
LETTER OF CREDIT AGREEMENT

by and between

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

and

KB HOME CAL MANAGEMENT SERVICES LLC

Dated as of April 1, 2026

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

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LETTER OF CREDIT AGREEMENT

THIS LETTER OF CREDIT AGREEMENT (this “Agreement”), dated as of April 1, 2026, is by and between 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”), and KB HOME CAL MANAGEMENT SERVICES LLC, a limited liability company organized and existing under the laws of the State of Delaware (the “Developer”).

W I T N E S S E T H:

WHEREAS, the Community Facilities District has been established under the provisions of the Mello-Roos Community Facilities Act of 1982;

WHEREAS, it is anticipated that, in order to finance certain public facilities, the Community Facilities District will issue bonds (the “Bonds”) secured by a special tax (the “Special Tax”) levied within the Community Facilities District;

WHEREAS, the Developer is the owner of the property within the Community Facilities District;

WHEREAS, the Developer proposes to construct residential units on the property within the Community Facilities District and to market and sell such residential units;

WHEREAS, it is contemplated that the property within the Community Facilities District may be substantially undeveloped at the time the Bonds are issued and that, as a result, a significant portion of the Special Tax securing the Bonds would be levied on undeveloped property; and

WHEREAS, in order to increase the credit quality of the Bond issue, the Community Facilities District may require, as a condition to the issuance of the Bonds, that the Developer provide a letter of credit securing the payment of the Special Tax levied on certain of such undeveloped property within the Community Facilities District;

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

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. All terms defined in the Indenture shall have the same meaning in this Agreement, except as indicated. Unless the context otherwise requires, the terms defined in this Article I shall have the meanings herein specified:

“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.

“Agreement” means this Letter of Credit Agreement, dated as of April 1, 2026, by and between the Community Facilities District and the Developer, as originally executed or as the same may be amended from time to time in accordance with its terms.

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest due on the outstanding Bonds in such Bond Year, assuming that the outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the principal amount of the outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year).

“Bond Year” has the meaning ascribed thereto in the Indenture.

“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.

“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.

“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 Letter of Credit” means an irrevocable letter of credit that (a) is issued by a financial institution authorized to do business in the State of California, the long-term unsecured obligations of which, at the time of delivery of such letter of credit, are rated not less than “Aa2”

by Moody's or not less than "A" by S&P, (b) has terms and provisions that make it suitable for the purposes of, and facilitate its use in accordance with, the provisions of the Indenture and Section 2.1 hereof, which terms and provisions are reasonably acceptable to the Community Facilities District, (c) is delivered to and accepted by the Trustee pursuant to the Indenture and Section 2.1(a) hereof, and (d) is for a term of at least one year; provided, however, that upon the acceptance by the Trustee of a Substitute Letter of Credit in substitution of the Developer Letter of Credit in accordance with the Indenture and Section 2.1(e) hereof, such term shall mean such Substitute Letter of Credit.

"Developer Secured Parcels" means, as of any date, all Remaining Parcels that are owned by any of the Developer or an Affiliate thereof, and all Transferred Parcels, excluding Secured Transferred Parcels.

"Effective Date" means April 14, 2026.

"Hazardous Material" means any hazardous or toxic substance, material or waste which is regulated by any local governmental authority, the State or the United States Government, including, without limitation, any material or substance which 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 or amended 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 or amended pursuant to the provisions thereof.

"Letter of Credit Provider" means (a) with respect to the Developer Letter of Credit, the issuer of the Developer Letter of Credit, and its successors and assigns, or the issuer of a Substitute Letter of Credit substituted for the Developer Letter of Credit in accordance with the Indenture and Section 2.1(e) hereof, and (b) with respect to a Transferred Parcel Letter of Credit, the issuer of such Transferred Parcel Letter of Credit, and its successors and assigns, or the issuer of a Substitute Letter of Credit substituted for such Transferred Parcel Letter of Credit in accordance with the Indenture and Section 2.2(e) hereof.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made.

“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.

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

“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.

“Rating Downgrade” means, with respect to the Developer Letter of Credit or a Transferred Parcel Letter of Credit, that the rating of the long-term unsecured obligations of the issuer thereof has been reduced to less than “A3” by Moody’s or to less than “A-” by S&P.

“Remaining Parcels” means, as of any date, all parcels of Property, excluding any of such parcels for which final inspection approval has been given by the City or for which a certificate of occupancy has been issued by the City on or prior to such date.

“Required Letter of Credit Amount” means, with respect to any parcel or parcels within the Community Facilities District, for each Bond Year, an amount equal to 200% of the Share of MADS that would be applicable to such parcel or parcels for the Fiscal Year ending in such Bond Year; provided, however, that the initial Required Letter of Credit Amount shall be based on an estimate mutually agreeable to the Community Facilities District and the Developer.

“Secured Transferred Parcel” means a Transferred Parcel for which a Transferred Parcel Letter of Credit has been delivered to and accepted by the Trustee pursuant to the Indenture and Section 2.2(a) hereof.

“Share of MADS” means, with respect to any property within the Community Facilities District, the share of Maximum Annual Debt Service allocable to such property, which share shall be equal to Maximum Annual Debt Service multiplied by a fraction, the numerator of which is the amount of the Special Tax to be levied on such property in the then current Fiscal Year pursuant to the Rate and Method (assuming that no capitalized interest is available to pay any portion of debt service on the Bonds), and the denominator of which is the total amount of the Special Tax to be levied on all property within the Community Facilities District in the then current Fiscal Year pursuant to the Rate and Method (assuming that no capitalized interest is available to pay any portion of debt service on the Bonds); provided, however, that, for purposes of determining Share of MADS, any parcel of property that, as of the date of such determination, is Undeveloped Property (as defined in the Rate and Method) for which final inspection approval has been given by the City or for which a certificate of occupancy has been issued by the City shall be deemed to be Developed Property (as defined in the Rate and Method) for purposes of calculating the amount of the Special Tax to be levied on such property in the then current Fiscal Year pursuant to the Rate and Method.

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

“State” means the State of California.

“Substitute Letter of Credit” means one or more irrevocable letters of credit, each of which (a) with respect to a Substitute Letter of Credit replacing the Developer Letter of Credit, is delivered to and accepted by the Trustee pursuant to the Indenture and Section 2.1(e) hereof, or, with respect to a Substitute Letter of Credit replacing a Transferred Parcel Letter of Credit, is delivered to and accepted by the Trustee pursuant to the Indenture and Section 2.2(e) hereof, (b) is issued by a financial institution authorized to do business in the State of California, the long-term unsecured obligations of which, at the time of delivery of such letter of credit, are rated not less than “Aa2” by Moody’s and not less than “A” by S&P, (c) has the same material terms and provisions as the Developer Letter of Credit or Transferred Parcel Letter of Credit, as applicable, that it is replacing, and (d) is for a term of at least one year.

“Transferred Parcel” means, as of any date, a Remaining Parcel that is subject to the Special Tax and is owned by a Person other than any of the Developer or an Affiliate thereof.

“Transferred Parcel Letter of Credit” means an irrevocable letter of credit that (a) is issued by a financial institution authorized to do business in the State of California, the long-term unsecured obligations of which, at the time of delivery of such letter of credit, are rated not less than “Aa2” by Moody’s and not less than “A” by S&P, (b) has terms and provisions that make it suitable for the purposes of, and facilitate its use in accordance with, the provisions of the Indenture and Section 2.2 hereof, which terms and provisions are reasonably acceptable to the Community Facilities District, (c) is delivered to and accepted by the Trustee pursuant to the Indenture and Section 2.2(a) hereof, and (d) is for a term of at least one year; provided, however, that upon the acceptance by the Trustee of a Substitute Letter of Credit in substitution of such Transferred Parcel Letter of Credit in accordance with the Indenture and Section 2.2(e) hereof, such term shall mean such Substitute Letter of Credit.

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

ARTICLE II

SECURITY FOR PAYMENT OF SPECIAL TAX

Section 2.1. Developer Letter of Credit. (a) *Delivery of the Developer Letter of Credit.* If, at the time of the public posting of the official statement or other offering document for the Bonds, the Share of MADS allocable to Developer Secured Parcels will equal or exceed 9% of the then estimated Maximum Annual Debt Service, the Developer shall, on or before such posting date, deliver to the Trustee a Developer Letter of Credit, accompanied by one or more opinions of counsel reasonably satisfactory to the Trustee and the Community Facilities District addressed to the Trustee and the Community Facilities District to the effect, singly or together, that the Developer Letter of Credit is a legal, valid and binding obligation of the Letter of Credit Provider with respect thereto, enforceable against such Letter of Credit Provider in accordance with its terms, except as limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of rights of creditors generally as such laws may be applied in the event of a reorganization, insolvency, liquidation, readjustment of debt or other similar proceeding of or moratorium applicable to such Letter of Credit Provider and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The amount available under such Developer Letter of Credit shall be at least equal to the Required Letter of Credit Amount for Developer Secured Parcels for the first full Bond Year commencing after the Closing Date.

(b) *Compliance with the Indenture.* The Community Facilities District shall comply with the provisions of the Indenture applicable to the Developer Letter of Credit and shall use its best efforts to cause the Trustee to comply with such provisions of the Indenture.

(c) *Rating Downgrade.* The Developer shall either (i) require the Letter of Credit Provider that issues the Developer Letter of Credit to covenant in a written agreement to give notice to the Developer, the Community Facilities District and the Trustee of a Rating Downgrade with respect to such Letter of Credit Provider, or (ii) provide for an alternative method of providing notice to the Developer, the Community Facilities District and the Trustee of a Rating Downgrade with respect to such Letter of Credit Provider acceptable to the Community Facilities District. The Developer shall provide notice to the Community Facilities District and the Trustee of a Rating Downgrade with respect to the Letter of Credit Provider that issued the Developer Letter of Credit immediately upon receiving notice thereof.

(d) *Recalculation of Amount of Developer Letter of Credit.* The Developer shall, no later than August 1 of each year (commencing on the August 1 immediately following the Closing Date), deliver to the Community Facilities District a written certification of the Developer as to which parcels within the Community Facilities District constitute Developer Secured Parcels as of such August 1, together with written evidence thereof, which written evidence shall be certified in writing by the Developer and shall include (i) either (A) an owner title guarantee for each such Developer Secured Parcel, or (B) such other form of written evidence demonstrating that such parcel is a Developer Secured Parcel as is reasonably satisfactory to the Community Facilities District, (ii) for each parcel of the Property that, as of such August 1, is a Transferred Parcel that is not a Secured Transferred Parcel (A) the legal description of such parcel and the date such parcel was transferred to Person other than any of the Developer or an Affiliate thereof, (B) a copy of the

grant deed pursuant to which such parcel was transferred to Person other than any of the Developer or an Affiliate thereof, or (C) such other form of written evidence demonstrating that such parcel is a Transferred Parcel that is not a Secured Transferred Parcel as is reasonably satisfactory to the Community Facilities District, and (iii) if applicable, copies or adequate descriptions of relevant final inspection approvals received or certificates of occupancy issued during the twelve months immediately preceding such August 1 for any parcels that, as of such August 1 are owned by any of the Developer or an Affiliate thereof; provided, however, that the Developer shall have no obligation to deliver such certification and such certified written evidence after the first time that such certification and certified written evidence demonstrates that the Share of MADS allocable to the Developer Secured Parcels is less than 9% of Maximum Annual Debt Service.

The Community Facilities District shall, no later than August 15 of each year, deliver to the Developer a draft Written Certificate of the Community Facilities District specifying the Required Letter of Credit Amount for Developer Secured Parcels for the Bond Year commencing on the immediately succeeding September 2; provided, however, that the Community Facilities District's obligation to deliver such Written Certificate shall be subject to the Community Facilities District's receiving from the Developer, no later than August 1 of such year, the certification and written evidence required to be provided by the Developer to the Community Facilities District pursuant to the preceding paragraph. The Required Letter of Credit Amount shall be calculated based on the parcels that constitute Developer Secured Parcels as of such August 1. Within five days of receipt of a copy of such draft Written Certificate, the Developer may provide evidence to the Community Facilities District that such calculation of the Required Letter of Credit Amount is incorrect. If, in its reasonable determination, the Community Facilities District agrees with the Developer that such calculation is incorrect, the Community Facilities District shall revise such Written Certificate of the Community Facilities District so as to correct the Required Letter of Credit Amount specified therein. No sooner than six days and no later than ten days after delivering to the Developer such draft Written Certificate of the Community Facilities District, the Community Facilities District shall deliver to the Trustee (with a copy to the Developer) the final Written Certificate of the Community Facilities District (revised, if necessary, in accordance with the preceding sentence) specifying the Required Letter of Credit Amount for Developer Secured Parcels for the Bond Year commencing on the immediately succeeding September 2. If the amount available under the Developer Letter of Credit is greater than the Required Letter of Credit Amount as specified in such Written Certificate, the Community Facilities District shall direct the Trustee to, in accordance with the terms of the Indenture and the Developer Letter of Credit, cause the available amount under the Developer Letter of Credit to be reduced, on or after September 2 of the following Bond Year, to an amount equal to the Required Letter of Credit Amount as specified in such Written Certificate. If the Required Letter of Credit Amount as specified in such Written Certificate is less than 9% of Maximum Annual Debt Service, the Community Facilities District shall direct the Trustee to, in accordance with the terms of the Indenture and the Developer Letter of Credit, surrender the Developer Letter of Credit to the Letter of Credit Provider with respect thereto.

(e) *Substitute Letter of Credit.* If at any time (i) the Developer has provided a Substitute Letter of Credit which satisfies the requirements specified in the definition thereof, (ii) the amount available to be drawn under such Substitute Letter of Credit is at least equal to the Required Letter of Credit Amount for Developer Secured Parcels for the Bond Year in which such Substitute Letter of Credit is delivered, and (iii) such Substitute Letter of Credit is accompanied by one or more

opinions of counsel reasonably satisfactory to the Trustee and the Community Facilities District addressed to the Trustee and the Community Facilities District to the effect, singly or together, that the Substitute Letter of Credit is a legal, valid and binding obligation of the provider thereof, enforceable against the provider thereof in accordance with its terms, except as limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of rights of creditors generally as such laws may be applied in the event of a reorganization, insolvency, liquidation, readjustment of debt or other similar proceeding of or moratorium applicable to the provider thereof and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), the Community Facilities District shall deliver to the Trustee (with a copy to the Developer) a Written Request of the Community Facilities District directing the Trustee to, upon receipt of such Substitute Letter of Credit, accept such Substitute Letter of Credit in substitution of the Developer Letter of Credit then held by the Trustee and surrender the Developer Letter of Credit being replaced to the Letter of Credit Provider that issued such Developer Letter of Credit.

(f) *No Reduction, Credit or Cure.* The Developer hereby acknowledges and agrees that the amount received pursuant to any draw on the Developer Letter of Credit shall in no way reduce, constitute a credit, or cure any delinquency, in respect of the amount of any Special Tax levied on any Developer Secured Parcel or on any other parcel in the Community Facilities District.

Section 2.2. Transferred Parcel Letter of Credit. (a) *Delivery of a Transferred Parcel Letter of Credit.* If at any time (i) the owner of a Transferred Parcel makes available a Transferred Parcel Letter of Credit which satisfies the requirements specified in the definition thereof, (ii) the amount available to be drawn under such Transferred Parcel Letter of Credit is at least equal to the Required Letter of Credit Amount for such Transferred Parcel for the Bond Year in which such Transferred Parcel Letter of Credit is delivered, (iii) such Transferred Parcel Letter of Credit is accompanied by one or more opinions of counsel reasonably satisfactory to the Trustee and the Community Facilities District addressed to the Trustee and the Community Facilities District to the effect, singly or together, that the Transferred Parcel Letter of Credit is a legal, valid and binding obligation of the Letter of Credit Provider with respect thereto, enforceable against such Letter of Credit Provider in accordance with its terms, except as limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of rights of creditors generally as such laws may be applied in the event of a reorganization, insolvency, liquidation, readjustment of debt or other similar proceeding of or moratorium applicable to such Letter of Credit Provider and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), and (iv) the owner of such Transferred Parcel requests that the Community Facilities District deliver to the Trustee such Transferred Parcel Letter of Credit and such opinion, the Community Facilities District shall promptly deliver to the Trustee (A) such Transferred Parcel Letter of Credit, (B) such opinion, (C) a Written Request of the Community Facilities District (with a copy to the Developer and such owner) directing the Trustee to accept such Transferred Parcel Letter of Credit, identifying the Transferred Parcel to which such Transferred Parcel Letter of Credit is to apply and specifying the Required Letter of Credit Amount for such Transferred Parcel, and (D) a Written Certificate of the Community Facilities District (with a copy to the Developer) specifying the revised Required Letter of Credit Amount for Developer Secured Parcels for the Bond Year in which such Transferred Parcel Letter of Credit is delivered.

(b) *Compliance with the Indenture.* The Community Facilities District shall comply with the provisions of the Indenture applicable to Transferred Parcel Letters of Credit and shall use its best efforts to cause the Trustee to comply with such provisions of the Indenture.

(c) *Rating Downgrade.* The Developer shall, or shall cause the owner of each Secured Transferred Parcel to, require the Letter of Credit Provider that issued the Transferred Parcel Letter of Credit for such Secured Transferred Parcel to covenant in a written agreement to give notice to the Developer, the owner of such Secured Transferred Parcel, the Community Facilities District and the Trustee of a Rating Downgrade with respect to such Letter of Credit Provider. The Developer shall provide notice to the Community Facilities District and the Trustee of a Rating Downgrade with respect to each Letter of Credit Provider that issued a Transferred Parcel Letter of Credit immediately upon receiving notice thereof.

(d) *Recalculation of Amount of a Transferred Parcel Letter of Credit.* The Developer shall cause each owner of a Secured Transferred Parcel to deliver to the Community Facilities District, no later than August 1 of each year (commencing with the August 1 immediately following the delivery of the Transferred Parcel Letter of Credit for such Secured Transferred Parcel), a written certification of such owner as to which parcels within the Community Facilities District constitute Secured Transferred Parcels owned by such owner or Affiliates of such owner as of such August 1, together with written evidence thereof, which written evidence shall be certified in writing by such owner and shall include (i) either (A) an owner title guarantee for each such Secured Transferred Parcel owned by such owner or an Affiliate of such owner, or (B) such other form of written evidence demonstrating that such parcel is a Secured Transferred Parcel owned by such owner or an Affiliate of such owner as is reasonably satisfactory to the Community Facilities District, and (ii) if applicable, copies or adequate descriptions of relevant final inspection approvals received or certificates of occupancy issued during the twelve months immediately preceding such August 1 for any parcels that, as of such August 1 are owned by such owner or an Affiliate thereof.

The Community Facilities District shall, no later than August 15 of each year, deliver to each owner of a Secured Transferred Parcel a draft Written Certificate of the Community Facilities District specifying the Required Letter of Credit Amount for such Secured Transferred Parcel for the Bond Year commencing on the immediately succeeding September 2; provided, however, that the Community Facilities District's obligation to deliver such Written Certificate shall be subject to the Community Facilities District's receiving, no later than August 1 of such year, the certification and written evidence with respect to such Secured Transferred Parcel required to be provided pursuant to the preceding paragraph. The Required Letter of Credit Amount shall be calculated based on the parcels that constitute Secured Transferred Parcels owned by such owner or Affiliates of such owner as of such August 1. Within five days of receipt of such draft Written Certificate, the owner of such Secured Transferred Parcel may provide evidence to the Community Facilities District that the calculation of the Required Letter of Credit Amount for Secured Transferred Parcels owned by such owner or Affiliates of such owner is incorrect. If, in its reasonable determination, the Community Facilities District agrees with such owner or the Developer that such calculation is incorrect, the Community Facilities District shall revise such Written Certificate of the Community Facilities District so as to correct the Required Letter of Credit Amount specified therein. No sooner than six days and no later than ten days after delivering to such owner such draft Written Certificate of the Community Facilities District, the Community

Facilities District shall deliver to the Trustee (with a copy to such owner) the final Written Certificate of the Community Facilities District (revised, if necessary, in accordance with the preceding sentence) specifying the Required Letter of Credit Amount for such Secured Transferred Parcels for the Bond Year commencing on the immediately succeeding September 2. If the amount available under the Transferred Parcel Letter of Credit for such Secured Transferred Parcels is greater than the Required Letter of Credit Amount as specified in such Written Certificate, the Community Facilities District shall direct the Trustee to, in accordance with the terms of the Indenture and such Transferred Parcel Letter of Credit, cause the available amount under such Transferred Parcel Letter of Credit to be reduced, on or after September 2 of the following Bond Year, to an amount equal to the Required Letter of Credit Amount for such Secured Transferred Parcels as specified in such Written Certificate. If the Required Letter of Credit Amount as specified in such Written Certificate is less than 9% of Maximum Annual Debt Service, the Community Facilities District shall direct the Trustee to, in accordance with the terms of the Indenture and such Transferred Parcel Letter of Credit, surrender such Transferred Parcel Letter of Credit to the Letter of Credit Provider with respect thereto.

(e) *Substitute Letter of Credit.* If at any time (i) the owner of a Secured Transferred Parcel has provided a Substitute Letter of Credit which satisfies the requirements specified in the definition thereof in the Indenture, (ii) the amount available to be drawn under such Substitute Letter of Credit is at least equal to the Required Letter of Credit Amount for the Secured Transferred Parcels secured thereby for the Bond Year in which such Substitute Letter of Credit is delivered, and (iii) such Substitute Letter of Credit is accompanied by one or more opinions of counsel reasonably satisfactory to the Trustee and the Community Facilities District addressed to the Trustee and the Community Facilities District to the effect, singly or together, that the Substitute Letter of Credit is a legal, valid and binding obligation of the provider thereof, enforceable against the provider thereof in accordance with its terms, except as limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of rights of creditors generally as such laws may be applied in the event of a reorganization, insolvency, liquidation, readjustment of debt or other similar proceeding of or moratorium applicable to the provider thereof and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), the Community Facilities District shall deliver to the Trustee (with a copy to such owner) a Written Request of the Community Facilities District directing the Trustee to, upon receipt of such Substitute Letter of Credit, accept such Substitute Letter of Credit in substitution of the Transferred Parcel Letter of Credit then held by the Trustee securing the Secured Transferred Parcels owned by such owner and Affiliates of such owner and surrender such Transferred Parcel Letter of Credit being replaced to the Letter of Credit Provider that issued such Transferred Parcel Letter of Credit.

(f) *No Reduction, Credit or Cure.* The Developer hereby acknowledges and agrees that the amount received pursuant to any draw on a Transferred Parcel Letter of Credit shall in no way reduce, constitute a credit, or cure any delinquency, in respect of the amount of any Special Tax levied on the Secured Transferred Parcel secured thereby or on any other parcel in the Community Facilities District.

(g) *Third Party Beneficiaries.* The owners of the Secured Transferred Parcels are third party beneficiaries of this Section.

Section 2.3. No Contest to Foreclosure. The Developer, on behalf of itself and its successors and assigns to any portion of the Property while the same remains categorized as Developer Secured Parcels, agrees and covenants that it will not in any action or proceeding challenge the validity, enforceability or constitutionality of the proceedings by which the Community Facilities District was formed and the Special Tax levied, the lien securing repayment of the Special Tax or the applicability thereof to such Developer Secured Parcels, provided that such Special Tax is levied in accordance with the Rate and Method.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1. Representations and Warranties of the Developer. The Developer makes the following representations and warranties for the benefit of the Community Facilities District:

(a) *Organization.* The Developer represents and warrants that the Developer is a limited liability company 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 Agreement, and has taken all action necessary to cause this Agreement to be executed and delivered, and this Agreement has been duly and validly executed and delivered on behalf of the Developer.

(c) *Binding Obligation.* The Developer represents and warrants that this Agreement is a valid and binding obligation of the Developer and is enforceable against the Developer in accordance with its terms, except as limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of rights of creditors generally as such laws may be applied in the event of a reorganization, insolvency, liquidation, readjustment of debt or other similar proceeding of or moratorium applicable to the provider thereof and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) *Environmental Matters Relating to Property.* The Developer represents and warrants that neither the Developer, nor any subcontractor, agent or employee 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 the Developer has not 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.

(e) *Certifications.* The Developer represents and warrants that each certification delivered by the Developer pursuant to Section 2.1(d) hereof will be true, accurate and complete in all material respects.

The Community Facilities District shall not be required to issue Bonds on any Closing Date unless the Developer makes, on and as of such Closing Date, representations and warranties similar in all material respects to those set forth above.

Section 3.2. Representations and Warranties of the Community Facilities District. The Community Facilities District makes 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 Agreement, and has taken all action necessary to cause this Agreement to be executed and delivered, and this Agreement has been duly and validly executed and delivered on behalf of the Community Facilities District.

(b) *Binding Obligation.* The Community Facilities District represents and warrants that this 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.

ARTICLE IV

MISCELLANEOUS

Section 4.1. Binding on Successors and Assigns. Neither this 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, which consent shall not be unreasonably withheld or delayed. Neither this Agreement nor the duties and obligations of 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 4.2. Amendments. This Agreement may be amended by an instrument in writing executed and delivered by the Community Facilities District and the Developer.

Section 4.3. Waivers. No waiver of, or consent with respect to, any provision of this 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 4.4. Third Party Beneficiaries. The Trustee and the Owners of the Bonds are third party beneficiaries of this Agreement. As provided in Section 2.2(g) hereof, the owners of the Secured Transferred Parcels are third party beneficiaries of Section 2.2 hereof. No other person or entity shall be deemed to be a third party beneficiary hereof, and nothing in this Agreement, either express or implied, is intended to confer upon any person or entity, other than the Community Facilities District, the Developer, the Trustee, the Owners of the Bonds and the owners of the Secured Transferred Parcels, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

Section 4.5. 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: 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 4.6. Attorneys' Fees. If any action is instituted to interpret or enforce any of the provisions of this 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 4.7. Jurisdiction and Venue. Each of the Community Facilities District and the Developer (a) agrees that any suit, action or other legal proceeding arising out of or relating to this 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 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 4.8. Governing Law. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State.

Section 4.9. Electronic Signature. Each of the parties hereto agrees that the transaction consisting of this 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 Agreement using an electronic signature, it is signing, adopting and accepting this Agreement and that signing this Agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on this Agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Agreement in a usable format.

Section 4.10. 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 4.11. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

Section 4.12. Effective Date. This Agreement has been dated for convenience purposes only. Notwithstanding the stated date of this Agreement, this Agreement shall be effective on the Effective Date.

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

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

By: _____
Jessica Brown,
Chief Financial Officer, Finance
Department of the City of Fontana

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

By: _____
Scott Hansen
Vice President, Forward Planning