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**ACQUISITION AND FUNDING AGREEMENT**

**by and among**

**CITY OF FONTANA  
COMMUNITY FACILITIES DISTRICT NO. 117  
(SOUTHRIDGE)**

**and**

**CITY OF FONTANA**

**and**

**KB HOME CAL MANAGEMENT SERVICES LLC**

**Dated as of April 1, 2026**

**City of Fontana  
Community Facilities District No. 117  
(Southridge)  
Special Tax Bonds**

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**TABLE OF CONTENTS**  
**(continued)**

	<b>Page</b>
ARTICLE VI TERMINATION; DAMAGES .....	25
Section 6.01. Termination by Agreement .....	25
Section 6.02. Termination by City .....	25
Section 6.03. Termination by Developer .....	27
Section 6.04. Remedies in General; Damages Limited .....	27
Section 6.05. Force Majeure .....	28
ARTICLE VII MISCELLANEOUS .....	30
Section 7.01. Developer as Independent Contractor .....	30
Section 7.02. Other Agreements .....	30
Section 7.03. Binding on Successors and Assigns .....	30
Section 7.04. Amendments .....	30
Section 7.05. Waivers .....	30
Section 7.06. No Third-Party Beneficiaries .....	30
Section 7.07. Notices .....	30
Section 7.08. Attorneys' Fees .....	31
Section 7.09. Jurisdiction and Venue .....	31
Section 7.10. Governing Law .....	32
Section 7.11. Electronic Signature .....	32
Section 7.12. Usage of Words .....	32
Section 7.13. Counterparts .....	32
Section 7.14. Effective Date .....	32
EXHIBIT A ACQUISITION FACILITIES .....	A-1
EXHIBIT B FORM OF PAYMENT REQUEST .....	B-1

## **ACQUISITION AND FUNDING AGREEMENT**

**THIS ACQUISITION AND FUNDING AGREEMENT** (this “Acquisition Agreement”), dated as of April 1, 2026, is by and among CITY OF FONTANA COMMUNITY FACILITIES DISTRICT NO. 117 (Southridge), a community facilities district organized and existing under the laws of the State of California (the “Community Facilities District”), the CITY OF FONTANA, a general law city organized and existing under the laws of the State of California (the “City”), and KB HOME CAL MANAGEMENT SERVICES LLC, a limited liability company organized and existing under the laws of the State of Delaware (the “Developer”).

### **WITNESSETH:**

**WHEREAS**, the City Council of the City (the “City Council”) has, pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 (the “Act”), established the Community Facilities District;

**WHEREAS**, pursuant to the Act, the proceedings of the City Council and an election held within the Community Facilities District, the Community Facilities District is authorized to issue bonds (the “Bonds”) secured by a special tax (the “Special Tax”) levied within the Community Facilities District to finance certain public facilities;

**WHEREAS**, the Community Facilities District will, upon satisfaction of the conditions and in accordance with the terms set forth in this Acquisition Agreement, purchase certain of such public facilities, described herein (the “Acquisition Facilities”), the City will take title thereto and the Developer will be paid from the proceeds of the Bonds for the costs of acquisition, construction and improvement of the Acquisition Facilities at the prices as determined as set forth herein;

**WHEREAS**, the Bonds are to be issued pursuant to an indenture (the “Indenture”) to be entered into by the Community Facilities District and a commercial bank or trust company (the “Trustee”);

**WHEREAS**, pursuant to the Indenture, the Community Facilities District will establish or cause the Trustee to establish an acquisition account into which a portion of the proceeds of the Bonds will be deposited, which amounts will be used to finance the acquisition of the Acquisition Facilities;

**WHEREAS**, Section 53313.5 of the Act provides that a community facilities district may only finance the purchase of facilities whose construction has been completed, as determined by the legislative body, before the resolution of formation to establish the community facilities district is adopted pursuant to Section 53325.1 of the Act, except that a community facilities district may finance the purchase of facilities completed after the adoption of the resolution of formation if the facility was constructed as if it had been constructed under the direction and supervision, or under the authority of, the local agency that will own or operate the facility;

**WHEREAS**, the Acquisition Facilities are to be acquired by the City under this Acquisition Agreement pursuant to the Act and, specifically, pursuant to the provisions of Section 53313.5 thereof; and

**WHEREAS**, the Community Facilities District, the City and the Developer desire to provide for the priority in which proceeds of the Special Tax and proceeds of the Bonds are to be applied and certain other matters regarding the Community Facilities District, the Special Tax and the Bonds;

**NOW, THEREFORE**, for and in consideration of the mutual promises and covenants contained herein, the parties hereto agree as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.01. Definitions.** All terms defined in the Indenture shall have the same meaning in this Acquisition Agreement, except as indicated. Unless the context otherwise requires, the terms defined in this Article I shall have the meanings herein specified:

**“Acceptable Title”** means title to land, or an easement therein, delivered free and clear of all liens, taxes, assessments, leases, easements and encumbrances, whether any such item is recorded or unrecorded, except those non-monetary items that are reasonably determined by the City not to interfere with the intended use of such land or easement and therefore are not required to be cleared from title.

**“Acceptance Date”** means (a) with respect to a Segment, either (i) the date that the full amount of the Purchase Price thereof is payable to the Developer pursuant to the terms hereof and of the Indenture, or (ii) if 90% of the Purchase Price of such Segment was paid to the Developer pursuant to Section 3.02(c) hereof, the date that the remaining 10% of the Purchase Price of such Segment is payable to the Developer pursuant to the terms hereof and of the Indenture, and (b) with respect to a Component, either (i) the date that the full Purchase Price of the last of the Segments included in such Component is payable to the Developer pursuant to the terms hereof and of the Indenture, or (ii) if 90% of the Purchase Price of such Segment was paid to the Developer pursuant to Section 3.02(c) hereof, the date that the remaining 10% of the Purchase Price of such Segment is payable to the Developer pursuant to the terms hereof and of the Indenture.

**“Acquisition Account”** means the account by that name established under the Indenture, the amounts in which are to be applied to the payment of the Purchase Price of the Segments.

**“Acquisition Agreement”** means this Acquisition and Funding Agreement, dated as of April 1, 2026, by and among the Community Facilities District, the City and the Developer, as originally executed or as the same may from time to time be amended, supplemented or otherwise modified pursuant to the provisions hereof.

**“Acquisition Cost”** means, with respect to a Segment, the amount specified as the Acquisition Cost for such Segment in Exhibit A attached hereto, as the same may be modified by one or more supplements thereto entered into in accordance with Section 3.05 hereof.

**“Acquisition Facilities”** means the public facilities described in Exhibit A attached hereto.

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

**“Actual Cost”** means, with respect to a Segment, an amount equal to the sum of (a) the actual, reasonable cost of constructing such Segment, including labor, material and equipment costs, (b) the actual, reasonable cost of designing and preparing the Plans for such Segment, including engineering services provided in connection with designing and preparing such Plans, (c) the actual, reasonable cost of environmental evaluations required in the City’s reasonable determination specifically for such Segment, (d) the amount of any fees actually paid to

governmental agencies in order to obtain permits, licenses or other necessary governmental approvals and reviews for such Segment, (e) the actual, reasonable cost for construction management services for such Segment, which cost shall not exceed 5% of the cost of constructing such Segment, as determined pursuant to clause (a) of this definition, (f) the actual, reasonable cost for professional services directly related to the construction of such Segment, including engineering, inspection, construction staking, materials testing and similar professional services, which costs shall not exceed 18% of the costs of constructing such Segment, as determined pursuant to clause (a) of this definition, (g) the actual, reasonable cost of any performance and maintenance bonds and insurance, including title insurance, required hereby for such Segment, and (h) the actual, reasonable cost of any real property or interest therein acquired from a party other than the Developer or an Affiliate thereof (including amounts advanced by the Developer to the City for such purpose), which real property or interest therein is either necessary for the construction of such Segment (*e.g.*, temporary construction easements, haul roads, etc.) or is required to be conveyed with such Segment in order to convey Acceptable Title thereto to the City or its designee, all as specified in a Payment Request that has been reviewed and approved by the City Engineer; provided, however, that (x) no item of cost relating to a Segment shall be included in more than one category of cost specified in clauses (a) through (h) of this definition, and (y) each item of cost shall include only amounts actually paid by the Developer to third parties, other than Affiliates of the Developer, and shall not include overhead or other internal expenses of the Developer.

**“Administrative Expenses”** has the meaning ascribed to that term in the Rate and Method.

**“Affiliate”** of another Person means (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as trustee, guardian, or other fiduciary, 50% or more of any class of equity securities of such other Person, and (b) each Person that controls, is controlled by or is under common control with or by such Person or any Affiliate of such Person. For the purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

**“Aggregate Overage Amount”** means, as of any date, the sum of the Overage Amounts for all Segments for which the Acceptance Date occurred on or before such date.

**“Aggregate Savings Amount”** means, as of any date, the sum of the Savings Amounts for all Segments for which the Acceptance Date occurred on or before such date.

**“Authorized Representative”** means, with respect to the Community Facilities District, the City Manager of the City and the Chief Financial Officer, Finance Department, of the City, and any other Person designated as an Authorized Representative of the Community Facilities District in a Written Certificate of the Community Facilities District filed with the Trustee.

**“Bonds”** means the City of Fontana Community Facilities District No. 117 (Southridge) Special Tax Bonds issued under the Indenture.

**“City”** means the City of Fontana, a general law city organized and existing under the laws of the State, and its successors.

**“City Engineer”** means the City Engineer of the City.

**“Closing Date”** means the date on which the Bonds are issued and delivered to the initial purchaser thereof.

**“Community Facilities District”** means City of Fontana Community Facilities District No. 117 (Southridge), a community facilities district organized and existing under the laws of the State, and its successors.

**“Community Benefit Facilities Account”** means the account by that name established under the Indenture, the amounts in which are to be applied to the payment of the costs of the acquisition, construction and installation of the Construction Facilities.

**“Complete”** means, with respect to a Segment, that the construction of such Segment (including all ancillary, non-essential items included in such Segment) by or on behalf of the Developer is, in the reasonable judgment of the City Engineer, in all respects complete.

**“Components”** means the related groups of Segments identified as such and described in Exhibit A attached hereto; each Component is comprised of the Segments listed thereunder in Exhibit A.

**“Conditions of Approval”** means the conditions of approval of all land use entitlements approved by the City for the Property and the conditions of the subdivision improvement agreement or other agreement between the Developer and the City relating to the Property, which conditions the Developer must satisfy or cause to be satisfied in order to develop the Property.

**“Construction Account”** means the account by that name established under the Indenture, the amounts in which are to be applied to the payment of the costs of the acquisition, construction and installation of the Construction Facilities.

**“Construction Facilities”** means the facilities authorized to be financed by the Community Facilities District, other than the Acquisition Facilities.

**“Credit Amount”** means, as of any date, the remainder of (a) the Aggregate Savings Amount as of such date, minus (b) the aggregate amount paid to the Developer prior to such date pursuant to Section 3.03 hereof; provided, however, that in no event shall such Credit Amount exceed the remainder of (i) the Aggregate Overage Amount as of such date, minus (ii) the aggregate amount paid to the Developer prior to such date pursuant to Section 3.03 hereof.

**“Deposit Account”** means a separate account established by the City to be used exclusively for the deposit, holding and application of a category of Permit Fees and any amounts paid as a security deposit therefor, as contemplated by Section 2.02 hereof.

**“Developer”** means KB HOME Cal Management Services LLC, a limited liability company organized and existing under the laws of the State of Delaware, and its successors and assigns.

**“Developer Representative”** means the person or persons designated as such in a certificate signed by the Developer and delivered to the Community Facilities District and the Trustee, which certificate shall contain an original or specimen signature of each person so designated.

**“Effective Date”** means April 14, 2026.

**“General Prevailing Wage Rates”** means those rates as determined by the Director of the Department of Industrial Relations of the State of California.

**“Hazardous Material”** means any hazardous or toxic substance, material or waste that is regulated by any local governmental authority, the State or the United States Government, including, without limitation, any material or substance that is (a) designated as a “hazardous substance” pursuant to Section 311 of the Federal Water Pollution Control Act, 33 U.S.C. § 1251 *et seq.* (33 U.S.C. § 1321), (b) defined as a “hazardous waste” pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. § 6901 *et seq.* (42 U.S.C. § 6903), (c) defined as a “hazardous substance” pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601 *et seq.*, (d) petroleum, or (e) asbestos.

**“Indenture”** means the indenture, by and between the Community Facilities District and the Trustee, pursuant to which the Bonds are issued, as originally executed or as the same may from time to time be supplemented, amended or otherwise modified by any supplemental indenture entered into pursuant to the provisions thereof or, if such Indenture has been discharged in accordance with its terms, the indenture, trust agreement, fiscal agent agreement or similar instrument, regardless of title, pursuant to which bonds, notes or other evidences of indebtedness of the Community Facilities District have been issued and are outstanding, as originally executed or as the same may from time to time be supplemented, amended or otherwise modified pursuant to the provisions thereof.

**“Payment Request”** means the document to be provided by the Developer to substantiate the Purchase Price of one or more Segments, which shall be substantially in the form of Exhibit B attached hereto.

**“Permit Fees”** means, with respect to a Subject Unit, the Circulation Fee, the Active Transportation Plan Fee, the Fire Facilities Impact Fee, the Library Facilities Impact Fee, the Local Arterials Fee, the Median Landscape Fee, the Police Facilities Impact Fee, the Public Facilities Impact Fee, the Sewer Connection Impact Fee, the Storm Drainage Facilities Fee and the Traffic Signals Fee, all as described in a development agreement or otherwise conditioned and payable to the City as a condition precedent to the City’s issuing a building permit for such Subject Unit.

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

**“Plans”** means the plans and specifications for the Acquisition Facilities prepared or to be prepared at the direction of the Developer pursuant to Section 4.01 hereof.

**“Property”** means the real property located within the Community Facilities District.

**“Public Improvement Policies”** means the City’s operational and implementation policies and procedures for public improvement construction using public funds, as set forth in the City of Fontana Public Improvement Policy and Procedure Manual, dated July 30, 1990, as originally adopted by the City Council of the City or as the same may be amended or supplemented from time to time.

**“Purchase Price”** means, with respect to a Segment, subject to the provisions of Section 3.02 hereof, the lesser of the Actual Cost or the Acquisition Cost of such Segment.

**“Rate and Method”** means the Rate and Method of Apportionment for City of Fontana Community Facilities District No. 117 (Southridge) approved by the qualified electors of the Community Facilities District.

**“Related Property”** means, with respect to a Segment, the property on, in or over which such Segment is located, which property, or an easement thereon or other interest therein, is dedicated or otherwise conveyed to the City as provided in Section 3.04 hereof.

**“Savings Amount”** means, with respect to a Segment, the amount, if any, by which the Acquisition Cost of such Segment exceeds the Actual Cost of such Segment.

**“Segments”** means the discrete portions of the Components identified as such and described in Exhibit A attached hereto, as the same may be modified by one or more supplements thereto entered into in accordance with Section 3.05 hereof.

**“Special Tax”** means the special tax described and defined in the Rate and Method as “Facilities Special Tax” approved by the qualified electors of the Community Facilities District.

**“State”** means the State of California.

**“Subject Unit Fee Amount”** means, as of any date, the amount of Permit Fees applicable to a Subject Unit as of such date.

**“Subject Units”** means the 255 residential housing units to be constructed on the Property, for which entitlements have been granted by the City.

**“Substantially Complete”** means, with respect to a Segment, that the construction of such Segment by or on behalf of the Developer has, in the reasonable judgment of the City Engineer, reached a stage of completion sufficient to allow such Segment to be utilized for the purpose for which it is intended and that only the construction of ancillary, non-essential items remains incomplete; provided, however, that a Segment shall not be deemed to be Substantially Complete if, in the reasonable judgment of the City Engineer, the cost to complete the construction of such ancillary, non-essential items would exceed 10% of the Purchase Price of such Segment.

**“Trustee”** means the commercial bank or trust company initially designated as trustee under the Indenture, and any successor thereto permitted under the Indenture.

**“Written Certificate”** and **“Written Request”** of the Community Facilities District mean, respectively, a written certificate or written request signed in the name of the Community Facilities District by an Authorized Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

## ARTICLE II

### FUNDING PRIORITIES; CREDITS

**Section 2.01. Funding Priorities.** (a) Prior to the issuance of the Bonds, the proceeds of the Special Tax collected in each fiscal year shall, as soon as reasonably practicable, be applied in the following order of priority:

*First Priority.* To pay, or to provide for the payment of, Administrative Expenses.

*Second Priority.* To provide for the payment of the costs of the acquisition, construction and installation of the Construction Facilities.

(b) Upon the issuance of the Bonds, the proceeds thereof received by or on behalf of the Community Facilities District shall be applied in the following order of priority:

*First Priority.* To pay, or to provide for the payment of, the costs of issuing the Bonds.

*Second Priority.* To provide for the payment of Administrative Expenses until Special Tax receipts are anticipated to be sufficient therefor.

*Third Priority.* To fund a reserve fund for the Bonds in an amount equal to the reserve requirement therefor, as provided in the Indenture.

*Fourth Priority.* To fund capitalized interest in an amount to pay up to 12 months of interest on the Bonds, as determined by the City.

*Fifth Priority.* For deposit in the Community Benefit Facilities Account in an amount equal to twenty percent (20%) of such proceeds of the Bonds remaining after the application thereof in accordance with the First Priority, Second Priority, Third Priority and Fourth Priority in this subsection.

*Sixth Priority.* For deposit in the Acquisition Account until the amount deposited in the Acquisition Account pursuant to this Sixth Priority, is equal to the total Purchase Prices of all Acquisition Facilities expected to be acquired.

*Seventh Priority.* For deposit in the Construction Account an amount equal to the lesser of (i) the amount of all Permit Fees paid by or on behalf of the Developer deposited in the Deposit Accounts pursuant to subsection (a) of Section 2.02 hereof, and (ii) the remaining amount of such proceeds.

*Eighth Priority.* For deposit in the Construction Account, the remainder of such proceeds, if any; provided, however, that the sum of (i) the amount deposited in the Construction Account pursuant to the Seventh Priority in this subsection, plus (ii) the amount deposited in the Construction Account pursuant to this Eighth Priority shall not exceed the product of (A) 255, times (B) the Subject Unit Fee Amount as of the date such proceeds are so deposited.

(c) If, after the payment of the Purchase Prices of all of the Segments, as provided herein, amounts remain on deposit in the Acquisition Account, such remaining amounts shall be transferred to and deposited in the Community Benefit Facilities Account.

**Section 2.02. Payment of Permit Fees as Deposit.** (a) The Developer shall timely pay, or cause to be paid, an amount equal to all Permit Fees that are chargeable upon issuance of a building permit for a Subject Unit. Any amounts so paid prior to the issuance of the Bonds shall constitute a security deposit for the payment of such Permit Fees and, upon receipt thereof, the City shall deposit such amounts in one or more Deposit Accounts. Except as otherwise provided in subsection (b) of this Section, amounts on deposit in such Deposit Accounts shall not be expended by the City; provided, however, that earnings on the investment of amounts on deposit in a Deposit Account shall be withdrawn by the City and applied by the City to any legally permitted purpose.

(b) If, upon the issuance of the Bonds, proceeds thereof are deposited in the Construction Account, as provided in the Seventh Priority in subsection (b) of Section 2.01 hereof, the City shall withdraw from the Deposit Accounts and, as soon as practicable, return to the Developer, or the Developer's designee, an amount equal to the amount of such proceeds so deposited. Any amounts remaining in the Deposit Accounts after such withdrawal shall constitute Permit Fees paid by or on behalf of the Developer in satisfaction of the obligation to pay such Permit Fees. Any such amounts remaining in the Deposit Accounts shall be withdrawn by the City and applied thereby to any purposes to which such Permit Fees may legally be applied.

**Section 2.03. Credits.** (a) If, upon the issuance of the Bonds, proceeds thereof are deposited in the Construction Account as provided in the Seventh Priority in subsection (b) of Section 2.01 hereof, the Developer shall, upon such deposit, be deemed to have paid Permit Fees for the number of Subject Units equal to the largest whole number that is not greater than the quotient of (i) the amount of such proceeds so deposited in the Construction Account in accordance with the Seventh Priority in subsection (b) of Section 2.01 hereof, divided by (ii) the Subject Unit Fee Amount as of the date such proceeds are so deposited.

(b) If (i) upon the issuance of the Bonds, proceeds thereof are deposited in the Construction Account as provided in the Eighth Priority in subsection (b) of Section 2.01 hereof, and (ii) the Developer has not, pursuant to subsection (a) of this Section, been deemed to have paid Permit Fees for all of the Subject Units, the Developer shall be deemed to have paid Permit Fees that would otherwise subsequently become payable for the number of Subject Units equal to the lesser of (A) the number of Subject Units for which the Developer has not, pursuant to subsection (a) of this Section, been deemed to have paid Permit Fees, and (B) the largest whole number that is not greater than the quotient of (I) the amount of such proceeds so deposited in the Construction Account in accordance with the Eighth Priority in subsection (b) of Section 2.01 hereof, divided by (II) the Subject Unit Fee Amount as of the date such proceeds are so deposited.

(c) If (i) remaining amounts in the Acquisition Account are transferred to and deposited in the Construction Account pursuant to subsection (c) of Section 2.01 hereof, and (ii) the Developer has not, pursuant to subsections (a) and (b) of this Section, been deemed to have paid Permit Fees for all of the Subject Units, the Developer shall be deemed to have paid Permit Fees for a number of Subject Units equal to the lesser of (A) the number of Subject Units for which the

Developer has not, pursuant to subsections (a) and (b) of this Section been deemed to have paid Permit Fees, and (B) the largest whole number that is not greater than the quotient of (I) the amounts so transferred to and deposited in the Construction Account pursuant to subsection (c) of Section 2.01 hereof, divided by (II) the Subject Unit Fee Amount as of the date such proceeds are so deposited.

## ARTICLE III

### ACQUISITION OF ACQUISITION FACILITIES

**Section 3.01. Acquisition of Acquisition Facilities.** The Developer hereby agrees to sell to the Community Facilities District, and the Community Facilities District hereby agrees to purchase from the Developer, each Segment for the Purchase Price thereof, subject to the terms and conditions hereof. Title to each Segment purchased pursuant hereto shall be transferred by the Developer to the City as of the Acceptance Date of such Segment by appropriate instrument in accordance with the Conditions of Approval; provided, however, that notwithstanding such transfer, as provided in Section 4.06 hereof, the Developer shall be responsible for the maintenance of such Segment until the Acceptance Date of the Component of which such Segment is a part.

The parties hereto expect that, at some date after the execution hereof, the Community Facilities District will issue the Bonds. The Purchase Price of the Segments is to be paid from proceeds of the Special Tax available for such purpose, as provided in Section 2.01 hereof, and from proceeds of the Bonds deposited in the Acquisition Account, as provided in Section 2.01 hereof. The Community Facilities District shall not be obligated to pay the Purchase Price of the Segments except from such proceeds of the Special Tax and the Bonds. Neither the Community Facilities District nor the City makes any warranty, either express or implied, that such proceeds of the Special Tax and the Bonds available for the payment of the Purchase Price of the Segments will be sufficient for such purpose.

**Section 3.02. Payment of Purchase Price.** (a) In order to receive all or any portion of the Purchase Price for a Segment, the Developer shall deliver to the Community Facilities District and the City Engineer (i) a Payment Request for such Segment, together with all attachments and exhibits to be included therewith, (ii) a copy of the documents conveying, or that previously conveyed, to the City Acceptable Title to the Related Property of such Segment, as described in Section 3.04 hereof, and (iii) a copy of the Notice of Completion of such Segment that will be filed in accordance with Section 8182 of the California Civil Code, if applicable.

(b) Upon receipt of a completed Payment Request (and accompanying documentation) for a Segment, the City Engineer shall conduct a review in order to confirm that such Segment is Complete and was constructed in accordance with the Plans therefor and to verify and approve the Actual Cost of such Segment specified in such Payment Request. The Developer agrees to cooperate with the City Engineer in conducting each such review and to provide the City Engineer with such additional information and documentation as is reasonably necessary for the City Engineer to conclude each such review. The City agrees to cause the City Engineer to conduct such review without unreasonable delay. If the City Engineer determines that the Actual Cost specified in such Payment Request as initially submitted exceeds the Developer's actual, reasonable cost of constructing such Segment, the Developer shall resubmit such Payment Request, with the Actual Cost specified therein modified so as to take into account such determination by the City Engineer. Upon confirmation that such Segment is Complete and has been constructed in accordance with the Plans therefor, and verification and approval of the Actual Cost of such Segment, the City Engineer shall sign the Payment Request, indicating thereon that the full amount of the Purchase Price of such Segment is to be paid, and forward the same to the Community Facilities District. Upon receipt of such reviewed and fully signed Payment Request,

the Community Facilities District shall, without unreasonable delay, direct the Trustee to pay the full amount of the Purchase Price of such Segment to the Developer.

(c) If, as a result of the review described in subsection (b), above, the City Engineer (i) determines that such Segment, while not Complete, is Substantially Complete, (ii) confirms that such Segment has been constructed in accordance with the Plans therefor, and (iii) verifies and approves the Actual Cost of such Segment, the City Engineer shall sign the Payment Request, indicating thereon that an amount equal to 90% of the lesser of (x) such Actual Cost, or (y) the Acquisition Cost of such Segment is to be paid, and forward the same to the Community Facilities District. Upon receipt of such reviewed and fully signed Payment Request, the Community Facilities District shall, without unreasonable delay, direct the Trustee to pay such amount to the Developer.

When the Developer completes or causes to be completed all work with respect to such Segment and concludes that such Segment is Complete, the Developer shall deliver to the City Engineer (i) if as-built drawings or similar plans and specifications for such Segment have not previously been submitted to the City Engineer, such drawings or plans and specifications, together with a certification of the Developer that such drawings or plans and specifications are true, correct and complete, and (ii) such information and documentation as is reasonably required by the City Engineer in order for the City Engineer to determine whether such Segment is Complete. Upon receipt of such information and documentation, the City Engineer shall conduct a review in order to confirm that such Segment is Complete. If, as a result of such review, the City Engineer determines that such Segment is Complete, the City Engineer shall sign a copy of the original Payment Request therefor, indicating thereon that an amount equal to the remainder of the (x) the Purchase Price of such Segment, less (y) the amount paid pursuant to the preceding paragraph is to be paid, and forward the same to the Community Facilities District. Upon receipt of such reviewed and fully signed Payment Request, the Community Facilities District shall, without unreasonable delay, direct the Trustee to pay such amount to the Developer.

**Section 3.03. Payments of Credit Amount.** If and when the amount of the Credit Amount is greater than zero, the Developer shall be entitled to be paid from the Acquisition Account an amount equal to the Credit Amount. In order to receive all or a portion of the Credit Amount, the Developer shall deliver to the Community Facilities District a written request signed by a Developer Representative stating (a) the amount to be paid, and (b) that such amount does not exceed the amount of the Credit Amount as of the date of delivery of such written request. Such written request shall be accompanied by a calculation demonstrating the amount of the Credit Amount as of the date of delivery of such written request. Upon receipt of such written request and accompanying calculation, the Community Facilities District shall, without unreasonable delay, direct the Trustee to pay such amount from the Acquisition Account to the Developer.

**Section 3.04. Dedication of Property and Easements to City.** Acceptable Title to all property on, in or over which each Segment will be located shall be deeded over to the City by way of grant deed, quitclaim, or dedication of such property, or easement thereon, if such easement is approved by the City as being a sufficient interest therein to permit the City to properly own, operate and maintain such Segment located therein, thereon or thereover, and to permit the Developer to perform its obligations as set forth in this Acquisition Agreement.

Upon the request of the City, the Developer shall furnish to the City a title report for such property not previously dedicated or otherwise conveyed to the City or its designee, for review and approval at least 20 calendar days prior to the transfer of Acceptable Title to a Segment to the City or its designee. The City shall approve the title report unless it reveals a matter that, in the reasonable judgment of the City, could materially affect the City's or its designee's use and enjoyment of any part of the property or easement covered by the title report. In the event the City does not approve the title report, the City shall not be obligated to accept title to such Segment, and the Community Facilities District shall not be obligated to pay any portion of the Purchase Price for such Segment, until the Developer has cured such objections to title to the reasonable satisfaction of the City.

**Section 3.05. Modifications to Segments and Acquisition Costs.** The Community Facilities District, the City and the Developer may make modifications in the composition and description of a Segment or a Component, or in the amount of the Acquisition Cost for a Segment, whenever the Community Facilities District, the City and the Developer deem such modifications to be appropriate. Any such modification shall be approved and implemented by the City Manager or Deputy City Manager (on behalf of the Community Facilities District), the City Engineer (on behalf of the City) and the Developer executing a supplement to Exhibit A containing a description of the modified Segment or Component and, if applicable, Acquisition Cost of such Segment. Upon the execution of any such supplement to Exhibit A, the description of the Segment or Component and, if applicable, the Acquisition Cost of such Segment in Exhibit A shall be deemed to have been modified in accordance therewith.

## ARTICLE IV

### CONSTRUCTION OF ACQUISITION FACILITIES

**Section 4.01. Preparation and Approval of Plans and Specifications.** The Developer shall cause Plans to be prepared for the Acquisition Facilities in accordance with the Conditions of Approval. The Developer shall obtain the written approval of the Plans from all appropriate departments of the City or from any other public agency or public utility from which such approval must be obtained. Copies of all such Plans shall be provided by the Developer to the City Engineer.

**Section 4.02. Duty of Developer to Construct.** The Developer shall construct or cause to be constructed the Segments in accordance with the Conditions of Approval and the approved Plans. The Developer shall perform all of its obligations hereunder and shall conduct all operations with respect to the construction of the Segments in a good, workmanlike and commercially reasonable manner, with the standard of diligence and care normally employed by duly qualified Persons utilizing commercially reasonable efforts in the performance of comparable work and in accordance with generally accepted practices appropriate to the activities undertaken. The Developer shall not be relieved of its obligation to construct a Segment, and convey such Segment to the City in accordance with the terms hereof, even if the Purchase Price for such Segment is less than the Actual Cost of such Segment. Notwithstanding the foregoing, nothing set forth in this Acquisition Agreement shall be construed to require the Developer to construct any Acquisition Facilities other than at the time required by, and in accordance with, the Conditions of Approval or to perform any work requiring a contractor's license, nor shall the Developer be deemed to be performing construction services pursuant to this Acquisition Agreement.

**Section 4.03. Public Works Requirements.** (a) In order to ensure that the Segments that are acquired by the City pursuant to this Acquisition Agreement are constructed as if they had been constructed under the direction and supervision, or under the authority of, the City, so that they may be acquired pursuant to California Government Code Section 53313.5, the Developer shall comply with all of the requirements of this Section for each Segment for which the Developer submits a Payment Request.

(b) Bids for the construction of each Segment shall be obtained in conformance with the Public Improvement Policies, or as otherwise approved by the City Engineer in writing.

(c) The contract for the construction of each Segment shall be awarded to the responsible bidder submitting the lowest responsive bid for the construction of such Segment.

(d) The Developer shall require, and the specifications and bid and contract documents shall require, all contractors, subcontractors, vendors, equipment operators and owner operators, in each such case to the extent such Persons are engaged to perform work on a Segment, to pay at least General Prevailing Wage Rates to all workers employed in the execution of the contract, to post a copy of the General Prevailing Wage Rates at the job-site in a conspicuous place available to all employees and applicants for employment, and to otherwise comply with applicable provisions of the California Labor Code, the California Government Code and the California Public Contracts Code relating to public works projects of cities and as required by the Public

Improvement Policies. The City has provided the Developer with copies of tables setting forth the General Prevailing Wage Rates, and the Developer hereby acknowledges receipt thereof.

The Developer shall require, and the specifications and bid and contract documents shall require, for all contracts involving in excess of \$30,000 or 20 working days, all contractors, subcontractors, vendors, equipment operators and owner operators, in each such case to the extent such Persons are engaged to perform work on a Segment, to comply with the provisions of Section 1777.5 of the California Labor Code with respect to all apprenticeable occupations upon the project.

(e) In performing its obligations under this Acquisition Agreement, the Developer shall comply with the applicable nondiscrimination and affirmative action provisions of the laws of the United States of America, the State and the City. In performing its obligations under this Acquisition Agreement, the Developer shall not discriminate in its employment practices against any employee, or applicant for employment, because of such person's race, religion, national origin, ancestry, sex, sexual orientation, age, physical handicap, marital status or medical condition. The Developer shall require, in any contract it enters into for the construction of any Segment, that the contractor be subject to the provisions of this paragraph.

(f) The Developer shall require each contractor, subcontractor, vendor, equipment operator and owner operator, in each such case to the extent such Person is engaged to perform work on a Segment, to provide proof of insurance coverage satisfying the requirements of Section 4.07 hereof throughout the term of the construction of such Segment; provided, however, that, rather than requiring such contractors, subcontractors, vendors, equipment operators and owner operators to provide such insurance, the Developer may elect to provide the same for the benefit of such contractors, subcontractors, vendors, equipment operators and owner operators.

(g) The Developer shall comply, and shall cause each contractor, subcontractor, vendor, equipment operator and owner operator, in each such case to the extent such Person is engaged to perform work on a Segment, to comply, with such other requirements relating to the construction of the Segments as the City may impose by written notification delivered to the Developer, to the extent legally required as a result of changes in applicable federal, State or City laws or the Public Improvement Policies.

(h) The Developer shall require, and the specifications and bid and contract documents shall require, all contractors, subcontractors, vendors, equipment operators and owner operators, in each such case to the extent such Persons are engaged to perform work on a Segment, to submit certified weekly payroll records to the Developer for inspection by the City, and to furnish certified payroll records to the City promptly upon request.

The Developer shall provide proof to the City, at such intervals and in such form as the City may reasonably require, that the foregoing requirements have been satisfied as to all of the Segments.

**Section 4.04. Bonding Requirements.** Prior to the commencement of construction of a Segment, the Developer shall secure, or caused to be secured, appropriate bonds for the construction and completion of construction of such Segment, a faithful performance bond and a

bond for the security of laborers and materialmen, each in an amount that is equal to 100% of the contract price for such Segment. Each issuer of any such bond shall be duly authorized to issue such bond in the State. Each such bond shall comply with the provisions of California Government Code Sections 66499.1 and 66499.2.

**Section 4.05. Inspection; Completion of Construction.** The City shall have primary responsibility for providing inspection of the work of construction of the Segments to ensure that the work of construction is accomplished in accordance with the Plans. The City's personnel shall have access to the site of the work of construction at all reasonable times for the purpose of accomplishing such inspection. Upon the completion of the construction of a Segment to the satisfaction of the City's inspectors, the Developer shall notify the Community Facilities District, the City and the City Engineer in writing that the construction of such Segment has been completed in accordance with the Plans.

No later than ten days after receiving notification pursuant to Section 3.02 hereof that a Segment was constructed in accordance with the Plans therefor, the Developer shall forthwith file with the San Bernardino County Recorder a Notice of Completion, in form acceptable to the City Engineer, pursuant to the provisions of Section 8182 of the California Civil Code, if applicable. The Developer shall furnish to the City and the Community Facilities District a duplicate copy of each such Notice of Completion showing thereon the date of filing with said County Recorder.

**Section 4.06. Maintenance of Acquisition Facilities; Warranties.** The Developer shall maintain each Segment in good and safe condition until the Acceptance Date of the Component of which such Segment is a part. Prior to the Acceptance Date of the Component of which such Segment is a part, the Developer shall be responsible for maintaining such Segment in proper operating condition, and shall perform such maintenance on such Segment as the City Engineer reasonably determines to be necessary. As of the Acceptance Date of the Component of which a Segment is a part, the performance bond provided by the Developer for such Segment pursuant to Section 4.04 hereof shall be reduced to an amount equal to 20% of the original amount thereof and shall serve as a warranty bond to guarantee that such Segment will be free from defects due to faulty workmanship or materials for a period of 12 months from the Acceptance Date of the Component of which such Segment is a part, or the Developer may elect to provide a new warranty bond in such an amount pursuant to the Public Improvement Policies. As of the Acceptance Date of the Component of which a Segment is a part, the Developer shall assign to the City all of the Developer's rights in any warranties, guarantees, maintenance obligations or other evidence of contingent obligations of third Persons with respect to such Segment.

**Section 4.07. Insurance Requirements.** The Developer shall or, pursuant to Section 4.03(f) hereof, shall cause each contractor, subcontractor, vendor, equipment operator and owner operator, in each such case to the extent such Person is engaged to perform work on a Segment, to, at all times prior to the final Acceptance Date of all Segments, maintain, deliver to the City and keep in full force and effect, the following insurance policies:

(a) a protective liability policy providing for not less than the following amounts:

Bodily Injury	\$1,000,000 each person \$2,000,000 each occurrence \$1,000,000 each accident for products and completed operations
Property Damage	\$1,000,000 each accident
Worker's Compensation	Statutory

(b) Automobile Liability Insurance to include all owned, non-owned or non-hired vehicles, including loading and unloading thereof:

Automobile Bodily Injury	\$1,000,000 each person \$2,000,000 each occurrence
Automobile Property Damage	\$1,000,000 each accident

All liability insurance policies shall bear an endorsement or shall have attached a rider whereby it is provided that, in the event of expiration or proposed cancellation of such policies for any reason whatsoever, the City shall be notified by registered mail, return receipt requested, giving a sufficient time before the date thereof to comply with any applicable law or statute, but in no event less than 30 days before expiration or cancellation is effective.

The following statement shall be included on the insurance certificate:

Additional Insured: The insurer agrees that the City, its City Council, and/or all City Council appointed groups, committees, boards and any other City Council appointed body, and/or elective and appointive officers, servants, agents or employees of the City, when acting as such, are additional insureds hereunder, for the acts of the insured, and such insurance shall be primary to any insurance of the City.

The Developer may effect such coverage under blanket insurance policies, provided, however, that (a) such policies are written on a per occurrence basis, (b) such policies comply in all other respects with the provisions of this Section, and (c) the protection afforded the City under any such policy shall be no less than that which would be available under a separate policy relating only to the Segments. All policies of insurance shall be with companies licensed or approved by the California Commissioner of Insurance and rated B+5 or better in the most recent edition of Best's Insurance Guide and shall be issued and delivered in accordance with State law and regulations.

If Developer fails to maintain or cause to be maintained any insurance required hereby, the City may, but shall not be obligated to, procure such insurance and recover the amount of the premiums therefor from the Developer or retain such amount from any monies due to the Developer under this Acquisition Agreement. The failure of the City to procure any such insurance shall in no way relieve the Developer of any of its obligations under this Acquisition Agreement.

**Section 4.08. Ownership of Acquisition Facilities.** Notwithstanding the fact that some or all of the Acquisition Facilities may be constructed in dedicated street rights-of-way or on property that has been or will be dedicated to the City, the Acquisition Facilities shall be and remain the property of the Developer until title thereto is conveyed to and accepted by the City as provided herein and in the Conditions of Approval. Such ownership by the Developer shall likewise not be affected by any agreement that the Developer may have entered into or may enter into with the City pursuant to the provisions of the Subdivision Map Act, Section 66410 *et seq.* of the California Government Code, and the provisions of this Section and the Conditions of Approval shall control.

## ARTICLE V

### REPRESENTATIONS, WARRANTIES AND COVENANTS; INDEMNIFICATION

**Section 5.01. Representations and Warranties of the Developer.** The Developer makes the following representations and warranties for the benefit of the Community Facilities District and the City:

(a) *Organization.* The Developer represents and warrants that the Developer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, is authorized to conduct business and is in good standing under the laws of the State, and has the power and authority to own its properties and assets and to carry on its business as now being conducted and as now contemplated.

(b) *Authority.* The Developer represents and warrants that the Developer has the power and authority to enter into this Acquisition Agreement, and has taken all action necessary to cause this Acquisition Agreement to be executed and delivered, and this Acquisition Agreement has been duly and validly executed and delivered on behalf of the Developer.

(c) *Binding Obligation.* The Developer represents and warrants that this Acquisition Agreement is a valid and binding obligation of the Developer and is enforceable against the Developer in accordance with its terms, subject to bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles.

(d) *Environmental Matters Relating to Segments.* The Developer represents and warrants that none of the Developer, any Affiliate of the Developer, or any subcontractor, agent or employee of the Developer or an Affiliate thereof, has used, generated, manufactured, procured, stored, released, discharged or disposed of (whether accidentally or intentionally) any Hazardous Material on, under or in any Segment or the Related Property of such Segment, or transported (whether accidentally or intentionally) any Hazardous Material to or from such Segment or such Related Property, in violation of any federal, state or local law, ordinance, regulation, rule or decision regulating Hazardous Material.

The Developer represents and warrants that, as of the Acceptance Date of each Segment, there will not be present on, under or in such Segment or the Related Property of such Segment, or any portion thereof, any Hazardous Materials, except for (i) any types or amounts that do not require remediation or mitigation under federal, state or local laws, ordinances, regulations, rules or decisions, (ii) those that have been remediated or mitigated in full compliance with applicable federal, state or local laws, ordinances, regulations, rules or decisions, or (iii) those with respect to which ongoing remediation or mitigation is being performed in full compliance with applicable federal, state or local laws, ordinances, regulations, rules or decisions.

(e) *Environmental Matters Relating to Property.* The Developer represents and warrants that none of the Developer, any Affiliate of the Developer, or any subcontractor, agent or employee of the Developer or an Affiliate thereof, has used, generated, manufactured, procured, stored, released, discharged or disposed of (whether accidentally or intentionally) at any time on or prior to the date hereof any Hazardous Material on, under or in the Property, or any structure, fixtures, equipment, or other objects thereon, or transported (whether accidentally or intentionally) any Hazardous Material to or from the Property, or any structure, fixtures, equipment, or other objects thereon, in violation of any federal, state or local law, ordinance, regulation, rule or decision regulating Hazardous Material.

The Developer represents and warrants that there is not present on, under or in the Property or any structure, fixtures, equipment, or other objects thereon, or any portion thereof, any Hazardous Materials, except for (i) any types or amounts that do not require remediation or mitigation under federal, state or local laws, ordinances, regulations, rules or decisions, (ii) those that have been remediated or mitigated in full compliance with applicable federal, state or local laws, ordinances, regulations, rules or decisions, and (iii) those with respect to which ongoing remediation or mitigation is being performed in full compliance with applicable federal, state or local laws, ordinances, regulations, rules or decisions.

The Developer represents and warrants that neither the Developer nor any Affiliate thereof has received notice of, and, to the best of the Developer's knowledge, there is not, any proceeding or formal inquiry by any governmental authority, body or agency with respect to the presence of Hazardous Materials on, under or in the Property, or any structure, fixtures, equipment, or other objects thereon, or the migration thereof from or to other property.

**Section 5.02. Covenants of the Developer.** The Developer makes the following covenants for the benefit of the Community Facilities District and the City:

(a) *Completion of Segments.* The Developer covenants that it will use its reasonable and diligent efforts to do all things that may be lawfully required of it in order to cause the Segments to be completed in accordance with this Acquisition Agreement and the Conditions of Approval.

(b) *Compliance with Laws.* The Developer covenants that, while any of the Acquisition Facilities are owned by the Developer or required pursuant to this Acquisition Agreement to be maintained by the Developer, it will not commit, suffer or permit any of its agents, employees or contractors to commit any act to be done in, upon or to the Acquisition Facilities in violation in any material respect of any law, ordinance, rule, regulation or order of any governmental authority or any covenant, condition or restriction now or hereafter affecting the Property or the Acquisition Facilities.

(c) *Payment Requests.* The Developer covenants that (i) it will not request payment from the Community Facilities District pursuant to this Acquisition Agreement for the acquisition of any improvements that are not part of a Segment, and (ii) it will

diligently follow all procedures set forth in this Acquisition Agreement with respect to Payment Requests.

(d) *Financial Records.* Until the final Acceptance Date of the Acquisition Facilities, the Developer covenants to maintain proper books of record and account for the Acquisition Facilities and all costs related thereto. The Developer covenants that such accounting books will be maintained in accordance with generally accepted accounting principles, and will be available for inspection by the Community Facilities District and the City within a reasonable time after the Community Facilities District or the City submits a written request to the Developer requesting that such books be made available for inspection.

(e) *Environmental Matters Relating to Segments.* The Developer covenants that none of the Developer, any Affiliate of the Developer or any subcontractor, agent or employee thereof, will use, generate, manufacture, procure, store, release, discharge or dispose of (whether accidentally or intentionally) at any time on or prior to the Acceptance Date of each Segment any Hazardous Material on, under or in such Segment or the Related Property of such Segment, or transport (whether accidentally or intentionally) any Hazardous Material to or from such Segment or such Related Property, in violation of any federal, state or local law, ordinance, regulation, rule or decision regulating Hazardous Material in effect at the time of such use, generation, manufacturing, procurement, storage, release, discharge, disposal or transportation.

(f) *Permits.* The Developer covenants that it will obtain all governmental or other permits required to proceed with the construction of the Acquisition Facilities, and that it will pay all fees relating thereto that are required to be paid, in accordance with the Conditions of Approval.

**Section 5.03. Representations and Warranties of the Community Facilities District and the City.** The Community Facilities District and the City make the following representations and warranties for the benefit of the Developer:

(a) *Authority.* The Community Facilities District represents and warrants that the Community Facilities District has the power and authority to enter into this Acquisition Agreement, and has taken all action necessary to cause this Acquisition Agreement to be executed and delivered, and this Acquisition Agreement has been duly and validly executed and delivered on behalf of the Community Facilities District. The City represents and warrants that the City has the power and authority to enter into this Acquisition Agreement, and has taken all action necessary to cause this Acquisition Agreement to be executed and delivered, and this Acquisition Agreement has been duly and validly executed and delivered on behalf of the City.

(b) *Binding Obligation.* The Community Facilities District represents and warrants that this Acquisition Agreement is a valid and binding obligation of the Community Facilities District and is enforceable against the Community Facilities District in accordance with its terms. The City represents and warrants that this Acquisition

Agreement is a valid and binding obligation of the City and is enforceable against the City in accordance with its terms.

**Section 5.04. Covenants of the Community Facilities District and the City.** The Community Facilities District and the City make the following covenants for the benefit of the Developer:

(a) *Completion of Segments.* The City covenants that it will use its reasonable and diligent efforts to take all actions that may be lawfully required of it in issuing permits, processing and approving Plans and inspecting the Segments in accordance with this Acquisition Agreement.

(b) *Payment Requests.* Each of the Community Facilities District and the City covenants that it will diligently follow all procedures set forth in this Acquisition Agreement with respect to each Payment Request.

(c) *Financial Records.* Until the final Acceptance Date, the Community Facilities District covenants to maintain proper books of record and account for the Special Tax and the Bonds. The Community Facilities District covenants that such accounting books will be maintained in accordance with generally accepted accounting principles applicable to governmental entities, and will be available for inspection by the Developer within a reasonable time after the Developer submits a written request to the Community Facilities District requesting that such books be made available for inspection.

**Section 5.05. Indemnification.** The Developer agrees to protect, indemnify, defend and hold the Community Facilities District and the City, and their respective officers, employees and agents (the “Indemnified Parties”), and each of them, harmless from and against any and all claims, losses, expenses, suits, actions, decrees, judgments, awards, attorney’s fees, and court costs that any Indemnified Party may suffer or that may be sought against or recovered or obtained from any Indemnified Party as a result of or by reason of or arising out of or in consequence of (a) the issuance of the Bonds or the acquisition, construction, installation or financing of the Acquisition Facilities, (b) the untruth or inaccuracy of any representation or warranty made by the Developer in this Acquisition Agreement or in any certifications delivered by the Developer pursuant hereto or in connection with the issuance of the Bonds, (c) the release, threatened release, storage, treatment, transportation or disposal of any Hazardous Materials on, under, in, from or to any portion of the Property while such portion of the Property is owned by the Developer, and (d) any act or omission of the Developer or any of its subcontractors, or their respective officers, employees or agents, in connection with the Acquisition Facilities, including noncompliance with any covenants made by the Developer in this Acquisition Agreement. If the Developer fails to do so, the Community Facilities District and the City shall have the right, but not the obligation, to defend the same and charge all of the direct or incidental costs of such defense, including any fees or costs, to and recover the same from the Developer.

Upon receipt by an Indemnified Party of notice of any claim, loss, expense, suit, action, decree, judgment or award for which the Developer is obligated to protect, indemnify, defend and hold such Indemnified Party harmless pursuant to this Section, such Indemnified Party shall promptly notify the Developer in writing of such claim, loss, expense, suit, action, decree,

judgment or award. Neither the Developer nor an Indemnified Party shall, without the other's written consent, settle, compromise or consent to the entry of judgment with respect to any claim, suit or action for which the Developer is obligated to protect, indemnify, defend and hold such Indemnified Party harmless pursuant to this Section.

No indemnification is required to be paid by the Developer for any claim, loss or expense (a) arising from the willful misconduct or negligence of an Indemnified Party, or (b) arising from the use or operation of a Segment after the Acceptance Date of the Component of which such Segment is a part, unless such claim, loss or expense results from the defective or improper design, acquisition, construction or installation of such Segment.

The provisions of this Section shall survive the termination of this Acquisition Agreement.

## ARTICLE VI

### TERMINATION; DAMAGES

**Section 6.01. Termination by Agreement.** This Acquisition Agreement may be terminated by written agreement of the Community Facilities District, the City and the Developer. Upon such termination, the City may, but shall not be obligated to, complete the acquisition, construction and installation of any Segments not theretofore acquired from the Developer pursuant hereto, and the Community Facilities District and the City may use all or any portion of the monies in the Acquisition Account to pay for such acquisition, construction and installation. In the event of such termination, the Developer shall have no claim or right to any further payments for the Purchase Price of any Segment except as otherwise may be provided in such written agreement.

**Section 6.02. Termination by City.** (a) The following events shall constitute grounds for the Community Facilities District and the City, at their option, to terminate this Acquisition Agreement, without the consent of the Developer:

(i) the Developer shall voluntarily file for reorganization or other relief under any Federal or state bankruptcy or insolvency law;

(ii) the Developer shall have any involuntary bankruptcy or insolvency action filed against it, or shall suffer a trustee in bankruptcy or insolvency or receiver to take possession of the assets of Developer, or shall suffer an attachment or levy of execution to be made against the property it owns within the Community Facilities District unless, in any of such cases, such action, possession, attachment or levy shall have been terminated or released within 60 days after the commencement thereof;

(iii) except to the extent that the Developer's obligation to construct the Acquisition Facilities is excused pursuant to Section 6.05 hereof, the Developer shall abandon construction of the Acquisition Facilities that, as of the time of such abandonment, the Developer is required to construct or cause to be constructed in accordance with the Conditions of Approval (failure for a period of three consecutive months or failure for two periods of two consecutive months to undertake substantial work related to the construction of the Acquisition Facilities shall constitute a non-exclusive example of such abandonment);

(iv) the Developer shall breach any material covenant or default in the performance of any material obligation under this Acquisition Agreement, or any representation or warranty of the Developer set forth herein or in any certifications delivered by the Developer hereunder shall prove to have been false or misleading in any material respect when made or deemed made;

(v) the Developer shall transfer any of its rights or obligations under this Acquisition Agreement, without the prior written consent of the Community Facilities District and the City;

(vi) the Developer shall have made any material misrepresentation or material omission in any written materials furnished in connection with any preliminary official statement, official statement or bond purchase contract that has not been corrected and is used in connection with the sale of any Bonds;

(vii) the Developer or any of its partners, permitted assigns or successors-in-interest under this Acquisition Agreement or any Affiliate of the Developer shall at any time 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 Community Facilities District, the levy of the Special Tax in accordance with the Rate and Method or the validity of the Bonds or the proceedings leading up to their issuance; provided, however, that the Developer or any of its partners, permitted assigns or successors-in-interest under this Acquisition Agreement or any Affiliate of the Developer that owns any of the Property may bring an action or suit contending that the Special Tax has not been levied in accordance with the methodology contained in the Rate and Method;

(viii) the Developer shall materially fail to complete the Acquisition Facilities as contemplated by this Acquisition Agreement and the Conditions of Approval; or

(ix) the Developer or any of its partners, permitted assigns or successors-in-interest under this Acquisition Agreement or any Affiliate of the Developer shall fail to pay any Special Tax levied on the Property owned by such party prior to such Special Tax becoming delinquent.

(b) If any event listed in paragraph (i), (ii) or (vii) of subsection (a) of this Section occurs, this Acquisition Agreement shall automatically terminate.

(c) If any event listed in paragraph (iii), (iv), (v), (vi), (viii) or (ix) of subsection (a) of this Section occurs, the Community Facilities District and the City may elect to terminate this Acquisition Agreement. If the Community Facilities District and the City intend to terminate this Acquisition Agreement, the Community Facilities District and the City shall first notify the Developer in writing of such intention and of the grounds for such termination and allow the Developer 60 days to eliminate or mitigate to the reasonable satisfaction of the Community Facilities District and the City the grounds for such termination. If, in the reasonable opinion of the Community Facilities District and the City, such grounds for termination can be eliminated or mitigated, but not within such 60 day period, such period shall be extended in order to provide a reasonably sufficient amount of time to accomplish such elimination or mitigation, but only if the Developer has instituted corrective action within such 60 day period and the Developer is thereafter proceeding with diligence to eliminate or mitigate such grounds for termination. If at the end of such period (and any extension thereof), the Developer has not eliminated or completely mitigated such grounds for termination to the reasonable satisfaction of the Community Facilities District and the City, the Community Facilities District and the City may then terminate this Acquisition Agreement by delivering a written notice of such termination to the Developer. If any of the grounds listed in said paragraph (iii), (iv), (v), (vi), (viii) or (ix) for termination of this Acquisition Agreement by the Community Facilities District and the City (A) has occurred, and (B) has not been eliminated or mitigated to the reasonable satisfaction of the Community Facilities District and the City or waived by the Community Facilities District and the City, the Community Facilities

District, from and after the occurrence thereof, shall have no obligation to acquire any Segment pursuant hereto.

**Section 6.03. Termination by Developer.** (a) The following events shall constitute grounds for the Developer, at its option, to terminate this Acquisition Agreement, without the consent of the Community Facilities District or the City:

(i) the City or the Community Facilities District shall voluntarily file for reorganization or other relief under any Federal or state bankruptcy or insolvency law;

(ii) the City or the Community Facilities District shall have any involuntary bankruptcy or insolvency action filed against it, or shall suffer a trustee in bankruptcy or insolvency or receiver to take possession of the assets of the City or the Community Facilities District, as applicable, or shall suffer an attachment or levy of execution to be made against the property it owns unless, in any of such cases, such action, possession, attachment or levy shall have been terminated or released within 60 days after the commencement thereof;

(iii) the Community Facilities District or the City shall breach any material covenant or default in the performance of any material obligation under this Acquisition Agreement, or any representation or warranty of the Community Facilities District or the City set forth herein shall prove to have been false or misleading in any material respect when made; and

(iv) the Community Facilities District or the City shall transfer any of its respective rights or obligations under this Acquisition Agreement, without the prior written consent of the Developer;

(b) If any event listed in subsection (a) of this Section occurs, the Developer may elect to terminate this Acquisition Agreement. If the Developer intends to terminate this Acquisition Agreement, the Developer shall first notify the Community Facilities District and the City in writing of such intention and of the grounds for such termination and allow the Community Facilities District and the City 60 days to eliminate or mitigate to the reasonable satisfaction of the Developer the grounds for such termination. If, in the reasonable opinion of the Developer, such grounds for termination can be eliminated or mitigated, but not within such 60 day period, such period shall be extended in order to provide a reasonably sufficient amount of time to accomplish such elimination or mitigation, but only if the Community Facilities District and the City have instituted corrective action within such 60 day period and the Community Facilities District and the City are thereafter proceeding with diligence to eliminate or mitigate such grounds for termination. If at the end of such period (and any extension thereof), the Community Facilities District and the City have not eliminated or completely mitigated such grounds for termination to the reasonable satisfaction of the Developer, the Developer may then terminate this Acquisition Agreement by delivering a written notice of such termination to the Community Facilities District and the City.

**Section 6.04. Remedies in General; Damages Limited.** (a) The Developer acknowledges that neither the Community Facilities District nor the City would have entered into

this Acquisition Agreement if it were to be liable in damages under or with respect to this Acquisition Agreement. The only obligations of the Community Facilities District and the City hereunder to pay amounts or provide funding are the obligations to apply proceeds of the Special Tax and proceeds of the Bonds as provided in Section 2.01 hereof, to pay the Purchase Price of the Segments and any Credit Amount from amounts on deposit in the Acquisition Account, as provided in Section 3.02 hereof and Section 3.03 hereof, respectively and to pay amounts pursuant to Section 7.08 hereof, if and to the extent required by said Section. Neither the Community Facilities District nor the City shall have any pecuniary liability under this Acquisition Agreement for any act or omission of the Community Facilities District or the City, except as set forth in this Section. In no event will an act, or an omission or failure to act, by the Community Facilities District or the City with respect to the sale or proposed sale of the Bonds subject the Community Facilities District or the City to pecuniary liability therefor.

(b) In general, each of the parties hereto may pursue any remedy at law or equity available for the breach of any provision of this Acquisition Agreement; provided, however, that the Community Facilities District and the City shall not be liable in damages to the Developer, other than to the extent that remedying a failure to perform an obligation specified in subsection (a) of this Section might be considered direct damages, and, in no case shall the Community Facilities District or the City be liable for any special, exemplary, consequential or punitive damages. In light of the foregoing, the Developer covenants not to sue for or claim any damages, for any alleged breach of, or dispute that arises out of, this Acquisition Agreement, other than to the extent that remedying a failure to perform an obligation specified in subsection (a) of this Section might be considered direct damages.

**Section 6.05. Force Majeure.** Except as may be specifically provided in this Acquisition Agreement, the performance by the Community Facilities District, the City or the Developer of its respective obligations hereunder shall be excused during, and the period of time for performance of its respective obligations hereunder shall be extended for a period of time equal to, any period of delay caused by reason of (a) acts of God or civil commotion, (b) riots, strikes, picketing or other labor disputes, (c) shortages of materials or supplies, (d) damage to work in progress by reason of fire, floods, earthquakes or other casualty, (e) enactment of laws that prevent or preclude compliance by the Community Facilities District, the City or the Developer with a material provision of this Acquisition Agreement, (f) administrative proceedings challenging the Community Facilities District, the Bonds, this Acquisition Agreement or a Payment Request brought by Persons other than the Community Facilities District, the City or the Developer, or any Affiliate thereof, (g) litigation (including the pendency thereof), brought by Persons other than the Community Facilities District, the City or the Developer, or any Affiliate thereof, including, without limitation, litigation challenging the Community Facilities District, the development of the Property, the Bonds, this Acquisition Agreement, a Payment Request, (h) pendency of initiatives or referenda affecting the Community Facilities District, the development of the Property, the Bonds, this Acquisition Agreement or a Payment Request, or (i) any other cause beyond the reasonable control of the Community Facilities District, the City or the Developer, respectively; provided, however that, as to any party (x) the financial inability of such party itself to perform under this Acquisition Agreement, and (y) the negligence or willful misconduct of such party shall not constitute a permitted delay for purposes of this Section and, provided, further, that any action, omission, or failure to approve a Payment Request or other approval, or the imposition of additional requirements or restrictions in connection therewith by the Community Facilities

District or the City, caused by the Developer's actual failure to comply with applicable laws or regulations or the provisions of this Acquisition Agreement (other than an actual failure to comply that results from the enactment of laws that prevent or preclude compliance by a party with a material provision of this Acquisition Agreement, administrative proceedings challenging the Community Facilities District, the Bonds, this Acquisition Agreement or a Payment Request or other approval, litigation brought by Persons other than a party, or an Affiliate of a party, including without limitation, litigation challenging the Community Facilities District, the development of the Property, the Bonds, this Acquisition Agreement or a Payment Request or other approval, initiative or referenda affecting the Community Facilities District, the development of the Property, the Bonds, this Acquisition Agreement or a Payment Request or other approval), shall not constitute a permitted delay for the Developer for purposes of this Section.

If the Community Facilities District, the City or the Developer shall claim that performance of its respective obligations hereunder is excused by a permitted delay pursuant to this Section, such party shall give the other parties hereto written notice of the commencement of such permitted delay within 30 days after first gaining knowledge of such permitted delay.

If the Community Facilities District, the City or the Developer shall claim that performance of its respective obligations hereunder is excused by a permitted delay pursuant to this Section, such party's performance shall only be excused during, and the period of time for performance of its obligations hereunder shall only be extended for a period of time equal to, the period of time for which the cause of such permitted delay is in effect and is actually causing a delay in performance by such party of its obligations hereunder.

The Community Facilities District, the City and the Developer shall act diligently and in good faith to avoid foreseeable delays in performance and to remove the cause of any permitted delay under this Section or develop a reasonable alternative means of performance of its respective obligations hereunder.

## ARTICLE VII

### MISCELLANEOUS

**Section 7.01. Developer as Independent Contractor.** In performing under this Acquisition Agreement, it is mutually understood that the Developer is acting as an independent contractor, and not an agent of the Community Facilities District or the City. Neither the Community Facilities District nor the City shall have any responsibility for payment to any contractor, subcontractor or supplier of the Developer.

**Section 7.02. Other Agreements.** Nothing contained herein shall be construed as affecting the City's or the Developer's respective duty to perform its respective obligations under other agreements, land use regulations or subdivision requirements relating to the development of the Property, which obligations are and shall remain independent of the Developer's rights and obligations, and the City's rights and obligations, under this Acquisition Agreement; provided, however, that the Developer shall use its reasonable and diligent efforts to perform each and every covenant to be performed by it under any lien or encumbrance, instrument, declaration, covenant, condition, restriction, license, order, or other agreement, the nonperformance of which could reasonably be expected to materially and adversely affect the acquisition, construction and installation of the Segments.

**Section 7.03. Binding on Successors and Assigns.** Neither this Acquisition Agreement nor the duties and obligations of the Developer hereunder may be assigned to any Person without the written consent of the Community Facilities District and the City, which consent shall not be unreasonably withheld or delayed. Neither this Acquisition Agreement nor the duties and obligations of the City or the Community Facilities District hereunder may be assigned to any Person, without the written consent of the Developer, which consent shall not be unreasonably withheld or delayed. The agreements and covenants included herein shall be binding on and inure to the benefit of any partners, permitted assigns, and successors-in-interest of the parties hereto.

**Section 7.04. Amendments.** This Acquisition Agreement may be amended by an instrument in writing executed and delivered by the Community Facilities District, the City and the Developer.

**Section 7.05. Waivers.** No waiver of, or consent with respect to, any provision of this Acquisition Agreement by a party hereto shall in any event be effective unless the same shall be in writing and signed by such party, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

**Section 7.06. No Third-Party Beneficiaries.** No Person or entity shall be deemed to be a third-party beneficiary hereof, and nothing in this Acquisition Agreement (either express or implied) is intended to confer upon any Person or entity, other than the Community Facilities District, the City and the Developer (and their respective successors and assigns), any rights, remedies, obligations or liabilities under or by reason of this Acquisition Agreement.

**Section 7.07. Notices.** Any written notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication to be given hereunder shall be

given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

Community Facilities District: City of Fontana Community Facilities District  
No. 117 (Southridge)  
c/o City of Fontana  
16860 Valencia Avenue  
Fontana, California 92335  
Attention: City Clerk

City: City of Fontana  
16860 Valencia Avenue  
Fontana, California 92335  
Attention: Chief Financial Officer, Finance Department

Developer: KB HOME Cal Management Services LLC  
36310 Inland Valley Drive, Suite 300  
Wildomar, California 92595  
Attention: Scott Hansen, Vice President, Forward Planning

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if given by courier or delivery service or if personally served or delivered, upon delivery, (b) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, (c) if given by electronic mail, on the date sent, but only if confirmation of the receipt of such electronic mail is received or if notice is concurrently sent by another means specified herein, and (d) if given by any other means, upon delivery at the address specified in this Section.

**Section 7.08. Attorneys' Fees.** If any action is instituted to interpret or enforce any of the provisions of this Acquisition Agreement, the party prevailing in such action shall be entitled to recover from the other party thereto reasonable attorney's fees and costs of such suit (including both prejudgment and postjudgment fees and costs) as determined by the court as part of the judgment.

**Section 7.09. Jurisdiction and Venue.** Each of the Community Facilities District, the City and the Developer (a) agrees that any suit, action or other legal proceeding arising out of or relating to this Acquisition Agreement shall be brought in a state or local court in the County of San Bernardino or in the Courts of the United States of America in the district in which said county is located, (b) consents to the jurisdiction of each such court in any such suit, action or proceeding, and (c) waives any objection that it may have to the laying of venue of any suit, action or proceeding in any of such courts and any claim that any such suit, action or proceeding has been brought in an inconvenient forum. Each of the Community Facilities District, the City and the Developer agrees that a final and non-appealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

**Section 7.10. Governing Law.** This Acquisition Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State.

**Section 7.11. Electronic Signature.** Each of the parties hereto agrees that the transaction consisting of this Acquisition Agreement may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs this Acquisition Agreement using an electronic signature, it is signing, adopting and accepting this Acquisition Agreement and that signing this Acquisition Agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on this Acquisition Agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Acquisition Agreement in a usable format.

**Section 7.12. Usage of Words.** As used herein, the singular of any word includes the plural, and terms in the masculine gender shall include the feminine.

**Section 7.13. Counterparts.** This Acquisition Agreement may be executed in counterparts, each of which shall be deemed an original.

**Section 7.14. Effective Date.** This Acquisition Agreement has been dated for convenience purposes only. Notwithstanding the stated date of this Acquisition Agreement, this Acquisition Agreement shall be effective on the Effective Date.

**IN WITNESS WHEREOF**, the parties hereto have executed this Acquisition Agreement as of the day and year first hereinabove written.

**CITY OF FONTANA COMMUNITY  
FACILITIES DISTRICT NO. 117  
(SOUTHRIDGE)**

By: \_\_\_\_\_  
Matthew C. Ballantyne,  
City Manager of the City of Fontana

**CITY OF FONTANA**

By: \_\_\_\_\_  
Matthew C. Ballantyne,  
City Manager

**KB HOME CAL MANAGEMENT  
SERVICES LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Scott Hansen  
Vice President, Forward Planning

**EXHIBIT A**

**ACQUISITION FACILITIES**

<b>Segment/Component</b>	<b>Acquisition Cost</b>
<b>Park Improvements</b>	
City Park, Landscaping, & Community Trail Improvements on Parcel 2 & 3 of Tract No. 20565, including all appurtenant facilities and right of way costs required for such improvements.	\$3,281,375
Subtotal	<b>\$3,281,375</b>
<b>Street Light Improvements</b>	
Live Oak Avenue and Village Drive Street Light Improvements.	\$256,035
Subtotal	<b>\$256,035</b>
<b>Dry Utility Improvements*</b>	
Live Oak Avenue, Village Drive and other project related dry utility improvement costs (limited to 5% of the bond amount).	\$555,500
Subtotal	<b>\$555,500</b>
<b>TOTAL:</b>	<b>\$4,092,910</b>

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\* Dry Utilities include, but are not limited to, all costs related to electrical lines, undergrounding, pole relocation, and any fees paid directly to the utility company (e.g., Edison Rule 20), and any other incidental expenses or appurtenant facilities thereof.

## **EXHIBIT B**

### **FORM OF PAYMENT REQUEST**

**City of Fontana**  
**Community Facilities District No. 117**  
**(Southridge)**

KB HOME Cal Management Services LLC (the “Developer”), hereby requests payment of the Purchase Price of the Segment or Segments described in Attachment A attached hereto. Capitalized undefined terms shall have the meanings ascribed thereto in the Acquisition and Funding Agreement, dated as of April 1, 2026 (the “Acquisition Agreement”), by and among City of Fontana Community Facilities District No. 117 (Southridge) (the “Community Facilities District”), the City of Fontana (the “City”), and the Developer. In connection with this Payment Request, the undersigned hereby represents and warrants to the Community Facilities District and the City as follows:

1. The undersigned is a Developer Representative, qualified to execute this request for payment on behalf of the Developer and knowledgeable as to the matters set forth herein.

2. The Developer has submitted or submits herewith to the City Engineer as-built drawings or similar plans and specifications for the Segments for which payment is requested, and such drawings or plans and specifications, as applicable, are true, correct and complete; provided, however, that if such Segment is Substantially Complete but not Complete, such drawings or plans and specifications need not be submitted to the City Engineer until such Segment is Complete.

3. Each of the Segments described in Attachment A has been constructed in accordance with the Plans therefor, and in accordance with all applicable City standards and the requirements of the Acquisition Agreement, and the as-built drawings or similar Plans and specifications referenced in paragraph 2 above.

4. The true and correct Actual Cost of each Segment for which payment is requested is set forth in Attachment A.

6. The Developer has submitted or submits herewith to the City Engineer invoices, receipts, worksheets and other evidence of costs that are in sufficient detail to allow the City Engineer to verify the Actual Cost of each Segment for which payment is requested.

7. There has not been filed with or served upon the Developer notice of any lien, right to lien or attachment upon, or claim affecting the right to receive the payment requested herein that has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by operation of law. Copies of lien releases for all work for which payment is requested hereunder are attached hereto.

8. No event listed in subsection (a) of Section 6.02 of the Acquisition Agreement has occurred and is continuing or will occur upon the making of any payment requested hereunder.

9. The representations and warranties of the Developer set forth in Section 5.01 of the Acquisition Agreement are true and correct on and as of the date hereof with the same force and effect as if made on and as of the date hereof (except that no certification is made with respect to the representations and warranties contained in subsections (d) and (e) of said Section 5.01).

10. The Developer represents and warrants that, as of the date hereof, there is not present on, under or in any Segment described in Attachment A or the Related Property of such Segment, or any portion thereof, any Hazardous Materials, except for (i) any types or amounts that do not require remediation or mitigation under federal, state or local laws, ordinances, regulations, rules or decisions, (ii) those that have been remediated or mitigated in full compliance with applicable federal, state or local laws, ordinances, regulations, rules or decisions, (iii) those with respect to which ongoing remediation or mitigation is being performed in full compliance with applicable federal, state or local laws, ordinances, regulations, rules or decisions or (iv) any types or amounts that do not present a human health risk or hazard to the public.

I hereby declare under penalty of perjury that the above representations and warranties are true and correct.

Date:

**KB HOME CAL MANAGEMENT  
SERVICES LLC,**  
a Delaware limited liability company

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

**APPROVAL BY THE CITY ENGINEER**

[The City Engineer has confirmed that each Segment described in Attachment A is Complete and was constructed in accordance with the Plans therefor and the Actual Cost of each Segment described in Attachment A has been reviewed, verified and approved by the City Engineer. Payment of the full Purchase Price of each such Segment is hereby approved.]

[The City Engineer has confirmed that each Segment described in Attachment A is Substantially Complete and was constructed in accordance with the Plans therefor and the Actual Cost of each Segment described in Attachment A has been reviewed, verified and approved by the City Engineer. Payment of \$\_\_\_\_\_, an amount equal to 90% of the sum of the lesser of (a) the Actual Cost, or (b) the Acquisition Cost of each such Segment is hereby approved.]

[The City Engineer previously confirmed that each Segment described in Attachment A was Substantially Complete and previously approved the payment of \$\_\_\_\_\_, an amount equal to the sum of the lesser of (a) the Actual Cost, or (b) the Acquisition Cost of each Segment described in Attachment A. The City Engineer has now confirmed that each Segment described in Attachment A is Complete and was constructed in accordance with the Plans therefor and the Actual Cost of each Segment described in Attachment A has been reviewed, verified and approved by the City Engineer. Payment of \$\_\_\_\_\_, an amount equal to the sum of the remainder of (a) the Purchase Price of each such Segment, less (b) the amount previously paid with respect to such Segment is hereby approved.]

Date:

**CITY ENGINEER OF THE CITY OF  
FONTANA**

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

