way questions the exclusion from gross income of the recipients thereof of the interest on the Bonds for federal income tax purposes or in any other way questions the status of the Bonds under State tax laws or regulations.

(k) Any certificate signed by an official of the City authorized to execute such certificate and delivered to the Underwriter in connection with the transactions contemplated by the City Documents shall be deemed a representation and warranty by the City to the Underwriter as to the truth of the statements therein contained.

(l) The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

(m) The Bonds will be paid from Special Taxes received by the City and moneys held in certain funds and accounts established under the Fiscal Agent Agreement.

(n) The Special Taxes may lawfully be levied in accordance with the Rate and Method of Apportionment for Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona (the “**Rate and Method**”), and, when levied, will be secured by a lien on the property on which they are levied.

(o) The Fiscal Agent Agreement creates a valid pledge of, and first lien upon the Special Taxes deposited in certain funds and accounts established pursuant to the Fiscal Agent Agreement, subject in all cases to the provisions of the Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(p) Except as disclosed in the Preliminary Official Statement, the City has not failed to comply with any undertaking of the City under the Rule.

(q) The City acknowledges and agrees that: (i) the primary role of the Underwriter, as an underwriter, is to purchase securities, for resale to investors, in an arm’s length commercial transaction between the City and the Underwriter and the Underwriter has financial and other interests that differ from those of the City; (ii) the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the City and has not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City on other matters); (iii) the only obligations the Underwriter has to the City with respect to the transaction contemplated hereby expressly are set forth in this Purchase Contract; and (iv) the City has consulted its own financial and/or municipal, legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

5. The City covenants with the Underwriter that the City will cooperate with the Underwriter (at the cost of the Underwriter), in qualifying the Bonds for offer and sale under the securities or Blue Sky laws of such jurisdictions of the United States as the Underwriter may reasonably request; provided, however, that the City shall not be required to consent to suit or to service of process, or to qualify to do business, in any jurisdiction. The City consents to the use

by the Underwriter of the City Documents in the course of its compliance with the securities or Blue Sky laws of the various jurisdictions.

6. At 9:00 a.m. California time on \_\_\_\_\_, 2018 (the “**Closing Date**”), or at such other time and/or date as shall have been mutually agreed upon by the City and the Underwriter, the City will deliver or cause to be delivered to the Underwriter the Bonds in definitive form duly executed and authenticated by the Fiscal Agent together with the other documents mentioned in Section 8 hereof; and the Underwriter will accept such delivery and pay the Purchase Price of the Bonds by delivering to the Fiscal Agent for the account of the City a check payable in federal funds or making a wire transfer in federal funds payable to the order of the Fiscal Agent.

The activities relating to the final execution and delivery of the Bonds and the Fiscal Agent Agreement and the payment therefor and the delivery of the certificates, opinions and other instruments as described in Section 8 of this Purchase Contract shall occur at the offices of Best Best & Krieger LLP, Riverside, California (“**Bond Counsel**”). The payment for the Bonds and simultaneous delivery of the Bonds to the Underwriter is herein referred to as the “**Closing**.” The Bonds will be delivered as fully registered, book entry only Bonds initially in denominations equal to the principal amount of each maturity thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, and will be made available for checking by the Underwriter at such place as the Underwriter and the Fiscal Agent shall agree not less than 24 hours prior to the Closing.

7. The Underwriter shall have the right to cancel its obligations to purchase the Bonds if between the date hereof and the date of Closing:

(a) the House of Representatives or the Senate of the Congress of the United States, or a committee of either, shall have pending before it, or shall have passed or recommended favorably, legislation introduced previous to the date hereof, which legislation, if enacted in its form as introduced or as amended, would have the purpose or effect of imposing federal income taxation upon revenues or other income of the general character to be derived by the City or by any similar body under the Fiscal Agent Agreement or upon interest received on obligations of the general character of the Bonds, or of causing interest on obligations of the general character of the Bonds, to be includable in gross income for purposes of federal income taxation, and such legislation, in the Underwriter's opinion, materially adversely affects the market price of the Bonds; or

(b) a tentative decision with respect to legislation shall be reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or legislation shall be favorably reported or re-reported by such a committee or be introduced, by amendment or otherwise, in or be passed by the House of Representatives or the Senate, or recommended to the Congress of the United States for passage by the President of the United States, or be enacted or a decision by a federal court of the United States or the United States Tax Court shall have been rendered, or a ruling, release, order, circular, regulation or official statement by or on behalf of the United States Treasury Department, the Internal Revenue Service or other governmental agency shall have been made or proposed to be made having the purpose or effect, or any other action or event shall have occurred which has the purpose or effect, directly or indirectly, of adversely affecting the federal income tax consequences of owning the Bonds, including causing interest on the Bonds to be included in gross income for purposes of federal income taxation, or imposing federal income taxation upon revenues or other income of the general character to be derived by the City under the Fiscal Agent Agreement or upon

interest received on obligations of the general character of the Bonds, or the Bonds and also including adversely affecting the tax-exempt status of the City under the Code, which, in the opinion of the Underwriter, materially adversely affects the market price of or market for the Bonds; or

(c) legislation shall have been enacted, or actively considered for enactment with an effective date prior to the Closing, or a decision by a court of the United States shall have been rendered, the effect of which is that the Bonds, including any underlying obligations, or the Fiscal Agent Agreement, as the case may be, is not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(d) a stop order, ruling, regulation or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the Bonds, including any underlying obligations, or the execution and delivery of the Fiscal Agent Agreement as contemplated hereby or by the Final Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(e) any event shall have occurred or any information shall have become known to the Underwriter that causes the Underwriter to reasonably believe that the Final Official Statement as then amended or supplemented includes an untrue statement of a material fact, or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and the City fails to amend or supplement such Final Official Statement to cure such omission or misstatement pursuant to Section 4(g), or the effect of the Final Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds; or

(f) there shall have occurred any outbreak of hostilities or any national or international calamity or crisis, including a financial crisis, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the Bonds; or

(g) there shall be in force a general suspension of trading on the New York Stock Exchange, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the Bonds; or

(h) a general banking moratorium shall have been declared by federal, New York or State authorities; or

(i) any proceeding shall be pending or threatened by the Securities and Exchange Commission against the City; or

(j) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which adversely affects the Underwriter's ability to sell the Bonds; or

(k) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter; or

(l) an amendment to the federal or State constitution shall be enacted or action taken by any federal or State court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the City, its property, income or securities (or interest thereon), the validity or enforceability of the Special Tax or the ability of the City to issue the Bonds and levy the Special Tax as contemplated by the Fiscal Agent Agreement, the Rate and Method and the Final Official Statement; or

(m) the entry of any order by a court of competent jurisdiction that enjoins or restrains the City from issuing permits, licenses or entitlements within the District or which order, in the reasonable opinion of the Underwriter, otherwise materially and adversely affects development of the real property located in the District.

8. The obligation of the Underwriter to purchase the Bonds shall be subject (a) to the performance by the City of its obligations to be performed by it hereunder at and prior to the Closing, (b) to the accuracy as of the date hereof and as of the time of the Closing of the representations and warranties of the City herein, and (c) to the following conditions, including the delivery by the City of such documents as are enumerated herein in form and substance satisfactory to the Underwriter:

(a) At the time of Closing, (i) the Official Statement, this Purchase Contract, the City Continuing Disclosure Certificate, the Property Owner Continuing Disclosure Certificate and the Fiscal Agent Agreement shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to by the Underwriter, and (ii) the City shall have duly adopted and there shall be in full force and effect such resolutions and ordinances (including, but not limited to, the Bond Resolution, the Formation Resolutions and the Ordinance) as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby.

(b) Receipt of the Bonds, executed by the City and authenticated by the Fiscal Agent, at or prior to the Closing. The terms of the Bonds, when delivered, shall in all instances be as described in the Final Official Statement.

(c) At or prior to the Closing, the Underwriter shall receive the following documents in such number of counterparts as shall be mutually agreeable to the Underwriter and the City:

(i) A final approving opinion of Bond Counsel dated the date of Closing in the form attached to the Final Official Statement as Appendix F.

(ii) A letter or letters of Bond Counsel addressed to the Underwriter and Fiscal Agent that includes a statement to the effect that Bond Counsel's final approving opinion may be relied upon by the Underwriter and Fiscal Agent to the same extent as if such opinion were addressed to the Underwriter and Fiscal Agent.

(iii) A supplemental opinion of Bond Counsel that provides:

(A) The City has duly and validly executed the Purchase Contract, and the Purchase Contract constitutes the legal, valid and binding agreement of the City, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion in appropriate cases.

(B) The statements contained in the Official Statement on the cover page and under the captions "INTRODUCTION," "THE BONDS (other than information relating to DTC and its book-entry only system, as to which no opinion need be expressed)," "SOURCES OF PAYMENT FOR THE BONDS," "LEGAL MATTERS – Tax Exemption," and in Appendices D and F thereto, insofar as such statements expressly summarize certain provisions of the Bonds, the Fiscal Agent Agreement and our final approving opinion relating to the Bonds, are accurate in all material respects.

(C) The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended.

(iv) A letter of Stradling Yocca Carlson & Rauth, a Professional Corporation, addressed to the City and the Underwriter ("**Disclosure Counsel**"), to the effect that during the course of serving as Disclosure Counsel in connection with the issuance of the Bonds and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or Final Official Statement, no information came to the attention of the attorneys in such firm rendering legal services in connection with the issuance of the Bonds that would lead them to believe that the Preliminary Official Statement or Final Official Statement (excluding therefrom the financial statements, any financial or statistical data, or forecasts, charts, numbers, estimates, projections, assumptions or expressions of opinion included in the Preliminary Official Statement or Final Official Statement, information regarding DTC, and the appendices to the Preliminary Official Statement or Final Official Statement, as to which no opinion need be expressed), as of the respective dates thereof or the Closing Date, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(v) The Final Official Statement executed on behalf of the City by a duly authorized officer.

(vi) Certified copies of the Bond Resolution and the Formation Resolutions and the Ordinance.

(vii) Evidence of recordation in the real property records of the County of Riverside of a Notice of Special Tax Lien in the form required by the Act.

(viii) A certificate of the City, in form and substance as set forth in Exhibit A hereto, dated as of the Closing Date.

(ix) A certificate in form and substance as set forth in Exhibit B hereto, of Spicer Consulting Group, LLC, Temecula, California, as special tax consultant, dated as of the Closing Date.

(x) Evidence that Federal Form 8038-G has been executed by the City and will be filed with the Internal Revenue Service.

(xi) Executed copies of the Fiscal Agent Agreement and the City Continuing Disclosure Certificate.

(xii) A non-arbitrage certificate executed by the City in form and substance satisfactory to Bond Counsel.

(xiii) An opinion, dated the Closing Date and addressed to the Underwriter and Fiscal Agent, of the City Attorney, to the effect that:

(A) The City is a general law city of the State of California, duly organized and validly existing under the laws of the State of California, and has the requisite legal right, power and authority to adopt the Bond Resolution, the Formation Resolutions and the Ordinance.

(B) The Bond Resolution, the Formation Resolutions and the Ordinance were duly adopted at a meeting of the City Council that was called and held pursuant to law with all public notice required by law and at which a quorum was present and acting when the Bond Resolution, the Formation Resolutions and the Ordinance were adopted. To the best of our knowledge and based upon reasonable investigation, the Bond Resolution and the Formation Resolutions and the Ordinance are in full force and effect and have not been amended or repealed.

(C) Except as disclosed in the Official Statement, there is no action, suit, proceeding, at law or in equity, before or by any court, regulatory agency, public board or body pending with respect to which the City has been served with process or, to the best knowledge of the City Attorney, threatened wherein an unfavorable decision, ruling or finding would (i) affect the existence of the City or the titles of the City's officials to their respective offices; (ii) restrain or enjoin the issuance, sale or delivery of the Bonds or the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection or application of the Special Taxes to pay the principal of and interest on the Bonds; (iii) restrain or enjoin the development of the property within the District; (iv) in any way

affect the validity or enforceability of the Bonds, the City Documents or any action of the City contemplated by any of said documents; or (v) in any way contest the completeness or accuracy of the Official Statement or the powers of the City or its authority with respect to the Bonds, the City Documents or any action on the part of the City contemplated by any of said documents, wherein an unfavorable decision, ruling, or finding could materially adversely affect the validity or enforceability of the Bonds or the City Documents.

(D) To the best of our knowledge and based upon reasonable investigation, the execution and delivery of the Bonds and the City Documents, and compliance with the provisions of each, will not conflict with or constitute a breach of or default under any loan agreement, note, ordinance, resolution, indenture, contract, agreement or other instrument of which the City is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the ability of the City to perform its obligations under the Bonds or the City Documents.

(E) To the best of our knowledge and based upon reasonable investigation, all approvals, consents, authorization, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the ability of the City, to perform its obligations under the Bonds or the City Documents, have been obtained or made, as the case may be, and are in full force and effect.

(xiv) In connection with printing and distribution of the Preliminary Official Statement, an executed certificate of the City in the form attached hereto as Exhibit D.

(xv) An executed copy of the Property Owner Continuing Disclosure Certificate.

(xvi) A certificate of Kitty Siino & Associates, Inc., Tustin, California, the appraiser, in the form attached hereto as Exhibit E, along with a copy of its appraisal report in the form attached to the Final Official Statement as Appendix B (the “**Appraisal Report**”).

(xvii) Executed Letter of Representations in the form attached hereto as Exhibit F.

(xviii) Executed closing certificate of the Property Owner, dated as of the Closing Date in form and substance as set forth in Exhibit G hereto.

(xix) An opinion (or opinions) of counsel to the Property Owner in the substance set forth in Exhibit H hereto.

(xx) A certificate in form and substance as set forth in Exhibit I hereto of the Fiscal Agent and an opinion of its counsel in form and substance satisfactory to the Underwriter.

(xxi) A certificate in form and substance of Exhibit J hereto executed by the municipal advisor to the City (the “**Municipal Advisor**”).

(xxii) A certificate of Empire Economics, Inc., Capistrano Beach, California, the price point consultant, in the form attached hereto as Exhibit K, along with a copy of its Price Point Study (the “**Price Point Study**”).

(xxiii) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the City with legal requirements, the truth and accuracy, as of the time of Closing, of the respective representations of the City herein contained and the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriter contained in this Purchase Contract, or if the obligations of the Underwriter to purchase and accept delivery of the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate, and neither the Underwriter nor the City shall be under further obligation hereunder; except that the respective obligations to pay expenses, as provided in Section 12 hereof shall continue in full force and effect. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the City hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

#### 9. Establishment of Issue Price.

(a) The Underwriter agrees to assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit L, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the City under this section to establish the issue price of the Bonds may be taken on behalf of the City by the Municipal Advisor and any notice or report to be provided to the City may be provided to the City’s Municipal Advisor.

(b) [Except as otherwise set forth in Exhibit C attached hereto,] the City will treat the first (meaning single) price at which 10% of each maturity of the Bonds (the “**10% test**”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the City the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the City the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the public.

(c) [The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “**initial offering price**”), or at the corresponding yield or yields, set forth in Exhibit C attached hereto, except as otherwise set forth therein. Exhibit C also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the Bonds for which the Underwriter represents that (i) the 10% test has been satisfied (assuming orders are confirmed immediately after the execution of this Purchase Contract) and (ii) the 10% test has not been satisfied and for which the City and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5th) business day after the sale date; or
- (ii) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter shall promptly advise the City when it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.] **[[APPLIES ONLY IF THE UNDERWRITER AGREES TO APPLY THE HOLD-THE-OFFERING-PRICE RULE]**

(d) The Underwriter confirms that any selling group agreement and any retail distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The City acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(e) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “**public**” means any person other than an underwriter or a related party;

(ii) “**underwriter**” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public);

(iii) a purchaser of any of the Bonds is a “**related party**” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(iv) “**sale date**” means the date of execution of this Purchase Contract by all parties.

10. The obligations of the City to issue and deliver the Bonds on the Closing Date shall be subject, at the option of the City, to the performance by the Underwriter of its obligations to be performed hereunder at or prior to the Closing Date.

11. All representations, warranties and agreements of the City hereunder shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter or the City and shall survive the Closing.

12. The City shall pay or cause to be paid all reasonable expenses incident to the performance of its obligations under this Purchase Contract, including, but not limited to, delivery of the Bonds, costs of printing the Bonds, the Preliminary Official Statement and the Final Official Statement, any amendment or supplement to the Preliminary Official Statement or Final Official Statement and this Purchase Contract, fees and disbursements of Bond Counsel and Disclosure Counsel, any financial advisor and other consultants engaged by the City, including the fees and expenses of the special tax consultant and fees of the Fiscal Agent.

The Underwriter shall pay the California Debt and Investment Advisory Commission fee, all advertising expenses in connection with the public offering of the Bonds, and all other expenses incurred by it in connection with its public offering and distribution of the Bonds, including fees and expenses of its counsel, meals, transportation, and lodging (but not entertainment expenses), and fees and disbursements in connection with the qualification of the Bonds for sale under the

securities or “Blue Sky” laws of the various jurisdictions and the preparation of “Blue Sky” memoranda.

13. Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing at its address set forth above, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to the following: Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, Suite 3700, San Francisco, California 94104, Attn: Jim Cervantes.

14. This Purchase Contract is made solely for the benefit of the City and the Underwriter (including the successors or assigns of the Underwriter) and no other person, including any purchaser of the Bonds, shall acquire or have any right hereunder or by virtue hereof.

15. This Purchase Contract shall be governed by and construed in accordance with the laws of the State of California.

16. This Purchase Contract shall become effective upon acceptance hereof by the City.

STIFEL, NICOLAUS & COMPANY,  
INCORPORATED

By: \_\_\_\_\_  
Authorized Representative

Accepted and agreed to as of  
the date first above written:

CITY OF CORONA for and on behalf of  
COMMUNITY FACILITIES DISTRICT NO.  
2017-2 (VALENCIA/SEVILLE) OF THE CITY  
OF CORONA

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

Time of execution: \_\_\_\_:\_\_\_\_ \_\_.m.

## EXHIBIT A

\$ \_\_\_\_\_  
**COMMUNITY FACILITIES DISTRICT NO. 2017-2  
(VALENCIA/SEVILLE)  
OF THE CITY OF CORONA  
2018 SPECIAL TAX BONDS**

### **CLOSING CERTIFICATE OF THE CITY**

I, the undersigned, hereby certify that I am the Assistant City Manager/Administrative Services Director of the City of Corona, the City Council of which is the legislative body for Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona (the "**District**"), a community facilities district duly organized and existing under the laws of the State of California (the "**State**"), and that as such, I am authorized to execute this Certificate on behalf of the City in connection with the issuance of the above-referenced Special Tax Bonds (the "**Bonds**").

I hereby further certify on behalf of the City that:

(A) to my best knowledge, after reasonable inquiry, no litigation is pending with respect to which the City has been served with process or threatened (1) to restrain or enjoin the issuance of any of the Bonds or the collection of Special Taxes pledged under the Fiscal Agent Agreement; (2) in any way contesting or affecting the authority for the issuance of the Bonds or the validity or enforceability of the Bonds, the Fiscal Agent Agreement, the City Continuing Disclosure Certificate or the Purchase Contract; or (3) in any way contesting the existence or powers of the City;

(B) the representations and warranties made by the City in the City Documents are true and correct in all material respects on the Closing Date, with the same effect as if made on the Closing Date;

(C) no event affecting the City has occurred since the date of the Official Statement that, as of the Closing Date, would cause any statement or information contained in the Final Official Statement under the caption "LEGAL MATTERS –Litigation" to be incorrect or incomplete in any material respect or would cause the information contained under the caption "LEGAL MATTERS –Litigation" in the Final Official Statement to contain an untrue statement of a material fact or omit to state a material fact necessary in order to make such statements therein, in the light of the circumstances under which they were made, not misleading;

(D) as of the date hereof, the Fiscal Agent Agreement is in full force and effect in accordance with its terms and has not been amended, modified or supplemented except in such case as may have been agreed to by the Underwriter;

(E) the City has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under the City Documents prior to issuance of the Bonds;

(F) the Bond Resolution and the Formation Resolutions and the Ordinance are in full force and effect and have not been amended or repealed.

Capitalized terms not defined herein shall have the same meaning set forth in the Purchase Contract dated \_\_\_\_\_, 2018, between the City and Stifel, Nicolaus, Incorporated.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the date hereinbelow set forth.

Dated: [Closing Date]

CITY OF CORONA for and on behalf of  
COMMUNITY FACILITIES DISTRICT NO.  
2017-2 (VALENCIA/SEVILLE) OF THE CITY OF  
CORONA

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

**EXHIBIT B**

**\$ \_\_\_\_\_  
COMMUNITY FACILITIES DISTRICT NO. 2017-2  
(VALENCIA/SEVILLE)  
OF THE CITY OF CORONA  
2018 SPECIAL TAX BONDS**

**CERTIFICATE OF SPECIAL TAX CONSULTANT**

Spicer Consulting Group, LLC ("**Special Tax Consultant**"), Temecula, California was retained as Special Tax Consultant and assisted in the preparation of and has reviewed the Rate and Method of Apportionment for Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona (the "**Rate and Method**") set forth in Appendix A to the Official Statement dated \_\_\_\_\_, 2018 (the "**Official Statement**") relating to the above-referenced bonds (the "**Bonds**"). Based upon the Special Tax Consultant's review of the Official Statement and such other documents as it deems relevant in the circumstances, the Special Tax Consultant hereby certifies that the Special Tax, if collected in the maximum amounts permitted pursuant to the Rate and Method, would generate at least 110% of the gross annual debt service on the Bonds, provided that the annual debt service figures on the attached debt service schedule, which were relied upon by Special Tax Consultant, are substantially true and correct.

Although the Special Tax if collected in the maximum amounts pursuant to the Rate and Method will generate at least 110% of the gross annual debt service payable with respect to the Bonds each year, no representation is made herein as to actual amounts that will be collected in future years.

All information with respect to the Rate and Method in the Official Statement and all other information sourced to the Special Tax Consultant is true and correct as of the date of the Official Statement and as of the date hereof, and a true and correct copy of the Rate and Method is attached to the Official Statement as Appendix A.

Dated: [Closing Date]

SPICER CONSULTING GROUP,  
LLC

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

## EXHIBIT C

### COMMUNITY FACILITIES DISTRICT NO. 2017-2 (VALENCIA/SEVILLE) OF THE CITY OF CORONA 2018 SPECIAL TAX BONDS

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	10% Test Satisfied
	\$	%	%		

[T: Term bond.]

[C: Priced to the first optional redemption date at par of September 1, 20\_\_\_\_.]

#### Redemption Provisions

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, at the option of the City 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:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 20____, and March 1, 20____	____%
September 1, 20____, and March 1, 20____	____
September 1, 20____, and March 1, 20____	____
September 1, 20____, and each Interest Payment Date thereafter	____

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:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date through March 1, 20__	___%
September 1, 20__, and March 1, 20__	___
September 1, 20__, and March 1, 20__	___
September 1, 20__, and any Interest Payment Date thereafter	___

Mandatory Sinking Fund Redemption. The Outstanding Bonds maturing on September 1, 20\_\_ 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:

<u>Redemption Date</u> <u>(September 1)</u>	<u>Sinking Payment</u>
--	------------------------

## EXHIBIT D

\$ \_\_\_\_\_  
**COMMUNITY FACILITIES DISTRICT NO. 2017-2  
(VALENCIA/SEVILLE)  
OF THE CITY OF CORONA  
2018 SPECIAL TAX BONDS**

### RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents that he/she is the duly appointed and Assistant City Manager/Administrative Services Director of the City of Corona (the "**City**"), the City Council of which is the legislative body of Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona (the "**District**"), and is duly authorized to execute and deliver this Certificate and further hereby certifies on behalf of the City as follows:

(1) This Certificate is delivered in connection with the offering and sale of the above-referenced bonds (the "**Bonds**") in order to enable the underwriter of the Bonds to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "**Rule**").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, setting forth information concerning the Bonds, City and District (the "**Preliminary Official Statement**").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule.

IN WITNESS WHEREOF, I have hereunto set my hand as of [Date of POS].

CITY OF CORONA for and on behalf of  
COMMUNITY FACILITIES DISTRICT NO.  
2017-2 (VALENCIA/SEVILLE) OF THE CITY OF  
CORONA

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

## EXHIBIT E

\$ \_\_\_\_\_  
**COMMUNITY FACILITIES DISTRICT NO. 2017-2  
(VALENCIA/SEVILLE)  
OF THE CITY OF CORONA  
2018 SPECIAL TAX BONDS**

### **CERTIFICATE OF APPRAISER**

The undersigned, on behalf of Kitty Siino & Associates, Inc., Tustin, California (the "**Appraiser**"), has prepared an appraisal report dated October 3, 2018 (the "**Appraisal Report**"), regarding the value of certain real property and improvements within Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona (the "**District**"), and certifies that:

1. The assumptions made in the Appraisal Report are reasonable. The Appraisal Report fairly and accurately described, as of the stated date of value, the market values of the properties in the District that are subject to the special taxes.
2. The Appraiser is not aware of any event or act that occurred since the date of the Appraisal Report that, in its opinion, would materially and adversely affect the conclusions as to the market value of the appraised property in the District.
3. The Appraiser consents to the reproduction of the Appraisal Report as Appendix B to the Preliminary Official Statement dated \_\_\_\_\_, 2018 (the "**Preliminary Official Statement**"), and the Official Statement dated \_\_\_\_\_, 2018 (the "**Official Statement**"), each with respect to the above-referenced bonds, and to the references to the Appraiser and the Appraisal Report made in the Preliminary Official Statement and the Official Statement.
4. The Appraiser has reviewed the Preliminary Official Statement and the Official Statement, and the statements concerning the Appraisal Report and the value of the property in the District contained in the Preliminary Official Statement and the Official Statement are true, correct and complete in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.
5. A true and correct copy of the Appraisal Report is attached as Appendix B to the Preliminary Official Statement and the Official Statement.
6. The Appraisal Report complies with the Appraisal Standards for Land-Secured Financings issued by the California Debt and Investment Advisory Commission and dated July 2004.

Dated: [Closing Date]

KITTY SIINO & ASSOCIATES, INC.

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

## EXHIBIT F

### COMMUNITY FACILITIES DISTRICT NO. 2017-2 (VALENCIA/SEVILLE) OF THE CITY OF CORONA 2018 SPECIAL TAX BONDS

#### LETTER OF REPRESENTATIONS

[Date of POS]

City of Corona  
400 South Vicentia Avenue  
Corona, California 92882  
Attn: Assistant City Manager/  
Administrative Services Director

Stifel, Nicolaus & Company, Incorporated  
One Montgomery Street, Suite 3700  
San Francisco, California 94104

Ladies and Gentlemen:

Reference is made to the above-captioned bonds (the “**Bonds**”) and to the Purchase Contract to be entered into in connection therewith (the “**Purchase Contract**”). This Letter of Representations (“**Letter of Representations**”) is delivered pursuant to and in satisfaction of Section 8(c)(xvii) of the Purchase Contract. Capitalized terms used but not defined herein have the meanings ascribed to them in the Purchase Contract.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of VD Corona Kellogg, LLC, a California limited liability company (the “**Property Owner**”), and the undersigned, on behalf of the Property Owner, further certifies as follows:

1. The Property Owner is duly formed and validly existing under the laws of the State of California and has all requisite limited liability company power and authority: (i) to execute and deliver this Letter of Representations, and (ii) to complete the development on its property in Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona (the “**District**”) as described in the Preliminary Official Statement relating to the Bonds dated the date hereof (the “**Preliminary Official Statement**”).

2. As set forth in the Preliminary Official Statement, title to a certain portion of the property within the District is held in the name of the Property Owner (the “**Property**”). The undersigned, on behalf of the Property Owner, makes the representations herein with respect to all such Property. Except as otherwise described in the Preliminary Official Statement, the Property Owner and certain of its Affiliates<sup>1</sup> are, and the Property Owner’s

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<sup>1</sup> “**Affiliate**” means, with respect to the Property Owner, any other Person (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with the Property Owner, and (ii) for whom information, including financial information or operating data,

current expectations are that the Property Owner and certain of its Affiliates shall remain, the parties responsible for the development of the Property, and neither the Property Owner nor its Affiliates has entered into an agreement for development or management of the Property by any other entity, except such subcontracts, consultant agreements and similar agreements for land development activities associated with the Property Owner's development plan as are entered into in the ordinary course of business.

3. Except as set forth in the Preliminary Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against the Property Owner (with proper service of process or proper notice to the Property Owner having been accomplished) or, to the Actual Knowledge of the Undersigned<sup>2</sup> is threatened in writing against the Property Owner or any Affiliate (a) to restrain or enjoin the collection of Special Taxes or other sums pledged or to be pledged to pay the principal of and interest on the Bonds (e.g., the Reserve Fund established under the Fiscal Agent Agreement), (b) to restrain or enjoin the development of the Property as described in the Preliminary Official Statement, (c) in any way contesting or affecting the validity of the Special Taxes, or (d) that if successful, is reasonably likely to materially and adversely affect the Property Owner's ability to complete the development and sale of the Property as described in the Preliminary Official Statement or to pay Special Taxes or ad valorem tax obligations on the Property (to the extent of the responsibility of the Property Owner) prior to delinquency.

4. As of the date thereof, to the Actual Knowledge of the Undersigned, the Preliminary Official Statement and the information contained therein solely with respect to the Property Owner, its Affiliates, the proposed remaining development of the Property, ownership of the Property, the Property Owner's development plan, the Property Owner's financing plan, the Property Owner's lenders, if any, and contractual arrangements of the Property Owner or any Affiliates (including, if material to the Property Owner's

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concerning such Person is material to potential investors in their evaluation of the District and investment decision regarding the Bonds (i.e., information relevant to (a) the Property Owner's development plans with respect to the Property and ability to pay its Special Taxes on the Property prior to delinquency, or (b) such Person's assets or funds that would materially affect the Property Owner's ability to develop the Property as described in the Preliminary Official Statement or to pay its Special Taxes on the Property (to the extent the responsibility of the Property Owner) prior to delinquency). "Person" means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof. For purposes hereof, the term "control" (including the terms "controlling," "controlled by" or "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

<sup>2</sup> **"Actual Knowledge of the Undersigned"** means the knowledge that the individual signing on behalf of the Property Owner currently has as of the date of this Letter of Representations or has obtained through (i) interviews with such current officers and responsible employees of the Property Owner and its Affiliates as the undersigned has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in this Letter of Representations or (ii) review of documents that were reasonably available to the undersigned and that the undersigned has reasonably deemed necessary for the undersigned to obtain knowledge of the matters set forth in this Letter of Representations. The undersigned 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 the Property Owner's current business and operations. Individuals who are no longer employees of the Property Owner and its Affiliates have not been contacted.

development plan or the Property Owner's financing plan, other loans of such Affiliates) as set forth under the sections of the Preliminary Official Statement captioned "INTRODUCTION – The District" and "THE DISTRICT – General Description of the District", "– Description of Authorized Facilities," "– VD Corona Kellogg," and "– Van Daele" (but in all cases under all captions excluding therefrom (i) information regarding the Price Point Study or Appraisal Report, market value ratios and annual special tax ratios, and (ii) information that is identified as having been provided by a source other than the Property Owner), is true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

5. Except as described in the Preliminary Official Statement, there are no material loans outstanding and unpaid, and no material lines of credit of the Property Owner or its Affiliates, that are secured by an interest in the Property. Neither the Property Owner nor, to the Actual Knowledge of the Undersigned, any of its Affiliates is currently in material default on any loans, lines of credit or other obligation related to the development of the Property or any other project which default is reasonably likely to materially and adversely affect the Property Owner's ability to develop the Property as described in the Preliminary Official Statement or to pay the Special Taxes due with respect to the Property (to the extent the responsibility of the Property Owner) prior to delinquency.

6. Except as described in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, no portion of the Property has a current liability with respect to the presence of a substance presently classified as hazardous under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 or applicable California law or is materially adversely affected by the presence of endangered or threatened species or habitat for endangered or threatened species.

7. The Property Owner covenants that, while the Bonds or any refunding obligations related thereto are outstanding, the Property Owner and its Affiliates that the Property Owner controls will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body, that in any way seeks to challenge or overturn the formation of the District, to challenge the adoption of the ordinance of the City levying Special Taxes within the District, to invalidate the District, or any of the Bonds or any refunding bonds, or to invalidate the special tax liens imposed under Section 3115.5 of the Streets and Highways Code based on recordation of the notices of special tax lien relating thereto. The foregoing covenant shall not prevent the Property Owner in any way from bringing any other action, suit or proceeding including, without limitation, (a) an action or suit contending that the Special Tax has not been levied in accordance with the methodologies contained in the Rate and Method of Apportionment for Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona, pursuant to which the Special Taxes are levied, (b) an action or suit with respect to the application or use of the Special Taxes levied and collected or (c) an action or suit to enforce the obligations of the City under the Formation Resolutions and the Ordinance, the Fiscal Agent Agreement, or any other agreements between the Property Owner (or any of its Affiliates) and the City or to which the Property Owner (or any of its Affiliates) is a beneficiary.

8. The Property Owner consents to the issuance of the Bonds. The Property Owner acknowledges and agrees that the proceeds of the Bonds will be used as described in the Preliminary Official Statement.

9. The Property Owner intends to comply with the provision of the Mello-Roos Community Facilities District Act of 1982, as amended relating to the Notice of Special Tax described in Government Code Section 53341.5 in connection with the sale of the Property, or portions thereof.

10. To the Actual Knowledge of the Undersigned, during the last five years, neither the Property Owner nor any of its Affiliates has, during the period of its ownership, been delinquent to any material extent in the payment of any ad valorem property tax, special assessment or special tax on property included within the boundaries of a community facilities district or an assessment district within California 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 against the delinquent Property Owner or its Affiliates.

11. To the Actual Knowledge of the Undersigned, the Property Owner is able to pay its bills as they become due and no legal proceedings are pending against the Property Owner or any Affiliate (with proper service of process having been accomplished) or to the Actual Knowledge of the Undersigned, threatened in writing in which the Property Owner or any Affiliate may be adjudicated as bankrupt or discharged from any or all of its debts or obligations, or granted an extension of time to pay its debt or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

12. The Property Owner has not filed for, nor is the Property Owner aware of, current proceedings for the reassessment of the assessed value of portions of the Property.

13. Based upon its current development plans, including, without limitation, its current budget and subject to economic conditions and risks generally inherent in the development of real property, including, but not limited to, the risks described in the Preliminary Official Statement under the section entitled "RISK FACTORS," the Property Owner presently anticipates that it will have sufficient funds to complete the development of the Property as described in the Preliminary Official Statement and to pay Special Taxes levied against the Property when due and does not anticipate that the City will be required to resort to a draw on the Reserve Fund for payment of principal of or interest on the Bonds due to the Property Owner's nonpayment of Special Taxes. However, the Property Owner's Affiliates are not obligated to make any additional capital contribution or loan to the Property Owner at any time, and the Property Owner reserves the right to change its development plan and financing plan for the Property at any time without notice.

14. To the Actual Knowledge of the Undersigned, there are no claims, disputes, suits, actions or contingent liabilities by and among the Property Owner, its Affiliates or any contractors working on the development of the Property which is reasonably likely to materially and adversely affect the development of the Property as described in the Preliminary Official Statement or the payment of the Special Taxes due with respect to the Property prior to delinquency.

15. An appraisal of the taxable properties within the District, dated October 3, 2018, with a date of value of September 11, 2018 (the “**Date of Value**”), was prepared by Kitty Siino & Associates, Inc., Tustin, California (the “**Appraiser**”), the form of which is attached to the Preliminary Official Statement as Appendix B (the “**Appraisal Report**”). The Appraisal Report estimates the market value of the appraised taxable properties within the District as of the Date of Value. To the Actual Knowledge of the Undersigned, all information submitted by, or on behalf of and authorized by, the Property Owner to the Appraiser and contained in the Appraisal Report was true and correct in all material respects as of the Date of Value.

16. Solely as to the limited information described in Paragraph 4 above concerning the Property Owner, its Affiliates, the proposed development of the Property, ownership of the Property, the Property Owner’s development plan, the Property Owner’s financing plan, the Property Owner’s lenders, if any, and contractual arrangements of the Property Owner or any Affiliates (including, if material to the Property Owner’s development plan or the Property Owner’s financing plan, other loans or equity investments of such Affiliates), the Property Owner agrees to indemnify and hold harmless, to the extent permitted by law, the City and its officials and employees, and each Person, if any, who controls any of the foregoing within the meaning of Section 15 of the Securities Act of 1933, as amended, or of Section 20 of the Securities Exchange Act of 1934, as amended, against any and all losses, claims, damages or liabilities, joint or several, to which such indemnified party may become subject under any statute or at law or in equity or otherwise and shall reimburse any such indemnified party for any reasonable legal or other expense incurred by it in connection with investigating any such claim against it and defending any such action, insofar and to the extent such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact or the omission or alleged omission of a material fact in the above-referenced information in the Preliminary Official Statement, as of its date, necessary to make the statements made by the Property Owner contained therein, in light of the circumstances under which they were made not misleading. This indemnity provision shall not be construed as a limitation on any other liability which the Property Owner may otherwise have to any indemnified party, *provided* that in no event shall the Property Owner be obligated for double indemnification, or for the negligence or willful misconduct of an indemnified party.

17. If between the date hereof and the Closing Date any event relating to or affecting the Property Owner, its Affiliates, the proposed development of the Property, ownership of the Property, the Property Owner’s development plan, the Property Owner’s financing plan, the Property Owner’s lenders, if any, and contractual arrangements of the Property Owner or any Affiliates (including, if material to the Property Owner’s development plan or the Property Owner’s financing plan, other loans or equity investments of such Affiliates) shall occur of which the Property Owner has Actual Knowledge that would cause the information under the sections of the Preliminary Official Statement indicated in Paragraph 4 hereof, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Property Owner shall notify the City and the Underwriter and if in the opinion of counsel to the City or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Preliminary Official Statement, the Property Owner shall reasonably cooperate with the City in the preparation of an amendment or supplement to the

Preliminary Official Statement in form and substance satisfactory to counsel to the City and to the Underwriter.

18. To the Actual Knowledge of the Undersigned, the Property Owner has never failed in any material respect to comply with previous undertakings to provide periodic continuing disclosure reports or notices of material events with respect to community facilities districts or assessment districts in California within the past five years.

19. For the period through 25 days after the "End of the Underwriting Period" as defined in the Purchase Contract (provided the Property Owner may assume the End of the Underwriting Period is the Closing Date (as defined in the Purchase Contract), unless it receives written notice from the Underwriter that the End of the Underwriting Period is later than the Closing Date), if any event relating to or affecting the Property Owner, its Affiliates or the development of the Property shall occur as a result of which the information referred to in Paragraph 4 hereof contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Property Owner shall notify the City and the Underwriter, and if, in the opinion of counsel to the City or the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Property Owner shall reasonably cooperate with the City and the Underwriter in the preparation of an amendment or supplement by the City to the Official Statement in form and substance satisfactory to counsel to the City and the Underwriter which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing as of the date of the amendment or supplement to the Official Statement, not misleading.

20. The Property Owner agrees to deliver a Closing Certificate dated the date of issuance of the Bonds at the time of issuance of the Bonds in substantially the form attached as Attachment A hereto.

21. On behalf of the Property Owner, I have reviewed the contents of this Letter of Representations and have met with counsel to the Property Owner for the purpose of discussing the meaning of the contents of this Letter of Representations. The Property Owner acknowledges and understands that a variety of state and federal securities laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the Property Owner and that under some circumstances certification as to the matters set forth in this Letter of Representations, without additional disclosures or other action, may not fully discharge all duties and obligations of the Property Owner under such securities laws.

VD CORONA KELLOGG, LLC  
a California limited liability company  
By Van Daele Homes, Inc.,  
A California Corporation,  
Its Managing Member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTACHMENT A

FORM OF CLOSING CERTIFICATE

## EXHIBIT G

\$ \_\_\_\_\_  
**COMMUNITY FACILITIES DISTRICT NO. 2017-2  
(VALENCIA/SEVILLE)  
OF THE CITY OF CORONA  
2018 SPECIAL TAX BONDS**

### **CLOSING CERTIFICATE**

[Closing Date]

City of Corona  
400 South Vicentia Avenue  
Corona, California 92882  
Attn: Assistant City Manager/  
Administrative Services Director

Stifel, Nicolaus & Company, Incorporated  
One Montgomery Street, Suite 3700  
San Francisco, California 94104

Ladies and Gentlemen:

Reference is made to the above-captioned bonds (the “Bonds”) and to the Purchase Contract, dated \_\_\_\_\_, 2018 (the “**Purchase Contract**”), entered into in connection therewith. This certificate is delivered pursuant to and in satisfaction of Section 8(c)(xviii) of the Purchase Contract. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Letter of Representations (the “**Letter of Representations**”), dated \_\_\_\_\_, 2018, delivered by VD Corona Kellogg, LLC, a California limited liability company (the “**Property Owner**”), which is attached hereto as Attachment A.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of the Property Owner, and the undersigned, on behalf of the Property Owner, further certifies as follows:

1. The Property Owner has received the final Official Statement dated \_\_\_\_\_, 2018 relating to the Bonds (the “**Official Statement**”). To the Actual Knowledge of the Undersigned, each statement, representation and warranty made in the Letter of Representations is true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the Official Statement.

2. To the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement affecting the statements and information described in Paragraph 4 of the Letter of Representations (and subject to the limitations and exclusions contained in Paragraph 4 of the Letter of Representations) relating to the Property Owner, its Affiliates, the proposed development of the Property, ownership of the Property, the Property Owner’s development plan, the Property Owner’s financing plan, the Property Owner’s lenders, if

any, and contractual arrangements of the Property Owner or any Affiliates (including, if material to the Property Owner's development plan or the Property Owner's financing plan, other loans of such Affiliates), which should be disclosed in the Official Statement for the purposes for which it is to be used in order to make such statements and information contained in the Official Statement not misleading in any material respect.

3. The Property Owner is duly authorized to execute, deliver and perform its Property Owner Continuing Disclosure Certificate.

4. The Property Owner has duly executed and delivered the Property Owner Continuing Disclosure Certificate.

VD CORONA KELLOGG, LLC  
a California limited liability company  
By Van Daele Homes, Inc.,  
A California Corporation,  
Its Managing Member

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTACHMENT A

EXECUTED LETTER OF REPRESENTATIONS DATED \_\_\_\_\_, 2018

See attached.

## EXHIBIT H

\$ \_\_\_\_\_  
**COMMUNITY FACILITIES DISTRICT NO. 2017-2  
(VALENCIA/SEVILLE)  
OF THE CITY OF CORONA  
2018 SPECIAL TAX BONDS**

### **FORM OF OPINION OF COUNSEL TO PROPERTY OWNER**

[Closing Date]

1. The Property Owner is a limited liability company, duly formed, validly existing and in good standing under the laws of the State of California, is in good standing under the laws of the State of California, and has full power and authority to enter into the Property Owner Continuing Disclosure Certificate.

2. Except as disclosed in the Preliminary Official Statement and Final Official Statement, based solely on computerized litigation searches and representations of the Property Owner, there are no legal or governmental actions, proceedings, inquiries or investigations pending or threatened or to which the Property is subject, which, if determined adversely to the Property Owner, would individually or in the aggregate (a) have a material adverse effect on the financial position or results of operations of the Property Owner, considered as a whole, or (b) materially and adversely affect the ability of the Property Owner to complete the proposed development of the Property.

3. The Property Owner has duly and validly executed and delivered the Property Owner Continuing Disclosure Certificate, and the Property Owner Continuing Disclosure Certificate constitutes the legal, valid and binding obligations of the Property Owner.

4. Without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or Final Official Statement, but based solely on (i) our limited capacity as special counsel to the Property Owner, (ii) the representations of the Property Owner and/or its officers, employees and/or consultants, and our reliance thereon, and (iii) our review of the Preliminary Official Statement and the Final Official Statement, no facts have come to our attention that would lead us to believe that the information in the section of the Preliminary Official Statement or Final Official Statement relating to the Property Owner and its organization, ownership, activities, financing plan, properties and financial condition, and its proposed development of the Property, as set forth under the sections of the Preliminary Official Statement captioned "INTRODUCTION – The District" and "THE DISTRICT – General Description of the District", "– Description of Authorized Facilities," "– VD Corona Kellogg," and "– Van Daele" (except that no opinion is expressed herein as to (a) any financial statements and other financial, statistical, economic, or engineering data or forecasts, numbers, charts, tables, graphs, estimates, projections or assumptions, (b) any information about valuation, appraisals, archaeological, or environmental matters, including information regarding the Price Point Study or Appraisal Report, market value ratios and annual special tax ratios or (c) information that is identified as having been provided by a source other than the Property Owner), contains any untrue statement of a material fact or omits any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.



## EXHIBIT I

\$ \_\_\_\_\_  
**COMMUNITY FACILITIES DISTRICT NO. 2017-2  
(VALENCIA/SEVILLE)  
OF THE CITY OF CORONA  
2018 SPECIAL TAX BONDS**

### **CERTIFICATE OF FISCAL AGENT**

The undersigned hereby states and certifies that the undersigned is an authorized officer of The Bank of New York Mellon Trust Company, N.A., as fiscal agent (the “**Fiscal Agent**”) under that certain Fiscal Agent Agreement, dated as of December 1, 2018 (the “**Fiscal Agent Agreement**”), by and between the City of Corona (the “**City**”) for and on behalf of Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona (the “**District**”) and the Fiscal Agent, relating to the captioned bonds (the “**Bonds**”) and as such, is familiar with the following facts and is authorized and qualified to certify the following facts on behalf of the Fiscal Agent:

(1) The Fiscal Agent is duly organized and existing as a national banking association under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Fiscal Agent Agreement.

(2) The Fiscal Agent Agreement has been duly authorized, executed and delivered by the Fiscal Agent and the Bonds have been authenticated by a duly authorized representative of the Fiscal Agent in accordance with the Fiscal Agent Agreement.

(3) To the best knowledge of the Fiscal Agent, after due inquiry, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending against the Fiscal Agent or threatened against the Fiscal Agent which in the reasonable judgment of the Fiscal Agent would affect the existence of the Fiscal Agent or in any way contesting or affecting the validity or enforceability of the Fiscal Agent Agreement or contesting the powers of the Fiscal Agent or its authority to enter into and perform its obligation under the Fiscal Agent Agreement.

Dated: [Closing Date]

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A.,  
*as Fiscal Agent*

By \_\_\_\_\_  
Authorized Officer

**EXHIBIT J**

**\$ \_\_\_\_\_  
COMMUNITY FACILITIES DISTRICT NO. 2017-2  
(VALENCIA/SEVILLE)  
OF THE CITY OF CORONA  
2018 SPECIAL TAX BONDS**

**CERTIFICATE OF MUNICIPAL ADVISOR**

The undersigned hereby states and certifies:

(i) that the undersigned is an authorized officer of CSG Advisors Incorporated (the **"Municipal Advisor"**), which has acted as municipal advisor to the City of Corona (the **"City"**) in connection with the issuance of the bonds captioned above (the **"Bonds"**), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(ii) that the Municipal Advisor has participated in the preparation of the Preliminary Official Statement dated \_\_\_\_\_, 2018, and the final Official Statement dated \_\_\_\_\_, 2018 (the "Official Statement"), relating to the Bonds; and

(iii) that, without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Official Statement, nothing has come to the attention of the Municipal Advisor which would lead it to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Dated: [Closing Date]

CSG ADVISORS INCORPORATED,  
*as Municipal Advisor*

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT K**

**\$ \_\_\_\_\_**  
**COMMUNITY FACILITIES DISTRICT NO. 2017-2**  
**(VALENCIA/SEVILLE)**  
**OF THE CITY OF CORONA**  
**2018 SPECIAL TAX BONDS**

**CERTIFICATE OF EMPIRE ECONOMICS, INC.**

The undersigned, on behalf of Empire Economics, California, San Juan Capistrano, California (the "**Empire Economics**"), has prepared a price point study dated March 27, 2017, as revised on April 11, 2017 (the "**Price Point Study**"), regarding the value of certain real property and improvements within Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona, and certifies that:

1. The assumptions made in the Price Point Study are reasonable.
2. Empire Economics is not aware of any event or act that occurred since the date of the Price Point Study that, in its opinion, would materially and adversely affect the conclusions set forth in the Price Point Study.
3. Empire Economics consents to the references to Empire Economics and the Price Point Study made in the Preliminary Official Statement and the Official Statement.
4. Empire Economics has reviewed the Preliminary Official Statement and the Official Statement, and the statements concerning the Price Point Study contained in the Preliminary Official Statement and the Official Statement are true, correct and complete in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Dated: [Closing Date]

EMPIRE ECONOMICS, INC.

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

## EXHIBIT L

\$ \_\_\_\_\_  
**COMMUNITY FACILITIES DISTRICT NO. 2017-2  
(VALENCIA/SEVILLE)  
OF THE CITY OF CORONA  
2018 SPECIAL TAX BONDS**

### **FORM OF ISSUE PRICE CERTIFICATE**

The undersigned, Stifel, Nicolaus & Company, Incorporated (“**Stifel**”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “**Bonds**”).

1. **Bond Purchase Contract.** On \_\_\_\_\_, 2018 (the “**Sale Date**”), Stifel and the Issuer executed a Bond Purchase Contract (the “**Purchase Contract**”) in connection with the sale of the Bonds. Stifel has not modified the Purchase Contract since its execution on the Sale Date.
2. **Price.** As of the date of this Certificate, for each General Rule Maturities of the Bonds, the first price at which at least 10% of each such Maturity of the Bonds was sold to the Public (the “**10% Test**”) was the respective price for such Maturity listed in Schedule A attached hereto. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.
3. **Defined Terms.**
  - (a) “**General Rule Maturities**” means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”
  - (b) “**Issuer**” means the City of Corona, for and on behalf of the Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona.
  - (c) “**Maturity**” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
  - (d) “**Public**” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
  - (e) “**Underwriter**” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

4. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Stifel's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate of the Issuer dated \_\_\_\_\_, 2018, and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

**STIFEL, NICOLAUS & COMPANY, INCORPORATED**

By: \_\_\_\_\_  
[Title]

By: \_\_\_\_\_  
[Title]

Dated: [Closing Date]

SCHEDULE A  
TO  
ISSUE PRICE CERTIFICATE

General Rule Maturities  
Actual Sales Information as of Closing Date

<u>Maturity/CUSIP</u>	<u>Coupon</u>	<u>Date Sold</u>	<u>Time Sold</u>	<u>Par Amount</u>	<u>Sale Price</u>
-----------------------	---------------	------------------	------------------	-------------------	-------------------

SCHEDULE B  
TO  
ISSUE PRICE CERTIFICATE

PRICING WIRE

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER \_\_, 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

\$3,535,000\*

COMMUNITY FACILITIES DISTRICT NO. 2017-2  
(VALENCIA/SEVILLE) 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. 2017-2 (Valencia/Seville) of the City of Corona 2018 Special Tax Bonds (the “Bonds”) are being issued and delivered to (i) finance various public improvements needed with respect to the development within Community Facilities District No. 2017-2 (Valencia/Seville) of the City of Corona, County of Riverside, State of California (the “District”), including public improvements to be owned by the City of Corona (the “City”) and school facilities to be owned and operated by the Corona-Norco Unified School District (the “School District”), (ii) fund a reserve fund securing the Bonds, (iii) fund capitalized interest on the Bonds through September 1, 2019, and (iv) pay costs of issuance of the Bonds. The District has been formed by the City and is located in the south-central 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 December 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 March 1, 2019. 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 Tax Revenues (as defined herein), 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 City 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 December \_\_, 2018.*

\* Preliminary, subject to change.

**[STIFEL LOGO]**

Dated: November \_\_, 2018.

**\$3,535,000\***  
**COMMUNITY FACILITIES DISTRICT NO. 2017-2**  
**(VALENCIA/SEVILLE) OF THE CITY OF CORONA**  
**2018 SPECIAL TAX BONDS**

**Base CUSIP No.† \_\_\_\_\_**  
**\$\_\_\_\_\_ Serial Bonds**

<i><b>Maturity Date</b></i> <i><b>(September 1)</b></i>	<i><b>Principal</b></i> <i><b>Amount</b></i>	<i><b>Interest Rate</b></i>	<i><b>Yield</b></i>	<i><b>Price</b></i>	<i><b>CUSIP No.†</b></i>
	\$	%	%		

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

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<sup>\*</sup> Preliminary, subject to change.

<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  
Yolanda Carrillo, Council Member  
Randy Fox, Council Member  
Jason Scott, Council Member

**CITY STAFF**

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

**BOND COUNSEL**

Best Best & Krieger LLP  
Riverside, California

**DISCLOSURE COUNSEL**

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

**MUNICIPAL ADVISOR**

CSG Advisors Incorporated  
San Francisco, California

**SPECIAL TAX CONSULTANT**

Spicer Consulting Group, LLC  
Temecula, 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]

**\$3,535,000\***  
**COMMUNITY FACILITIES DISTRICT NO. 2017-2**  
**(VALENCIA/SEVILLE) 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 \$3,535,000\* Community Facilities District No. 2017-2 (Valencia/Seville) 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. 2017-2 (Valencia/Seville) of the City of Corona, County of Riverside, State of California (the “District”), including public improvements to be owned by the City of Corona (the “City”) and school facilities to be owned and operated by the Corona-Norco Unified School District (the “School District”), (ii) fund a reserve fund securing the Bonds, (iii) fund capitalized interest on the Bonds through September 1, 2019, and (iv) 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 December 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), subject to transfers to the Administrative Expense Fund as described herein, and all moneys in the Bond Fund and all moneys deposited in the Reserve Fund as described in the Fiscal Agent Agreement.

**The District**

The District contains approximately 13.2 gross acres and approximately 12.5 net acres, located in the south-central portion of the City, on the northeast corner of the intersection of Santana Way and Kellogg Avenue, south of State Route 91 and west of Interstate 15. The District is included within Tract Map No. 37057 and is planned for 92 single family detached homes at buildout.

VD Corona Kellogg, LLC (“VD Corona Kellogg”) acquired the property in the District in June 2017. As of the September 11, 2018 date of value (the “Date of Value”) of the Appraisal Report (as defined below), 15 of the 92 planned single family detached homes had been completed and conveyed to individual homeowners. As of such date, VD Corona Kellogg owned six completed model homes, 29 homes under construction (11 of which were over 95% complete and 18 of which were in escrow) and 42 finished lots (with 23 lots in escrow).

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\* Preliminary, subject to change.

The development within the District consists of two product lines being marketed by VD Corona Kellogg (dba Van Daele Homes) as “Valencia” and “Seville,” which are planned to consist of 40 single family detached homes and 52 single family detached homes, respectively.

As of October 15, 2018, VD Corona Kellogg had obtained building permits for 64 of the 92 lots within the District. Based on the number of building permits obtained for lots within the District as of October 15, 2018, 64 lots will be classified as Developed Property and 28 lots will be classified as Approved Property under the Rate and Method (as defined below) for the Fiscal Year 2019-20 Special Tax levy. See “THE DISTRICT — General Description of the District” and APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

As part of a developed area in the City, major infrastructure (sewer, water, storm drains, utilities, and arterial roads) necessary to develop the property within the District has been completed. VD Corona Kellogg completed the construction of roadway improvements, water and wastewater improvements and connections to existing mains to serve the property within the District. The substantial majority of the in-tract infrastructure within the District, which primarily consists of streets for individual lot access and associated gutters and landscape improvements, is complete. VD Corona Kellogg expects to commence construction of the in-tract improvements associated with the remaining lots that it owns within the District as home construction on such lots is completed.

***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”), and to fund the design, construction and acquisition of certain public school facilities (the “School District Facilities”) of Corona-Norco Unified School District (the “School District”). 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 July 19, 2017, at a special election held pursuant to the Act, VD Corona Kellogg 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 \$5,000,000 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 March 27, 2017, as revised on April 11, 2017 (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 Assigned Special Tax rate for any Land Use Category.

**Appraisal Report.** Kitty Siino & Associates, Inc. (the “Appraiser”) has conducted an Appraisal dated October 3, 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 the Date of Value, was \$26,373,832. This estimate of value results in an overall District-wide appraised value-to-lien ratio of approximately 7.46-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, related interest and penalties 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 original issue price of the Bonds calculated in accordance with Treasury Regulations Section 1.148-2(f)(1); (ii) Maximum Annual Debt Service on the Bonds; or (iii) 125% of average Annual Debt Service on the 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 will covenant in the Fiscal Agent Agreement 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.”

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\* Preliminary, subject to change.

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 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 will covenant in the Fiscal Agent Agreement, 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 “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 Tax Revenues 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, principal, interest and redemption premium, if any, shall be paid to the registered Owner thereof in accordance with the Fiscal Agent Agreement. 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, 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. 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, Temecula, 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 to be executed by the City (the “City Continuing Disclosure Certificate”), the City, on behalf of the District, will agree 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 will further agree to provide notice to EMMA of certain enumerated events. These covenants are being 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 to be executed by VD Corona Kellogg (the “Developer Continuing Disclosure Certificate”), until such time as the property owned by VD Corona Kellogg and its Affiliates (as defined in the Developer Continuing Disclosure Certificate) within the District is responsible for less than 20% of the Special Taxes levied in the then-current fiscal year, VD Corona Kellogg will agree 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 VD Corona Kellogg 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 VD Corona Kellogg, and notices of listed events to be provided by the City, on behalf of the District, and VD Corona Kellogg.

### **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 and School District 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:

### *Sources of Funds*

Principal Amount of Bonds  
[Plus][Less] [Net] Original Issue [Premium][Discount]  
**Total Sources**

### *Uses of Funds*

Improvement Fund  
Reserve Fund  
Capitalized Interest<sup>(1)</sup>  
Costs of Issuance Fund<sup>(2)</sup>  
Underwriter's Discount  
**Total Uses**

<sup>(1)</sup> Represents capitalized interest on the Bonds through September 1, 2019, taking into account the Special Taxes expected to be collected in Fiscal Year 2018-19.

<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.

## 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 March 1, 2019 (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 May 17, 2017 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 \$5,000,000.

***Resolutions of Formation.*** Following a noticed public hearing conducted on July 19, 2017, the City Council adopted on July 19, 2017 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 \$5,000,000.

***Resolution Calling Election.*** The resolutions adopted by the City Council on July 19, 2017 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 July 19, 2017, an election was held at which the landowners within the District approved ballot propositions authorizing the issuance of up to \$5,000,000 of bonds to finance those facilities funded by certain City impact fees, including park facilities and street and traffic signals, and the design, construction and acquisition of certain public school facilities of the School District, 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 \$5,000,000 for financing public facilities. On July 19, 2017, 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 July 28, 2017 as Document No. 2017-0310527 reflecting a continuing lien against the taxable property within the District (the “Notice of Special Tax Lien”).

***Ordinance Levying Special Taxes.*** On August 2, 2017, the City Council adopted Ordinance No. 3262 which authorized the levy of Special Taxes within the District.

***Resolution Authorizing Issuance of the Bonds.*** On [November 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

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\* Preliminary, subject to change.

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***

See the caption “SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments or Assessment Bond Proceeds” for a discussion of the potential for a lower than expected yield on the Bonds as a result of a special mandatory redemption from prepayment of Special Taxes.

***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 from Special Tax Prepayment 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 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 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 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><b>Bond Year Ending September 1</b></i>	<i><b>Principal</b></i>	<i><b>Interest<sup>(1)</sup></b></i>	<i><b>Total Annual Debt Service<sup>(1)</sup></b></i>
	\$	\$	\$

<b>Total</b>	\$	\$	\$
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<sup>(1)</sup> Net of capitalized interest.  
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 Tax Revenues, 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 July 19, 2017 for the purpose of financing those facilities funded by certain City impact fees, including park facilities and street and traffic signals, and the design, construction and acquisition of certain public school facilities of the School District. At a special election held on July 19, 2017, the owners of the property within the District authorized the District to incur indebtedness in an amount not to exceed \$5,000,000 and approved the Rate and Method which authorizes the Special Tax to be levied to repay District indebtedness, including the Bonds. On August 2, 2017, the Board adopted Ordinance No. 3262 which authorized the levy of Special Taxes in the District.

The District will covenant 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 2017-18, 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. Under the Rate and Method, Taxable Property with no building permit will be categorized as Approved Property, if a Final Map is recorded prior to the January 1 preceding the Fiscal Year in which the Special Tax is being levied.

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 \$2,675 per parcel to \$3,520 per parcel for parcels classified as Residential Property, depending upon the size of the residence, and \$38,744 per acre for parcels classified as Non-Residential Property or Multifamily Property, in each case as shown in Table 1 below), and (b) the applicable amount of "Backup Special Tax A." The Maximum Special Tax for each parcel Approved Property expected to be classified as Single Family Property shall be the Backup Special Tax A computed in the manner described in the following paragraph.

The total amount of the Backup Special Tax A for Assessor's Parcels of Taxable Property which is Single Family Residential Property is \$3,508 per Residential Unit, based on the land use configurations of the current Final Map (i.e. Tract Map No. 37057) 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. 37057 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 \$38,744 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 2019-20 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. 2017-2 (VALENCIA/SEVILLE)  
ASSIGNED SPECIAL TAX RATES FOR FISCAL YEAR 2019-20**

<i>Land Use Type</i>	<i>Residential Floor Area (sq. ft.)</i>	<i>Maximum/ Assigned Special Tax Rates Fiscal Year 2019-20<sup>(1)</sup></i>	<i>Special Tax Levy Rates Fiscal Year 2019-20</i>	<i>Percent of Maximum/ Assigned Rate</i>	<i>No. of Units</i>	<i>Aggregate Estimated Special Taxes Fiscal Year 2019-20<sup>(1)*</sup></i>	<i>Percent of Total*</i>
Residential Property	< 2,100	\$ 2,675	\$ 0	0.0%	0	\$ 0	0.0%
Residential Property	2,100-2,349	2,744	2,744	100.0	14	38,416	15.1
Residential Property	2,350-2,599	2,942	2,942	100.0	9	26,478	10.4
Residential Property	2,600-2,849	3,089	3,089	100.0	17	52,513	20.6
Residential Property	2,850-3,099	3,294	3,294	100.0	10	32,940	12.9
Residential Property	> 3,099	3,520	0	0.0	0	0	0.0
Approved Property	N/A	3,508	2,466	70.3	42	103,584	40.7
Multi-Family Property	N/A	38,744	0	0.0		0	0.0
Non-Residential Property	N/A	38,744	0	0.0		0	0.0
<b>Total</b>					<b>92</b>	<b>\$ 253,931</b>	<b>100.0%</b>

\* Preliminary, subject to change.

<sup>(1)</sup> Includes Administrative Expenses of \$30,000.

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 Taxable 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 1.10. (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" has the meaning set forth in 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 City 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. 2017-2 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.

Moneys in the Special Tax Fund and all accounts 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 each Fiscal Year. 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. 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, the amount, if any, on deposit in the Special Tax Fund, 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, 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 the Administrative Expense Fund to pay any additional Administrative Expenses during the then current Fiscal Year. Subject to the requirement described in the foregoing sentence, on each September 2, commencing September 2, 2019, any funds remaining in the Special Tax Fund which are not needed to pay

principal and/or interest on the Bonds then due and payable may be retained in the Special Tax Fund to reduce the Special Taxes levied in future years or may be transferred to the Improvement Fund (subject to the limitations set forth in the Rate and Method Apportionment) at the written direction of the City.

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. 2017-2 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 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 Special Tax Fund.

***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 Special Tax Fund.

In the event that moneys on deposit in the Special Tax Fund 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 original issue price of the Bonds calculated in accordance with Treasury Regulations Section 1.148-2(f)(1); (ii) Maximum Annual Debt Service on the Bonds; or (iii) 125% of average Annual Debt Service on the 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, on any September 2, the amount in the Reserve Fund, less Investment Earnings resulting from the investment of the funds therein which pursuant to the Fiscal Agent Agreement must be rebated to the United States, as previously directed by the City, exceeds the Reserve Requirement, as calculated by the City, the Fiscal Agent shall provide written notice to the City of the amount of the excess. Upon receiving written direction from an Authorized Officer (upon which the Fiscal Agent may conclusively rely), the Fiscal Agent shall, subject to the requirements of the Fiscal Agent Agreement, transfer an amount from the Reserve Fund which will reduce the amount on deposit therein to an amount equal to the Reserve Requirement to the Interest Account and the Principal Account, in such order, to be used for the payment of the interest on and principal of the Bonds on the next succeeding Interest Payment Date in accordance with the Fiscal Agent Agreement.

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 Tax Revenues 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 13.2 gross acres and approximately 12.5 net acres, located in the south-central portion of the City, on the northeast corner of the intersection of Santana Way and Kellogg Avenue, south of State Route 91 and west of Interstate 15. The District is included within Tract Map No. 37057 and is planned for 92 single family detached homes at buildout.

VD Corona Kellogg acquired the property in the District in June 2017. As of the September 11, 2018 date of value (the “Date of Value”) of the Appraisal Report (as defined below), 15 of the 92 planned single family detached homes had been completed and conveyed to individual homeowners. As of such date, VD Corona Kellogg owned six completed model homes, 29 homes under construction (11 of which were over 95% complete and 18 of which were in escrow) and 42 finished lots (with 23 lots in escrow). The following table summarizes the ownership and development status within the District as of October 15, 2018.

<i>Property Owner</i>	<i>Completed Homes<sup>(1)</sup></i>	<i>Under Construction<sup>(2)</sup></i>	<i>Finished Lots<sup>(2)</sup></i>	<i>In Escrow</i>
Individual Owner	15	N/A	N/A	N/A
VD Corona Kellogg	<u>6</u>	<u>29</u>	<u>42</u>	<u>41</u>
<b>TOTAL:</b>	<b>21</b>	<b>29</b>	<b>42</b>	<b>41</b>

(1) Six completed homes owned by VD Corona Kellogg are model homes.

(2) Includes homes/lots in escrow.

Source: VD Corona Kellogg.

The development within the District consists of two product lines being marketed by VD Corona Kellogg (dba Van Daele Homes) as “Valencia” and “Seville,” which are planned to consist of 40 single family detached homes and 52 single family detached homes, respectively.

As of October 15, 2018, VD Corona Kellogg had obtained building permits for 64 of the 92 lots within the District. Based on the number of building permits obtained for lots within the District as of October 15, 2018, 64 lots will be classified as Developed Property and 28 lots will be classified as Approved Property under the Rate and Method (as defined below) for the Fiscal Year 2019-20 Special Tax levy. See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

As part of a developed area in the City, major infrastructure (sewer, water, storm drains, utilities, and arterial roads) necessary to develop the property within the District has been completed. VD Corona Kellogg

completed the construction of roadway improvements, water and wastewater improvements and connections to existing mains to serve the property within the District. The substantial majority of the in-tract infrastructure within the District, which primarily consists of streets for individual lot access and associated gutters and landscape improvements, is complete. VD Corona Kellogg expects to commence construction of the in-tract improvements associated with the remaining lots that it owns within the District as home construction on such lots is completed.

### **Description of Authorized Facilities**

The City Facilities authorized to be financed from Bond proceeds consist of park facilities, street and traffic signals, 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 \$\_\_\_\_\_ million.

The School District Facilities authorized to be financed from Bond proceeds consist high school, middle school and elementary school facilities, including furnishings and equipment therefor with a useful life of five years or greater, to be owned and operated by the School District pursuant to that certain Joint Community Facilities Agreement, dated as of May 17, 2017, entered into by and between the School District and the City. The estimated costs of the School District Facilities to be paid from the proceeds of the Bonds and Special Taxes levied and collected by the District are approximately \$\_\_\_\_\_ million.

### **VD Corona Kellogg**

*The information about VD Corona Kellogg and Van Daele Homes, Inc., contained in this Official Statement has been provided by representatives of VD Corona Kellogg 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 VD Corona Kellogg 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 VD Corona Kellogg 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 VD Corona Kellogg; 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, "VD Corona Kellogg" refers to VD Corona Kellogg, LLC, a California limited liability company. The managing member of VD Corona Kellogg is Van

Daele Homes, Inc., a California corporation (“Van Daele”). The principals of Van Daele are Jeffry M. Hack, Michael B. Van Daele and Michael C. Van Daele.

## **Van Daele**

Van Daele Development Corporation is managing the development and construction of the homes within the District. Van Daele Development Corporation and Van Daele are under common ownership. Van Daele is a privately held corporation which was founded in 1987 by Michael B. Van Daele. Van Daele was formed to develop land, single family homes, condominiums and apartments in and around the Inland Empire. Projects Van Daele is currently developing are located within Orange, San Diego, Los Angeles, and San Bernardino Counties. Additionally, Van Daele is currently building single family homes in Contra Costa County in Northern California.

Since its formation, Van Daele has developed land for nearly 16,000 homes, condominiums and apartments in Southern California. Van Daele currently has 12 housing projects under construction which total more than 535 units that are during this time, planned for delivery from 2018 to 2019.

Brief resumes of the key personnel at Van Daele are set forth below.

***Jeffrey M. Hack, Chief Executive Officer, President and Chief Financial Officer.*** Mr. Hack joined Van Daele Development Corporation in 1991 as the Financial Analyst/Treasurer to manage the project feasibility, financial reporting, financial analysis, cash management and loan processing/administration functions of the company. Mr. Hack was promoted to Chief Financial Officer and Executive Vice President in 1993. In 2008, Mr. Hack assumed the responsibilities of President in addition to the Chief Financial Officer position, and in 2013 Mr. Hack assumed the designation of Chief Executive Officer for all of the Van Daele Group of Companies, with primary responsibility of directing the operations of the company, including projects, purchasing, customer service, warranty, and sales and marketing. In addition to directing the company’s operations, Mr. Hack is directly responsible for the development and implementation of corporate goals, policies and procedures, land acquisition, equity/institutional capital relationships, and corporate business strategy and administration. Mr. Hack retains an ownership interest in the company and serves on the company’s board of directors. Mr. Hack received a Bachelor of Business Administration degree from the University of Regina, Saskatchewan, School of Business in 1988, and also earned a degree of Master of Business Administration from the University of Southern California in 1991.

***Michael C. Van Daele, Chief Operating Officer.*** Michael C. Van Daele joined Van Daele in 2003 as a project manager. In 2008 Michael C. Van Daele was promoted to Executive Vice President and in 2011 was promoted to Chief Operating Officer and took on responsibilities of oversight of the operations of the company. In 2003 Michael C. Van Daele received a Bachelor of Science and Management Degree with a Major in Finance from Tulane University.

***Recent Projects.*** Certain recent projects or projects currently under active development by Van Daele in California are described below.

**Van Daele Homes, Inc.**  
**Recent Projects or Current Projects Under Construction**

<i>Project Name</i>	<i>Proposed Number of Units at Buildout</i>	<i>Location</i>	<i>Estimated Square Footage</i>	<i>Estimated Base Sales Price<sup>(1)</sup></i>	<i>Close Out Date or Expected Close Out Date<sup>(1)</sup></i>
Terra Vista	233	Rancho Cucamonga, CA	1,364 to 1,803	From the high \$400,000's	Sept. 2020
Vista Del Mar	38	Oceanside, CA	1,738 to 2,556	From the high \$800,000's	June 2019
Terramor	83	Corona, CA	2,399 to 3,084	From the high \$600,000's	Sept. 2021
Magnolia Park 1 & 2	53	Anaheim, CA	1,741 to 2,247	From the low \$700,000's	April 2019
Rio Rancho	110	Pomona, CA	1,920 to 2,612	From the high \$400,000's	May 2020
The Resort	296	Rancho Cucamonga, CA	1,178 to 1,904	From the low \$400,000's	Dec. 2021

<sup>(1)</sup> As of October 15, 2018.

Source: Van Daele.

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

(1) Except as described in this Official Statement, there are no material loans outstanding and unpaid, and no material lines of credit of VD Corona Kellogg or its Affiliates, that are secured by an interest in the Property. Neither VD Corona Kellogg nor, to the Actual Knowledge of VD Corona Kellogg, any of its Affiliates is currently in material default on any loans, lines of credit or other obligation related to the development of the Property or any other project which default is reasonably likely to materially and adversely affect VD Corona Kellogg’s ability to develop the Property as described in this Official Statement or to pay the Special Taxes due with respect to the Property (to the extent the responsibility of VD Corona Kellogg) prior to delinquency.

(2) To the Actual Knowledge of VD Corona Kellogg, VD Corona Kellogg is able to pay its bills as they become due and no legal proceedings are pending against VD Corona Kellogg or any Affiliate (with proper service of process having been accomplished) or, to the Actual Knowledge of VD Corona Kellogg, threatened in writing in which VD Corona Kellogg or any Affiliate may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debt or obligations, or be allowed to reorganize or readjust its debt or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

(3) To the Actual Knowledge of VD Corona Kellogg, during the last five years, neither VD Corona Kellogg nor any of its Affiliates has, during the period of its ownership, been delinquent to any material extent in the payment of any ad valorem property tax, special assessment or special tax on property included within the boundaries of a community facilities district or an assessment district within California 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 against VD Corona Kellogg or its Affiliates.

As used in the above representations of VD Corona Kellogg, the following defined terms and phrases have the following meanings:

“Actual Knowledge of VD Corona Kellogg” means the knowledge that the authorized representative signing the VD Corona Kellogg Letter of Representations on behalf of VD Corona Kellogg currently has as of the date of the VD Corona Kellogg Letter of Representations or has obtained through: (i) interviews with such current officers and responsible employees of VD Corona Kellogg and its Affiliates as such authorized representative has determined are reasonably likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in the VD Corona Kellogg Letter of Representations or (ii) review of

documents that were reasonably available to such authorized representative and that such authorized representative has reasonably deemed necessary to obtain knowledge of the matters set forth in the VD Corona Kellogg Letter of Representations. The authorized representative signing the VD Corona Kellogg 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 VD Corona Kellogg's current business and operations. Individuals who are no longer employees of VD Corona Kellogg and its Affiliates were not contacted.

"Affiliate" means, with respect to VD Corona Kellogg, any other Person (i) who directly, or indirectly through one or more intermediaries, is currently controlling or controlled by VD Corona Kellogg, and (ii) for whom information, including financial information or operating data, concerning such Person is material to potential investors in their evaluation of the District and investment decision regarding the Bonds (i.e., information relevant to: (a) VD Corona Kellogg's development plans with respect to the Property and ability to pay its Special Taxes on the Property prior to delinquency, or (b) such Person's assets or funds that would materially affect VD Corona Kellogg's ability to develop the Property as described in this Official Statement or to pay its Special Taxes on the Property (to the extent the responsibility of VD Corona Kellogg) prior to delinquency).

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

The term "control" (including the terms "controlling," "controlled by" or "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Property" means the property within the District held in the name of VD Corona Kellogg.

**Development Plan.** The property within the District is being developed by VD Corona Kellogg and is planned for 92 residential units at buildout. The development within the District consists of two product lines being marketed by VD Corona Kellogg (dba Van Daele Homes) as "Valencia" and "Seville," which are planned to consist of 40 single family detached homes and 52 single family detached homes, respectively. The homes in the Valencia product line are expected to range in size from 2,161 square feet to 2,515 square feet and the homes in the Seville product line are expected to range in size from 2,711 square feet to 3,099 square feet.

As part of a developed area in the City, major infrastructure (sewer, water, storm drains, utilities, and arterial roads) necessary to develop the property within the District has been completed. VD Corona Kellogg completed the construction of roadway improvements, water and wastewater improvements and connections to existing mains to serve the property within the District. The substantial majority of the in-tract infrastructure within the District, which primarily consists of streets for individual lot access and associated gutters and landscape improvements, is complete. VD Corona Kellogg expects to commence construction of the in-tract improvements associated with the remaining lots that it owns within the District as home construction on such lots is completed.

As of the Date of Value, 15 of the 92 planned single family detached homes had been completed and conveyed to individual homeowners. As of such date, VD Corona Kellogg owned six completed model homes, 29 homes under construction (11 of which were over 95% complete and 18 of which were in escrow) and 42 finished lots (with 23 lots in escrow).

As of October 15, 2018, VD Corona Kellogg had obtained building permits for 64 of the 92 lots within the District. Based on the number of building permits obtained for lots within the District as of October 15, 2018, 64 lots will be classified as Developed Property and 28 lots will be classified as Approved Property under the Rate and Method (as defined below) for the Fiscal Year 2019-20 Special Tax levy. VD Corona Kellogg

expects to complete home construction and to convey all homes within the District to individual homeowners by May 2019.

A summary of the proposed product mix and development status for each of the Valencia and Seville products, including estimated square footage and estimated base sales prices for the property being developed by VD Corona Kellogg within the District as of October 15, 2018 is set forth below:

**Table 2A**  
**Valencia**  
**(as of October 15, 2018)**

<i>Plan</i>	<i>Expected Number of Homes at Buildout</i>	<i>Estimated Square Footage<sup>(1)</sup></i>	<i>Number of Bedrooms / Bathrooms</i>	<i>Closed to Individual Homeowners</i>	<i>Completed Homes Owned by VD Corona Kellogg<sup>(2)</sup></i>	<i>Homes Under Construction Owned by VD Corona Kellogg<sup>(3)</sup></i>	<i>Finished Lots Owned by VD Corona Kellogg</i>	<i>Estimated Base Sales Price<sup>(4)</sup></i>
1	13	2,161	4/3	2	1	6	4	\$489,990
2	13	2,288	4/3	3	1	5	4	\$502,990
3	12	2,364	5/3	1	1	7	3	\$510,990
3A	<u>2</u>	2,515	6/4	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	\$552,990
<b>TOTAL:</b>	<b>40</b>			<b>7</b>	<b>4</b>	<b>18</b>	<b>11</b>	

(1) Actual square footage may vary based on options selected.

(2) Includes three model homes which have not been released for sale.

(3) Includes 15 homes under contract to be sold.

(4) 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: VD Corona Kellogg.

**Table 2B**  
**Seville**  
**(as of October 15, 2018)**

<i>Plan</i>	<i>Expected Number of Homes at Buildout</i>	<i>Estimated Square Footage<sup>(1)</sup></i>	<i>Numbers of Bedrooms / Bathrooms</i>	<i>Closed to Individual Homeowners</i>	<i>Completed Homes Owned by VD Corona Kellogg<sup>(2)</sup></i>	<i>Homes Under Construction Owned by VD Corona Kellogg<sup>(3)</sup></i>	<i>Finished Lots Owned by VD Corona Kellogg</i>	<i>Estimated Base Sales Price<sup>(4)</sup></i>
1	17	2,711	4/3.5	3	1	9	4	\$579,990
2	17	2,785	5/4.5	2	1	8	6	\$589,990
3	<u>18</u>	3,099	5/4.5	<u>3</u>	<u>1</u>	<u>7</u>	<u>7</u>	\$614,990
<b>TOTAL:</b>	<b>52</b>			<b>8</b>	<b>3</b>	<b>24</b>	<b>17</b>	

(1) Actual square footage may vary based on options selected.

(2) Includes three model homes which have not been released for sale.

(3) Includes 13 homes under contract to be sold.

(4) 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: VD Corona Kellogg.

**Financing Plan.** In June 2017, VD Corona Kellogg purchased the property within the District for \$8,379,323. Through October 15, 2018 VD Corona Kellogg had expended approximately \$32.76 million in land acquisition, improvements, home construction costs, and other development, marketing and sales costs (exclusive of loan repayments) related to its property in the District. VD Corona Kellogg expects the remaining

land improvements, home construction costs and other development, marketing and sales costs within the District to be approximately \$17.9 million.

VD Corona Kellogg expects to fund the remaining infrastructure, home construction, marketing and other miscellaneous costs for its project within the District through a combination of home sales revenue, available equity, proceeds of the Bonds and borrowings under the Wells Fargo Loan (defined below). In order to obtain funds necessary to acquire the property within the District and related development costs, VD Corona Kellogg obtained a loan from Wells Fargo Bank in June 2017 (the “Wells Fargo Loan”). Proceeds of the Wells Fargo Loan are disbursed as needed to fund development and construction costs and such amounts are secured by deeds of trusts on property within the District. The balance of the Wells Fargo Loan is repaid directly through the escrowed funds for the purchase price of homes, at which point the deeds of trusts on the applicable lots are released. As of October 15, 2018, the Wells Fargo Loan balance was approximately \$17,700,000.

The following table is a summary of VD Corona Kellogg’s estimated sources and uses of funds for developing the property within the District. As shown in the table below, approximately \$2.83 million of VD Corona Kellogg’s remaining development and construction costs within the District are expected to be funded from available equity. As described above, repayment of the Wells Fargo Loan is made directly through the escrowed funds for the purchase price of homes. As a result, the amounts from the Wells Fargo Loan shown below as a source of funds for development equals the amount of home sales revenues that VD Corona Kellogg expects to be applied to the repayment of the Wells Fargo Loan.

**COMMUNITY FACILITIES DISTRICT NO. 2017-2 (VALENCIA/SEVILLE)  
OF THE CITY OF CORONA  
VD CORONA KELLOGG PROJECTED SOURCES AND USES OF FUNDS**

	<i>Through October 15, 2018</i>	<i>October 16, 2018 through December 31, 2018</i>	<i>January 1, 2019 Through Projected Build- Out</i>	<i>Total Budget</i>
<b>Sources of Funds</b>				
Internal Funds/Equity	\$ 4,810,972	\$ 674,125	\$ 2,154,527	\$ 7,639,624
Wells Fargo Loan <sup>(1)</sup>	27,945,460	2,099,443	10,497,215	40,542,118
CFD 2017-2 Bond Proceeds	--	2,425,455	--	2,425,455
<b>Total Sources of Funds</b>	<b>\$ 32,756,432</b>	<b>\$ 5,199,023</b>	<b>\$ 12,651,742</b>	<b>\$ 50,607,197</b>
<b>Uses of Funds</b>				
Land and Site Improvements	\$ 8,868,143	\$ --	\$ 639,174	\$ 9,507,317
Consultants / Site Development	5,059,320	525,614	343,245	5,928,179
Fees	5,410,942	1,180,174	472,070	7,063,186
Onsite Construction	6,814,374	2,325,953	7,335,698	16,476,025
House Costs	2,168,710	487,183	1,536,500	4,192,393
Finance Costs	1,054,447	184,707	701,887	1,941,041
Model, Advertising and Sales	2,007,964	387,626	1,472,980	3,868,570
Overhead	1,372,532	107,766	150,188	1,630,486
<b>Total Uses of Funds</b>	<b>\$ 32,756,432</b>	<b>\$ 5,199,023</b>	<b>\$ 12,651,742</b>	<b>\$ 50,607,197</b>

<sup>(1)</sup> Equals the funds from home sales revenues that VD Corona Kellogg expects to apply to repay the Wells Fargo Loan, which is repaid directly through the escrowed funds for the purchase price of homes.

Source: VD Corona Kellogg.

*Although VD Corona Kellogg 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 within the District will be available from VD Corona Kellogg, or from any other source, when needed. Neither VD Corona Kellogg, nor its lender Wells Fargo, nor any of its related entities (including Van Daele) 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 internal funding by VD Corona Kellogg or its related entities or borrowing under*

the Wells Fargo Loan to finance development and home construction costs within the District is made or obtained voluntarily.

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 VD Corona Kellogg within the District and other financing by VD Corona Kellogg is not put into place, there could be a shortfall in the funds required to complete the proposed development by VD Corona Kellogg 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 September 15, 2018 is shown in Table 3 below.

**TABLE 3**  
**COMMUNITY FACILITIES DISTRICT NO. 2017-2 (VALENCIA/SEVILLE)**  
**OF THE CITY OF CORONA**  
**DIRECT AND OVERLAPPING DEBT**  
**AS OF SEPTEMBER 11, 2018**

<b>I. Appraisal Value<sup>(1)</sup></b>						\$26,373,832
<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</i>	<i>Amount Applicable</i>
CITY OF CORONA CFD NO. 2017-2 <sup>(3)</sup>	CFD	\$ 3,535,000*	\$ 3,535,000*	100.000%	92	<u>\$ 3,535,000*</u>
<b>TOTAL LAND SECURED BONDED DEBT</b>						<b>\$ 3,535,000*</b>
<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</i>	<i>Amount Applicable</i>
METROPOLITAN WATER	GO	\$850,000,000	\$110,420,000	0.010%	92	\$ 10,822
RIVERSIDE COMMUNITY COLLEGE DISTRICT	GO	310,003,424	267,357,210	0.010	92	26,217
CORONA-NORCO UNIFIED SCHOOL DISTRICT	GO	107,175,000	99,505,000	0.029	92	<u>28,415</u>
<b>TOTAL OUTSTANDING GO BONDED DEBT</b>						<b>\$ 65,453</b>
<i>Authorized but Unissued Direct and Overlapping GO Debt</i>	<i>Type</i>	<i>Authorized</i>	<i>Unissued</i>	<i>% Applicable</i>	<i>Parcels in District</i>	<i>Amount Applicable</i>
METROPOLITAN WATER DEBT SERVICE	GO	\$850,000,000	\$ 0	0.010%	92	\$ 0
RIVERSIDE COMMUNITY COLLEGE DEBT SERVICE	GO	350,000,000	39,996,576	0.010	92	3,922
CORONA-NORCO UNIFIED SCHOOL DISTRICT	GO	250,000,000	142,825,000	0.029	92	<u>40,785</u>
<b>TOTAL UNISSUED GO INDEBTEDNESS</b>						<b>\$ 44,707</b>
<b>TOTAL OUTSTANDING &amp; UNISSUED GO INDEBTEDNESS<sup>(2)</sup></b>						<b>\$ 110,161</b>
<b>TOTAL OF ALL OUTSTANDING DIRECT &amp; OVERLAPPING BONDED DEBT</b>						<b>\$ 3,600,453*</b>
<b>TOTAL OF ALL OUTSTANDING DIRECT &amp; UNISSUED DIRECT OVERLAPPING INDEBTEDNESS</b>						<b>\$ 3,645,161*</b>
<b>IV. Ratios to Appraisal Value</b>						
Outstanding Land Secured Bonded Debt		7.46:1*				
Total Outstanding Bonded Debt		7.33:1*				

\* Preliminary, subject to change.

(1) Represents the appraised value as set forth in the Appraisal Report as of the Date of Value.

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

Source: County of Riverside Assessor's office; 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 2019-20, the City expects that, in Fiscal Year 2019-20, the projected effective tax rates levied on taxable property in the District, will range from approximately 1.85% to 1.95% 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 2019-20 effective tax burden for sample units of Developed Property within the District assuming Special Taxes levied in Fiscal Year 2019-20 are levied at the Assigned Special Tax A (as defined in the Rate and Method) rate, Special Tax B is levied at the Assigned Special Tax B rate (as such terms are defined in the Rate and Method), the projected Fiscal Year 2019-20 City of Corona Community Facilities District No. 2016-1 (Public Safety) levy, and Fiscal Year 2018-19 actual levies for all other 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. 2017-2 (VALENCIA/SEVILLE)**  
**OF THE CITY OF CORONA**  
**PROJECTED FISCAL YEAR 2019-20 EFFECTIVE TAX OBLIGATION**  
**FOR SAMPLE DEVELOPED PROPERTY WITHIN EACH NEIGHBORHOOD**

<i>Plan Type</i>	<i>Valencia</i> <sup>(2)</sup>				<i>Seville</i> <sup>(2)</sup>		
	<b>1</b>	<b>2</b>	<b>3</b>	<b>3X</b>	<b>1</b>	<b>2</b>	<b>3</b>
Land Use Category (Square Feet)	<b>2,100 to 2,349 S.F.</b>	<b>2,100 to 2,349 S.F.</b>	<b>2,350 to 2,599 S.F.</b>	<b>2,350 to 2,599 S.F.</b>	<b>2,600 to 2,849 S.F.</b>	<b>2,600 to 2,849 S.F.</b>	<b>2,850 to 3,099 S.F.</b>
Home Size	2,161	2,288	2,364	2,515	2,711	2,785	3,099
Appraised Value <sup>(1)</sup>	\$453,810	\$469,040	\$472,800	\$490,425	\$528,645	\$543,075	\$585,711
<b><i>Ad Valorem Property Taxes:</i></b>							
General Purpose	\$ 4,538	\$ 4,690	\$ 4,728	\$ 4,904	\$ 5,286	\$ 5,431	\$ 5,857
Metro Water West (0.00350%)	16	16	17	17	19	19	20
Riverside City Community College District (0.01616%)	73	76	76	79	85	88	95
Corona-Norco Unified School District (0.08313%)	377	390	393	408	439	451	487
<b>Total General Property Taxes</b>	<b>\$ 5,005</b>	<b>\$ 5,173</b>	<b>\$ 5,214</b>	<b>\$ 5,408</b>	<b>\$ 5,830</b>	<b>\$ 5,989</b>	<b>\$ 6,459</b>
<b><i>Assessment, Special Taxes &amp; Parcel Charges:</i></b>							
Flood Control Stormwater / Cleanwater / Santa Ana	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4
Northwest Mosquito and Vector Control	11	11	11	11	11	11	11
MWD Standby charge	10	10	10	10	10	10	10
CSA #152 City of Corona Stormwater	10	10	10	10	10	10	10
City of Corona CFD 2016-1 (Public Safety)	580	580	580	580	580	580	580
City of Corona CFD 2017-2 (Seville / Valencia) Special Tax A <sup>(3)</sup>	2,744	2,744	2,942	2,942	3,089	3,089	3,294
City of Corona CFD 2017-2 (Valencia / Seville) Special Tax B <sup>(4)</sup>	451	451	451	451	451	451	451
<b>Total Assessments &amp; Parcel Charges</b>	<b>\$ 3,810</b>	<b>\$ 3,810</b>	<b>\$ 4,008</b>	<b>\$ 4,008</b>	<b>\$ 4,155</b>	<b>\$ 4,155</b>	<b>\$ 4,360</b>
<b>Projected Total Property Tax</b>	<b>\$ 8,815</b>	<b>\$ 8,983</b>	<b>\$ 9,222</b>	<b>\$ 9,417</b>	<b>\$ 9,985</b>	<b>\$ 10,144</b>	<b>\$ 10,819</b>
<b>Projected Effective Tax Rate</b>	<b>1.94%</b>	<b>1.92%</b>	<b>1.95%</b>	<b>1.92%</b>	<b>1.89%</b>	<b>1.87%</b>	<b>1.85%</b>

<sup>(1)</sup> Reflects the appraised value based on ownership status as of September 15, 2018 the date of value of the Appraisal.

<sup>(2)</sup> Reflect the average home size of each plan type within the District.

<sup>(3)</sup> Reflects the Assigned Special Tax A rates.

<sup>(4)</sup> 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 available to pay debt service on the Bonds.

Source: County of Riverside Assessor's office, 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 2018-19, is approximately \$10,376,460. 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 assumes that all improvements and benefits to the subject properties, which are to be funded with the proceeds of the Bonds are completed and in place.

Subject to the assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of the Date of Value (September 11, 2018), the minimum market value of the property within the District subject to the Special Tax lien was \$26,373,832. 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 as of the Date of Value is \$26,373,832. Dividing the appraised value by the principal amount of the Bonds results in value to lien ratio of 7.46-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 7.32-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 \$10,376,460 for Fiscal Year 2018-19. 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 2.88-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 estimated Fiscal Year 2019-20 Special Tax levy, categorized by property ownership.

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\* Preliminary, subject to change.

**TABLE 5**  
**COMMUNITY FACILITIES DISTRICT NO. 2017-2 (VALENCIA/SEVILLE)**  
**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>(3)</sup></i>	<i>Percentage of Appraised Value</i>	<i>Maximum Special Tax Levy</i>	<i>Percentage of Maximum Special Tax Levy</i>	<i>Estimated Fiscal Year 2019-20 Special Tax Levy<sup>(4)*</sup></i>	<i>Percentage of Estimated Fiscal Year 2019-20 Special Tax Levy<sup>*</sup></i>	<i>CFD 2017-2 Bonds<sup>(5)*</sup></i>	<i>Appraised Value-to- Lien Ratio<sup>*</sup></i>
<b>Developed Property</b>									
Individually Owned	15	\$ 7,689,558	29.16%	\$ 52,620	16.30%	\$ 44,931	17.69%	\$ 625,489	12.29:1
VD Corona Kellogg Owned	<u>35</u>	<u>10,634,274</u>	<u>40.32</u>	<u>122,780</u>	<u>38.04</u>	<u>105,416</u>	<u>41.51</u>	<u>1,467,506</u>	<u>7.25:1</u>
Total Developed Property	50	\$18,323,832	69.48%	\$ 175,400	54.35%	\$ 150,347	59.21%	\$ 2,092,994	8.75:1
<b>Approved Property</b>									
VD Corona Kellogg Owned <sup>(2)</sup>	<u>42</u>	<u>\$ 8,050,000</u>	<u>30.52%</u>	<u>\$ 147,336</u>	<u>45.65%</u>	<u>\$ 103,584</u>	<u>40.79%</u>	<u>\$ 1,442,006</u>	<u>5.58:1</u>
Total Approved Property	42	\$ 8,050,000	30.52%	\$ 147,336	45.65%	\$ 103,584	40.79%	\$ 1,442,006	5.58:1
<b>Total</b>	<b>92</b>	<b>\$26,373,832</b>	<b>100.00%</b>	<b>\$ 322,736</b>	<b>100.00%</b>	<b>\$ 253,931</b>	<b>100.00%</b>	<b>\$ 3,535,000</b>	<b>7.46:1</b>

\* Preliminary, subject to change.

(1) Based on ownership as of the Date of Value. Based on the number of building permits obtained issued within the District as of the Date of Value, 50 lots will be classified as Developed Property and 42 lots will be classified as Approved Property under the Rate and Method.

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

(4) Estimated Fiscal Year 2019-20 Special Tax Levy based upon development status as of the Date of Value and includes Administrative Expenses in the amount of \$30,000.

(5) Allocated based on the projected Fiscal Year 2019-20 Special Tax levy.

Source: County of Riverside Assessor's office; Spicer Consulting Group, LLC.

Table 6 below sets forth the appraised value-to-lien ratios for the parcels of Taxable Property in the District by value-to-lien ranges based on the projected Fiscal Year 2019-20 Special Tax levy and development status as of the Date of Value (September 11, 2018).

**TABLE 6\***  
**COMMUNITY FACILITIES DISTRICT NO. 2017-2 (VALENCIA/SEVILLE)**  
**OF THE CITY OF CORONA**  
**VALUE-TO-LIEN STRATIFICATION**

<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 2017-2 Estimated Fiscal Year 2019-20 Special Tax Levy</i>	<i>Percent Share of Estimated Fiscal Year 2019-20 Special Tax Levy</i>	<i>CFD 2017-2 Bonds<sup>(2)</sup></i>	<i>Aggregate Value-to Lien</i>
Less than 5.00:1 <sup>(3)</sup>	13	14.13%	\$ 2,491,667	9.45%	\$ 40,037	15.77%	\$ 557,359	4.47:1
Between 5.00:1 to 8.00:1	47	51.09	9,008,333	34.16	117,304	46.20	1,633,003	5.52:1
Between 8.01:1 to 11.00:1	13	14.13	5,493,857	20.83	40,683	16.02	566,352	9.70:1
Greater than 11.01:1 <sup>(3)</sup>	<u>19</u>	<u>20.65</u>	<u>9,379,975</u>	<u>35.57</u>	<u>55,907</u>	<u>22.02</u>	<u>778,286</u>	<u>12.05:1</u>
<b>Total</b>	<b>92</b>	<b>100.00%</b>	<b>\$ 26,373,832</b>	<b>100.00%</b>	<b>\$ 253,931</b>	<b>100.00%</b>	<b>\$ 3,535,000</b>	<b>7.46:1</b>

\* Preliminary, subject to change.

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

(2) Allocated based on the projected Fiscal Year 2019-20 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 4.18:1\* and the highest value to lien for a parcel in the District is approximately 12.77:1\*.

Source: County of Riverside Assessor's office; Spicer Consulting Group, LLC.

## **Delinquency History**

The City levied Special Taxes in Fiscal Year 2018-19 (which was the first year of the Special Tax levy) in the amount of \$65,775. The first installment of such levy will become delinquent on December 10, 2018.

## **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 VD Corona Kellogg 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 Tax Revenues and other amounts pledged under the Fiscal Agent Agreement.

### **Insufficiency of Special Taxes**

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 will covenant in the Fiscal Agent Agreement 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 will covenant in the Fiscal Agent Agreement 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 7.50 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 will covenant 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**

Based on development and ownership status as of the Date of Value, VD Corona Kellogg and individual homeowners are expected to be responsible for approximately 82.31% and 17.69% 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 VD Corona Kellogg 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 – VD Corona Kellogg.”

### **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 the Date of Value, the minimum market value of the property within the District was \$26,373,832. 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 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 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 XIIC and Article XIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative have not yet been interpreted by the courts, although 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 XIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution."

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

It may be possible, however, for voters or the 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, the City will covenant in the Fiscal Agent Agreement that 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 will also covenant in the Fiscal Agent Agreement that, in the event an initiative is adopted which purports to alter the Rate and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

The interpretation and application of Article XIIC and Article XIID 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.”

### **Shapiro Decision**

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 XIIC, Section 2 thereof require that the electors in such an election be the registered voters within the district.

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (viz., all of the registered voters in San Diego). The 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 July 19, 2017.

### **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.

### **Potential Early Redemption of Bonds from Prepayments or Assessment Bond Proceeds**

Property owners within the District, including VD Corona Kellogg and any individual property owner, are permitted to prepay their Special Taxes at any time. Such prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. Such prepayments will result in a redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of the prepayment. The resulting redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption "THE BONDS—Redemption—*Special Mandatory Redemption from Special Tax Prepayments.*"

## **CONTINUING DISCLOSURE**

### **General**

Pursuant to the City Continuing Disclosure Certificate, the City, on behalf of the District, will agree to provide, or cause to be provided, to the EMMA 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 is being 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 notice of certain insured and underlying rating changes for their respective obligations. In its annual reports for the last five fiscal years, the City included a reference to its audited financial statements via a link to the City's website. However, the City's website address was revised and, as a result, for certain of the last five fiscal years, the aforementioned link became inactive. In March 2015, the City filed its audited financial statements for Fiscal Years 2009-10 through 2012-13 on EMMA for all of its outstanding obligations. Beginning with the continuing disclosure filings for Fiscal Year 2013-14, the City has been filing its audited financial statements on EMMA for outstanding obligations separately from the annual operating information required by its continuing disclosure undertakings.

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, 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 will covenant in the Fiscal Agent Agreement and the Tax Certificate to be delivered in connection with the issuance of the Bonds 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.

Although Bond Counsel will render 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 Tax Revenues 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 [plus][less] [net] original issue [premium][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 of this Official Statement by the City Manager of the City and the delivery thereof 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. 2017-2 (VALENCIA/SEVILLE)  
OF THE CITY OF CORONA

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

## APPENDIX A

### RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2017-2 (VALENCIA/SEVILLE) 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. 2017-2 (Valencia/Seville) of the City of Corona (“CFD No. 2017-2”). 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. 2017-2 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 2017-2, and VD Corona Kellogg, LLC, dated as of July 1, 2017, 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. 2017-2 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. 2017-2 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2017-2 or any designee thereof of complying with disclosure requirements of the City, CFD No. 2017-2 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. 2017-2 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. Administration Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2017-2 for any other administrative purposes of CFD No. 2017-2, 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. 2017-2 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. 2017-2”** means Community Facilities District No. 2017-2 (Valencia/Seville) 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. 2017-2, 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 for which 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. 2017-2 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. 2017-2.

**“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. 2017-2.

**“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 1st 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. 2017-2 pursuant to the Act.

**"Special Tax A"** means any of the special taxes authorized to be levied within CFD No. 2017-2 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. 2017-2 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. 2017-2 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. 2017-2, 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 2017-2018 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 2017-2018, each Assessor’s Parcel within CFD No. 2017-2 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 2017-2018 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 2,100	\$2,675
2. Single Family Residential Property	RU	2,100 to 2,349	\$2,744
3. Single Family Residential Property	RU	2,350 to 2,599	\$2,942
4. Single Family Residential Property	RU	2,600 to 2,849	\$3,089
5. Single Family Residential Property	RU	2,850 to 3,099	\$3,294
6. Single Family Residential Property	RU	Greater than 3,099	\$3,520
7. Multifamily Property	Acres	N/A	\$38,744
8. Non-Residential Property	Acres	N/A	\$38,744

#### **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 \$3,508 per Residential Unit. This Backup Special Tax A has been established based on the land use configurations shown on Tentative Tract Map No. 37057. In the event any portion of Tentative Tract Map No. 37057 is changed or modified, the Backup Special Tax A for all Assessor's Parcels within such changed or modified area shall be \$38,744 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 \$38,744 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 \$38,744 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 \$38,744 multiplied by the Acreage of such Assessor's Parcel.

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

Commencing Fiscal Year 2017-2018 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 7.50 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 7.50 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 7.50 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 \$3,220,000 expressed in 2017 dollars, which shall increase by the Construction Inflation Index on July 1, 2018, 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. 2017-2, 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. 2017-2.

**"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

$P_E$  = 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. 2017-2.

**"PACE Charges"** means a contractual assessment or special tax as established by a public agency to AB811 or SB555, respectively, levied on certain parcels to fund eligible improvements to private property and entered into voluntarily by the property owner.

**"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. 2017-2 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. 2017-2 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. 2017-2 or the City, (d) does not have any substantial interest, direct or indirect, with or in (i) CFD No. 2017-2, (ii) the City, (iii) any owner of real property in CFD No. 2017-2, or (iv) any real property in CFD No. 2017-2, and (e) is not connected with CFD No. 2017-2 or the City as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 2017-2 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. 2017-2, (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. 2017-2.

**“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. 2017-2, 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 (excluding PACE Charges levied on individual Assessor’s Parcels) levied or imposed on all Residential Units of such Plan Type in CFD No. 2017-2 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. 2017-2. 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 2017-2 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. 2017-2 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. 2017-2 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. 2017-2.
3. Separately, for each Land Use Category of for-sale Residential Property in CFD No. 2017-2, 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. 2017-2 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. 2017-2.
  - b. If the Total Effective Tax Rate for any Plan Type in a Land Use Category in CFD No.

2017-2 is greater than 1.95%, the CFD Administrator shall calculate a revised Assigned Special Tax A for such Land Use Category in CFD No. 2017-2, 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. 2017-2. 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. 2017-2 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. 2017-2. 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. 2017-2 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. 2017-2 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. 2017-2 of the acknowledgement on the Certificate of Reduction in Special Tax A, CFD No. 2017-2 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for CFD No. 2017-2 reflecting the Assigned Special Tax A and the Backup Special Tax A for CFD No. 2017-2 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. 2017-2 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. 2017-2 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. 2017-2 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 2058-2059 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. 2017-2 Bonds have been paid; (ii) all authorized facilities of CFD No. 2017-2 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. 2017-2 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. 2017-2 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 2017-2018 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. 2017-2 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 2017-2018 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	\$426
2. Multifamily Property	Acre	\$4,700
3. Non-Residential Property	Acre	\$4,700

On each July 1, commencing on July 1, 2018 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 2017-2018 is identified in Table 3 below:

**TABLE 3  
MAXIMUM SPECIAL TAX B RATES**

<b>Maximum Special Tax B Per Acre</b>
\$4,700

On each July 1, commencing on July 1, 2018 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 2017-2018 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. 2017-2 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. 2017-2 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 2017-2018 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	\$52
2. Multifamily Property	Acre	\$572
3. Non-Residential Property	Acre	\$572

On each July 1, commencing on July 1, 2018 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 2017-2018 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>\$572</b>

On each July 1, commencing on July 1, 2018 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. 2017-2 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. 2017-2; or
- (iii) grant a credit against, eliminate or reduce the future Special Taxes levied on the taxpayer's property within CFD No. 2017-2 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. 2017-2 (VALENCIA/SEVILLE)  
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. 2017-2 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. 2017-2 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 2,100	\$
2. Single Family Residential Property	RU	2,100 to 2,349	\$
3. Single Family Residential Property	RU	2,350 to 2,599	\$
4. Single Family Residential Property	RU	2,600 to 2,849	\$
5. Single Family Residential Property	RU	2,850 to 3,099	\$
6. Single Family Residential Property	RU	Greater than 3,099	\$
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. 2017-2 the City shall cause an amended Notice of Special Tax Lien for CFD No. 2017-2 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. 2017-2, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

Community Facilities District No. 2017-2 (Valencia/Seville) 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. 2017-2 (VALENCIA/SEVILLE)  
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. 2017-2, 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. 2017-2 (VALENCIA/SEVILLE)  
OF THE CITY OF CORONA**

The services which may be funded with proceeds of Special Tax B of CFD No. 2017-2, 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 perimeter 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. 2017-2; as well as local roads within residential subdivisions located within CFD No. 2017-2; and any portions adjacent to the properties within CFD No. 2017-2; 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. 2017-2 (VALENCIA/SEVILLE)  
OF THE CITY OF CORONA**

The services which may be funded with proceeds of Special Tax C (Contingent) of CFD No. 2017-2, 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. The authorized Special Tax C Services include the following:

(a) maintenance and lighting of interior 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; and

(b) 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; and

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 2014 to 2018:

#### 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>
2014	160,955	2,291,262	38,568,628
2015	162,396	2,317,895	38,912,464
2016	163,341	2,346,717	39,179,627
2017	166,819	2,382,640	39,500,973
2018	168,574	2,415,955	39,809,693

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

## Commerce

A summary of historic taxable sales within the City for the years 2013 to 2016 is shown in the following table. Total taxable sales during calendar year 2016 in the City were reported to be \$3,396,904,000, a 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 for the years 2013 to 2016 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 5.1% in 2017, down from 6.0% in 2016. This compares with an unadjusted unemployment rate of 4.8% for California and 4.4% for the nation during the same period. The unemployment rate was 5.2% in Riverside County, and 4.9% 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>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
Civilian Labor Force	1,893,100	1,921,000	1,956,900	1,984,900	2,023,200
Civilian Employment	1,706,800	1,765,300	1,828,200	1,866,600	1,920,400
Civilian Unemployment	186,300	155,700	128,600	118,300	102,800
Civilian Unemployment Rate	9.8%	8.1%	6.6%	6.0%	5.1%
 Total Farm	14,500	14,400	14,800	14,600	14,400
Total Nonfarm	1,233,300	1,289,300	1,353,100	1,401,900	1,451,600
Total Private	1,008,100	1,060,500	1,119,800	1,159,600	1,201,600
Goods Producing	158,600	170,200	183,000	191,500	196,600
Mining and Logging	1,200	1,300	1,300	900	900
Construction	70,000	77,600	85,700	92,000	97,000
Manufacturing	87,300	91,300	96,100	98,600	98,700
Service Providing	1,074,700	1,119,100	1,170,100	1,210,500	1,255,000
Trade, Transportation and Utilities	299,700	314,900	333,200	348,100	366,000
Wholesale Trade	56,400	58,900	61,600	62,800	63,700
Retail Trade	164,800	169,400	174,300	178,000	182,100
Transportation, Warehousing and Utilities	78,400	86,600	97,400	107,300	120,200
Information	11,500	11,300	11,400	11,500	11,300
Financial Activities	41,800	42,900	43,900	44,600	44,500
Professional and Business Services	131,900	138,700	147,400	145,000	147,200
Educational and Health Services	187,600	194,800	205,100	214,300	224,800
Leisure and Hospitality	135,900	144,800	151,700	160,200	165,700
Other Services	41,100	43,000	44,000	44,600	45,600
Government	<u>225,200</u>	<u>228,800</u>	<u>233,300</u>	<u>242,300</u>	<u>250,000</u>
Total, All Industries	<u>1,247,800</u>	<u>1,303,700</u>	<u>1,367,900</u>	<u>1,416,600</u>	<u>1,466,000</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. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix C.

Source: State of California, Employment Development Department, March 2017 Benchmark.

## Major Employers

The table below shows the 10 largest employers in the City as of June 30, 2017.

### **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 as of June 30, 2017.

### **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 summary of the valuation of building permits issued in the City for the years 2013 to 2017.

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

	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
Valuation (\$000):					
Residential	\$ 33,878	\$ 77,425	\$ 52,535	\$ 23,341	\$ 43,818
Non-residential	<u>95,334</u>	<u>64,420</u>	<u>89,581</u>	<u>81,914</u>	<u>36,514</u>
Total	\$129,212	\$141,845	\$142,116	\$105,225	\$80,332
Residential Units:					
Single family	39	30	28	66	113
Multiple family	<u>237</u>	<u>626</u>	<u>533</u>	<u>0</u>	<u>108</u>
Total	276	656	561	66	221

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

Source: Construction Industry Research Board.

The following is a summary of the valuation of building permits issued in the County for the years 2013 to 2017

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

	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
Valuation (\$000's)					
Residential	\$1,375,593	\$1,621,751	\$1,536,742	\$1,759,535	\$1,903,417
Non-Residential	<u>873,977</u>	<u>814,990</u>	<u>911,465</u>	<u>1,346,019</u>	<u>1,433,691</u>
Total	\$2,249,570	\$12,436,741	\$1,448,207	\$3,105,554	\$3,337,108
Units					
Single Family	4,716	5,007	5,007	5,662	6,265
Multiple Family	<u>1,427</u>	<u>1,931</u>	<u>1,189</u>	<u>1,039</u>	<u>1,070</u>
Total	6,143	6,938	6,196	6,701	7,335

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 which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective agreements for a full and complete statement of the 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 December 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. 2017-2 (Valencia/Seville) of the City of Corona, in connection with the issuance and delivery by the Issuer of its \$\_\_\_\_\_ Community Facilities District No. 2017-2 (Valencia/Seville) 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 December 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 \_\_\_\_\_, 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, 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 subsection (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 if 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
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CITY OF CORONA, for and on behalf of  
COMMUNITY FACILITIES DISTRICT  
NO. 2017-2 (VALENCIA/SEVILLE) 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 December 1, 2018, is executed and delivered by VD Corona Kellogg, LLC (the “Developer”), in connection with the issuance and delivery by the City of Corona (the “Issuer”) of its Community Facilities District No. 2017-2 (Valencia/Seville) 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 December 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 \_\_\_\_\_, 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 September 15 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 March 15 of each year, commencing March 15, 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, March 15 falls on a Saturday, Sunday or a holiday on which the Dissemination Agent’s offices are closed for business, such deadline shall be extended to the next following day on which the Dissemination Agent’s offices are open for business. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate. In addition, the Developer shall, or, upon written direction of the Developer, the Dissemination Agent shall, not later than September 15 of each year, commencing September 15, 2019, 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:	VD Corona Kellogg, LLC 2900 Adams Street, Suite C25 Riverside, CA 92504 Attn: Chief Operating Officer
Dissemination Agent:	Spicer Consulting Group, LLC 41619 Margarita Road, Suite 101 Temecula, CA 92591
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 Attn: Assistant City Manager/Administrative Services Director

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.

VD CORONA KELLOGG, LLC

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 City believes to be reliable, but the City 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 City which the City believes to be reliable, but the City 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 City 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 City or the Fiscal Agent, 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 Fiscal Agent, or the City, 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 City or the Fiscal Agent, 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 Fiscal Agent, 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 Fiscal Agent. 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 Fiscal Agent'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 City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The City 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 FISCAL AGENT, 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.

## **CONTINUING DISCLOSURE CERTIFICATE OF THE CITY**

This Continuing Disclosure Certificate, dated as of December 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. 2017-2 (Valencia/Seville) of the City of Corona, in connection with the issuance and delivery by the Issuer of its \$\_\_\_\_\_ Community Facilities District No. 2017-2 (Valencia/Seville) 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 December 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 \_\_\_\_\_, 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, 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 subsection (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

Fiscal Agent: The Bank of New York Mellon Trust Company, N.A.  
400 South Hope Street, Suite 500  
Los Angeles, California 90071

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. 2017-2 (VALENCIA/SEVILLE) OF THE  
CITY OF CORONA, COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA

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