

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER \_\_, 2021**

**NEW ISSUE – BOOK-ENTRY-ONLY**

**NO RATING**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.*

**\$8,020,000\***

**CITY OF FONTANA  
COMMUNITY FACILITIES DISTRICT NO. 31 (CITRUS HEIGHTS NORTH)  
SPECIAL TAX BONDS, SERIES 2021**

**Dated: Date of Delivery**

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

The City of Fontana Community Facilities District No. 31 (Citrus Heights North) Special Tax Bonds, Series 2021 (the “Bonds”) are being issued and delivered by City of Fontana Community Facilities District No. 31 (Citrus Heights North) (the “District”) to (i) provide financing for certain public facilities and costs with respect thereto related to the development within the District, (ii) fund a reserve fund securing the Bonds and the 2018 Bonds (defined below), (iii) fund capitalized interest on a portion of the Bonds through September 1, 2022, and (iv) pay the costs of issuance with respect to the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein. The District has been formed by and is located in the City of Fontana, California (the “City”).

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California), and pursuant to an Indenture, dated as of July 1, 2018, by and between the District and U.S. Bank National Association, as Trustee, as supplemented by that certain First Supplemental Indenture, dated as of October 1, 2021, by and between the District and U.S. Bank National Association, as Trustee. The Bonds are special obligations of the District and are payable solely from Net Special Tax Revenues (as defined herein), and the other assets pledged therefor under the Indenture, all as further described herein, on a parity with the District’s Special Tax Refunding Bonds, Series 2018 (the “2018 Bonds”). Special Taxes (as defined herein) are to be levied according to the rate and method of apportionment approved by the City Council of the City and the qualified electors within the District. The City Council is the legislative body of the District.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases of Bonds may be made in principal amounts of \$5,000 and integral multiples thereof. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds will be payable on each September 1 and March 1, commencing March 1, 2022. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are expected to remit such payments to the beneficial owners of the Bonds. See “THE BONDS — General Provisions” and Appendix G— “INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM” herein.

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT (EXCEPT TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), THE CITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET SPECIAL TAX REVENUES AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.**

**The purchase of the Bonds involves certain risks. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.**

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

*The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Orrick Herrington & Sutcliffe, LLP, Los Angeles, California, as Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the City and the District by Best Best & Krieger LLP, Riverside, California, in its capacity as City Attorney, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Jones Hall, A Professional Law Corporation, San Francisco, California. It is anticipated that the Bonds will be available for delivery to DTC or its agent in book-entry form on or about October \_\_, 2021.*

**[STIFEL LOGO]**

Dated: October \_\_, 2021.

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\* Preliminary, subject to change

**MATURITY SCHEDULE**  
**BASE CUSIP<sup>†</sup>: \_\_\_\_\_**

<i><b>Maturity Date</b></i> <i><b>(September 1)</b></i>	<i><b>Principal</b></i> <i><b>Amount</b></i>	<i><b>Interest</b></i> <i><b>Rate</b></i>	<i><b>Yield</b></i>	<i><b>Price</b></i>	<i><b>CUSIP<sup>†</sup> No.</b></i>
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\$ \_\_\_\_\_ % Term Bonds due September 1, 20 \_\_, Yield: \_\_\_\_\_ % Price: \_\_\_\_\_ CUSIP<sup>†</sup> No. \_\_\_\_\_

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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright © 2021 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the City, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

**CITY OF FONTANA**

**CITY COUNCIL**

Acquanetta Warren, Mayor  
Phillip Cothran, Mayor Pro Tem  
Peter Garcia, Council Member  
John Roberts, Council Member  
Jesus “Jesse” Sandoval, Council Member

**STAFF**

Mark Denny, City Manager  
Lisa A. Strong, Management Services Director  
Janet Koehler-Brooks, City Treasurer  
Tonia Lewis, City Clerk  
Best Best & Krieger LLP, City Attorney

**BOND COUNSEL**

Orrick Herrington & Sutcliffe LLP  
Los Angeles, California

**MUNICIPAL ADVISOR**

CSG Advisors Incorporated  
San Francisco, California

**DISCLOSURE COUNSEL**

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

**TRUSTEE**

U.S. Bank National Association  
Los Angeles, California

**SPECIAL TAX CONSULTANT**

DTA, Inc.  
Newport Beach, California

**APPRAISER**

Kitty Siino & Associates, Inc.  
Tustin, California

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

This Official Statement is not to be construed as a contract with the purchasers or owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

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

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or any other parties described herein since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

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

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as set forth in the District’s Continuing Disclosure Agreement, a form of which is attached hereto as Appendix F, neither the District nor the City plans to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. See “CONTINUING DISCLOSURE.”

A wide variety of other information, including financial information, concerning the City, is available from publications and websites of the City and others. No such information is a part of or incorporated into this Official Statement.

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

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

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[INSERT AREA MAP]

[INSERT AERIAL PHOTO]



**\$8,020,000\***  
**CITY OF FONTANA**  
**COMMUNITY FACILITIES DISTRICT NO. 31 (CITRUS HEIGHTS NORTH)**  
**SPECIAL TAX BONDS, SERIES 2021**

**INTRODUCTION**

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.*

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices, is to provide certain information concerning the issuance of the City of Fontana Community Facilities District No. 31 (Citrus Heights North) Special Tax Bonds, Series 2021 (the “Bonds”) by the City of Fontana Community Facilities District No. 31 (Citrus Heights North) (the “District”), in the aggregate principal amount set forth on the front cover page. The proceeds of the Bonds will be used to finance certain public facilities and costs with respect thereto related to the development within the District, to fund the reserve fund requirement for the Bonds in the reserve fund for the Bonds and the 2018 Bonds (the “Reserve Fund”), to fund capitalized interest on a portion of the Bonds through September 1, 2022, and to pay costs of issuance of the Bonds.

The Bonds are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and pursuant to the Indenture, dated as of July 1, 2018 (the “Original Indenture”), by and between the District and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by that certain First Supplemental Indenture, dated as of October 1, 2021 (the “First Supplemental Indenture” and together with the Original Indenture, the “Indenture”) by and between the District and U.S. Bank National Association, as Trustee. The Bonds are secured under the Indenture by a pledge of, constituting a lien on and security interest in, the Net Special Tax Revenues (as defined herein) and any other amounts held in the Special Tax Fund, the Bond Fund and the Reserve Fund established pursuant to the Indenture, on a parity with the District’s Special Tax Refunding Bonds, Series 2018 (the “2018 Bonds”) which are currently outstanding in the aggregate principal amount of \$16,290,000.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of the Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in Appendix C — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions” herein.

**The District**

The District includes approximately 215.9 gross acres and approximately 106.9 net acres and is located in the northern portion of the City of Fontana (the “City”), near Interstate 15 and Summit Avenue, in the western portion of San Bernardino County (the “County”). The District is bounded to the south by Summit Avenue, on the east by Citrus Avenue, and on the west by Lytle Creek Road.

The master developer of the property within the District is SC Fontana Development Company, LLC (the “Master Developer”), a Delaware limited liability company and affiliate of Lewis Management Corp., a

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\* Preliminary, subject to change.

Delaware corporation (“Lewis Management Corp.”). The property within the District is being developed into a master planned community known as “Shady Trails.” At build-out, Shady Trails is planned to contain twelve neighborhoods consisting of 1,011 attached and detached single-family residential units. 629 homes have been completed and conveyed to individual homeowners with the remaining 392 proposed homes within Planning Areas 13, 14, 16 and 17 of the District, 10 of which have been completed and conveyed to individual homeowners, being developed into four new neighborhoods known as “Wisteria,” “Aspen Court,” “Birch Bend,” and “Juniper,” respectively. The property within Planning Areas 13, 14, 16 and 17 of the District includes 32.7 net acres and is proposed to include 162 single-family detached condominium pads and 230 single-family attached residential units. Richmond American Homes of Maryland, Inc. a Maryland corporation (“Richmond American”) purchased Wisteria from the Master Developer in two take-downs based on an agreement signed in June 2019. The first take-down was for 61 lots with a minimum building pad size of 2,800 square feet which closed in August 2020. The second take-down was for 41 lots and closed on June 2, 2021. Taylor Morrison, Inc., a California corporation (“Taylor Morrison”) purchased Aspen Court from the Master Developer in January 2021. PLC Shady Trails, LLC, a Delaware limited liability company (“PLC”) purchased Juniper from the Master Developer in January 2021. Tri Pointe Homes, Inc., a California corporation (“Tri Pointe” and, together with Richmond American, Taylor Morrison, and PLC, the “Merchant Builders”) purchased Birch Bend from the Master Developer in January 2021.

As of August 1, 2021, the date of value of the Appraisal (defined herein), within Planning Areas 13, 14, 16 and 17 of the District, there were 10 homes completed and conveyed to individual homeowners, 16 model homes, 18 homes were over 95% complete (17 of which were in escrow), 78 homes were under construction (38 of which were in escrow) and the remaining 270 lots were in a finished lot/pad condition (5 of which were in escrow). As of August 1, 2021, of the 102 proposed single-family detached residential units within the Wisteria neighborhood, 10 homes had been completed and conveyed to individual homeowners, 3 model homes had been completed, 10 homes were over 95% complete (all of which were in escrow), 31 homes were under construction (all of which were in escrow) and the remaining 48 lots were in a finished lot condition (5 of which were in escrow) and owned by Richmond American. As of August 1, 2021, of the 60 proposed single-family detached condominium courtyard homes within Aspen Court, 4 model homes had been completed, 8 homes were over 95% complete (7 of which were in escrow), 16 homes were under construction (2 of which were in escrow) and the remaining 32 pads were in a finished condition (none of which were in escrow) and owned by Taylor Morrison. As of August 1, 2021, of the 91 proposed homes within the Juniper neighborhood, 4 model homes had been completed, 9 homes were under construction (none of which were in escrow) and the remaining 78 pads were in a finished lot condition (none of which were in escrow) and owned by PLC. As of August 1, 2021, of the 139 proposed homes within the Birch Bend neighborhood, 5 model homes had been completed, 22 homes were under construction (5 of which were in escrow) and the remaining 112 pads were in a finished condition (none of which were in escrow) and owned by Tri Pointe. Sales contracts are subject to cancelation and, therefore, homes currently in escrow may not result in closed escrows with the prospective homebuyers. 108 building permits had been obtained within Planning Areas 13, 14, 16 and 17 of the District as of August 1, 2021. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

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

Pursuant to the Act, the City Council adopted the necessary resolutions stating its intent to establish the District, to authorize the levy of special taxes on taxable property within the boundaries of the District, and to have the District incur bonded indebtedness for the purpose of financing an authorized list of facilities (the

“Facilities”). Following a public hearing conducted pursuant to the provisions of the Act, the City Council adopted resolutions establishing the District, and calling special elections to submit the levy of the special taxes and the incurring of bonded indebtedness to the qualified voters of the District. On June 7, 2005, at an election held pursuant to the Act, the Master Developer, who comprised the qualified voter of the District, authorized the District to incur bonded indebtedness in the aggregate principal amount not to exceed \$36,000,000 to be secured by the levy of Special Taxes (defined below) on taxable property within the District for the purpose of financing the Facilities to serve the area within the District and its neighboring areas, and the levy of an additional special tax to finance the Services. On that same date, the Master Developer, as the qualified voter within the District approved the rate and method of apportionment of special taxes (the “Rate and Method”) which establishes a special tax for the Facilities, referred to as “Special Tax A” and a special tax for the Services, referred to as “Special Tax B.” The Rate and Method is set forth in Appendix A hereto. On June 15, 2005, a Notice of Special Tax Lien was recorded in the Office of the County Recorder as Document No. 2005-0427039 for the District.

On July 11, 2018, the District issued the 2018 Bonds to refund the District’s outstanding Special Tax Bonds, Series 2006, to fund the Reserve Fund, and to pay the costs of issuance of the 2018 Bonds. The District may at any time after the issuance and delivery of the Bonds issue additional bonds issued under the Indenture (the “Additional Bonds”) for the purpose of financing additional Facilities payable from Net Special Tax Revenues on a parity with the Outstanding 2018 Bonds and Bonds. Additional Bonds may also be issued for the purpose of refunding all or a portion of the 2018 Bonds, the Bonds or Additional Bonds then Outstanding, for providing funds to pay costs of issuance incurred in connection with the issuance of such Additional Bonds, and providing funds to make any deposit to the Reserve Fund required under the Indenture in connection with the issuance of such Additional Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds”.

As used in this Official Statement, the terms “Special Tax” or “Special Taxes” refer only to the Special Tax A for Facilities and does not include the Special Tax B for services. The Special Tax B for services is not pledged under the Indenture nor is the Special Tax B for services available to pay debt service on the Bonds and any additional bonds issued under the Indenture and secured on a parity with the Bonds (the “Additional Bonds”). The Special Tax will be levied against certain property within the District pursuant to the Act, the Ordinance approving the levy of Special Taxes and the Indenture and in accordance with the Rate and Method. The lien of the Special Tax is co-equal with the lien of the Special Tax B for services.

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

Under the Indenture, the City has pledged to repay the 2018 Bonds, the Bonds and any Additional Bonds from Net Special Tax Revenues and any other amounts held in the Special Tax Fund, the Bond Fund and the Reserve Fund. The Indenture defines “Net Special Tax Revenues” to mean Special Tax Revenues less amounts required to pay Administrative Expenses. The term “Special Tax Revenues” is defined in the Indenture to mean the proceeds of the Special Taxes received by or on behalf of the District, including any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes, which will be limited to the amount of said lien and interest and penalties thereon. “Administrative Expenses” is defined in the Indenture to mean costs directly related to the administration of the District, including, but not limited to: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules and the costs of collecting the Special Taxes, the costs of remitting the Special Taxes to the Trustee, the fees and costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture, the costs incurred by the District in complying with the disclosure provisions of any continuing disclosure undertaking and the Indenture, including those related to public inquiries regarding the Special Taxes and disclosures to Owners, the costs of the District related to an appeal of the Special Taxes, any amounts required to be rebated to the federal government in order for the District to comply with the tax covenants in the Indenture, an allocable share of the salaries of the City staff providing services on behalf of the District directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto, and the costs of foreclosure of delinquent Special Taxes.

Net Special Tax Revenues are the primary security for the repayment of the 2018 Bonds, the Bonds and any Additional Bonds. In the event that Net Special Tax Revenues are not paid when due, the only sources of funds available to pay the debt service on the 2018 Bonds, the Bonds and any Additional Bonds will be the amounts held by the Trustee for such purpose in the Special Tax Fund, the Bond Fund and the Reserve Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT (EXCEPT TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), THE CITY OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET SPECIAL TAX REVENUES AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.**

### **Description of the Bonds**

The Bonds will be issued and delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in denominations of \$5,000 and any integral multiples thereof under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See Appendix G — “INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM” herein.

Principal of, premium, if any, and interest on the Bonds is payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Trustee, all as described herein. See Appendix G — “INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM” herein.

The Bonds are subject to optional redemption, mandatory redemption from Special Tax prepayments, and mandatory sinking fund redemption as described herein. For a more complete description of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see “THE BONDS” and Appendix C — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” herein.

### **Appraisal Report**

The District has obtained an appraisal of the Taxable Property (as defined herein) included in the District dated September 7, 2021 with a date of value as of August 1, 2021 (the “Appraisal”). The Appraisal was prepared for the District by Kitty Siino & Associates, Inc., Tustin, California (the “Appraiser”). Subject to the limitations set forth in the Appraisal, the Appraiser is of the opinion that, as of August 1, 2021, the minimum market value of the Taxable Property within Planning Areas 13, 14, 16 & 17 of the District was not less than \$70,081,122 (the “Appraised Value”). The value of the taxable property within the District equals \$356,308,292 (the “Value”), and is the sum of the aggregate Appraised Value of the Taxable Property within Planning Areas 13, 14, 16 & 17 of the District, plus the aggregate Fiscal Year 2021-22 assessed value of all other Taxable Property within the District in the amount of \$286,227,170. See “THE COMMUNITY FACILITIES DISTRICT — Estimated Value-to-Lien Ratios.” A copy of the Appraisal is included as Appendix B to this Official Statement. It is a condition precedent to the issuance of the Bonds that the Appraiser deliver a certificate stating that nothing has come to the attention of the Appraiser subsequent to the date of the Appraisal that would lead the Appraiser to believe that the value of the Taxable Property (as defined in the Rate and Method) within

Planning Areas 13, 14, 16 & 17 of the District is less than the minimum market value of such property reported in the Appraisal.

### **Professionals Involved in the Offering**

U.S. Bank National Association, Los Angeles, California, will act as Trustee under the Indenture and as the initial Dissemination Agent under the District Continuing Disclosure Agreement. Stifel, Nicolaus & Company, Incorporated is the Underwriter of the Bonds. The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick Herrington & Sutcliffe LLP, Bond Counsel to the District. CSG Advisors Incorporated, San Francisco, California, is acting as Municipal Advisor for the City in connection with the Bonds. Kitty Siino & Associates, Inc., Tustin, California, is acting as the Appraiser to the District. DTA, Inc. is acting as the Special Tax Consultant to the District. Certain legal matters will be passed on for the City and the District by Best Best & Krieger LLP, Riverside, California, in its capacity as City Attorney, and Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Jones Hall, A Professional Law Corporation, San Francisco, California.

For information concerning respects in which certain of the above-mentioned professionals, advisors, counsel and agents may have a financial or other interest in the offering of the Bonds, see “FINANCIAL INTERESTS” herein.

### **Continuing Disclosure**

The District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system available on the Internet at <http://emma.msrb.org> (“EMMA”) certain annual financial information and operating data. The District will further agree to provide notice of certain listed events. These covenants will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). See “CONTINUING DISCLOSURE” herein. See the form of District Continuing Disclosure Agreement attached as Appendix F hereto (the “District Continuing Disclosure Agreement”) for a description of the specific nature of the annual reports to be filed by the District and notices of listed events to be provided by the District.

### **Bond Owners’ Risks**

Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the section of this Official Statement entitled “SPECIAL RISK FACTORS” for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds.

### **Other Information**

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

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

Copies of the Indenture, the District Continuing Disclosure Agreement and other documents and information referred to herein are available for inspection and (upon request and payment to the City of a charge

for copying, mailing and handling) for delivery from the City at 8353 Sierra Avenue, Fontana, California 92335, Attention: Lisa Strong.

## ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of Bond proceeds.

### Sources:

Principal Amount of the Bonds	\$
Plus Original Issue Premium	
Less: Underwriter's Discount	
Total	<u>\$</u>

### Uses:

Improvement Fund	\$
Reserve Fund <sup>(1)</sup>	
Interest Account of the Bond Fund <sup>(2)</sup>	
Costs of Issuance Fund	
Total	<u>\$</u>

<sup>(1)</sup> Equal to the Reserve Requirement for the Bonds.

<sup>(2)</sup> Represents capitalized interest on a portion of the Bonds through September 1, 2022.

## THE BONDS

### General Provisions

The Bonds will be issued in fully registered form without coupons in denominations of \$5,000 and any integral multiple thereof ("Authorized Denominations"). The Bonds will be dated the date of issuance thereof. The Bonds are scheduled to mature on September 1, in the years and in the principal amounts, and will bear interest at the rates per annum, shown on the inside front cover page of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months and will be payable on March 1 and September 1 of each year, commencing March 1, 2022 (each an "Interest Payment Date"). Interest on each Bond will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) such Bond is authenticated on or before an Interest Payment Date and after the close of business on the fifteenth calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day (the "Record Date") in which event interest thereon will be payable from such Interest Payment Date, (ii) such Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Series 2021 Closing Date or (iii) interest on such Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been previously paid or duly provided for.

The interest on, and principal of and redemption premiums, if any, on the Bonds are payable in lawful money of the United States of America. Interest is payable by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date (except that interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date will, if and to the extent that amounts subsequently become available therefor, be payable on a payment date established by the Trustee to the Person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date to be established by the Trustee pursuant to the Indenture). Payment of principal of any Bond will be made only upon presentation and surrender thereof at maturity or upon earlier redemption at the Office of the Trustee.

The Bonds will initially be issued in book-entry form, and DTC will act as securities depository. So long as the Bonds are held in book-entry form, principal of, premium, if any, and interest on the Bonds will be

paid by the Trustee directly to DTC for distribution to the Beneficial Owners of the Bonds in accordance with procedures adopted by DTC. See Appendix G — “INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM.”

The Bonds are not general obligations of the District but are special obligations of the District payable solely from Net Special Tax Revenues and the other amounts held under the Indenture in the Special Tax Fund, the Bond Fund and the Reserve Fund. Neither the faith and credit nor the taxing power of the District (except to the limited extent set forth in the Indenture), the City, the State, or any political subdivision thereof, is pledged to the payment of the Bonds. See “SPECIAL RISK FACTORS — Bonds Are Limited Obligations.”

## Redemption

***Optional Redemption.***\* The Bonds maturing on and after September 1, 2029 are subject to optional redemption, in whole or in part, in Authorized Denominations, on any Interest Payment Date on or after September 1, 2028, from any source of available funds, at the following respective Redemption Prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Price</i>
September 1, 2028 and March 1, 2029	103%
September 1, 2029 and March 1, 2030	102
September 1, 2030 and March 1, 2031	101
September 1, 2031 and any Interest Payment Date thereafter	100

***Mandatory Redemption from Special Tax Prepayments.*** The Bonds are subject to mandatory redemption, in whole, or in part in Authorized Denominations, on any Interest Payment Date, from and to the extent of prepaid Special Taxes required to be applied thereto and any related proportional amounts in the Reserve Fund required to be applied thereto pursuant to the Indenture (see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund”), at the following respective Redemption Prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Price</i>
Any Interest Payment Date from March 1, 2022 through March 1, 2029	103%
September 1, 2029 and March 1, 2030	102
September 1, 2030 and March 1, 2031	101
September 1, 2031 and any Interest Payment Date thereafter	100

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

***Mandatory Sinking Fund Redemption.*** The Bonds maturing September 1, 20\_\_ are subject to mandatory sinking fund redemption, in part, on September 1 in each year, commencing September 1, 20\_\_, at a Redemption Price equal to the principal amount of the Bonds maturing September 1, 20\_\_ to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

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\* Preliminary, subject to change.

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

***Principal Amount  
to be Redeemed***

\$

\*

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(\*) Maturity

If some but not all of the Bonds maturing on September 1, 20\_\_ are redeemed pursuant to the optional redemption provisions of the Indenture described above, the principal amount of the Bonds maturing on September 1, 20\_\_ to be redeemed by mandatory sinking fund redemption as described above on any subsequent September 1 shall be reduced, by \$5,000 or an integral multiple thereof, as designated by the District in a Written Certificate of the District filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of the Bonds maturing on September 1, 20\_\_ so optionally redeemed. If some but not all of the Bonds maturing on September 1, 20\_\_ are redeemed pursuant to the mandatory redemption from Special Tax prepayments provisions of the Indenture, the principal amount of the Bonds maturing on September 1, 20\_\_ to be redeemed by mandatory sinking fund redemption as described above on any subsequent September 1 shall be reduced by the aggregate principal amount of the Bonds maturing on September 1, 20\_\_ so redeemed, such reduction to be allocated among redemption dates as nearly as practicable on a *pro rata* basis in amounts of \$5,000 or integral multiples thereof, as determined by the Trustee, notice of which determination shall be given by the Trustee to the District.

***Selection of Bonds for Redemption.*** Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee will select the Bonds to be redeemed from all Bonds not previously called for redemption (i) with respect to any optional redemption of Bonds, among maturities of the Bonds as directed in a Written Request of the District, and (ii) with respect to any redemption of Bonds from prepayments of Special Taxes, among maturities of all Series of the 2018 Bonds, the Bonds and any Additional Bonds on a *pro rata* basis as nearly as practicable. The Trustee shall select for redemption the 2018 Bonds, the Bonds and any Additional Bonds of the same Series with the same maturity by lot in any manner in which the Trustee, in its sole discretion, shall deem appropriate. For purposes of such selection, all 2018 Bonds, the Bonds and any Additional Bonds shall be deemed to be comprised of separate \$5,000 denominations, and such separate denominations shall be treated as separate 2018 Bonds, Bonds or Additional Bonds, as applicable, which may be separately redeemed.

***Notice of Redemption.*** If the Bonds are held in book-entry form, notice of redemption will be mailed to DTC and not to the Beneficial Owners of the Bonds under the DTC book-entry system. Neither the District nor the Trustee is responsible for giving notice of redemption to the Beneficial Owners. See Appendix G — “INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM” herein.

The Indenture provides that the Trustee on behalf and at the expense of the District will give notice of any redemption by first class mail to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books at least 30 but not more than 60 days prior to the date fixed for redemption. Such notice of redemption will state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers, if any, the Bond numbers and the maturity or maturities of the Bonds to be redeemed (except in the event of redemption of all of the Bonds of such maturity or maturities in whole). The notice of redemption will require that the Bonds to be redeemed be surrendered at the Office of the Trustee for redemption at the Redemption Price, and give notice that further interest on such Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.





Taxes received by or on behalf of the District, including any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes (which shall be limited to the amount of said lien and interest and penalties thereon). The Indenture defines the term “Special Taxes” as the special taxes described and defined in the Rate and Method as “Special Tax A” approved by the qualified electors of the District. “Administrative Expenses” is defined in the Indenture to mean costs directly related to the administration of the District, including, but not limited to: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules and the costs of collecting the Special Taxes, the costs of remitting the Special Taxes to the Trustee, the fees and costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture, the costs incurred by the District in complying with the disclosure provisions of any continuing disclosure undertaking and the Indenture, including those related to public inquiries regarding the Special Taxes and disclosures to Owners, the costs of the District related to an appeal of the Special Taxes, any amounts required to be rebated to the federal government in order for the District to comply with the tax covenants in the Indenture, an allocable share of the salaries of the City staff providing services on behalf of the District directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto, and the costs of foreclosure of delinquent Special Taxes.

Under the Rate and Method, parcels of Taxable Property are classified as Developed Property if the Final Subdivision for such parcel was recorded on or before January 1 of the prior Fiscal Year and a building permit has been obtained for such parcel by March 1 of the Fiscal Year preceding the Special Tax levy. For the Fiscal Year 2021-22 Special Tax levy, based on the development status within the District as of March 1, 2021, 619 parcels of Taxable Property will be classified as Developed Property. For the estimated Fiscal Year 2022-23 Special Tax levy, based on development status within the District as of August 1, 2021, 670 parcels of Taxable Property will be classified as Developed Property. Additionally, as of August 1, 2021, approximately 27.2 acres within the District will be classified as Undeveloped Property for the Fiscal Year 2022-23 Special Tax levy. See “PROPERTY OWNERSHIP AND THE DEVELOPMENTS.” Under no circumstances may the amount of Special Taxes levied by the District in any year exceed the maximum rates approved by the qualified electors within the District, as set forth in the Rate and Method. A copy of the Rate and Method is attached to this Official Statement as Appendix A.

In addition to the Net Special Tax Revenues, any other amounts held by the Trustee in the Special Tax Fund, the Bond Fund and the Reserve Fund are pledged pursuant to the Indenture to secure the payment of the principal of, premium, if any, and interest on the 2018 Bonds, the Bonds and any Additional Bonds in accordance with their respective terms, the Indenture and the Act. However, those amounts are pledged subject to the provisions of the Indenture permitting the application thereof for the purposes set forth in the Indenture. Amounts on deposit in the Improvement Fund, the Costs of Issuance Fund, the Redemption Fund, the Administrative Expense Fund and the Rebate Fund are not pledged to the payment of any of the 2018 Bonds, the Bonds or any Additional Bonds.

**NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT (EXCEPT TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), THE CITY OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET SPECIAL TAX REVENUES AND OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.**

### **Special Taxes**

***Authorization and Pledge.*** In accordance with the provisions of the Act, the City Council established the District on June 7, 2005 for the purpose of financing the Facilities and the Services. At a special election held on June 7, 2005, the qualified elector of the District authorized the District to incur indebtedness, secured

by Special Taxes levied on property in the District, in an amount not to exceed \$36,000,000, and approved the Rate and Method which authorized the Special Taxes to be levied to repay District indebtedness, including the Bonds.

Under the terms of the Indenture, prior to August 1 of each year, the District will ascertain from the County of San Bernardino Assessor the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year. The District will levy the Special Taxes by August 10 of each Fiscal Year that the Bonds and any Additional Bonds are Outstanding, or otherwise such that the computation of the levy is complete before the final date on which the auditor of the County (the “Auditor”) will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the District will prepare, or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

Based on the expected buildout of the District, Assigned Special Tax A rates set forth in the Rate and Method are at least 110% of debt service on the Bonds in each Bond Year plus estimated Administrative Expenses. The Special Taxes levied in any Fiscal Year may not exceed the maximum rates authorized pursuant to the Rate and Method. See Appendix A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. Pursuant to the Act, the Special Taxes levied in any Fiscal Year against any parcel of residential property in the District may not be increased as a consequence of delinquency or default by the owners of any other parcels within the District by more than 10% above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. See “SPECIAL RISK FACTORS — Levy of the Special Tax” and “— Exempt Properties.” Capitalized terms in this section of the Official Statement not defined herein have the meanings ascribed thereto in the Rate and Method.

***Rate and Method of Apportionment of Special Tax.*** The District is legally authorized and has covenanted to cause the levy of the Special Taxes in an amount determined according to a methodology, i.e., the Rate and Method, which the City Council and the qualified elector within the District have approved. The Rate and Method apportions the total amount of Special Tax A and Special Tax B to be collected among the taxable parcels in the District as more particularly described below. The Special Tax A for Facilities is referred to herein as the “Special Taxes.” See “Special Tax A” below. The Special Tax B is not pledged to the repayment of the Bonds and any Additional Bonds and is not available to pay debt service on the Bonds and any Additional Bonds.

The following is a synopsis of the provisions of the Rate and Method, which should be read in conjunction with the complete text of the Rate and Method which is attached as Appendix A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The meaning of the defined terms used in this section are as set forth in Appendix A. This section provides only a summary of the Rate and Method, and is qualified by more complete and detailed information contained in the Rate and Method attached as Appendix A. As used in the Rate and Method, “Bonds” means the Bonds and any Additional Bonds.

“*CFD Administrator*” means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement for Facilities and the Special Tax Requirement for Services and providing for the levy and collection of the Special Taxes.

“*Developed Property*” means, for each Fiscal Year, (i) with respect to the Special Tax A, all Taxable Property, exclusive of Taxable Public Property and Taxable Property Owner Association Property, for which the Final Subdivision was recorded on or before January 1 of the prior Fiscal Year and a building permit for new construction was issued after January 1, 2004 and on or before March 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied, and (ii) with respect to the Special Tax B, all Assessor’s Parcels of Taxable Property for which the Final Residential Subdivision was recorded prior to the Fiscal Year for which the Special Tax B is being levied, and all Assessor’s Parcels of Taxable Property for which a building

permit has been issued with respect to Non- Residential Property prior to the Fiscal Year for which the Special Tax B is being levied.

*“Final Mapped Property”* means, for each Fiscal Year, all Taxable Property, exclusive of Developed Property, Taxable Property Owner Association Property or Taxable Public Property, which as of January 1 of the previous Fiscal Year was located within a Final Subdivision.

*“Residential Floor Area”* means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area for an Assessor’s Parcel will be made by reference to the building permit(s) issued for such Assessor’s Parcel.

*“Special Tax A”* means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within the District to fund the Special Tax Requirement for Facilities.

*“Special Tax Requirement for Facilities”* means the amount required in any Fiscal Year for the District to: (i) pay debt service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs on the Bonds of the District, including but not limited to, credit enhancement and rebate payments on the Bonds of the District due in the calendar year commencing in such Fiscal Year; (iii) pay a proportionate share of Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds of the District; (v) pay directly for acquisition or construction of District facilities eligible under the Act to the extent that the inclusion of such amount does not increase the Special Tax A levy on Undeveloped Property; (vi) pay for reasonably anticipated Special Tax A delinquencies based on the delinquency rate for the Special Tax A levy in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax A levy, as determined by the CFD Administrator pursuant to the Indenture.

*“Taxable Property”* means all of the Assessor’s Parcels within the boundaries of the District which are not exempt from the Special Tax pursuant to law or described below under the subheading “— *Exempt Property.*” Each Fiscal Year, all Taxable Property within the District will be assigned to a Zone and further classified as Developed Property, Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, or Taxable Public Property, and will be subject to Special Taxes in accordance with the Rate and Method of Apportionment described under the subheading “Maximum Special Tax, Assigned Special Tax and Backup Special Tax.”

*“Taxable Property Owner Association Property”* means, for each Fiscal Year, all Assessor’s Parcels of Property Owner Association Property that are not exempt from the Special Tax described below under the subheading “— *Exempt Property,*” and further described in Section E of the Rate and Method attached hereto as Appendix A.

*“Taxable Public Property”* means, for each Fiscal Year, all Assessor’s Parcels of Public Property that are not exempt from the Special Tax described below under the subheading “— *Exempt Property,*” and further described in Section E of the Rate and Method attached hereto as Appendix A.

*“Undeveloped Property”* means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Final Mapped Property, Taxable Property Owner Association Property or Taxable Public Property.

The Rate and Method identifies three Zones. Zone 1 is identified as the area within Lot 1 of Tract Map No. 16868 as identified on Exhibit A to the Rate and Method, and all of Tract Map No. 16872. Zone 2 is identified as the area within Lots 3 – 6 and 9 – 12 of Tract Map No. 16868 as identified on Exhibit A to the Rate and Method. Zone 3 is identified as the area within Lots 2, 7, 8, 13 and 14 of Tract Map No. 16868 as identified on Exhibit A to the Rate and Method. See “PROPERTY OWNERSHIP AND THE DEVELOPMENTS.” Each parcel of Taxable Property within each Zone is further classified as Developed Property, Final Mapped Property, Undeveloped Property Taxable Property Owner Association Property or Taxable Public Property.

***Exempt Property.*** No Special Tax A will be levied on up to 11.0 Acres of Public Property and up to 18.2 Acres of Property Owner Association Property in Zone 1, up to 5.6 Acres of Public Property and up to 29.6 Acres of Property Owner Association Property in Zone 2 and up to 30.9 Acres of Public Property and up to 13.7 Acres of Property Owner Association Property in Zone 3. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property in the applicable Zone becomes Public Property or Property Owner Association Property. However, should an Assessor's Parcel in a Zone no longer be classified as Public Property or Property Owner Association Property, its tax-exempt status will be revoked. Public Property or Property Owner Association Property that is not exempt from the Special Tax A as described above will be subject to the levy of the Special Tax A and will be taxed Proportionately as part of the sixth and seventh steps described under the heading "Method of Apportionment of Special Tax" below. The District will not levy a Special Tax B on Public Property or Property Owner Association Property, except as otherwise provided in Sections 53317.3, 53317.5, and 53340.1 of the Act. The exempt status will be irrevocably assigned by the CFD Administrator.

Based on the ownership identified on the San Bernardino County Assessor Roll for Fiscal Year 2021-22, approximately 33.8 acres within Zone 2 and 2.9 acres within Zone 3 of the District, respectively, are owned by a Property Owner Association. As identified in Section E of the Rate and Method, up to 29.6 acres of Property Owner Association Property in Zone 2 and up to 13.7 acres of Property Owner Association Property in Zone 3 are exempt from the Special Tax. Accordingly, such 4.2 acres in Zone 2 over the Zone 2 exemption limits are classified as Taxable Property Owner Association Property and subject to the levy of the Special Tax as part of the sixth step in Section D of the Rate and Method. Nevertheless, a levy on Taxable Property Owner Association Property is not expected to be required in order to meet the Special Tax Requirement for Facilities for Fiscal Year 2021-22.

***Maximum Special Tax, Assigned Special Tax and Backup Special Tax.*** The Maximum Special Tax, Assigned Special Tax and Backup Special Tax for Special Tax A provided for in the Rate and Method as follows:

*Special Tax A.*

***Developed Property.*** The Maximum Special Tax A for each Assessor's Parcel classified as Developed Property will be the greater of (i) the amount derived by application of the Assigned Special Tax A or (ii) the amount derived by application of the Backup Special Tax A.

- ***Assigned Special Tax A.*** Residential Property will be assigned to Land Use Classes 1 through 17 as listed in Table 1 in Section C of the Rate and Method. For Fiscal Year 2021-22, the Assigned Special Tax A applicable to an Assessor's Parcel classified as Residential Property will range from \$1,180 per unit for units with a Residential Floor Area less than 1,275 square feet, to \$3,764 per unit for units with a Residential Floor Area greater than or equal to 4,275 square feet. For Fiscal Year 2021-22, the Assigned Special Tax A applicable to an Assessor's Parcel classified as Non-Residential Property is \$32,233 per acre.
- ***Backup Special Tax A.*** The Fiscal Year 2021-22 Backup Special Tax A attributable to a Final Subdivision in Zone 1, Zone 2, or Zone 3 will equal \$20,945 per Acre with respect to Zone 1, \$31,636 per Acre with respect to Zone 2 and \$37,916 per Acre with respect to Zone 3, multiplied by the Acreage of all Taxable Property, exclusive of any Taxable Property Owner Association Property and Taxable Public Property, therein. The Backup Special Tax A for each Assessor's Parcel of Residential Property will be computed by dividing the Backup Special Tax A attributable to the applicable Final Subdivision by the number of Assessor's Parcels for which building permits for residential construction have or may be issued (i.e., the number of residential lots). The Backup Special Tax A for each Assessor's Parcel of Non-Residential Property in Zone 1, Zone 2, or Zone 3 will equal will equal \$20,945 per Acre with respect to Zone 1, \$31,636 per Acre with respect to Zone 2 and \$37,916 per Acre with respect to Zone 3, multiplied by the Acreage of such Assessor's Parcel.

- The Fiscal Year 2021-22 Assigned Special Tax A and Backup Special Tax A are not subject to change and will remain the same in every Fiscal Year.

*Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property.* For Fiscal Year 2021-22, the Initial Maximum Special Tax A for each Assessor's Parcel of Final Mapped Property and Undeveloped Property in Zone 1, Zone 2 and Zone 3 is \$17,806 per Acre, \$26,894 per Acre and \$32,233 per Acre, respectively. For Fiscal Year 2021-22, the Maximum Special Tax A rate for an Assessor's Parcel of Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property and Taxable Public Property is \$37,916 per Acre. The Fiscal Year 2021-22 Initial Maximum Special Tax A rates and Maximum Special Tax A rates for Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property are not subject to change and will remain the same in every Fiscal Year.

*Method of Apportionment of Special Tax.* Each Fiscal Year, the City Council shall determine the Special Tax Requirement for Facilities and, subject to the Maximum Special Tax A rates described above, levies the Special Tax A until the total Special Tax A levy equals the Special Tax Requirement for Facilities. The Special Tax A will be levied each Fiscal Year as follows:

First: The Special Tax A shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Assigned Special Tax A;

Second: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Final Mapped Property in Zone 1, Zone 2, and Zone 3 at up to 100% of the applicable Initial Maximum Special Tax A;

Third: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the second step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property in Zone 1, Zone 2, and Zone 3 at up to 100% of the applicable Initial Maximum Special Tax A;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the levy of the Special Tax A on each Assessor's Parcel of Final Mapped Property and Undeveloped Property in Zone 1, Zone 2, and Zone 3 shall be increased in equal percentages from the applicable Initial Maximum Special Tax A for such Zone up to 100% of the applicable Maximum Special Tax A for Final Mapped Property and Undeveloped Property;

Fifth: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first four steps have been completed, then the levy of the Special Tax A on each Assessor's Parcel of Developed Property in Zone 1, Zone 2, and Zone 3 whose Maximum Special Tax A is determined through the application of the Backup Special Tax A shall be increased in equal percentages from the Assigned Special Tax A up to the Maximum Special Tax A for each such Assessor's Parcel;

Sixth: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first five steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property at up to the Maximum Special Tax A for Taxable Property Owner Association Property; and

Seventh: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first six steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property at up to the Maximum Special Tax A for Taxable Public Property.

Notwithstanding the above the City Council may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax A in step one (above), when (i) the Council is no longer required to levy the Special Tax A pursuant to steps two through seven above in order to meet the Special Tax Requirement for Facilities, and (ii) all authorized Bonds have already been issued or the City Council has covenanted that it will not issue any additional Bonds (except refunding bonds) to be supported by the Special Tax A. Further notwithstanding the above, under no circumstances will the Special Tax A levied against any Assessor's Parcel of Residential Property for which a Certificate of Occupancy has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District.

***Prepayment of Special Taxes.*** The Special Tax A obligation for an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Final Mapped Property or Undeveloped Property for which a building permit has been issued, may be prepaid in full, or in part, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment, provided that the terms set forth under Section H of the Rate and Method are satisfied. The Prepayment Amount is calculated based on the Bond Redemption Amount plus Redemption Premium plus the Future Facilities Amount and other costs, less a credit for the resulting reduction in the Reserve Requirement for the Bonds (if any) and less capitalized interest (if any), all as specified in Appendix A — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX — Section H."

***Estimated Debt Service Coverage.*** Based on the expected buildout of the District, Assigned Special Tax A rates set forth in the Rate and Method are at least 110% of debt service on the Bonds in each Bond Year plus estimated Administrative Expenses. The District may levy up to the Maximum Special Tax A rates on Taxable Property within the District. See "— Special Taxes — *Maximum Special Tax, Assigned Special Tax and Backup Special Tax,*" "— Special Taxes — *Exempt Property*" and "Special Taxes — *Taxable Property*" herein.

Pursuant to the Rate and Method, the status of Developed Property is based on building permits issued as of March 1 of the Fiscal Year preceding the Fiscal Year for which the Special Tax A is levied for parcels with a Final Subdivision recorded on or before January 1 of the prior Fiscal Year. As of March 1, 2021, 619 building permits had been issued for attached or detached residential units within the District and such units were within the final subdivisions that have recorded as of January 1, 2021 and such parcels of Taxable Property will be classified as Developed Property for the Fiscal Year 2021-22 Special Tax levy within the District. All 392 of the parcels being developed by the Merchant Builders will be classified as Undeveloped Property for the Fiscal Year 2021-22 Special Tax levy.

As of August 1, 2021, 51 parcels of Taxable Property owned by Richmond American are projected to be classified as Developed Property for Fiscal Year 2022-23 based upon (i) the building permits that have been obtained for such properties as of August 1, 2021, and (ii) the Final Subdivisions encompassing such properties that have been recorded as of August 1, 2021. The remaining 341 parcels of Taxable Property currently classified as Undeveloped Property for the Fiscal Year 2021-22 Special Tax levy, including 51 parcels owned by Richmond American, 60 parcels owned by Taylor Morrison, 91 parcels owned by PLC, and 139 parcels owned by Tri Pointe, are projected to be classified as Undeveloped Property for the Fiscal Year 2022-23 Special Tax levy.

It is not certain that all 1,011 of the proposed residential units will be constructed within the District. Accordingly, no assurance can be given that the projected debt service coverage of 110% of Maximum Special Tax A taxes for the Bonds will be realized from Developed Property, and a significant portion of debt service on the Bonds may be payable from Special Taxes levied on Final Mapped Property and Undeveloped Property. See "PROPERTY OWNERSHIP AND THE DEVELOPMENTS" and "SPECIAL RISK FACTORS — Failure to Develop Properties."

Moreover, the coverage from Maximum Special Tax A taxes from Developed Property could be reduced substantially, and coverage from Final Mapped Property and Undeveloped Property could be increased substantially, in the event that Additional Bonds for Facilities are issued in accordance with the Indenture. See

“— Additional Bonds” below and “SPECIAL RISK FACTORS — Effect of Additional Bonds on Credit Quality.”

### **Collection and Application of Special Taxes**

The Special Taxes are levied and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes; provided, however, that the District may directly bill the Special Taxes, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor’s Parcels as permitted by the Act.

The District has made certain covenants in the Indenture for the purpose of ensuring that the current maximum rates and method of collection of the Special Taxes are not altered in a manner that would impair the District’s ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. First, the District has covenanted that, to the extent it is legally permitted to do so, it will not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the 2018 Bonds, the Bonds and any Additional Bonds and if an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the 2018 Bonds, the Bonds or any Additional Bonds, the District shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the 2018 Bonds, the Bonds and any Additional Bonds. Second, the District has covenanted not to authorize owners of taxable parcels within the District to satisfy Special Tax obligations by the tender of the 2018 Bonds, the Bonds and any Additional Bonds unless the District shall have first obtained a report of an Independent Consultant certifying that doing so would not result in the District having insufficient Special Tax Revenues to pay the principal of and interest on all Outstanding 2018 Bonds, Bonds and any Additional Bonds when due.

Although the Special Taxes constitute liens on Taxable Property within the District, they do not constitute a personal indebtedness of the owners of such property within the District. Moreover, other overlapping general obligation debt already exists on the property located within the District and other future special tax and assessment liens and overlapping general obligation debt could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners therein. See “SPECIAL RISK FACTORS — Parity Taxes and Special Assessments” herein. There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled “SPECIAL RISK FACTORS.”

Under the terms of the Indenture, the Trustee shall establish and maintain a separate fund designated the “Special Tax Fund.” As soon as practicable after the receipt by the District of any Special Tax Revenues, but in any event no later than the date ten Business Days prior to the Interest Payment Date after such receipt, the District shall transfer such Special Tax Revenues to the Trustee for deposit in the Special Tax Fund; provided, however, that any portion of any such Special Tax Revenues that represents prepaid Special Taxes that are to be applied to the payment of the redemption price of the 2018 Bonds, the Bonds and any Additional Bonds in accordance with the provisions hereof shall be identified to the Trustee as such by the District and shall be deposited in the Redemption Fund. See “— Special Tax Fund” below, “THE BONDS — Redemption — Mandatory Redemption from Special Tax Prepayments” and Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

### **Covenant for Superior Court Foreclosure**

Pursuant to Section 53356.1 of the Act, the District has covenanted in the Indenture that it will determine or cause to be determined, no later than September 15 of each year, whether or not any owners of property within the District are delinquent in the payment of Special Taxes and that, if such delinquencies exist, the District will



order and cause to be commenced no later than November 1, and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due. Notwithstanding the foregoing, the District is not required under the Indenture to order the commencement of foreclosure proceedings if (a) the total Special Tax delinquency in the District for such Fiscal Year is less than 5% of the total Special Taxes levied in such Fiscal Year, and (b) the amount then on deposit in the Reserve Fund is equal to the Reserve Requirement. Notwithstanding the foregoing, if the District determines that any single property owner is delinquent in excess of \$5,000 in the payment of the Special Taxes, then the District will diligently institute, prosecute and pursue foreclosure proceedings against such property owner.

The mere commencement of foreclosure proceedings will not assure a prompt and favorable resolution of Special Tax delinquencies. The ability of the District to foreclose the lien of delinquent unpaid Special Taxes may be limited. See “SPECIAL RISK FACTORS — Bankruptcy and Legal Delays” and “— FDIC/Federal Government Interests in Properties.” Moreover, even if a judgment of foreclosure and order of sale is obtained, the District must cause a notice of levy to be issued. Under current law, the property owner has 120 days from the date of service of the notice of levy in which to redeem the subject property. If the property owner fails to redeem the property and it is sold, the property owner’s only remedy is an action to set aside the sale, which action must be brought within 90 days of the date of sale. If such an action results in the setting aside of the foreclosure sale, the judgment is revived, and the District would be entitled to receive interest on the revived judgment as if the sale had not been made. Under former law a property owner had a period of one year within which to redeem property to be sold, and the constitutionality of the legislation that eliminated the one year redemption period has not been tested.

There can be no assurance that, even if the subject property is sold, the proceeds from such sale will be sufficient to pay the delinquent installments of the Special Tax. The Act does not require the District or any other governmental agency to purchase or otherwise acquire any Assessor’s Parcel being sold if there is no other purchaser at such sale. The Act does require that property being sold pursuant to foreclosure under the Act must be sold for not less than the judgment amount (which must include reasonable attorneys’ fees, together with interest, penalties, and other authorized charges and costs) plus post judgment interest and authorized costs, unless a lower bid price is authorized by the Owners of not less than 75% by value of the 2018 Bonds, the Bonds and any Additional Bonds Outstanding.

### **Special Tax Fund**

Pursuant to the Indenture, the Trustee was required to establish and maintain a separate fund designated the “Special Tax Fund.” The Indenture requires that the District transfer Special Tax Revenues (other than prepaid Special Taxes) to the Trustee for deposit into the Special Tax Fund as soon as practicable after the District’s receipt thereof, but in any event no later than ten Business Days prior to the Interest Payment Date after such receipt. No later than the Business Day immediately preceding each Interest Payment Date, after having made any requested transfers to the Administrative Expense Fund, as requested by the District, to have sufficient amounts available therein to pay Administrative Expenses, the Trustee is required by the Indenture to make transfers from the Special Tax Fund to the Interest Account in the Bond Fund, the Principal Account in the Bond Fund and the Reserve Fund in the amounts and in the priority specified in the Indenture. See Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

As soon as practicable after the District’s receipt of prepaid Special Taxes, but in any event no later than ten Business Days prior to the Interest Payment Date after such receipt, the District is required to transfer any prepaid Special Taxes to the Trustee and, in connection therewith, deliver to the Trustee a Written Certificate identifying such amounts as prepaid Special Taxes, identifying the portion of such prepaid Special Taxes so transferred that is to be applied to the Redemption Price of the 2018 Bonds, the Bonds and any Additional Bonds and identifying the portion of such prepaid Special Taxes that is to be applied to the payment of interest on the 2018 Bonds, the Bonds and any Additional Bonds to be so redeemed. The portion of such prepaid Special Taxes that is to be applied to the Redemption Price will be deposited by the Trustee in the Redemption Fund and will be applied to the redemption of the 2018 Bonds, the Bonds and any Additional Bonds pursuant to the Indenture.

The portion of such prepaid Special Taxes that is to be applied to the payment of interest on the 2018 Bonds, the Bonds and any Additional Bonds to be so redeemed will be deposited by the Trustee in the Interest Account and will be applied to the payment of such interest.

### **Reserve Fund**

Pursuant to the Indenture, the Trustee was required to establish and maintain a special fund designated the “Reserve Fund.” On the Series 2021 Closing Date, the Trustee will deposit in the Reserve Fund the amount specified under the caption “ESTIMATED SOURCES AND USES OF FUNDS.” The Trustee is also required, not later than the Business Day immediately preceding each Interest Payment Date, to transfer from the Special Tax Fund (after the requisite transfers to the Administrative Expense Fund, the Interest Account and the Principal Account) the amount, if any, necessary to cause the amount on deposit in the Reserve Fund to be equal to the Reserve Requirement. The Indenture defines “Reserve Requirement” to mean, as of the date of any calculation, the least of (i) 10% of the original aggregate principal amount of the 2018 Bonds, the Bonds and any Additional Bonds (excluding 2018 Bonds, Bonds and any Additional Bonds refunded with the proceeds of subsequently issued Additional Bonds), (ii) Maximum Annual Debt Service and (iii) 125% of Average Annual Debt Service.

Except as otherwise provided in the Indenture, all amounts deposited in the Reserve Fund are to be used and withdrawn by the Trustee solely for the purpose of (i) making transfers to the Interest Account in accordance with the Indenture in the event that, on the Business Day prior to an Interest Payment Date, amounts in the Interest Account are insufficient to pay the interest on the 2018 Bonds, the Bonds and any Additional Bonds due and payable on such Interest Payment Date, (ii) making transfers to the Principal Account in accordance with the Indenture in the event that, on the Business Day prior to a September 1 on which principal of the 2018 Bonds, the Bonds and any Additional Bonds is due and payable, amounts in the Principal Account are insufficient to pay such principal, and (iii) redeeming 2018 Bonds, Bonds and any Additional Bonds in accordance with the Indenture as described in the following paragraph.

Whenever the 2018 Bonds, the Bonds or any Additional Bonds are to be optionally redeemed or redeemed from Special Tax prepayments, a proportionate share (determined as provided below) of the amount on deposit in the Reserve Fund will, on the date on which amounts to redeem such 2018 Bonds, Bonds or any Additional Bonds are deposited in the Redemption Fund or otherwise deposited with the Trustee, be transferred by the Trustee from the Reserve Fund to the Redemption Fund or to such deposit held by the Trustee and will be applied to the redemption of said 2018 Bonds, Bonds or any Additional Bonds; provided that, such amount will be so transferred only if and to the extent that the amount remaining on deposit in the Reserve Fund will be at least equal to the Reserve Requirement (excluding from the calculation thereof said 2018 Bonds, Bonds or any Additional Bonds to be redeemed). Such proportionate share will be equal to the largest integral multiple of the minimum Authorized Denomination for said Bonds that is not larger than the amount equal to the product of (i) the amount on deposit in the Reserve Fund on the date of such transfer, times (ii) a fraction, the numerator of which is the principal amount of 2018 Bonds, Bonds or any Additional Bonds to be so redeemed and the denominator of which is the principal amount of 2018 Bonds, Bonds or any Additional Bonds to be Outstanding on the day prior to the date on which such 2018 Bonds, Bonds or any Additional Bonds are to be so redeemed.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2018 Bonds, Bonds and any Additional Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Trustee will, upon receipt of a Written Request of the District, transfer the amount in the Reserve Fund to the Interest Account, Principal Account and/or Redemption Fund, as applicable, to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding 2018 Bonds, Bonds and any Additional Bonds. If, as a result of the scheduled payment of principal of or interest on the 2018 Bonds, the Bonds and any Additional Bonds, the Reserve Requirement is reduced, the Trustee will transfer an amount equal to the amount of such reduction to the Interest Account.

## Investment of Moneys

All moneys held by the Trustee in any of the funds or accounts established pursuant to the Indenture are required to be invested by the Trustee solely in Permitted Investments, as directed in writing by the District. As used in the Indenture, the phrase “Permitted Investments” includes a variety of investments, some of which may not be rated by a national rating service. See Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions.”

## Additional Bonds

The District may at any time after the issuance and delivery of the Bonds issue Additional Bonds for the purpose of financing additional Facilities in an aggregate amount not to exceed \$1,805,000\* payable from Net Special Tax Revenues on a parity with the Outstanding 2018 Bonds and Bonds. Additional Bonds may also be issued for the purpose of refunding all or a portion of the 2018 Bonds, the Bonds or any Additional Bonds then Outstanding, for providing funds to pay costs of issuance incurred in connection with the issuance of such Additional Bonds, and providing funds to make any deposit to the Reserve Fund required under the Indenture in connection with the issuance of such Additional Bonds. The issuance of Additional Bonds to fund additional Facilities costs will require an increase in the amount of Special Taxes levied annually, which could result in the need to levy Special Taxes on Final Mapped Property and Undeveloped Property and would reduce the coverage ratio between the Maximum Special Taxes that could be levied annually and the annual levy required to pay debt service on the 2018 Bonds, the Bonds and any Additional Bonds plus Administrative Expenses. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Estimated Debt Service Coverage*” and “SPECIAL RISK FACTORS — Effect of Additional Bonds on Credit Quality.”

The Indenture provides that Additional Bonds may only be issued subject to certain conditions precedent, including but not limited to the District having received a certificate of one or more Independent Consultants that, when taken together, certify that:

- (i) on the basis of the parcels of land and improvements existing in the District as of the January 1 preceding the proposed issuance of such Additional Bonds, for each Fiscal Year that 2018 Bonds, Bonds and any Additional Bonds will be Outstanding the amount of the Available Special Taxes that may be levied on all Taxable Property in such Fiscal Year is at least equal to 110% of Annual Debt Service for the Corresponding Bond Year on all Outstanding 2018 Bonds, Bonds and any Additional Bonds; provided, however, that there shall be excluded from such calculation any Available Special Taxes levied or that may be levied on any parcel of Taxable Property that, as of the date of such certificate, is in default in the payment of any Special Taxes levied thereon;
- (ii) the sum of (A) the Assessed Value of parcels of Taxable Property for which a Qualified Appraisal Report has not been provided, plus (B) the Appraised Value of parcels of Taxable Property for which a Qualified Appraisal Report has been provided, as such Appraised Value is shown in such Qualified Appraisal Report, is at least seven times the sum of (I) the aggregate principal amount of Outstanding 2018 Bonds, Bonds and any Additional Bonds, plus (II) the aggregate principal amount of all fixed lien special assessments levied on parcels of Taxable Property, based upon information from the most recent Fiscal Year for which such information is available, plus (III) the sum of a portion of the aggregate principal amount of Other CFD Bonds, which portion shall be equal to the aggregate principal amount of such Other CFD Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for such Other CFD Bonds on parcels of Taxable Property, and the denominator of which is

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\* Preliminary, subject to change.

the total amount of special taxes levied for such Other CFD Bonds on all parcels of land (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on such Other CFD Bonds occurs), based upon information from the most recent Fiscal Year for which such information is available; and

- (iii) the sum of (A) the Assessed Value of parcels of Unmapped Property for which a Qualified Appraisal Report has not been provided, plus (B) the Appraised Value of parcels of Unmapped Property for which a Qualified Appraisal Report has been provided, as such Appraised Value is shown in such Qualified Appraisal Report, is at least three times the sum of (I) a portion of the aggregate principal amount of Outstanding 2018 Bonds, Bonds and any Additional Bonds, which portion shall be equal to the aggregate principal amount of such Outstanding 2018 Bonds, Bonds and any Additional Bonds multiplied by a fraction, the numerator of which is the amount of Special Taxes levied for such Outstanding 2018 Bonds, Bonds and any Additional Bonds on parcels of Unmapped Property, and the denominator of which is the total amount of Special Taxes levied for such Outstanding 2018 Bonds, Bonds and any Additional Bonds on all parcels of land (such fraction to be determined based upon the Maximum Special Taxes which could be levied in the year in which Maximum Annual Debt Service on such Outstanding 2018 Bonds, Bonds and any Additional Bonds occurs), plus (II) the aggregate principal amount of all fixed lien special assessments levied on parcels of Unmapped Property, based upon information from the most recent Fiscal Year for which such information is available, plus (III) the sum of a portion of the aggregate principal amount of Other CFD Bonds, which portion shall be equal to the aggregate principal amount of such Other CFD Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for such Other CFD Bonds on parcels of Unmapped Property, and the denominator of which is the total amount of special taxes levied for such Other CFD Bonds on all parcels of land (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on such Other CFD Bonds occurs), based upon information from the most recent Fiscal Year for which such information is available.

Notwithstanding the foregoing, the receipt of a certificate described above will not be a condition precedent to the issuance of Additional Bonds if (i) such Additional Bonds are being issued to refund previously issued 2018 Bonds, Bonds and/or any previously issued Additional Bonds, and (ii) the Annual Debt Service in each Bond Year, calculated for all 2018 Bonds, Bonds and any Additional Bonds that will be Outstanding after the issuance of such Additional Bonds, will be less than or equal to Annual Debt Service in such Bond Year, calculated for all 2018 Bonds, Bonds and any Additional Bonds that are Outstanding immediately prior to the issuance of such Additional Bonds.

For a complete description of all conditions that must be satisfied prior to issuance of Additional Bonds, see Appendix B — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

### **Subordinate Obligations**

The Indenture provides that the District may issue obligations payable from Net Special Tax Revenues on a basis subordinate to the 2018 Bonds, the Bonds or any Additional Bonds (not to exceed the District’s remaining authorized maximum bonded indebtedness of \$1,805,000\*) without complying with the provisions of the Indenture relating to the issuance of Additional Bonds as described above.

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\* Preliminary, subject to change.

## **THE COMMUNITY FACILITIES DISTRICT**

### **General Information Regarding the District**

The District was organized by the City Council under the Act to provide for the financing of public improvements to meet the needs of new development related to the District. The qualified elector within the boundaries of the District, being the then owner of all property in the District, authorized the District to incur bonded indebtedness to finance certain public facilities to meet the needs of new development within the District and approved the Rate and Method for and authorized the levy of the Special Tax.

The District includes approximately 215.9 gross acres and approximately 106.9 net acres and is located in the northern portion of the City, near Interstate 15 and Summit Avenue, in the western portion of the County. The District is bounded to the south by Summit Avenue, on the east by Citrus Avenue, and on the west by Lytle Creek Road.

The property within the District is being developed into a master planned community known as “Shady Trails.” At build-out, Shady Trails is planned to contain twelve neighborhoods consisting of 1,011 attached and detached single-family residential units. 629 homes have been completed and conveyed to individual homeowners with the remaining 392 proposed homes within Planning Areas 13, 14, 16 and 17 of the District, 10 of which have been completed and conveyed to individual homeowners, being developed into four new neighborhoods known as “Wisteria,” “Aspen Court,” “Birch Bend,” and “Juniper,” respectively. The property within Planning Areas 13, 14, 16 and 17 of the District includes 32.7 net acres and is proposed to include 162 single-family detached condominium pads and 230 single-family attached residential units. Richmond American purchased Wisteria from the Master Developer in two take-downs based on an agreement signed in June 2019. The first take-down was for 61 lots with a minimum building pad size of 2,800 square feet which closed in August 2020. The second take-down was for 41 lots and closed on June 2, 2021. Taylor Morrison purchased Aspen Court from the Master Developer in January 2021. PLC purchased Juniper from the Master Developer in January 2021. Tri Pointe purchased Birch Bend from the Master Developer in January 2021.

As of August 1, 2021, the date of value of the Appraisal (defined herein), within Planning Areas 13, 14, 16 and 17 of the District, there were 10 homes completed and conveyed to individual homeowners, 16 model homes, 18 homes were over 95% complete (17 of which were in escrow), 78 homes were under construction (38 of which were in escrow) and the remaining 270 lots were in a finished lot/pad condition (5 of which were in escrow). As of August 1, 2021, of the 102 proposed single-family detached residential units within the Wisteria neighborhood, 10 homes had been completed and conveyed to individual homeowners, 3 model homes had been completed, 10 homes were over 95% complete (all of which were in escrow), 31 homes were under construction (all of which were in escrow) and the remaining 48 lots were in a finished lot condition (5 of which were in escrow) and owned by Richmond American. As of August 1, 2021, of the 60 proposed single-family detached condominium courtyard homes within Aspen Court, 4 model homes had been completed, 8 homes were over 95% complete (7 of which were in escrow), 16 homes were under construction (2 of which were in escrow) and the remaining 32 pads were in a finished condition (none of which were in escrow) and owned by Taylor Morrison. As of August 1, 2021, of the 91 proposed homes within the Juniper neighborhood, 4 model homes had been completed, 9 homes were under construction (none of which were in escrow) and the remaining 78 pads were in a finished lot condition (none of which were in escrow) and owned by PLC. As of August 1, 2021, of the 139 proposed homes within the Birch Bend neighborhood, 5 model homes had been completed, 22 homes were under construction (5 of which were in escrow) and the remaining 112 pads were in a finished condition (none of which were in escrow) and owned by Tri Pointe. Sales contracts are subject to cancelation and, therefore, homes currently in escrow may not result in closed escrows with the prospective homebuyers. 108 building permits had been obtained within Planning Areas 13, 14, 16 and 17 of the District as of August 1, 2021. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

The Shady Trails community includes an approximately 15,000 square foot community recreation center named “The Parkhouse.” The Parkhouse includes an approximately 2,600 square foot fitness center, a

theatre, library, business center, game rooms and cyber café. The Parkhouse also includes a junior Olympic sized swimming pool, spa, sun decks within an approximately 3.5 acre park.

Completion of the development of the undeveloped land in the District requires compliance with development conditions and mitigation provisions. The environmental permits from regulatory authorities with respect to the planned development within the District have been obtained, although implementation of the required mitigation has not been completed. The City has concluded documentation under CEQA for development in the District. The City has certified an Environmental Impact Report (as defined herein) for the Citrus Heights North Specific Plan and given environmental clearance in the form of mitigated negative declarations for the planned development of the property. Other than satisfaction of the mitigated negative declarations set forth in the Environmental Impact Report, all environmental authorizations expected to be required prior to the development of the remaining undeveloped land for its intended purpose have been obtained. Development of the remaining undeveloped property in the District includes certain ongoing risks. See “SPECIAL RISK FACTORS — Failure to Develop Properties” and “— Effect of Additional Bonds on Credit Quality.”

The District is not located within an Alquist-Priolo Special Study Zone for active faults and no known active or potentially active faults are present within the District. However, the District is located south of the junction of two major active fault zones. These faults are the northwest trending San Jacinto fault zone and the east to northeast trending Cucamonga fault zone. The Rialto-Colton fault is also located near the District. In addition there are many other faults in California that could generate earthquakes that would be felt at the site. See “SPECIAL RISK FACTORS — Geologic, Topographic and Climatic Conditions.”

The Federal Emergency Management Agency has determined that the District is located in a Zone “X” flood area (an area of minimal flooding, outside the 500-year flood plain), and flood insurance is not required.

A map showing the general location of the District and the surrounding area appears on the pages before page 1. Information about the ownership of such property is set forth under the caption “PROPERTY OWNERSHIP AND THE DEVELOPMENTS.” General information about the City is set forth in Appendix E.

### **Direct and Overlapping Debt**

The District is included within the boundaries of numerous overlapping local agencies providing governmental services. Some of these local agencies have outstanding bonds, and/or the authority to issue bonds, payable from taxes or assessments. The existing and authorized indebtedness payable from taxes and assessments that may be levied upon the property within the District is shown in Table 1 below. In addition to current debt, new community facilities districts and/or special assessment districts could be formed in the future encompassing all or a portion of the property within the District; and such districts or the agencies that formed them could issue more bonds and levy additional special taxes or assessments.

**TABLE 1**  
**CITY OF FONTANA**  
**COMMUNITY FACILITIES DISTRICT NO. 31 (CITRUS HEIGHTS NORTH)**  
**DIRECT AND OVERLAPPING DEBT SUMMARY (TAXABLE PROPERTY)**

<i>Overlapping District</i>	<i>Percent Applicable to District<sup>(1)</sup></i>	<i>Total Debt Outstanding<sup>(2)</sup></i>	<i>District Share of Total Debt Outstanding</i>
Fontana Unified School District G.O. Bonds	1.63464%	\$277,054,840	\$ 4,528,850
Chaffey Community College District G.O. Bonds	0.23731	332,395,000	788,810
Metropolitan Water District Mid-Valley G.O. Bonds	0.00650	32,230,000	<u>2,100</u>
Estimated Share of Overlapping Debt Allocable to District			\$ 5,319,760
Plus: 2018 Bonds <sup>(3)</sup>			16,290,000
Plus: The Bonds			<u>8,020,000*</u>
Estimated Share of Direct and Overlapping Debt Allocable to District			\$ 29,629,760*

\* Preliminary, subject to change.

(1) Based on the District's estimated share of the Fiscal Year 2020-21 levy for each applicable overlapping district.

(2) Based on overlapping tax and assessment debt as of May 1, 2021. Excludes debt secured by any tax or assessment established and levied on an individual Assessor's Parcel pursuant to a contractual agreement or other voluntary consent by the owner thereof.

(3) Based on the 2018 Bonds outstanding as of September 2, 2021.

Source: DTA, Inc., County of San Bernardino.

As shown in Table 2, the average total effective tax rate for completed homes conveyed to individual homeowners as of January 1, 2021 in the District ranges from approximately 1.641% to approximately 1.867% of the Fiscal Year 2021-22 assessed value.

The following table sets forth the estimated total effective tax rate of completed homes in selected classifications under the Rate and Method selected to show the range of projected total effective tax rates, based on average Fiscal Year 2021-22 assessed values, owned by individual homeowners in the District for Fiscal Year 2021-22.

**TABLE 2**  
**CITY OF FONTANA**  
**COMMUNITY FACILITIES DISTRICT NO. 31 (CITRUS HEIGHTS NORTH)**  
**PROJECTED FISCAL YEAR 2021-22 TOTAL EFFECTIVE TAX RATES**  
**FOR INDIVIDUALLY OWNED RESIDENTIAL PROPERTY**

<i>DESCRIPTION / ASSESSED VALUATION</i>		<i>CLASS 1</i>	<i>CLASS 4</i>	<i>CLASS 7</i>	<i>CLASS 10</i>	<i>CLASS 13</i>	<i>CLASS 15</i>
Average Unit Size for Representative Land Use Classes		4,560	3,790	3,180	2,620	1,990	1,610
Average Assessed Value <sup>(1)</sup>		\$ 531,930	\$ 518,840	\$ 453,720	\$ 417,100	\$ 354,170	\$ 371,580
Less: Homeowner Exemption		(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)
Equals: Average Taxable Assessed Value <sup>(2)</sup>		\$ 524,930	\$ 511,840	\$ 446,720	\$ 410,100	\$ 347,170	\$ 364,580
<b><i>AD VALOREM PROPERTY TAXES</i><sup>(2)(3)</sup></b>	<b><i>Property Tax Rate</i></b>	<b><i>Projected Amount</i></b>	<b><i>Projected Amount</i></b>	<b><i>Projected Amount</i></b>	<b><i>Projected Amount</i></b>	<b><i>Projected Amount</i></b>	<b><i>Projected Amount</i></b>
Base Property Tax	1.0000%	\$ 5,249	\$ 5,118	\$ 4,467	\$ 4,101	\$ 3,472	\$ 3,646
Metropolitan Water District G.O. Bonds	0.0035	18	18	16	14	12	13
Chaffey Community College District G.O. Bonds	0.0111	58	57	50	46	39	40
Fontana Unified School District G.O. Bonds	0.0671	352	343	300	275	233	245
Subtotal <i>Ad Valorem</i> Property Tax Rate/Taxes	1.0817%	\$ 5,677	\$ 5,536	\$ 4,833	\$ 4,436	\$ 3,756	\$ 3,944
<b><i>PARCEL CHARGES, ASSESSMENTS AND SPECIAL TAXES</i><sup>(4)</sup></b>		<b><i>Projected Amount</i></b>	<b><i>Projected Amount</i></b>	<b><i>Projected Amount</i></b>	<b><i>Projected Amount</i></b>	<b><i>Projected Amount</i></b>	<b><i>Projected Amount</i></b>
Metropolitan Water District Water Standby Charge		\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8
Fontana Vector Control Charge		6	6	6	6	6	6
City of Fontana Sewer User Fee <sup>(5)</sup>		NA	NA	NA	NA	NA	NA
City of Fontana CFD No. 31 Services Special Tax <sup>(6)</sup>		475	475	475	475	475	475
City of Fontana CFD No. 31 Facilities Special Tax <sup>(7)</sup>		3,764	3,409	3,130	2,795	2,108	1,664
Subtotal Parcel Charges, Assessments And Special Taxes		\$ 4,253	\$ 3,898	\$ 3,619	\$ 3,284	\$ 2,597	\$ 2,153
Projected Total Property Taxes		\$ 9,930	\$ 9,434	\$ 8,452	\$ 7,720	\$ 6,353	\$ 6,097
<b>PROJECTED EFFECTIVE TAX RATE (% OF ASSESSED VALUE)</b>		<b>1.867%</b>	<b>1.818%</b>	<b>1.863%</b>	<b>1.851%</b>	<b>1.794%</b>	<b>1.641%</b>

(1) Average assessed value for a homeowner occupied dwelling unit based on assessed value information provided by the San Bernardino County Assessor for Fiscal Year 2021-22.

(2) Average taxable assessed value and *ad valorem* taxes incorporate owner-occupied assessed value exemption of \$7,000.

(3) Based on the Fiscal Year 2020-21 *ad valorem* rates for the tax rate area(s) within the District. Rates subject to change in future years.

(4) Based on the Fiscal Year 2020-21 charges identified on the San Bernardino County issued property tax bills. Charges subject to change in future years.

(5) Excluded from the effective tax rate determination pursuant to the City of Fontana Community Facilities and Assessment District Policy Guidelines.

(6) Based on the projected Fiscal Year 2021-22 levy of the Assigned Special Tax B.

(7) Based on the projected Fiscal Year 2021-22 levy of the Assigned Special Tax A.

Source: DTA, Inc., City of Fontana, County of San Bernardino.



## Estimated Value-to-Lien Ratios

The value of the property within the District is significant because, in the event of a delinquency in the payment of Special Taxes, the District may foreclose only against delinquent parcels. Likewise, the ratio of the value of a parcel to its “share” of the Bonds is important because it provides an indication of the extent of the relative burden imposed on each parcel by the applicable Special Tax. The Value of the taxable property within the District equals \$356,308,292 (previously defined as the sum of the aggregate Appraised Value of the Taxable Property within Planning Areas 13, 14, 16 & 17 of the District (\$70,081,122), plus the aggregate Fiscal Year 2021-22 assessed value of all other Taxable Property within the District (\$286,227,170)). See the caption “INTRODUCTION – Appraisal Report.” Value is allocated based on the estimated Fiscal Year 2022-23 Special Tax levy. The ratio of Value to the \$24,310,000\* aggregate principal amount of the Bonds and 2018 Bonds is approximately 14.66\*-to-1. This ratio does not include other overlapping general obligation debt within the District. At this time there is no other overlapping land secured special tax or assessment debt within the District. See “— Direct and Overlapping Debt.” Taking other overlapping general obligation debt within the District into account, ratio of the Value to the total amount of existing bonded debt for the District of \$29,629,760\* is approximately 12.03\*-to-1. See Table 1. Table 3 sets forth the estimated value-to-lien ratios of all the Taxable Property within the District by development status as of August 1, 2021, based on the estimated Fiscal Year 2022-23 Special Tax levy.

Additionally, Table 4 sets forth the estimated Fiscal Year 2022-23 value-to-lien ratios of all the taxable property within the District by land use classification under the Rate and Method based on an estimated Fiscal Year 2022-23 Special Tax levy. Table 5 sets forth the estimated stratification of value-to-liens of the 1,011 proposed homes within the District based on the Value, and such parcels’ respective shares of the principal amount of the Bonds (allocated to each parcel based upon its respective share of the total estimated Fiscal Year 2022-23 Special Tax levy) and the ratio of Value to its share of the Bonds. Table 6 sets forth the assessed value for Taxable Property within the District from Fiscal Year 2011-12 through Fiscal Year 2021-22.

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\* Preliminary, subject to change.

**TABLE 3**  
**CITY OF FONTANA**  
**COMMUNITY FACILITIES DISTRICT NO. 31 (CITRUS HEIGHTS NORTH)**  
**ESTIMATED VALUE-TO-LIEN RATIOS BASED ON BONDS ONLY**  
**ALLOCATED BY PROPERTY OWNER/DEVELOPMENT STATUS**  
**(Estimated Fiscal Year 2022-23 Special Tax A Levy)**

<i>Property Owner <sup>(1)</sup> / Development Status <sup>(1)</sup></i>	<i>Estimated Taxable Acreage</i>	<i>Proposed Number of Units <sup>(2)</sup></i>	<i>Estimated Fiscal Year 2022-23 Special Tax A <sup>(3)*</sup></i>	<i>Share of Estimated Fiscal Year 2022-23 Special Tax A</i>	<i>Pro Rata Share of 2018 Bonds and the Bonds <sup>(4)*</sup></i>	<i>Value <sup>(5)</sup></i>	<i>Estimated Value-to-Lien Ratios <sup>(6)*</sup></i>
<u>Richmond American (PAs 13 &amp; 14)</u>							
Model Homes	0.37	3	\$ 4,872	0.21%	\$ 50,739	\$ 1,490,341	29.37
95%+ Completed Homes	1.05	10	27,587	1.18	287,303	4,595,178	15.99
Homes Under Construction & Finished Lots	8.83	79	169,265	7.25	1,762,799	13,424,162	7.62
Subtotal	10.25	92	\$ 201,724	8.64%	\$ 2,100,841	\$ 19,509,681	9.29
<u>Tri Pointe Homes (PA 16)</u>							
Model Homes	0.35	5	\$ 5,612	0.24%	\$ 58,446	\$ 1,925,017	32.94
Homes Under Construction & Finished Lots	9.45	134	150,401	6.44	1,566,342	16,658,130	10.64
Subtotal	9.80	139	\$ 156,013	6.68%	\$ 1,624,788	\$ 18,583,147	11.44
<u>PLC Communities (PA 17)</u>							
Model Homes	0.29	4	\$ 4,636	0.20%	\$ 48,281	\$ 1,606,961	33.28
Homes Under Construction & Finished Lots	6.34	87	100,836	4.32	1,050,150	12,323,406	11.73
Subtotal	6.63	91	\$ 105,472	4.52%	\$ 1,098,431	\$ 13,930,367	12.68
<u>Taylor Morrison (PA 17)</u>							
Model Homes	0.33	4	\$ 5,300	0.23%	\$ 55,197	\$ 1,736,958	31.47
95%+ Completed Homes	0.67	8	10,600	0.46	110,393	3,171,009	28.72
Homes Under Construction & Finished Lots	3.99	48	63,598	2.72	662,337	7,017,200	10.59
Subtotal	4.99	60	\$ 79,498	3.41%	\$ 827,927	\$ 11,925,167	14.40
Individual Homeowners (PAs 13 & 14)	1.05	10	\$ 27,587	1.18%	\$ 287,303	\$ 6,132,760	21.35
Individual Homeowners (Excluding PAs 13, 14, 16 & 17)	78.40	619	1,763,966	75.57	18,370,710	286,227,170	15.58
Subtotal	79.45	629	\$ 1,791,553	76.75%	\$ 18,658,013	\$ 292,359,930	15.67
<b>TOTAL</b>	<b>111.12</b>	<b>1,011</b>	<b>\$ 2,334,260</b>	<b>100.00%</b>	<b>\$ 24,310,000</b>	<b>\$ 356,308,292</b>	<b>14.66</b>

\* Preliminary, subject to change.

(1) Based on (i) the Appraisal with a date of value as of August 1, 2021 for Taxable Property within Planning Areas 13, 14, 16 & 17, and (ii) the San Bernardino County Assessor Roll for Fiscal Year 2021-22 for Taxable Property not within Planning Areas 13, 14, 16 & 17.

(2) Represents 670 residential units classified as Developed Property based on the development status as of August 1, 2021, and 341 residential units remaining to be classified as Developed Property within Planning Areas 13, 14, 16 & 17.

(3) Based on the levy to fund Administrative Expenses and debt service on the 2018 Bonds and the Bonds, and the development status as of August 1, 2021.

(4) There are currently no overlapping assessment districts and/or other community facilities districts encumbering the District (excluding debt secured by any tax or assessment established and levied on an individual Assessor's Parcel pursuant to a contractual agreement or other voluntary consent by the owner thereof). The 2018 Bonds and the Bonds are allocated based on a proportionate share of the projected Fiscal Year 2022-23 Special Tax A levy.

(5) Based on (i) the Appraisal with a date of value as of August 1, 2021 for Taxable Property within Planning Areas 13, 14, 16 & 17 equal to \$70,081,122, and (ii) the San Bernardino County Assessor Roll for Fiscal Year 2021-22 for Taxable Property not within Planning Areas 13, 14, 16 & 17 equal to \$286,227,170.

(6) Calculated by dividing the Value column by the Pro Rata Share of 2018 Bonds and the Bonds column.

Source: DTA, Inc.

**TABLE 4**  
**CITY OF FONTANA**  
**COMMUNITY FACILITIES DISTRICT NO. 31 (CITRUS HEIGHTS NORTH)**  
**ESTIMATED VALUE-TO-LIEN RATIOS BASED ON BONDS ONLY**  
**ALLOCATED BY LAND USE CLASSES**  
**(Estimated Fiscal Year 2022-23 Special Tax A Levy)**

<i>Rate and Method Land Use Classes</i>	<i>Number of Units/ Acres<sup>(1)</sup></i>	<i>Fiscal Year 2022-23 Assigned/ Initial Maximum Special Tax A<sup>(2)</sup></i>	<i>Estimated Fiscal Year 2022-23 Special Tax A<sup>(3)*</sup></i>	<i>Share of Estimated Fiscal Year 2022-23 Special Tax A</i>	<i>Pro Rata Share of 2018 Bonds and the Bonds<sup>(4)*</sup></i>	<i>Value<sup>(5)</sup></i>	<i>Estimated Value-to-Lien Ratios<sup>(6)*</sup></i>
Developed Property							
Residential Property (Residential Floor Area 4,275 sq. ft. or greater)	10	\$ 37,640	\$ 37,640	1.61%	\$ 391,999	\$ 5,319,313	13.57
Residential Property (Residential Floor Area 4,075 to 4,274 sq. ft.)	59	212,105	212,105	9.09	2,208,954	34,606,127	15.67
Residential Property (Residential Floor Area 3,875 to 4,074 sq. ft.)	7	24,430	24,430	1.05	254,425	3,724,478	14.64
Residential Property (Residential Floor Area 3,675 to 3,874 sq. ft.)	59	201,131	201,131	8.62	2,094,666	30,611,322	14.61
Residential Property (Residential Floor Area 3,475 to 3,674 sq. ft.)	45	150,480	150,480	6.45	1,567,164	22,945,967	14.64
Residential Property (Residential Floor Area 3,275 to 3,474 sq. ft.)	59	190,157	190,157	8.15	1,980,378	33,171,954	16.75
Residential Property (Residential Floor Area 3,075 to 3,274 sq. ft.)	30	93,900	93,900	4.02	977,915	13,611,520	13.92
Residential Property (Residential Floor Area 2,875 to 3,074 sq. ft.)	42	127,554	127,554	5.46	1,328,403	21,853,123	16.45
Residential Property (Residential Floor Area 2,675 to 2,874 sq. ft.)	29	84,564	84,564	3.62	880,686	15,241,986	17.31
Residential Property (Residential Floor Area 2,475 to 2,674 sq. ft.)	42	117,390	117,390	5.03	1,222,551	17,518,228	14.33
Residential Property (Residential Floor Area 2,275 to 2,474 sq. ft.)	92	257,140	257,140	11.02	2,677,968	35,781,296	13.36
Residential Property (Residential Floor Area 2,075 to 2,274 sq. ft.)	18	48,132	48,132	2.06	501,268	5,668,428	11.31
Residential Property (Residential Floor Area 1,875 to 2,074 sq. ft.)	122	257,176	257,176	11.02	2,678,343	43,208,549	16.13
Residential Property (Residential Floor Area 1,675 to 1,874 sq. ft.)	44	82,808	82,808	3.55	862,398	14,501,556	16.82
Residential Property (Residential Floor Area 1,475 to 1,674 sq. ft.)	12	19,968	19,968	0.85	207,955	4,458,971	21.44
Residential Property (Residential Floor Area 1,275 to 1,474 sq. ft.)	0	0	0	0.00	0	0	NA
Residential Property (Residential Floor Area less than 1,275 sq. ft.)	0	0	0	0.00	0	0	NA
Non-Residential Property	0.00	0	0	0.00	0	0	NA
Subtotal	670	\$ 1,904,575	\$ 1,904,575	81.60%	\$ 19,835,073	\$ 302,222,818	15.24
Final Mapped Property							
Zone 1	0.00	\$ 0	\$ 0	0.00%	\$ 0	\$ 0	NA
Zone 2	0.00	0	0	0.00	0	0	NA
Zone 3	0.00	0	0	0.00	0	0	NA
Subtotal	0.00	\$ 0	\$ 0	0.00%	\$ 0	\$ 0	NA
Undeveloped Property							
Zone 1	0.00	\$ 0	\$ 0	0.00%	\$ 0	\$ 0	NA
Zone 2	1.22	32,888	16,239	0.69	169,120	2,679,823	15.85
Zone 3	25.98	837,339	413,446	17.71	4,305,807	51,405,651	11.94
Subtotal	27.20	\$ 870,227	\$ 429,685	18.40%	\$ 4,474,927	\$ 54,085,474	12.09
<b>TOTAL</b>	<b>NA</b>	<b>\$ 2,774,802</b>	<b>\$ 2,334,260</b>	<b>100.00%</b>	<b>\$ 24,310,000</b>	<b>\$ 356,308,292</b>	<b>14.66</b>

(Footnotes on next page)

\* *Preliminary, subject to change*

- (1) Based on the development status as of August 1, 2021. Under the Rate and Method, parcels of Taxable Property are classified as Developed Property if (i) a building permit has been obtained for such parcel by March 1 of the fiscal year preceding the Special Tax levy, and (ii) the Final Subdivision encompassing such property recorded by January 1 of the fiscal year preceding the Special Tax levy.
- (2) Based on the Assigned Special Tax A revenues generated by residential dwelling units that will be classified as Developed Property for Fiscal Year 2022-23, and the Initial Maximum Special Tax A revenues generated by Final Mapped Property and Undeveloped Property for Fiscal Year 2022-23.
- (3) Based on the levy to fund Administrative Expenses and debt service on the Bonds, and the development status as of August 1, 2021.
- (4) There are currently no overlapping assessment districts and/or other community facilities districts encumbering the District (excluding debt secured by any tax or assessment established and levied on an individual Assessor's Parcel pursuant to a contractual agreement or other voluntary consent by the owner thereof). The Bonds are allocated based on a proportionate share of the estimated Fiscal Year 2022-23 Special Tax A levy.
- (5) Based on (i) the Appraisal with a date of value as of August 1, 2021 for Taxable Property within Planning Areas 13, 14, 16 & 17 equal to \$70,081,122 and (ii) the San Bernardino County Assessor Roll for Fiscal Year 2021-22 for Taxable Property not within Planning Areas 13, 14, 16 & 17 equal to \$286,227,170.
- (6) Calculated by dividing the Value column by the Pro Rata Share of Bonds column.

Source: DTA, Inc.

**TABLE 5**  
**CITY OF FONTANA**  
**COMMUNITY FACILITIES DISTRICT NO. 31 (CITRUS HEIGHTS NORTH)**  
**ESTIMATED VALUE-TO-LIEN STRATIFICATION**  
**ALLOCATED BY VALUE-TO-LIEN BURDEN**  
**(Estimated Fiscal Year 2022-23 Special Tax A Levy)**

<i>Value-to-Lien Ratio Category</i>	<i>Estimated Taxable Acreage</i>	<i>Proposed Number of Units<sup>(1)</sup></i>	<i>Estimated Fiscal Year 2022-23 Special Tax A<sup>(2)*</sup></i>	<i>Share of Estimated Fiscal Year 2022-23 Special Tax A</i>	<i>Pro Rata Share of 2018 Bonds and the Bonds<sup>(3)*</sup></i>	<i>Value<sup>(4)</sup></i>	<i>Estimated Value-to-Lien Ratios<sup>(5)*</sup></i>
18.00:1 and above	22.34	150	\$ 368,878	15.80%	\$ 3,841,656	\$ 78,575,746	20.45
15.00:1 to 17.99:1	32.36	267	748,555	32.07	7,795,778	128,120,311	16.43
12.00:1 to 14.99:1	23.16	209	616,635	26.42	6,421,905	87,649,710	13.65
9.00:1 to 11.99:1	27.27	334	469,033	20.09	4,884,714	53,181,211	10.89
6.00:1 to 8.99:1	3.47	28	66,987	2.87	697,632	5,035,321	7.22
3.00:1 to 5.99:1	2.36	22	60,577	2.60	630,875	3,676,307	5.83
Less than 3.00:1 <sup>(6)</sup>	0.16	1	3,595	0.15	37,440	69,686	1.86
<b>TOTAL</b>	<b>111.12</b>	<b>1,011</b>	<b>\$ 2,334,260</b>	<b>100.00%</b>	<b>\$ 24,310,000</b>	<b>\$ 356,308,292</b>	<b>14.66</b>

\* Preliminary, subject to change.

(1) Represents 670 residential units classified as Developed Property based on the development status as of August 1, 2021, and 341 residential units remaining to be classified as Developed Property within Planning Areas 13, 14, 16 & 17.

(2) Based on the levy to fund Administrative Expenses and debt service on the 2018 Bonds and the Bonds, and the development status as of August 1, 2021.

(3) There are currently no overlapping assessment districts and/or other community facilities districts encumbering the District (excluding debt secured by any tax or assessment established and levied on an individual Assessor's Parcel pursuant to a contractual agreement or other voluntary consent by the owner thereof). The 2018 Bonds and the Bonds are allocated based on a proportionate share of the projected Fiscal Year 2022-2023 Special Tax A levy.

(4) Based on (i) the Appraisal with a date of value as of August 1, 2021 for Taxable Property within Planning Areas 13, 14, 16 & 17 equal to \$70,081,122, and (ii) the San Bernardino County Assessor Roll for Fiscal Year 2021-2022 for Taxable Property not within Planning Areas 13, 14, 16 & 17 equal to \$286,227,170.

(5) Calculated by dividing the Value column by the Pro Rata Share of Bonds column.

(6) Represents one parcel with a Proposition 90 assessed valuation reduction where a homeowner age 55+ can transfer a Proposition 13 base value from a former residence to a replacement residence in a different county.

Source: DTA, Inc.

**TABLE 6**  
**CITY OF FONTANA**  
**COMMUNITY FACILITIES DISTRICT NO. 31 (CITRUS HEIGHTS NORTH)**  
**TAXABLE PROPERTY ASSESSED VALUE HISTORY**

<i>Fiscal Year</i>	<i>Parcels Subject to Levy</i>	<i>Zone 1</i>			<i>Zone 2</i>			<i>Zone 3</i>			<i>Total</i>	
		<i>Parcels Subject to Levy</i>	<i>Assessed Value<sup>(1)</sup></i>	<i>Percent Change</i>	<i>Parcels Subject to Levy</i>	<i>Assessed Value<sup>(1)</sup></i>	<i>Percent Change</i>	<i>Parcels Subject to Levy</i>	<i>Assessed Value<sup>(1)</sup></i>	<i>Percent Change</i>	<i>Assessed Value</i>	<i>Percent Change</i>
2011-12	525	126	\$ 51,385,329	NA	282	\$ 53,852,758	NA	117	\$32,929,620	NA	\$138,167,707	NA
2012-13	525	126	51,479,560	0.2%	282	75,365,651	39.9%	117	33,698,177	2.3%	160,543,388	16.2%
2013-14	525	126	52,572,914	2.1	282	100,730,186	33.7	117	32,831,744	(2.6)	186,134,844	15.9
2014-15	525	126	57,030,390	8.5	282	104,484,587	3.7	117	34,864,700	6.2	196,379,677	5.5
2015-16	525	126	59,549,131	4.4	282	107,453,751	2.8	117	35,411,514	1.6	202,414,396	3.1
2016-17	525	126	61,136,556	2.7	282	110,642,630	3.0	117	36,361,950	2.7	208,141,136	2.8
2017-18	525	126	63,465,894	3.8	282	113,752,863	2.8	117	37,432,797	2.9	214,651,554	3.1
2018-19	619	223	72,882,574	14.8	282	114,475,325	0.6	114	33,947,822	(9.3)	221,305,721	3.1
2019-20	619	223	83,766,751	14.9	282	117,746,323	2.9	114	35,147,902	3.5	236,660,976	6.9
2020-21	619	223	118,193,650	41.1	282	121,624,692	3.3	114	36,251,479	3.1	276,069,821	16.7
2021-22	619	223	124,046,514	5.0	282	124,536,199	2.4	114	37,644,457	3.8	286,227,170	3.7

<sup>(1)</sup> Based on applicable San Bernardino County Assessor Roll dated January 1st preceding each fiscal year.

Source: San Bernardino County Secured Rolls, City of Fontana, as compiled by DTA, Inc.

## Delinquency History

The following Table 7 sets forth the Special Tax delinquencies in Fiscal Year 2011-12 through Fiscal Year 2020-21.

**TABLE 7**  
**CITY OF FONTANA**  
**COMMUNITY FACILITIES DISTRICT NO. 31 (CITRUS HEIGHTS NORTH)**  
**SPECIAL TAX COLLECTION HISTORY**

<i>Fiscal Year</i>	<i>Annual Special Tax A Levied<sup>(1)</sup></i>	<i>Parcels Subject to Levy</i>	<i>As of Fiscal Year End</i>				<i>As of June 30, 2021</i>		
			<i>Amount Collected</i>	<i>Amount Delinquent<sup>(2)</sup></i>	<i>Number of Parcels Delinquent</i>	<i>Percent Delinquent</i>	<i>Remaining Amount Delinquent<sup>(2)</sup></i>	<i>Remaining Parcels Delinquent</i>	<i>Remaining Percent Delinquent</i>
2011-12	\$1,780,819	525	\$1,763,654	\$17,165	8	0.96%	\$ 0	0	0.00%
2012-13	1,744,328	525	1,727,163	17,165	9	0.98	0	0	0.00
2013-14	1,726,290	525	1,700,869	25,421	12	1.47	0	0	0.00
2014-15	1,726,290	525	1,697,919	28,371	15	1.64	0	0	0.00
2015-16	1,726,290	525	1,711,737	14,553	8	0.84	0	0	0.00
2016-17	1,726,290	525	1,689,901	36,389	17	2.11	941	1	0.05
2017-18	1,726,290	525	1,704,776	21,514	13	1.25	1,882	1	0.11
2018-19	1,576,308	619	1,562,677	13,631	10	0.86	1,882	1	0.12
2019-20	1,647,233	619	1,636,383	10,850	6	0.66	3,554	2	0.22
2020-21	1,758,642	619	1,733,947	24,696	13	1.40	24,696	13	1.40

<sup>(1)</sup> Based on the levy of the Special Tax A for Facilities.

<sup>(2)</sup> Delinquent amount does not include penalties, interest or fees.

Source: San Bernardino County Secured Rolls, City of Fontana, as compiled by DTA, Inc.

## PROPERTY OWNERSHIP AND THE DEVELOPMENTS

*Representatives of the Master Developer, Richmond American, Taylor Morrison, PLC and Tri Pointe have provided the information in this section regarding the Master Developer, Richmond American, Taylor Morrison, PLC and Tri Pointe, respectively, and the development in the District. Neither the Underwriter nor the City has independently confirmed or verified the information in this section of the Official Statement nor does any such party make any representation as to accuracy or adequacy of this information. Further, there may be material adverse changes in this information after the date of this Official Statement.*

*The information in this section of the Official Statement regarding ownership of certain taxable property in the District has been included because it is considered relevant to an informed evaluation of the Bonds. The inclusion in this Official Statement of information related to the Master Developer, Richmond American, Taylor Morrison, PLC and Tri Pointe should not be construed to suggest that the Bonds, or the Special Taxes that will be used to pay the Bonds, are recourse obligations of the Master Developer, Richmond American, Taylor Morrison, PLC, Tri Pointe or any other property owner in the District. A property owner may sell or otherwise dispose of land within the District or a development or any interest therein at any time.*

*No assurance can be given that the remaining development within the District will occur as described in this Official Statement. No assurance can be given that development of the land within the District will occur in a timely manner or in the configuration or intensity described herein, or that any landowner described herein will obtain or retain ownership of any of the land within the District.*

*The Bonds and the Special Taxes are not personal obligations of the Master Developer, Richmond American, Taylor Morrison, PLC, Tri Pointe or any other current or subsequent property owners and, in the event that the Master Developer, Richmond American, Taylor Morrison, PLC or Tri Pointe or any other current or subsequent property owner defaults in the payment of the Special Taxes, the City may proceed with judicial foreclosure but has no direct recourse to the assets of Master Developer, Richmond American, Taylor Morrison, PLC or Tri Pointe or any other current or subsequent property owner. As a result, other than as provided in the Official Statement, no financial statements or information is, or will be, provided about the Master Developer, Richmond American, Taylor Morrison, PLC or Tri Pointe or any other current or subsequent property owner. The Bonds are secured solely by the Net Special Tax Revenues and other amounts pledged under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “SPECIAL RISK FACTORS.”*

### **The Master Developer**

The Master Developer is the developer of the master planned community known as “Shady Trails” which encompasses the District. The District, also referred to as Citrus Heights North, consists of three zones encompassing approximately 215.9 gross acres and 106.9 net acres proposed for 1,011 dwelling units. Zone 1 totals 72.2 gross acres and 43 net acres proposed for 223 dwelling units; Zone 2 totals 71.6 gross acres and 36.4 net acres proposed for 356 dwelling units; and Zone 3 totals 72.1 gross acres and 27.5 net acres proposed for 548 dwelling units. The four neighborhoods being developed by the Merchant Builders crosses between portions of Zone 2 and Zone 3.

The Master Developer purchased the property from Citrus Heights North Holding Company, LLC, a Delaware limited liability company (“Citrus Heights Holding Company”) in January 2005. Citrus Heights Holding Company acquired such property in 2003. The Master Developer is an affiliate of Lewis Management Corp., a Delaware corporation.

The Master Developer is an affiliate of Lewis Management Corp. Lewis Management Corp. is owned by The Lewis Group of Companies. The Lewis Group of Companies is a collection of affiliated entities including partnerships, joint ventures, wholly-owned subsidiaries and partially owned subsidiaries collectively referred to herein as “The Lewis Group of Companies.” The Lewis Group of Companies is one of the nation’s largest



privately-held affiliated group of real estate development companies. The Lewis Group of Companies mainly plans and develops mixed-use planned communities and residential subdivisions in California and Nevada, as well as building multi-family communities, shopping centers, office parks and industrial space. The Lewis Group of Companies works with major landowners, other developers, financial institutions and companies in other businesses which also have real estate holdings. The arrangements vary depending on many circumstances. The Lewis Group of Companies will manage for a fee commercial and residential real estate or, contribute equity, or joint venture in the development of such real estate.

The Lewis Group of Companies originated in 1955 in Claremont, California. Since 1955, The Lewis Group of Companies has developed over 57,000 homes, 19.5 million square feet of retail, office and industrial developments, and has developed and sold 21,000 lots to other builders in California, Nevada, Arizona and Utah.

### **The Merchant Builders**

**Richmond American.** Richmond American is a wholly-owned subsidiary of M.D.C. Holdings, Inc., a Delaware corporation (“MDC”). MDC is a publicly traded company whose common stock is listed on the New York Stock Exchange under the symbol “MDC.” Richmond American and its predecessor entity have been building homes in California since 1986.

MDC has two primary operations, homebuilding and financial services. MDC’s homebuilding operations consist of wholly-owned subsidiary companies that build and sell homes under the name “Richmond American Homes.” MDC’s financial services operations include subsidiary companies that provide mortgage financing, place title insurance and homeowner insurance for Richmond American’s homebuyers, and provide general liability insurance for MDC subsidiaries and most of Richmond American’s subcontractors.

MDC is subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith is obligated to file reports, proxy statements, and other information, including financial statements, with the SEC. Such filings, including particularly MDC’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020, as filed with the SEC on February 2, 2021, and MDC’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021, as filed with the SEC on July 29, 2021, set forth certain data relative to such consolidated results of operations and financial position of MDC and its subsidiaries as of such dates. The SEC maintains an internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including MDC. The address of such internet web site is [www.sec.gov](http://www.sec.gov). All documents subsequently filed by MDC pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of MDC’s Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are also available from MDC on MDC’s website at [www.richmondamerican.com](http://www.richmondamerican.com).

*The foregoing website addresses and references to filings with the SEC are given for reference and convenience only, and the information on such websites and on file with the SEC does not form a part of this Official Statement and is not incorporated by reference herein. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such websites. Richmond American and MDC are not obligated to advance funds for construction or development or to pay ad valorem property taxes or the Special Taxes and investors should not rely on the information and financial statements contained on such websites in evaluating whether to buy, hold or sell the Bonds. The information contained on such websites may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter.*

**Taylor Morrison.** As previously defined in this Official Statement, “Taylor Morrison” refers to Taylor Morrison of California, LLC, a California limited liability company. Taylor Morrison Services, Inc., a Delaware corporation qualified in California (“TMSI”), is the sole shareholder of Taylor Morrison. TMSI is controlled by Taylor Morrison Home Corporation, a Delaware corporation (“TMHC”), which is traded on the New York Stock Exchange as “TMHC.” TMHC’s principal executive offices are located in Scottsdale, Arizona. TMHC was

created as a result of the July 2007 merger of two United Kingdom-based, publicly-listed homebuilders, Taylor Woodrow plc and George Wimpey plc, the predecessor entities of which commenced homebuilding operations in the United States in 1936. The subsequent integration of Taylor Woodrow, Inc. and Morrison Homes, Inc. in the United States formed TMHC and Monarch Corporation in Canada, respectively.

TMHC is subject to the informational requirements of the Exchange Act and in accordance therewith files reports, proxy statements, and other information with the SEC. The SEC maintains an Internet web site that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC, including TMHC. The address of such internet web site is “www.sec.gov”. All documents subsequently filed by TMHC pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Additional information on TMHC, including annual reports and related financial statements, can be found on the investors relations tab at the website “www.taylormorrison.com.”

*The foregoing website addresses and references to filings with the SEC are given for reference and convenience only, and the information on such websites and on file with the SEC does not form a part of this Official Statement and is not incorporated by reference herein. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such websites. Taylor Morrison and TMHC are not obligated to advance funds for construction or development or to pay ad valorem property taxes or the Special Taxes and investors should not rely on the information and financial statements contained on such websites in evaluating whether to buy, hold or sell the Bonds. The information contained on such websites may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter.*

**PLC.** As previously defined in this Official Statement, “PLC” is PLC Shady Trails, LLC, a Delaware limited liability company formed to develop and sell the Juniper project. PLC is comprised of two members, PLC Residential Fund, LLC, a Delaware limited liability company (“PLC Residential”), and PLC Communities, LLC, a Delaware limited liability company (“PLC Communities”), which serves as its managing member.

**Tri Pointe.** As previously defined in this Official Statement, “Tri Pointe” is Tri Pointe Homes Holdings, Inc. (formerly known as TRI Pointe Homes, Inc.), a Delaware corporation, which is an indirect, wholly-owned subsidiary of Tri Pointe Homes, Inc., a Delaware corporation (“Tri Pointe Homes”), a publicly traded company whose common stock is listed on the New York Stock Exchange under the ticker symbol “TPH”. Tri Pointe Homes is engaged in the design, construction and sale of innovative single-family attached and detached homes in 15 markets across ten states and the District of Columbia. Effective January 15, 2021, Tri Pointe Homes changed its corporate name from “TRI Pointe Group, Inc.” to “Tri Pointe Homes, Inc.” and consolidated its six regional homebuilding brands into one unified name—Tri Pointe Homes. Tri Pointe Homes is subject to the informational requirements of the Exchange Act and, in accordance therewith, files reports, proxy statements, and other information, including financial statements, with the SEC. Such filings, particularly Tri Pointe Homes’ Annual Report on Form 10-K for the fiscal year ended December 31, 2020, as filed with the SEC on February 19, 2021, and Tri Pointe Homes’ Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, as filed with the SEC on July 22, 2021, set forth, among other things, certain data relative to the consolidated results of operations and financial position of Tri Pointe Homes and its consolidated subsidiaries, including Tri Pointe, as of such dates.

The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including Tri Pointe Homes. The address of such Internet web site is [www.sec.gov](http://www.sec.gov). All documents filed by Tri Pointe Homes pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes.

Copies of Tri Pointe Homes’ most recent Annual Report on Form 10-K and each of its other quarterly and current reports, including any amendments, are available in the “investors” portion of its website at [www.tripointehomes.com](http://www.tripointehomes.com). *The foregoing website addresses and references to filings with the SEC are given for*

*reference and convenience only, and the information on such websites and on file with the SEC does not form a part of this Official Statement and is not incorporated by reference herein. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such websites. Tri Pointe Homes and Tri Pointe are not obligated to advance funds for construction or development or to pay ad valorem property taxes or the Special Taxes and investors should not rely on the information and financial statements contained on such websites in evaluating whether to buy, hold or sell the Bonds. The information contained on such websites may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter.*

## **Development Plan**

**Development Plan.** Development of the property within the District is governed by the Citrus Heights North Specific Plan, as amended. The Citrus Heights North Specific Plan was adopted by the City Council on August 17, 2004 and approves, subject to the approval of other agencies and other requirements described herein, development of a maximum of 1,011 dwelling units, as amended, within 14 residential planning areas (each a “Planning Area” and collectively, the “Planning Areas”) within the District. The overall approved gross density of the project is 5.9 dwelling units per adjusted gross acre. Under the Citrus Heights North Specific Plan, the building pad sizes of the project range from 4,000 square feet to 10,000 square feet.

In connection with the adoption of the Citrus Heights North Specific Plan, in May 2004, the City approved Environmental Impact Report No. 2003111125 prepared by UltraSystems Environmental Inc. (the “Environmental Impact Report”). The Master Developer expects that no additional discretionary approvals or additional environmental review under the CEQA will be required for the remaining currently proposed development in the District.

RMA Group, Geotechnical Consultants, Rancho Cucamonga, California (“RMA Group”) prepared a Geotechnical Investigation, dated June 3, 2005, with respect to the property within the District (the “Geotechnical Report”). The Geotechnical Report concluded that development of the site as proposed appeared feasible from a geologic and geotechnical standpoint. The Geotechnical Report noted that the site is not located within an Alquist-Priolo Special Study Zone for active faults and no known active or potentially active faults are present on the site. However, the District is located south of the junction of two major active fault zones. These faults are the northwest trending San Jacinto fault zone and the east to northeast trending Cucamonga fault zone. The Rialto-Colton fault is also located near the District. In addition there are many other faults in California that could generate earthquakes that would be felt at the site.

The Master Developer, the City and Citrus Heights Holding Company entered into a Development Agreement, dated as of October 6, 2004 (the “Development Agreement”) for the development of the property within the District. Under the terms of the Development Agreement, the Master Developer may develop the property within the District in accordance with the development plan approved by the City and described herein, subject to all subsequent development approvals required in connection with final tract map approval, grading and building permits and any specific plan amendments. The maximum density of the property within the District is 1,011 residential dwelling units as provided in the Citrus Heights North Specific Plan, as amended. Under the Development Agreement, the City has agreed that the permitted uses of the property within the District, the density and intensity of use of the property, the maximum height and size of proposed buildings, and the design, improvement and construction standards and specifications applicable to development of the property of the District is contained in the existing land use regulations.

Pursuant to the Development Agreement, the Master Developer has dedicated an approximately 9.18 acre park to the City for the design and construction of a park complex (the “Park Complex”). The Master Developer constructed certain off-site improvements for the Park Complex under the Development Agreement, and the Park Complex was completed in October 2008. The Master Developer was also required under the Development Agreement to construct certain street and landscaping improvements on Summit Avenue, Citrus Avenue, Knox Avenue and Lytle Creek Road (collectively the “Street Improvements”), all of which has been completed by the Master Developer.

Other than as described in this Official Statement, all of the backbone infrastructure improvements (other than those improvements constructed in connection with home construction) for the remaining currently planned development within the District has been substantially completed.

**General Description of the District.** The District includes approximately 215.9 gross acres and approximately 106.9 net acres and is located in the northern portion of the City, near Interstate 15 and Summit Avenue, in the western portion of the County. The District is bounded to the south by Summit Avenue, on the east by Citrus Avenue, and on the west by Lytle Creek Road.

The property within the District is being developed into a master planned community known as “Shady Trails.” At build-out, Shady Trails is planned to contain twelve neighborhoods consisting of 1,011 attached and detached single-family residential units. 629 homes have been completed and conveyed to individual homeowners with the remaining 392 proposed homes within Planning Areas 13, 14, 16 and 17 of the District, 10 of which have been completed and conveyed to individual homeowners, being developed into four new neighborhoods known as “Wisteria,” “Aspen Court,” “Birch Bend,” and “Juniper,” respectively. The property within Planning Areas 13, 14, 16 and 17 of the District includes 32.7 net acres and is proposed to include 162 single-family detached condominium pads and 230 single-family attached residential units. Richmond American purchased Wisteria from the Master Developer in two take-downs based on an agreement signed in June 2019. The first take-down was for 61 lots with a minimum building pad size of 2,800 square feet which closed in August 2020. The second take-down was for 41 lots and closed on June 2, 2021. Taylor Morrison purchased Aspen Court from the Master Developer in January 2021. PLC purchased Juniper from the Master Developer in January 2021. Tri Pointe purchased Birch Bend from the Master Developer in January 2021.

As of August 1, 2021, the date of value of the Appraisal (defined herein), within Planning Areas 13, 14, 16 and 17 of the District, there were 10 homes completed and conveyed to individual homeowners, 16 model homes, 18 homes were over 95% complete (17 of which were in escrow), 78 homes were under construction (38 of which were in escrow) and the remaining 270 lots were in a finished lot/pad condition (5 of which were in escrow). Sales contracts are subject to cancelation and, therefore, homes currently in escrow may not result in closed escrows with the prospective homebuyers. As of August 1, 2021, 108 building permits had been obtained within Planning Areas 13, 14, 16 and 17 of the District.

The Shady Trails community includes an approximately 15,000 square foot community recreation center named “The Parkhouse.” The Parkhouse includes an approximately 2,600 square foot fitness center, a theatre, library, business center, game rooms and cyber café. The Parkhouse also includes a junior Olympic sized swimming pool, spa, sun decks within an approximately 3.5 acre park.

**Richmond American.** Richmond American is developing the Wisteria neighborhood into 102 single-family detached residential units ranging in size from approximately 2,210 square feet to approximately 2,440 square feet. The Wisteria neighborhood is within Final Tract Map Nos. 17039 and 17039-1. The Wisteria neighborhood opened for sales in October 2020, and Richmond American anticipates final build-out of the Wisteria neighborhood in December 2022. As of August 1, 2021, of the 102 proposed single-family detached residential units within the Wisteria neighborhood, 10 homes had been completed and conveyed to individual homeowners, 3 model homes had been completed, 10 homes were over 95% complete (all of which were in escrow), 31 homes were under construction (all of which were in escrow) and the remaining 48 lots were in a finished lot condition (5 of which were in escrow) and owned by Richmond American. Sales contracts are subject to cancelation and, therefore, homes currently in escrow may not result in closed escrows with the prospective homebuyers. As of August 1, 2021, base sales prices within the Wisteria neighborhood ranged from approximately \$599,990 to approximately \$629,990. Base sales prices are subject to change and exclusive of any premiums, options, upgrades, incentives and any selling concessions or prior reductions currently being offered.

All of the backbone infrastructure required to serve Wisteria has been completed and no discretionary approvals or remediation is necessary in order for Richmond American to obtain the remaining 48 building permits within the Wisteria neighborhood.

*Although the information in this Official Statement reflects the current development expectations of Richmond American, no assurance can be given that home construction and sales will be carried out on the schedule and according to the plans described herein, or that the home construction and sale plans or base prices set forth above will not change after the date of this Official Statement. Richmond American reserves the right to change its development at any time without notice. Additionally, homes under contract to be sold may not result in closed escrows as sales contracts are subject to cancellation. See “SPECIAL RISK FACTORS – Concentration of Property Ownership.”*

**Taylor Morrison.** Taylor Morrison is developing the Aspen Court neighborhood into 60 single-family detached condominium courtyard homes ranging in size from approximately 1,665 square feet to approximately 1,989 square feet. The Aspen Court neighborhood is within Final Tract Map No. 17041. The Aspen Court neighborhood opened for sales in July 2021, and Taylor Morrison anticipates final build-out of the Aspen Court neighborhood in July 2022. As of August 1, 2021, of the 60 proposed single-family detached condominium courtyard homes within Aspen Court, 4 model homes had been completed, 8 homes were over 95% complete (7 of which were in escrow), 16 homes were under construction (2 of which were in escrow) and the remaining 32 pads were in a finished condition (none of which were in escrow) and owned by Taylor Morrison. Sales contracts are subject to cancellation and, therefore, homes currently in escrow may not result in closed escrows with the prospective homebuyers. As of August 1, 2021, base sales prices within the Aspen Court neighborhood ranged from approximately \$546,260 to approximately \$629,965. Base sales prices are subject to change and exclusive of any premiums, options, upgrades, incentives and any selling concessions or prior reductions currently being offered.

All of the backbone infrastructure required to serve Aspen Court has been completed and no discretionary approvals or remediation is necessary in order for Taylor Morrison to obtain the remaining 32 building permits within Aspen Court.

*Although the information in this Official Statement reflects the current development expectations of Taylor Morrison, no assurance can be given that home construction and sales will be carried out on the schedule and according to the plans described herein, or that the home construction and sale plans or base prices set forth above will not change after the date of this Official Statement. Taylor Morrison reserves the right to change its development at any time without notice. Additionally, homes under contract to be sold may not result in closed escrows as sales contracts are subject to cancellation. See “SPECIAL RISK FACTORS – Concentration of Property Ownership.”*

**PLC.** PLC is developing the Juniper neighborhood into 91 single-family detached residential condominium units ranging in size from approximately 1,477 square feet to approximately 1,611 square feet. The Juniper neighborhood is within Final Tract Map No. 17041. The Juniper neighborhood opened for sales in July 2021, and PLC anticipates final build-out of the Juniper neighborhood in October 2023. As of August 1, 2021, of the 91 proposed homes within the Juniper neighborhood, 4 model homes had been completed, 9 homes were under construction (none of which were in escrow) and the remaining 78 pads were in a finished lot condition (none of which were in escrow) and owned by PLC. Sales contracts are subject to cancellation and, therefore, homes currently in escrow may not result in closed escrows with the prospective homebuyers. As of August 1, 2021, base sales prices within the Juniper neighborhood ranged from \$484,900 to \$521,900. Base sales prices are subject to change and exclusive of any premiums, options, upgrades, incentives and any selling concessions or prior reductions currently being offered.

All of the backbone infrastructure required to serve Juniper has been completed and no discretionary approvals or remediation is necessary in order for PLC to obtain the remaining 78 building permits.

*Although the information in this Official Statement reflects the current development expectations of PLC, no assurance can be given that home construction and sales will be carried out on the schedule and according to the plans described herein, or that the home construction and sale plans or base prices set forth above will not change after the date of this Official Statement. PLC reserves the right to change its development at any time without notice. Additionally, homes under contract to be sold may not result in closed escrows as sales contracts are subject to cancellation. See “SPECIAL RISK FACTORS – Concentration of Property Ownership.”*

**Tri Pointe** Tri Pointe is developing the Birch Bend neighborhood into 139 single-family attached residential units ranging in size from approximately 1,311 square feet to approximately 1,927 square feet. The Birch Bend neighborhood is within Final Tract Map No. 17041. The Birch Bend neighborhood opened for sales in July 2021, and Tri Pointe anticipates final build-out of the Birch Bend neighborhood in December 2023. As of August 1, 2021, of the 139 proposed homes within the Birch Bend neighborhood, 5 model homes had been completed, 22 homes were under construction (5 of which were in escrow) and the remaining 112 pads were in a finished condition (none of which were in escrow) and owned by Tri Pointe. Sales contracts are subject to cancellation and, therefore, homes currently in escrow may not result in closed escrows with the prospective homebuyers. As of August 1, 2021, base sales prices within the Birch Bend neighborhood range from approximately \$454,000 to approximately \$529,000. Base sales prices are subject to change and exclusive of any premiums, options, upgrades, incentives and any selling concessions or prior reductions currently being offered.

All of the backbone infrastructure required to serve Birch Bend has been completed and no discretionary approvals or remediation is necessary in order for Tri Pointe to obtain the remaining 112 building permits.

*Although the information in this Official Statement reflects the current development expectations of Tri Pointe, no assurance can be given that home construction and sales will be carried out on the schedule and according to the plans described herein, or that the home construction and sale plans or base prices set forth above will not change after the date of this Official Statement. Tri Pointe reserves the right to change its development at any time without notice. Additionally, homes under contract to be sold may not result in closed escrows as sales contracts are subject to cancellation. See “SPECIAL RISK FACTORS – Concentration of Property Ownership.”*

**Status of Development.** As of March 1, 2021, all 392 parcels of Taxable Property within the four neighborhoods being developed by the Merchant Builders within Planning Areas 13, 14, 16 and 17 of the District were classified as Undeveloped Property under the Rate and Method. As of August 1, 2021, 51 parcels of Taxable Property classified as Undeveloped Property for the Fiscal Year 2021-22 Special Tax were projected to be classified as Developed Property for Fiscal Year 2022-23, based upon (i) the building permits that have been obtained for such properties as of August 1, 2021, and (ii) the Final Subdivisions encompassing such properties that have recorded as of August 1, 2021. The Assigned Special Tax of such parcels was projected to total \$140,609. All 51 of such parcels were owned by Richmond American.

The Assigned Special Tax projected to be generated by the remaining 341 units of Taxable Property classified as Undeveloped Property for the Fiscal Year 2021-22 Special Tax, was projected to total \$662,682, assuming such parcels are constructed at the home sizes identified in the development plan submitted by the respective Merchant Builder. Richmond American owned 51 of such parcels, totaling \$140,609; Taylor Morrison owned 60 of such parcels, totaling \$114,420; PLC owned 91 of such parcels, totaling \$151,424; and Tri Pointe owned 139 of such parcels, totaling \$256,229. In addition to the 619 completed units within the District, totaling \$1,763,966 for Fiscal Year 2022-23, the Assigned Special Tax of all Taxable Property within the District at build-out is \$2,567,257.

## Financing Plan

**Richmond American.** Through August 1, 2021, Richmond American had spent approximately \$23,590,710 on land acquisition, site development, permit and impact fees, direct and indirect construction costs, and marketing and sales costs (exclusive of internal financing repayment, corporate overhead and other carry costs) on its project within the District. Richmond American expects to spend approximately \$16,896,463 in additional site development, permit and impact fees, direct and indirect construction costs, and marketing and sales costs (exclusive of internal financing repayment, corporate overhead and other carry costs) between August 1, 2021 and full build-out of the homes proposed to be constructed (exclusive of internal financing repayment, sales and marketing, corporate overhead and other carrying costs). Richmond American expects to use internal funding (which may include home sales revenues from its Wisteria project) to complete development of its property in the District.

*Notwithstanding the belief of Richmond American that it will have sufficient funds to complete its planned development in the District, no assurance can be given that amounts necessary to fund the remaining planned development by Richmond American in the District will be available when needed. None of Richmond American, MDC or any other entity or person is under any legal obligation of any kind to expend funds for the development of the property owned by Richmond American in the District. Any contributions by Richmond American or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development by Richmond American within the District, the remaining portions of such development may not be completed. There is no legal obligation to Bondholders to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes.*

**Taylor Morrison.** Through August 1, 2021, Taylor Morrison had spent approximately \$ \_\_\_\_\_ on land acquisition, site development, permit and impact fees, direct and indirect construction costs, and marketing and sales costs (exclusive of internal financing repayment, corporate overhead and other carry costs) on its project within the District. Taylor Morrison expects to spend approximately \$ \_\_\_\_\_ in additional site development, permit and impact fees, direct and indirect construction costs, and marketing and sales costs (exclusive of internal financing repayment, corporate overhead and other carry costs) between August 1, 2021 and full build-out of the homes proposed to be constructed. Taylor Morrison expects to use homes sales revenue and internally generated funds to complete development of its property in the District.

*Notwithstanding the belief of Taylor Morrison that it will have sufficient funds to complete its planned development in the District, no assurance can be given that amounts necessary to fund the remaining planned development by Taylor Morrison in the District will be available when needed. None of Taylor Morrison, TMHC or any other entity or person is under any legal obligation of any kind to expend funds for the development of the property owned by Taylor Morrison in the District. Any contributions by Taylor Morrison or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development by Taylor Morrison within the District, the remaining portions of such development may not be completed. There is no legal obligation to Bondholders to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes.*

**PLC.** Through August 1, 2021, PLC had spent approximately \$9,550,000 on land acquisition, site development, permit and impact fees, and direct and indirect construction costs on its project within the District. PLC expects to spend approximately \$20,128,000 in additional site development, permit and impact fees, and direct and indirect construction costs between August 1, 2021 and full build-out of the homes proposed to be constructed (exclusive of internal financing repayment, sales and marketing, corporate overhead and other carrying costs).

*Notwithstanding the belief of PLC that it will have sufficient funds to complete its planned development in the District, no assurance can be given that amounts necessary to fund the remaining planned development*

*by PLC in the District will be available when needed. None of PLC, PLC Residential, PLC Communities or any other entity or person is under any legal obligation of any kind to expend funds for the development of the property owned by PLC in the District. Any contributions by PLC or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development by PLC within the District, the remaining portions of such development may not be completed. There is no legal obligation to Bondholders to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes.*

**Tri Pointe.** Through August 1, 2021, Tri Pointe had spent approximately \$13,540,224 on land acquisition, site development, permit and impact fees, direct and indirect construction costs, and marketing and sales costs (exclusive of internal financing repayment, corporate overhead and other carry costs) on its project within the District. Tri Pointe expects to spend approximately \$38,494,451 in additional site development, permit and impact fees, direct and indirect construction costs, and marketing and sales costs (exclusive of internal financing repayment, corporate overhead and other carry costs) between August 1, 2021 and full build-out of the homes proposed to be constructed. Tri Pointe expects to finance such costs from internal sources.

*Notwithstanding the belief of Tri Pointe that it will have sufficient funds to complete its planned development in the District, no assurance can be given that amounts necessary to fund the remaining planned development by Tri Pointe in the District will be available when needed. None of Tri Pointe, Tri Pointe Homes or any other entity or person is under any legal obligation of any kind to expend funds for the development of the property owned by Tri Pointe in the District. Any contributions by Tri Pointe or any other entity or person to fund the costs of such development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development by Tri Pointe within the District, the remaining portions of such development may not be completed. There is no legal obligation to Bondholders to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes.*

**COVID-19 (Coronavirus) Pandemic.** The development of each Merchant Builder's planned development within the District is subject to disruption due to the COVID-19 pandemic and related public health and governmental authorities' orders and actions. With housing construction considered an essential function in the City, the Merchant Builders have largely continued, with certain modifications, their home construction and sales activities in the District to date. That is, the Merchant Builders have been able to sell, complete, obtain inspections for and close homes during such period, as applicable, and intend to continue its operations to the extent permitted. See "SPECIAL RISK FACTORS—COVID-19 (Coronavirus) Pandemic" herein.

The Merchant Builders cannot predict the ultimate effects of the COVID-19 outbreak and related public health and governmental authorities' orders and actions (including, without limitation, the scope of restrictions under potential Stay Home Orders), on their ability to sell and close units within the District. Such effects, if and as they arise, could have a material adverse effect on the ability to develop the District as planned, and no assurance can be provided that the Merchant Builders will be able to (a) complete in whole or in any part, or within any particular time, their planned development within the District; (b) avoid material increases in development costs or delays resulting from work stoppages, reduced attendance of workers, shortages or delays in the delivery of building materials, and/or delays in obtaining necessary inspections and approvals; or (c) close any additional homes or not experience additional purchase contract cancellations, due to in each case public health or governmental restrictions, further spread of COVID-19, an economic downturn driven by the pandemic, or otherwise.

## **SPECIAL RISK FACTORS**

The principal source of payment of debt service on the Bonds will be payments of the Special Tax made with respect to the Taxable Property. As discussed under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes," the Special Tax is to be levied annually against all such Taxable Property either at the maximum rate authorized by the Rate and Method or at such lower rates as are determined by the



District Administrator to raise sufficient funds to comply with the agreements, conditions, covenants and terms contained in the Indenture, and in accordance with the Act. The Special Tax is to be collected on the tax roll of the District at the same time and in the same manner as general *ad valorem* real property taxes are collected. The Special Tax cannot be levied at a tax rate higher than the maximum tax rate even if the maximum tax rate will not produce sufficient Net Special Tax Revenues to pay the principal and interest then payable with respect to the Bonds. See discussions below under “— Levy of the Special Tax” and “— Collection of the Special Tax.”

Payment of the Special Tax levied on a parcel is secured by a continuing lien against such parcel. In the event an installment of the Special Tax included in the tax bill for a parcel of Taxable Property is not paid when due, the District has covenanted to institute foreclosure proceedings in court to cause the parcel to be sold in order to attempt to recover the delinquent amount from the sale proceeds. Foreclosure and sale may not always result in the recovery of the full amount of delinquent installments of the Special Tax. See “— Collection of the Special Tax.” The sufficiency of the foreclosure sale proceeds to cover the delinquent amount depends in part upon the market for and the value of the parcel at the time of the sale. Sufficiency of the foreclosure sale proceeds to cover a delinquency may also depend upon the value of prior or parity liens and similar claims. Further, other governmental claims, such as hazardous substance claims, may affect the realizable value even though such claims may not rise to the status of liens. See “— Hazardous Substances.”

Timely foreclosure and sale proceedings with respect to a parcel of Taxable Property may be forestalled or delayed by a stay in the event the owner of the parcel becomes the subject of bankruptcy proceedings. Not only may foreclosure and sale proceedings be forestalled or delayed, but the sale of a parcel may also be similarly affected by a bankruptcy stay. Further, should the stay not be lifted, payment of the Special Tax may be subordinated to bankruptcy law priorities. See “— Bankruptcy and Legal Delays.”

Although bankruptcy proceedings may forestall or delay a foreclosure and sale or a tax sale of a delinquent parcel of Taxable Property, the Special Tax is secured by a lien which, assuming proper procedures are followed, may be enforced against the parcel. There may not be any recourse against a bankrupt property owner since the owner is not personally obligated to pay the Special Tax. Further, if proper disclosure of the authorization of the Special Tax is not made to the owner, the willingness or ability of an owner to pay the Special Tax may be adversely affected. See “— Payment of the Special Tax is Not a Personal Obligation of the Owners.”

The District is not obligated to advance funds to pay such debt service except from moneys on deposit in the Reserve Fund. See “— Bonds Are Limited Obligations.”

Even if debt service is timely paid, interest on the Bonds may have to be included in the gross income of the owner of the Bonds by reason of some circumstance occurring subsequent to issuance of the Bonds, thereby reducing the after-tax yield. See “— Loss of Tax Exemption.”

### **Risks of Real Estate Secured Investments Generally**

Purchasers of the Bonds will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of property in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses.

No assurance can be given that the individual property owners within the District will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption “— Bankruptcy and Legal Delays” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels within the District.

## **Levy of the Special Tax**

The principal source of money with which to pay debt service on the Bonds is the proceeds derived from the annual levy and collection of the Special Tax applicable to the Taxable Property in the District. The amount of the Special Tax that can be levied is limited to the maximum tax rates authorized pursuant to the Rate and Method. Additionally, pursuant to Section 53321(d) of the Government Code, the Special Tax levied against any Assessor's parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor's parcel within the District by more than ten percent above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the District may not be able to increase the tax levy to the Assigned Facilities Special Tax on residential parcels in all years. The levies cannot be made at higher rates even if the failure to do so would result in insufficient Net Special Tax Revenues to pay the principal of and interest on the Bonds as the same become due and payable.

The levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of a particular parcel and the amount of the levy of the Special Tax against such parcel. Thus, there will rarely, if ever, be a uniform relationship between the value of a parcel and its proportionate share of the debt service on the Bonds. The Special Tax levied in any particular Fiscal Year on a parcel is based upon the revenue needs of the District and the application of the Rate and Method. The application of the Rate and Method will, in turn, be dependent upon certain development factors with respect to each parcel by comparison with similar development factors with respect to the other parcels in the District. Thus, in addition to annual variations in the revenue needs of the District that must be met from the Special Tax, the following are some of the factors which might cause the levy of the Special Tax on any particular parcel to vary from the Special Tax that might otherwise be expected:

Reduction in the number of parcels of Taxable Property, for reasons such as acquisition of such parcels by a governmental entity and failure of the governmental entity to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining parcels of Taxable Property; and

Failure of the owners of certain parcels of Taxable Property to pay the applicable Special Tax and delays in the collection of or inability to collect such Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels of Taxable Property.

## **Collection of the Special Tax**

The timely payment of the principal of and interest on the Bonds is ultimately dependent upon the timely payment of all Special Taxes. Any money on deposit in the Reserve Fund can be used to make such payment in the event of delinquencies, but the replenishment of the Reserve Fund will be dependent on the recovery of such delinquencies. The Indenture provides that the Special Tax is to be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable (or in such other manner as the City Council shall determine, including direct billing of the affected property owners) and, except as provided in the special covenant for foreclosure described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Covenant for Superior Court Foreclosure" and in the Act, is to be subject to the same proportionate penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* taxes on real property.

Pursuant to the Act, in the event of any delinquency in the payment of the Special Tax, the District may order the institution of a superior court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory. However, the District has covenanted for the benefit of the owners of the

Bonds that it will institute foreclosure proceedings as authorized by the Act in order to enforce the lien of the delinquent installments of the Special Tax under certain circumstances. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Covenant for Superior Court Foreclosure.” In the event that foreclosure proceedings are commenced, such foreclosure proceedings could be stayed by the commencement of bankruptcy proceedings by or against the owner of the property being foreclosed. In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the District of the proceeds of sale if the Reserve Fund is depleted.

The District may be unable to make full or timely payment of debt service on the Bonds if property owners in the District fail to pay installments of the Special Tax when due, if the Reserve Fund is depleted, or if the District is unable to sell foreclosed parcels for amounts sufficient to cover the delinquent installments of the Special Tax.

### **Failure to Develop Properties**

Development of property within the District may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the Master Builder, the Merchant Builders, or any other property owner to pay the Special Taxes prior to delinquency. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Development of land in the District is also subject to the availability of water. Finally, development of land is subject to economic considerations.

As of August 1, 2021, 10 of the 392 proposed units had been completed and conveyed to individual homeowners. See “THE COMMUNITY FACILITIES DISTRICT” and “PROPERTY OWNERSHIP AND THE DEVELOPMENTS.” No assurance can be given that the proposed residential development will be partially or fully completed; and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain vacant and unimproved.

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bond Owners should it be necessary for the District to foreclose on the property due to the nonpayment of Special Taxes. The failure to complete development in the District as planned, or substantial delays in the completion of the development may reduce the value of the property within the District and increase the length of time during which Special Taxes will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within the District to pay the Special Taxes prior to delinquency.

There can be no assurance that land development operations within the District will not be adversely affected by a future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Bond Owners should assume that any event that significantly impacts the ability to develop land in the District would cause the property values within the District to decrease substantially and could affect the willingness and ability of the owners of land within the District to pay the Special Taxes prior to delinquency.

## **Concentration of Property Ownership**

Based on development status and ownership status as of August 1, 2021, Richmond American is expected to be responsible for approximately 8.64% of the estimated Fiscal Year 2022-23 Special Tax levy within the District, Taylor Morrison is expected to be responsible for approximately 3.41% of the estimated Fiscal Year 2022-23 Special Tax levy within the District, PLC is expected to be responsible for approximately 4.52% of the estimated Fiscal Year 2022-23 Special Tax levy within the District, and Tri Pointe is expected to be responsible for approximately 6.68% of the estimated Fiscal Year 2022-23 Special Tax levy within the District. However, the Merchant Builders could be responsible for a significantly higher percentage of Special Taxes in the future if Additional Bonds are issued and they continue to own the same amount of property in the District. See “Effect of Additional Bonds on Credit Quality” below and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds.”

The inability or refusal of the Merchant Builders to pay the Special Tax applicable to their respective property when due could result in the depletion of the Reserve Fund prior to reimbursement thereof from sale or foreclosure proceedings, and/or insufficient money with which to pay the principal of and interest on the Bonds as the same became due. Additionally, pursuant to the Act, the Special Taxes levied in any fiscal year against any parcel of residential property in the District may not be increased as a consequence of delinquency or default by the owners of any other parcels within the District by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or default. As a result, while the Maximum Special Taxes pursuant to the Rate and Method may be higher, Maximum Special Taxes on parcels of residential parcels cannot be greater than 110% of the projected actual Special Tax levy on such parcels.

## **Effect of Additional Bonds on Credit Quality**

The District may at any time after the issuance and delivery of the Bonds issue Additional Bonds for the purpose of financing additional Facilities in an aggregate amount not to exceed \$1,805,000\* payable from the Net Special Tax Revenues on a parity with the Outstanding 2018 Bonds, Bonds and any other Additional Bonds theretofore issued under the Indenture or under any Supplemental Indenture for the purpose of funding additional Facilities costs or for the purpose of refunding all or a portion of the 2018 Bonds, Bonds or any Additional Bonds then Outstanding. Additional Bonds may only be issued subject to specific conditions, which are set forth in the Indenture and with which the District must be in compliance. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds.”

It is likely that, if Additional Bonds are issued to finance additional Facilities costs, the value-to-lien ratio for certain parcels subject to the Special Tax will be lower than the ratios in Table 3, 4 and 5. If Additional Bonds are issued, the owners of the 2018 Bonds and the Bonds will not have any prior claim on the Special Taxes levied on the property within the District, but will have an equal claim with the owners of any Additional Bonds on the Net Special Tax Revenues collected within the District. Additional Bonds could also be issued at a time where certain of the property upon which Special Taxes will be levied is undeveloped. This could result in Owners of the 2018 Bonds and the Bonds having to rely upon the payment of Special Taxes from Undeveloped Property in addition to Final Mapped Property.

## **Exempt Properties**

Certain properties are exempt from the Special Tax in accordance with the Rate and Method. In addition, the Act provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property in the District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. In addition, the Act provides that if property subject to the Special Tax is acquired by a

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\* Preliminary, subject to change.

public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment. The constitutionality and operation of these provisions of the Act have not been tested.

In particular, insofar as the Act requires payment of the Special Tax by a federal entity acquiring property in the District, it may be unconstitutional. If for any reason property in the District becomes exempt from taxation by reason of ownership by a nontaxable entity such as the federal government or another public agency, subject to the limitation of the maximum authorized rates, the Special Tax will be reallocated to the remaining Taxable Properties in the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax. Moreover, if a substantial portion of property in the District becomes exempt from the Special Tax because of public ownership, or otherwise, the Maximum Annual Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the Bonds when due and a default would occur with respect to the payment of such principal and interest.

### **Constitutional Limitations on Taxation and Appropriations**

**Articles XIII A and XIII B of the California Constitution.** On June 6, 1978, California voters approved an amendment to the California Constitution, commonly known as Proposition 13 (the Jarvis/Gann Initiative), which added Article XIII A to the California Constitution. The effect of Article XIII A is to significantly limit the imposition of new *ad valorem* taxes, special taxes, transaction taxes, and sales taxes. On November 7, 1978, California voters approved Proposition 8, which made certain clarifications to Article XIII A.

Article XIII A of the California Constitution limits the amount of *ad valorem* taxes on real property to 1% of “full cash value” as determined by the county assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% per year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and allows local governments to raise their property tax rates above the constitutionally mandated 1% ceiling for the purpose of paying off certain new general obligation debt issued for the acquisition or improvement of real property and approved by two-thirds of the votes cast by the qualified electorate. Article XIII A requires a vote of two-thirds of the qualified electorate to impose special taxes on real property, while otherwise generally precluding the imposition of any additional *ad valorem* taxes, special taxes, transaction taxes, and sales taxes. In addition, Article XIII A requires the approval of two-thirds of all members of the California Legislature to change any State laws resulting in increased tax revenues.

Enactment of Article XIII A has reduced the amount of general property tax revenues received by the City. This reduction in such revenues makes it less likely that the City or the District will have surplus funds, other than the Reserve Fund for the Bonds, with which to advance funds to make any payments or to cure any deficiency in the Interest Account or Principal Account of the Special Tax Fund, should the City or the District, as applicable, in the exercise of its discretion, choose to do so. If there are additional delinquencies after exhaustion of funds in the Reserve Fund for the Bonds, none of the City or the District has any obligation to transfer into the Interest Account or Principal Account of the Special Tax Fund the amount of any such delinquencies out of any surplus moneys of the City.

On July 2, 1979, the Fifth District Court of Appeal rendered a 3-0 decision in the case of *County of Fresno v. Malmstrom* (94 Cal.App.3d 974), that determined that special assessments are not subject to the limitations of Article XIII A (Proposition 13). The Court held the one percent tax limitation imposed by California Constitution Article XIII A on *ad valorem* taxes does not apply to special assessments levied pursuant

to the Improvement Act of 1911 (Streets and Highways Code, Section 5000 *et seq.*, the relevant portions of which are incorporated in the 1915 Act) and the 1913 Act. The Court further held that because special assessments pursuant to such acts are not within the definition of “special taxes” in Article XIII A, the Constitution does not require the levy of assessments and the issuance of bonds to be approved by a two-thirds vote of the qualified electors in an assessment district. On September 12, 1979, the California Supreme Court refused to hear an appeal of the lower court’s decision.

At the November 6, 1979, general election, Proposition 4 (the Gann Initiative) was approved by the voters of California. Such proposition added Article XIII B to the California Constitution.

Article XIII B of the California Constitution limits the annual appropriations of the State and of any city, county, school district, authority, or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is the Fiscal Year 1978-79 and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance, and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted to be spent, the excess would have to be allocated to fund schools or be returned by revising tax rates or fee schedules over the subsequent two years.

On December 17, 1980, the Third District Court of Appeal rendered a 3-0 decision in the case *County of Placer v. Corin* (113 Cal. App. 3d 443) that determined that special assessments are not subject to the limitation of Article XIII B (Proposition 4). The Court held that the definition of “proceeds of taxes” imposed by California Constitution Article XIII B does not apply to special assessments and improvement bonds issued pursuant to the 1915 Act and the 1913 Act. The decision of the Court was not appealed.

The enactment of Article XIII A of the California Constitution (Proposition 13) and subsequent legislative enactments effectively repeal the otherwise mandatory duty on the part of the City, under the 1915 Act, to levy and collect a special tax (in an amount necessary to meet delinquencies, but not to exceed ten cents on each \$100 of assessable property within the City in any one year) if other funds are not available to cover delinquencies.

In early 1990, the U.S. Supreme Court struck down as a violation of equal protection certain property tax assessment practices in West Virginia, which had resulted in vastly different assessments of similar properties. Since Article XIII A provides that property may only be assessed up to 2%, per year, except upon change of ownership or new construction, recent purchasers may pay substantially higher property taxes than long-time owners of comparable property in a community. The Supreme Court in the West Virginia case expressly declined to comment in any way on the constitutionality of Article XIII A.

Based on this decision, however, property owners in California brought three suits challenging the acquisition value assessment provisions of Article XIII A. Two cases involve residential property and one case involves commercial property. In all three cases, State trial and appellate courts have upheld the constitutionality of Article XIII A’s assessment rules and concluded that the West Virginia case did not apply to California’s laws. On June 3, 1991, the U.S. Supreme Court agreed to hear the appeal in the challenge relating to commercial property, but the plaintiff subsequently decided to drop the case.

On October 7, 1991, the U.S. Supreme Court granted the plaintiff's petition for a writ of certiorari and agreed to hear the *Nordlinger v. Lynch* case. On June 18, 1992, the U.S. Supreme Court affirmed the Nordlinger decision (112 U.S. 2326) of the California Court of Appeal, Second Appellate District, which previously held that Article XIII A does not violate the U.S. Constitution.

The City cannot predict whether any other pending or future challenges to the State's present system of property tax assessment will be successful, when the ultimate resolution of any challenge will occur, or the ultimate effect any decision regarding the State's present system of property tax assessment will have on the City's revenues or on the State's financial obligations to local governments.

**Articles XIII C and XIII D of the California Constitution.** . Proposition 218, a state ballot initiative known as the "Right to Vote on Taxes Act," was approved by California voters on November 6, 1996. Proposition 218 added Articles XIII C and XIII D to the State Constitution, and, with the exception of certain provisions, Articles XIII C and XIII D became effective on November 6, 1996.

Among other things, Proposition 218 imposed certain voting requirements and other limitations on the imposition of new or increased taxes, assessments, and property-related fees and charges. Under Proposition 218 (i) all taxes imposed by local governments are deemed to be either general taxes, or special taxes, (ii) no local government may impose, extend, or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote, and (iii) no local government may impose, extend, or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote. Special purpose districts, including community facilities districts and assessment districts, have no power to levy general taxes. The City believes that the issuance of the Bonds does not require the conduct of further proceedings under the Refunding Act, the 1915 Act, the 1913 Act, the Mello-Roos Act, or Proposition 218, as applicable, other than as described herein.

Proposition 218 provides that the initiative power shall "not be prohibited or otherwise limited in matters reducing or repealing any local tax, assessment, fee or charge..." Thus, Proposition 218 removes limitations on the initiative power in matters of, among other things, the Special Taxes. Consequently, it is conceivable that the voters of the City or the District could, by future initiative, repeal, reduce, or prohibit the future imposition or increase of any Special Tax, subject to overriding federal constitutional principles relating to impairment of contracts.

Although the provisions of Article XIII C have not been interpreted by the courts, the City believes that the initiative power cannot be used to reduce or repeal the unpaid Special Taxes that are pledged as security for payment of the Bonds or to otherwise interfere with the mandatory, statutory duty of the City and the County Auditor with respect to the unpaid Special Taxes that are pledged as security for payment of the Bonds.

The Appellate District, Division One, issued its opinion in 2014 in *City of San Diego v. Melvin Shapiro, et al.* (228 Cal. App. 4th 756) (the "San Diego Decision"). The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego. The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIII A, Section 4 thereof and Article XIII C, Section 2 thereof require that the electors in such an election be the registered voters within the district.

The facts of the San Diego Decision show that there were hundreds of thousands of registered voters within the CCFD (viz., all of the registered voters in the City of San Diego). There were no registered voters in the District at the time of formation. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court's holding does not apply to the Special Tax elections in the District. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. Voters in the District approved the Special Tax and the issuance of bonds on January 22, 2019. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, the City believes the Special Tax is being levied in accordance with the Rate and Method and the Act.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

### **Maximum Special Tax**

Within the limits of the Special Tax, the District may adjust the Special Tax levied on all property in the District to provide an amount required to pay interest on and principal of the Bonds, and the amount, if any, necessary to cure delinquencies and replenish the Reserve Fund to an amount equal to the Reserve Requirement for the respective Bonds and to pay Administrative Expenses. However, the amount of the Special Tax that may be levied against any property in the District is subject to the Maximum Special Tax applicable to it. There is no assurance that the Maximum Special Tax on the property in the District will be sufficient to pay the amounts required to be paid by the Indenture at all times. Additionally, pursuant to the Act, the Special Taxes levied in any fiscal year against any parcel of residential property in the District may not be increased as a consequence of delinquency or default by the owners of any other parcels within the District by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Taxes."

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

An owner of a parcel of Taxable Property is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation only against the parcel of Taxable Property. If the value of a parcel is not sufficient, taking into account other obligations also payable thereby, to fully secure the Special Tax, the District has no recourse against the owner.

### **Disclosures to Future Purchasers**

The District has recorded a notice of the Special Tax Lien in the Office of the County Recorder. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a parcel of land, a home or a commercial or industrial facility in the District or the lending of money thereon. The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.



## **Parity Taxes and Special Assessments**

The ability or willingness of a property owner in the District to pay the Special Tax could be affected by the existence of other taxes and assessments imposed upon the property. The Special Tax and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special tax and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes, other special taxes, and certain special assessments regardless of when they are imposed upon the same property. The Special Tax has priority over all existing and future private liens imposed on the property. In addition, other public agencies whose boundaries overlap those of the District could, with or in some circumstances without the consent of the owners of the land in the District, impose additional taxes or assessment liens on the property in the District in order to finance public improvements to be located inside or outside of the District.

The District has no control over the ability of other entities and districts to issue indebtedness secured by special tax or assessments payable from all or a portion of the property in the District. In addition, the City is not prohibited itself from establishing assessment districts, community facilities districts or other districts which might impose assessments or taxes against property in the District. In the event any additional improvements are financed pursuant to the establishment of an assessment district, community facilities district or other district, any taxes or assessments levied to finance such improvements will have a lien on a parity with the lien of the Special Tax. The imposition of additional liens on a parity with the Special Tax could reduce the ability or willingness of the property owners to pay the Special Tax and increase the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Tax or the principal of and interest on the Bonds when due.

## **Depletion of Reserve Fund**

The Reserve Fund is to be maintained at an amount equal to the Reserve Requirement. Money in said fund may be used to pay debt service on the Bonds in the event the proceeds of the levy and collection of the Special Tax against property in the District are insufficient. If funds in the Reserve Fund are used to pay debt service on the Bonds, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay all amounts to be paid pursuant to the Indenture. However, no replenishment from the proceeds of a levy of the Special Tax can occur as long as the proceeds that are collected from the levy of the Special Tax at the maximum tax rates, together with other available funds, remain insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted by its use to pay such amounts and will not be replenished by the levy of the Special Tax. There is no assurance that the amount in the Reserve Fund will, at any particular time, be sufficient to pay all such amounts or that any amounts of the Reserve Requirement used for debt service on the Bonds will be fully replenished from the proceeds of the levy and collection of the Special Tax.

## **Bankruptcy and Legal Delays**

The payment of the Special Tax and the ability of the District to foreclose the lien of a delinquent unpaid tax, as discussed in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State of California relating to judicial foreclosure. In addition, the prosecution of a foreclosure action could be delayed due to crowded local court calendars or delays in the legal process. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the obligation to pay the Special Tax to become extinguished, the bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure

proceedings because federal bankruptcy laws may provide for an automatic stay of foreclosure and sale of tax sale proceedings. Any such delays could increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent tax installments not being paid in full. Moreover, if the value of the subject property is less than the lien of the Special Tax, such excess could be treated as an unsecured claim by the bankruptcy court. Further, should remedies be exercised under the federal bankruptcy laws against Taxable Property, payment of the Special Tax may be subordinated to bankruptcy law priorities. Thus, certain claims may have priority over the Special Tax in a bankruptcy proceeding even though they would not outside of a bankruptcy proceeding.

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

The ability of the District to collect interest and penalties specified by the Act and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to parcels in which the Federal Deposit Insurance Corporation (the “FDIC”), or other federal government entities such as Fannie Mae or Freddie Mac, has or obtains an interest.

In the case of the FDIC, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the applicable Special Tax is not paid, the remedies available to the District may be constrained. The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that taxes other than *ad valorem* taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the non-payment of taxes.

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County, California, in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the Ninth Circuit Court of Appeals issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale.

In the case of Fannie Mae and Freddie Mac, in the event a parcel of Taxable Property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or in the event a private deed of trust secured by a parcel of Taxable Property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of Taxable Property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest.

The District's remedies may also be limited in the case of delinquent Special Taxes with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

### **Geologic, Topographic and Climatic Conditions**

The value of the property within the District can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements to property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts. One or more of such conditions could occur and could result in damage to improvements of varying seriousness. Such damage could entail significant repair or replacement costs and such repair or replacement might never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the Taxable Parcels may well be reduced.

### **Wildfires**

In recent years, wildfires have caused extensive damage throughout the State. In some instances, entire neighborhoods have been destroyed. Several of the fires that occurred in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. The last major wildfire in the vicinity of the City was the Grand Prix Fire in October 2003. There have been smaller fires, such as the 147-acre Sierra Fire that burned in November 2018 and the 277-acre Karen Fire in July of 2020. While the District is not aware of any particular risk of wildfire within the District, there can be no assurances that wildfires won't occur within the District. Some commentators believe that climate change will lead to even more frequent and more damaging wildfires in the future. Property damage due to wildfire could result in a significant decrease in the market value of property in the District and in the ability or willingness of property owners to pay Special Taxes.

### **Hazardous Substances**

While governmental taxes, assessments, and charges are a common claim against the value of a parcel of Taxable Property, other less common claims may be relevant. One example is a claim with regard to a hazardous substance.

In general, the owners and operators of a parcel of Taxable Property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the Taxable Property be affected by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of the property that is realizable upon a delinquency and foreclosure.

While the District is not aware that the owner (or operator) of any of Taxable Property has such a current liability with respect to any of the Taxable Property, it is possible that such liabilities do currently exist and that the District is not aware of them. The Master Developer and the Merchant Builders have also represented to the District that they are not aware of any substances currently classified as hazardous by the federal government or the State located on their respective properties within the District.

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

### **No Acceleration Provision**

The Indenture does not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture.

### **Bonds Are Limited Obligations**

Neither the faith and credit nor the taxing power of the District (except to the limited extent set forth in the Indenture), the City, the State or any political subdivision thereof is pledged to the payment of the Bonds. The Bonds are limited obligations of the District; and, except as provided in the Indenture, they are payable solely from Net Special Tax Revenues and the other assets pledged therefore under the Indenture. Net Special Tax Revenues could be insufficient to pay debt service on the Bonds as a result of delinquencies in the payment of Special Taxes or the insufficiency of proceeds derived from the sale of land within the District following a delinquency in the payment of the applicable Special Tax. The District has no obligation to pay debt service on the Bonds in the event of insufficient Net Special Tax Revenues, except to the extent that money is available for such purpose in the Reserve Fund. The District's only obligation with respect to delinquent Special Taxes is to pursue judicial foreclosure proceedings under the circumstances described in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Covenant for Superior Court Foreclosure."

### **Loss of Tax Exemption**

As discussed under "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance, as a result of acts or omissions of the District subsequent to the issuance of the Bonds in violation of the District's covenants with respect to the Bonds. Should interest become includable in gross income, the Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or unless earlier redeemed pursuant to optional or mandatory redemption or mandatory redemption upon prepayment of the Special Tax.

### **Potential Early Redemption of Bonds from Special Tax Prepayments**

Property owners within the District are permitted to prepay their Special Taxes at any time. Such payments will result in a mandatory redemption of Bonds from Special Tax prepayments on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of such Special Tax prepayment. The resulting redemption of Bonds purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See "THE BONDS — Redemption — *Mandatory Redemption from Special Tax Prepayments.*"

## **Cybersecurity**

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the City's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage.

In May 2021, a public facing web server of the City that was responsible for building permit and inspection scheduling was compromised. The system contained vendor and database account credentials that were promptly changed. An investigation revealed that the credentials had not been used since the compromise and that changing the credentials prevented any further unauthorized access. All traces of the compromise were removed. Mitigation measures, including a web application firewall and Secure Sockets Layer (SSL) decryption, were put into place to prevent future compromises and additional prevention measures have been implemented. No data was lost and no damage to any systems, financial or otherwise, occurred. There were no costs associated with remediation.

The City carries cyber liability insurance with limits of \$2,000,000 per claim and \$25,000,000 aggregate, with a \$10,000 deductible.

No assurances can be given that the City's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the City.

## **COVID-19 (Coronavirus) Pandemic**

The spread of novel strains of coronavirus that cause a disease commonly referred to as COVID-19 ("COVID-19") has had significant negative impacts throughout the world, including in the City. Since mid-March 2020, based on guidance and directives from the State and public health agencies, the City and the State have undergone varying degrees of closure and limited reopening of public buildings and businesses. There have been confirmed cases of COVID-19 in the City, and confirmed cases of COVID-19 are growing throughout the State and health officials are expecting the number of confirmed cases to continue to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools. The U.S. is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to COVID-19 concerns.

In December 2020, two vaccines were approved for emergency use in the United States and vaccinations began in California. A third vaccine was approved for emergency use in February 2021. On June 15, 2021, California fully reopened its economy ending capacity limits, physical distancing and certain mask requirements for individuals who are fully vaccinated in accordance with guidance from the Centers for Disease Control and Prevention (the "CDC"). Masks are still required on public transportation, in hospitals and jails, in schools and in other child care centers pending updated guidance from the CDC. Public health measures currently remain for events with 5,000 or more people indoors or 10,000 attendees or more outdoors, with vaccine verification recommended. Certain public health measures, including but not limited to mask, testing and/or vaccination requirements, remain in certain business settings and for certain industries.

The City initially closed certain non-essential functions of the City, while City Hall, Community Services Administration Office and public safety functions remained opened to service City residents and businesses. The City's Building & Safety Department remained opened and continued to issue building permits and inspect unoccupied dwellings for the lots within the City. Other City Departments that serve businesses and residents within the District telecommuted and/or continued in-person work schedules to meet the needs of the community. City offices have begun to reopen in accordance with County Public Health Guidelines. Other public agencies serving the property and residents within the District may have taken similar actions in response

to the COVID-19 pandemic, though the District and the City can provide no assurance regarding the actions of any other public agencies. Such actions may affect the Developers' ability to complete their planned developments in the time periods and within cost estimates described in the Official Statement. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

The COVID-19 pandemic is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impacts are uncertain. However, the impact of the COVID-19 outbreak could adversely impact development within the District, including, but not limited to, one or more of the following ways: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation, and other services and activities associated with real estate development; (iii) delays in construction where one or more members of the workforce becomes infected with COVID-19; (iv) continued extreme fluctuations in financial markets and contraction in available liquidity; (v) extensive job losses and declines in business activity across important sectors of the economy; (vi) declines in business and consumer confidence that negatively impact economic conditions or cause an economic recession; (vii) the failure of government measures to stabilize the financial sector and introduce fiscal stimulus to counteract the economic impact of the pandemic; (viii) delays in sales or fewer sales due to lower traffic at model home complexes and real estate offices; and (ix) delays in sales, or cancellations, due to mortgage lending issues. The ultimate adverse impact of COVID-19 on the District, the Master Developer's and Merchant Builders' operations, finances and ability to complete its development within the District as planned, homebuyers' willingness and ability to pay Special Taxes when due, and the real estate market in general is unknown.

### **CONTINUING DISCLOSURE**

Pursuant to a Continuing Disclosure Agreement (the "District Continuing Disclosure Agreement") with U.S. Bank National Association, in its capacity as Trustee and in its capacity as dissemination agent, the District has agreed to provide, or cause to be provided, to the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found on the Internet at [www.emma.msrb.org](http://www.emma.msrb.org) ("EMMA"), on an annual basis certain financial information and operating data concerning the District. The District has further agreed to provide notice to EMMA of certain listed events. The District's covenants have been made in order to assist the Underwriter in complying with the Rule.

The District has not previously entered into any undertaking with respect to the Rule. However, the City, as well as the Fontana Public Financing Authority (the "Authority"), the Successor Agency to the Fontana Redevelopment Agency (the "Successor Agency") and various community facilities districts within the City (each, a "CFD"), all of which are entities with the City Council as the legislative body, have entered into numerous continuing disclosure undertakings.

Within the last five years, the City and the Authority have timely filed all regular annual reports pursuant to such undertakings. However, the Successor Agency, as successor to the undertakings of the former Fontana Redevelopment Agency (the "Former Agency"), failed to file one annual report for one issue of the Former Agency's bonds and failed to link one annual report to the relevant CUSIPs for one issue of the Former Agency's bonds. Additionally, a CFD failed to file one annual report for one issue of bonds for which the official statement relating to such bonds contained all of the information required to be contained in such report. Further, the District is aware that not all of the required information was included with respect to a number of annual report filings by the City, the Authority, the Successor Agency and several CFDs, including required tabular information. Additionally, the City, the Authority, the Successor Agency and two CFDs failed to timely file certain notices of ratings changes. The City has since made filings on behalf of itself and its related entities to correct material omissions with respect to the filings that were required to have been made within the past five years, and has adopted written procedures to ensure future compliance with the City's disclosure undertakings and those of its related entities.

Except as disclosed in this Official Statement, within the last five years, the City, the Successor Agency and the Authority have not failed to timely comply with their respective prior continuing disclosure obligations under the Rule in all material respects. The full text of the form of the District Continuing Disclosure Agreement is set forth in Appendix F.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

#### **ABSENCE OF LITIGATION**

In connection with the issuance of the Bonds, the City Attorney of the City will deliver a certificate to the effect that, to the City Attorney's actual knowledge, after due inquiry and investigation, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, or any unfavorable decision, ruling or finding, against or affecting the City or the District, which would adversely impact the ability of the City or the District to complete the transactions described in, or contemplated by, the Indenture or this Official Statement, restrain or enjoin the collection of the Special Taxes, or in any way contest or affect the validity of the Bonds, the Indenture, the Special Taxes, or the transactions described herein.

#### **ABSENCE OF RATINGS**

The District has not made, and does not contemplate making, application to any rating organization for a rating on the Bonds.



## **CERTAIN LEGAL MATTERS**

Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, will render an opinion with respect to the validity and enforceability of the Indenture and as to the validity of the Bonds. A copy of the form of such approving opinion is attached hereto as Appendix D. Copies of such approving opinion will accompany each Bond. Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and expresses no opinion relating thereto. Certain legal matters will be passed upon for the City by the City Attorney and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Jones Hall, A Professional Law Corporation, San Francisco, California.

Although it is serving as Bond Counsel to the District in connection with the issuance and sale of the Bonds, Bond Counsel represents the Underwriter in connection with other financings and matters unrelated to the Bonds. Disclosure Counsel and the City Attorney also represent the Underwriter in connection with other financings and matters unrelated to the Bonds.

## **UNDERWRITING**

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a price of \$ \_\_\_\_\_ (\$ \_\_\_\_\_ principal amount, [plus][minus] [net] original issue [premium][discount] of \$ \_\_\_\_\_ and less an Underwriter’s discount of \$ \_\_\_\_\_). The Bond Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter’s compensation is contingent upon the successful issuance of the Bonds.

Under certain circumstances, the Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside front cover page hereof. The offering prices may be changed from time to time by the Underwriter.

## **FINANCIAL INTERESTS**

The fees being paid to the Municipal Advisor, Bond Counsel, Disclosure Counsel, Underwriter, and Underwriter’s Counsel are contingent upon the issuance and delivery of the Bonds.

## **MUNICIPAL ADVISOR**

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

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

## **ADDITIONAL INFORMATION**

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

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

CITY OF FONTANA COMMUNITY FACILITIES  
DISTRICT NO. 31 (CITRUS HEIGHTS NORTH)

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

## APPENDIX A

### RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

#### RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX CITY OF FONTANA COMMUNITY FACILITIES DISTRICT NO. 31 (CITRUS HEIGHTS NORTH)

A Special Tax shall be levied on all Assessor's Parcels in City of Fontana Community Facilities District No. 31 (Citrus Heights North) ("CFD No. 31") and collected each Fiscal Year commencing in Fiscal Year 2005-2006, in an amount determined through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 31, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

#### A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

**"Act"** means the Mello-Roos Community Facilities Act of 1982, being Chapter 2.5, Part 1, Division 2 of Title 5 of the California Government Code.

**"Administrative Expenses"** means the following actual or reasonably estimated costs directly related to the administration of CFD No. 31: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 31 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 31 or any designee thereof of complying with City, CFD No. 31 or obligated persons disclosure requirements of applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 31 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from any escrow account; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 31 for any other administrative purposes of CFD No. 31, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure as a result of delinquent Special Taxes.

**"Assessor's Parcel"** means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's Parcel number.

**"Assessor's Parcel Map"** means an official map of the County Assessor of the County designating parcels by Assessor's Parcel number.

**"Assigned Special Tax A"** means the Special Tax A for each Land Use Class of Developed Property, as determined in accordance with Section C.1.a.(2) below.

**“Assigned Special Tax B”** means the Special Tax B for each Land Use Class of Developed Property, as determined in accordance with Section C.2.b below.

**“Backup Special Tax A”** means the Special Tax A applicable to each Assessor’s Parcel of Developed Property in each Zone, as determined in accordance with Section C.1.a.(3) below.

**“Bonds”** means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 31 under the Act.

**“Certificate of Occupancy”** means a certificate issued by the City that authorizes the actual occupancy of a dwelling unit for habitation by one or more residents.

**“CFD Administrator”** means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement for Facilities and the Special Tax Requirement for Services and providing for the levy and collection of the Special Taxes.

**“CFD No. 31”** means City of Fontana Community Facilities District No. 31 (Citrus Heights North).

**“City”** means the City of Fontana.

**“Council”** means the City Council of the City, acting as the legislative body of CFD No. 31.

**“County”** means the County of San Bernardino.

**“Developed Property”** means, for each Fiscal Year, (i) with respect to the Special Tax A, all Taxable Property, exclusive of Taxable Public Property and Taxable Property Owner Association Property, for which the Final Subdivision was recorded on or before January 1 of the prior Fiscal Year and a building permit for new construction was issued after January 1, 2004 and on or before March 1 of the Fiscal Year preceding the Fiscal Year for which the Special Taxes are being levied, and (ii) with respect to the Special Tax B, all Assessor’s Parcels of Taxable Property for which the Final Residential Subdivision was recorded prior to the Fiscal Year for which the Special Tax B is being levied, and all Assessor’s Parcels of Taxable Property for which a building permit has been issued with respect to Non- Residential Property prior to the Fiscal Year for which the Special Tax B is being levied.

**“Final Mapped Property”** means, for each Fiscal Year, all Taxable Property, exclusive of Developed Property, Taxable Property Owner Association Property or Taxable Public Property, which as of January 1 of the previous Fiscal Year was located within a Final Subdivision.

**“Final Residential Subdivision”** means a Final Subdivision that creates individual lots for which building permits are authorized to be issued for residential units without further subdivision of such property.

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

**“Fiscal Year”** means the period starting July 1 and ending on the following June 30.

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

**“Initial Maximum Special Tax A”** means the initial maximum Special Tax A, determined in accordance with Section C.1.b.(1) below, that can be levied in any Fiscal Year on any Assessor’s Parcel of Final Mapped Property and Undeveloped Property.

**“Land Use Class”** means any of the classes listed in Table 1, Table 4, or Table 5 below.

**“Maximum Special Tax”** means the Maximum Special Tax A and/or Maximum Special Tax B, as applicable.

**“Maximum Special Tax A”** means the maximum Special Tax A, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor’s Parcel.

**“Maximum Special Tax B”** means the maximum Special Tax B, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor’s Parcel.

**“Non-Residential Property”** means all Assessor’s Parcels of Developed Property for which a building permit permitting the construction of one or more non-residential units or facilities has been issued by the City.

**“Outstanding Bonds”** means all Bonds which are deemed to be outstanding under the Indenture.

**“Property Owner Association Property”** means, for each Fiscal Year, any property within the boundaries of CFD No. 31 that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

**“Proportionately”** means, for Developed Property, that the ratio of the actual Special Tax A levy to the Assigned Special Tax A is equal for all Assessor’s Parcels of Developed Property and that the ratio of the actual Special Tax B levy to the Assigned Special Tax B is equal for all Assessor’s Parcels of Developed Property. For Final Mapped Property, “Proportionately” means that the ratio of the actual Special Tax A levy per Acre to the Initial Maximum Special Tax A per Acre is equal for all Assessor’s Parcels of Final Mapped Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax A levy per Acre to the Initial Maximum Special Tax A per Acre is equal for all Assessor’s Parcels of Undeveloped Property. The term “Proportionately” may similarly be applied to other categories of Taxable Property as listed in Section D below.

**“Public Property”** means, for each Fiscal Year, (i) any property within the boundaries of CFD No. 31 owned by, irrevocably offered or dedicated to, or over, or through or under which an easement for purposes of public right-of-way has been granted, to the federal government, the State, the County, the City, or any local government or other public agency as of January 1 of the previous Fiscal Year, provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use; or (ii) any property within the boundaries of CFD No. 31 that was encumbered, as of January 1 of the previous Fiscal Year, by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

**“Residential Floor Area”** means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area for an Assessor’s Parcel shall be made by reference to the building permit(s) issued for such Assessor’s Parcel.

**“Residential Property”** means all Assessor’s Parcels of Developed Property for which a building permit permitting the construction thereon of one or more residential dwelling units has been issued by the City.

**“Special Tax”** means the Special Tax A and/or Special Tax B, as applicable.

**“Special Tax A”** means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within CFD No. 31 to fund the Special Tax Requirement for Facilities.

**“Special Tax B”** means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within CFD No. 31 to fund the Special Tax Requirement for Services.

**“Special Tax Requirement for Facilities”** means that amount required in any Fiscal Year for CFD No. 31 to: (i) pay debt service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds due in the calendar year commencing in such Fiscal Year; (iii) pay a proportionate share of Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of CFD No. 31 facilities eligible under the Act to the extent that the inclusion of such amount does not increase the Special Tax A levy on Undeveloped Property; (vi) pay for reasonably anticipated Special Tax A delinquencies based on the delinquency rate for the Special Tax A levy in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax A levy, as determined by the CFD Administrator pursuant to the Indenture.

**“Special Tax Requirement for Services”** means that amount required in any Fiscal Year for CFD No. 31 to (i) pay the costs associated with the maintenance of parks, parkways, and open space within the area of CFD No. 31 and the costs associated with the determination of the amount and collection of the Special Tax B levy, and costs incurred to carry out the authorized purposes of CFD No. 31; (ii) pay for reasonably anticipated Special Tax B delinquencies based on the delinquency rate for the Special Tax B levy in the previous Fiscal Year; less (iii) a credit for funds available to reduce the annual Special Tax B levy, as determined by the CFD Administrator.

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

**“Taxable Property”** means all of the Assessor’s Parcels within the boundaries of CFD No. 31 which are not exempt from the Special Tax pursuant to law or Section E below.

**“Taxable Property Owner Association Property”** means, for each Fiscal Year, all Assessor’s Parcels of Property Owner Association Property that are not exempt from the Special Tax pursuant to Section E below.

**“Taxable Public Property”** means, for each Fiscal Year, all Assessor’s Parcels of Public Property that are not exempt from the Special Tax pursuant to Section E below.

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

**“Undeveloped Property”** means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Final Mapped Property, Taxable Property Owner Association Property or Taxable Public Property.

**“Zone”** means Zone 1, Zone 2, or Zone 3, as applicable.

**“Zone 1”** means the area geographically identified within the boundaries of Zone 1 as delineated in Exhibit A to this Rate and Method of Apportionment and further identified in Tentative Tract Map No. 16868 approved by the Planning Commission of the City on September 27, 2004 and Tentative Tract Map No. 16872 approved by the Planning Commission of the City on October 25, 2004. The area geographically identified within the boundaries of Zone 1 may be amended from time-to-time or

modified pursuant to a final map or precise site plan for such property only at the discretion of the CFD Administrator provided that such change will not reduce the amount of Maximum Special Tax A below the amount required to equal at least 1.1 times the maximum annual debt service on all Outstanding Bonds, plus the Administrative Expenses.

“**Zone 2**” means the area geographically identified within the boundaries of Zone 2 as delineated in Exhibit A to this Rate and Method of Apportionment and further identified in Tentative Tract Map No. 16868 approved by the Planning Commission of the City on September 27, 2004. The area geographically identified within the boundaries of Zone 2 may be amended from time-to-time or modified pursuant to a final map or precise site plan for such property only at the discretion of the CFD Administrator provided that such change will not reduce the amount of Maximum Special Tax A below the amount required to equal at least 1.1 times the maximum annual debt service on all Outstanding Bonds, plus the Administrative Expenses.

“**Zone 3**” means the area geographically identified within the boundaries of Zone 3 as delineated in Exhibit A to this Rate and Method of Apportionment and further identified in Tentative Tract Map No. 16868 approved by the Planning Commission of the City on September 27, 2004. The area geographically identified within the boundaries of Zone 3 may be amended from time-to-time or modified pursuant to a final map or precise site plan for such property only at the discretion of the CFD Administrator provided that such change will not reduce the amount of Maximum Special Tax A below the amount required to equal at least 1.1 times the maximum annual debt service on all Outstanding Bonds, plus the Administrative Expenses.

**B. ASSIGNMENT TO LAND USE CLASSES**

Each Fiscal Year, all Taxable Property within CFD No. 31 shall be assigned to a Zone and further classified as Developed Property, Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, or Taxable Public Property, and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and D below.

**C. MAXIMUM SPECIAL TAX RATE**

**1. Special Tax A**

Residential Property shall be assigned to Land Use Classes 1 through 17 as listed in Table 1 below based on the Residential Floor Area for each unit. Non-Residential Property shall be assigned to Land Use Class 18. With respect to Residential Property, the Residential Floor Area shall be determined from the most recent building permit issued prior to the issuance of a Certificate of Occupancy for such Assessor’s Parcel.

**a. Developed Property**

**(1) Maximum Special Tax A**

The Maximum Special Tax A for each Assessor’s Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax A or (ii) the amount derived by application of the Backup Special Tax A.

(2) Assigned Special Tax A

The Fiscal Year 2005-2006 Assigned Special Tax A for each Land Use Class is shown below in Table 1.

**TABLE 1**

**Fiscal Year 2005-2006  
Assigned Special Tax A for Developed Property  
City of Fontana Community Facilities District No. 31**

<i>Land Use Class</i>	<i>Description</i>	<i>Residential Floor Area</i>	<i>Assigned Special Tax A</i>
1	Residential Property	=> 4,275 s.f.	\$3,764 per unit
2	Residential Property	4,075 – 4,274 s.f.	\$3,595 per unit
3	Residential Property	3,875 – 4,074 s.f.	\$3,490 per unit
4	Residential Property	3,675 – 3,874 s.f.	\$3,409 per unit
5	Residential Property	3,475 – 3,674 s.f.	\$3,344 per unit
6	Residential Property	3,275 – 3,474 s.f.	\$3,223 per unit
7	Residential Property	3,075 – 3,274 s.f.	\$3,130 per unit
8	Residential Property	2,875 – 3,074 s.f.	\$3,037 per unit
9	Residential Property	2,675 – 2,874 s.f.	\$2,916 per unit
10	Residential Property	2,475 – 2,674 s.f.	\$2,795 per unit
11	Residential Property	2,275 – 2,474 s.f.	\$2,795 per unit
12	Residential Property	2,075 – 2,274 s.f.	\$2,674 per unit
13	Residential Property	1,875 – 2,074 s.f.	\$2,108 per unit
14	Residential Property	1,675 – 1,874 s.f.	\$1,882 per unit
15	Residential Property	1,475 – 1,674 s.f.	\$1,664 per unit
16	Residential Property	1,275 – 1,474 s.f.	\$1,503 per unit
17	Residential Property	< 1,275 s.f.	\$1,180 per unit
18	Non-Residential Property	NA	\$32,233 per Acre

(3) Backup Special Tax A

The Fiscal Year 2005-2006 Backup Special Tax A attributable to a Final Subdivision in Zone 1, Zone 2, or Zone 3 will equal the applicable Backup Special Tax A for such Zone, identified in Table 2 below, multiplied by the Acreage of all Taxable Property, exclusive of any Taxable Property Owner Association Property and Taxable Public Property, therein. The Backup Special Tax A for each Assessor's Parcel of Residential Property shall be computed by dividing the Backup Special Tax A attributable to the applicable Final Subdivision by the number of Assessor's Parcels for which building permits for residential construction have or may be issued (i.e., the number of residential lots). The Backup Special Tax A for each Assessor's Parcel of Non-Residential Property in Zone 1, Zone 2, or Zone 3 shall equal the applicable Backup Special Tax A for such Zone, identified in Table 2 below, multiplied by the Acreage of such Assessor's Parcel.



**TABLE 2**

**Fiscal Year 2005-2006  
Backup Special Tax A  
City of Fontana Community Facilities District No. 31**

<i>Special Tax Classification</i>	<i>Backup Special Tax A</i>
Zone 1	\$20,945 per Acre
Zone 2	\$31,636 per Acre
Zone 3	\$37,916 per Acre

If a Final Subdivision includes Assessor's Parcels of Taxable Property for which building permits for both residential and non-residential construction may be issued, exclusive of Taxable Property Owner Association Property and Taxable Public Property, then the Backup Special Tax A for each Assessor's Parcel of Residential Property shall be computed exclusive of the Acreage and Assessor's Parcels of property for which building permits for non-residential construction may be issued.

Notwithstanding the foregoing, if all or any portion of the Final Subdivision(s) described in the preceding paragraphs is subsequently changed or modified by recordation of a lot line adjustment or similar instrument, and only if the CFD Administrator determines that such change or modification results in a decrease in the number of Assessor's Parcels of Taxable Property for which building permits for residential construction have or may be issued within such Final Subdivision, then the Backup Special Tax A for each Assessor's Parcel of Developed Property that is part of the lot line adjustment or similar instrument for such Final Subdivision shall be a rate per Acre as calculated below. The Backup Special Tax A previously determined for an Assessor's Parcel of Developed Property that is not a part of the lot line adjustment or similar instrument for such Final Subdivision shall not be recalculated.

1. Determine the total Backup Special Tax A anticipated to apply to the changed or modified portion of the Final Subdivision area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified portion of the Final Subdivision area, as reasonably determined by the CFD Administrator.
3. The result of paragraph 2 above shall be the Backup Special Tax A per Acre which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified portion of the Final Subdivision area for all remaining Fiscal Years in which the Special Tax A may be levied.

- (4) Increase in the Assigned Special Tax A and Backup Special Tax A

The Fiscal Year 2005-2006 Assigned Special Tax A, identified in Table 1 above, and Backup Special Tax A, identified in Table 2 above, shall not be subject to change and shall therefore remain the same in every Fiscal Year.

(5) Multiple Land Use Classes

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

b. Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property

(1) Initial Maximum Special Tax A

The Fiscal Year 2005-2006 Initial Maximum Special Tax A for each Assessor's Parcel of Final Mapped Property and Undeveloped Property in Zone 1, Zone 2, or Zone 3 shall equal the applicable Initial Maximum Special Tax A for such Zone, identified in Table 3 below, and shall not be subject to change and shall therefore remain the same in every Fiscal Year.

**TABLE 3**

**Fiscal Year 2005-2006  
Initial Maximum Special Tax A  
City of Fontana Community Facilities District No. 31**

<i>Special Tax Classification</i>	<i>Initial Maximum Special Tax A</i>
Zone 1	\$17,806 per Acre
Zone 2	\$26,894 per Acre
Zone 3	\$32,233 per Acre

(2) Maximum Special Tax A

The Fiscal Year 2005-2006 Maximum Special Tax A for Final Mapped Property, Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be \$37,916 per Acre, and shall not be subject to change and shall therefore remain the same in every Fiscal Year.

**2. Special Tax B**

Assessor's Parcels of Developed Property within a Final Residential Subdivision shall be assigned to Land Use Class 1 and Non-Residential Property shall be assigned to Land Use Class 2. Furthermore, the Special Tax B levied against each Assessor's Parcel within a Final Residential Subdivision shall be based on the expected number of residential dwelling units for which building permits have been issued or are expected to be issued for such Assessor's Parcel.

a. Maximum Special Tax B

The Fiscal Year 2005-2006 Maximum Special Tax B for each Land Use Class is shown below in Table 4.

**TABLE 4**

**Fiscal Year 2005-2006  
Maximum Special Tax B for Developed Property  
City of Fontana Community Facilities District No. 31**

<i>Land Use Class</i>	<i>Description</i>	<i>Maximum Special Tax B</i>
1	Final Residential Subdivision	\$665 per unit
2	Non-Residential Property	\$2,860 per Acre

b. Assigned Special Tax B

The Fiscal Year 2005-2006 Assigned Special Tax B for each Land Use Class is shown below in Table 5.

**TABLE 5**

**Fiscal Year 2005-2006  
Assigned Special Tax B for Developed Property  
City of Fontana Community Facilities District No. 31**

<i>Land Use Class</i>	<i>Description</i>	<i>Assigned Special Tax B</i>
1	Final Residential Subdivision	\$475 per unit
2	Non-Residential Property	\$2,040 per Acre

c. Increase in the Maximum Special Tax B

On each July 1, commencing on July 1, 2006, the Maximum Special Tax B for Developed Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

d. Increase in the Assigned Special Tax B

The Assigned Special Tax B above shall be applicable for Fiscal Year 2005- 2006, and shall increase thereafter, commencing on July 1, 2006, and on each July 1 thereafter according to the actual cost of the Special Tax Requirement for Services. However, in no case shall the Assigned Special Tax B for Developed Property exceed the Maximum Special Tax B for Developed Property in any Fiscal Year.

**D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

**1. Special Tax A**

Commencing with Fiscal Year 2005-2006 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement for Facilities and shall levy the Special Tax A until the total Special Tax A levy equals the Special Tax Requirement for Facilities. The Special Tax A shall be levied each Fiscal Year as follows:

First: The Special Tax A shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Assigned Special Tax A;

Second: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Final Mapped Property in Zone 1, Zone 2, and Zone 3 at up to 100% of the applicable Initial Maximum Special Tax A;

Third: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the second step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property in Zone 1, Zone 2, and Zone 3 at up to 100% of the applicable Initial Maximum Special Tax A;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the levy of the Special Tax A on each Assessor's Parcel of Final Mapped Property and Undeveloped Property in Zone 1, Zone 2, and Zone 3 shall be increased in equal percentages from the applicable Initial Maximum Special Tax A for such Zone up to 100% of the applicable Maximum Special Tax A for Final Mapped Property and Undeveloped Property;

Fifth: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first four steps have been completed, then the levy of the Special Tax A on each Assessor's Parcel of Developed Property in Zone 1, Zone 2, and Zone 3 whose Maximum Special Tax A is determined through the application of the Backup Special Tax A shall be increased in equal percentages from the Assigned Special Tax A up to the Maximum Special Tax A for each such Assessor's Parcel;

Sixth: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first five steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property at up to the Maximum Special Tax A for Taxable Property Owner Association Property;

Seventh: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first six steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Public Property at up to the Maximum Special Tax A for Taxable Public Property.

Notwithstanding the above the Council may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax A in step one (above), when (i) the Council is no longer required to levy the Special Tax A pursuant to steps two through seven above in order to meet the Special Tax Requirement for Facilities, and (ii) all authorized Bonds have already been issued or the Council has covenanted that it will not issue any additional Bonds (except refunding bonds) to be supported by the Special Tax A.

Further notwithstanding the above, under no circumstances will the Special Tax A levied against any Assessor's Parcel of Residential Property for which a Certificate of Occupancy has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 31.

## **2. Special Tax B**

Commencing with Fiscal Year 2005-2006 and for each following Fiscal Year, the Council shall levy the Special Tax B until the total Special Tax B levy equals the Special Tax Requirement for Services. The Special Tax B shall be levied each Fiscal Year as follows:

First: The Special Tax B shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax B for such Assessor's Parcel;

Second: If additional monies are needed to satisfy the Special Tax Requirement for Services after the first step has been completed, then the levy of the Special Tax B on each Assessor's Parcel of Developed Property shall be increased in equal percentages from the Assigned Special Tax B up to the Maximum Special Tax B for each such Assessor's Parcel;

## **E. EXEMPTIONS**

### **1. Special Tax A**

No Special Tax A shall be levied on up to 11.0 Acres of Public Property and up to 18.2 Acres of Property Owner Association Property in Zone 1. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property in Zone 1 becomes Public Property or Property Owner Association Property. However, should an Assessor's Parcel in Zone 1 no longer be classified as Public Property or Property Owner Association Property, its tax-exempt status will be revoked.

No Special Tax A shall be levied on up to 5.6 Acres of Public Property and up to 29.6 Acres of Property Owner Association Property in Zone 2. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property in Zone 2 becomes Public Property or Property Owner Association Property. However, should an Assessor's Parcel in Zone 2 no longer be classified as Public Property or Property Owner Association Property, its tax-exempt status will be revoked.

No Special Tax A shall be levied on up to 30.9 Acres of Public Property and up to 13.7 Acres of Property Owner Association Property in Zone 3. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property in Zone 3 becomes Public Property or Property Owner Association Property. However, should an Assessor's Parcel in Zone 3 no longer be classified as Public Property or Property Owner Association Property, its tax-exempt status will be revoked.

Public Property or Property Owner Association Property that is not exempt from the Special Tax A under this section shall be subject to the levy of the Special Tax A and shall be taxed Proportionately as part of the sixth and seventh steps in Section D.1.

### **2. Special Tax B**

The Council shall not levy a Special Tax B on Public Property or Property Owner Association Property, except as otherwise provided in Sections 53317.3, 53317.5, and 53340.1 of the Act.

The exempt status will be irrevocably assigned by the CFD Administrator.

**F. APPEALS AND INTERPRETATIONS**

Any property owner claiming that the amount of application of the Special Tax is not correct and requesting a refund may file a written notice of appeal with the CFD Administrator not later than one calendar year after having paid the Special Tax that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and decide the appeal. If the CFD Administrator's decision requires the Special Tax be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the next Special Tax levy. Any dispute over the decision of the CFD Administrator shall be referred to Council and the decision of Council shall be final. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition of any legal action by such owner.

**G. MANNER OF COLLECTION**

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 31 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

**H. PREPAYMENT OF SPECIAL TAX A**

**1. Prepayment in Full**

The obligation of an Assessor's Parcel to pay the Special Tax A may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made only for Assessor's Parcels of Developed Property, or an Assessor's Parcel of Final Mapped Property or Undeveloped Property for which a building permit has been issued, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax A obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Special Tax B may not be prepaid.

The following additional definitions apply to this Section H:

**"Buildout"** means, for CFD No. 31, that all expected building permits have been issued.

**"CFD Public Facilities"** means either \$30,221,100 in 2005 dollars, which shall increase by the Construction Inflation Index on July 1, 2006, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 31 under the authorized bonding program for CFD No. 31, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more Bonds (except refunding bonds) to be supported by the Special Tax A levied under this Rate and Method of Apportionment as described in Section D.1.

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

**“Future Facilities Costs”** means the CFD Public Facilities minus (i) public facility costs previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance the cost of CFD Public Facilities.

**“Improvement Fund”** means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct CFD Public Facilities eligible under the Act.

**“Previously Issued Bonds”** means, for any Fiscal Year, all Outstanding Bonds that are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	<u>Capitalized Interest Credit</u>
Total: equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

**Paragraph No.:**

1. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
2. For Assessor’s Parcels of Developed Property, compute the Assigned Special Tax A and Backup Special Tax A. For Assessor’s Parcels of Final Mapped Property and Undeveloped Property for which a building permit has been issued, compute the Assigned Special Tax A and Backup Special Tax A for that Assessor’s Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor’s Parcel.
3. (a) Divide the Assigned Special Tax A computed pursuant to paragraph 2 by the total estimated Assigned Special Tax A for the entire CFD No. 31 based on the Developed Property Special Tax A which could be levied in the current Fiscal Year on all expected development through Buildout of CFD No. 31, excluding any Assessor’s Parcels which have been prepaid, and

- (b) Divide the Backup Special Tax A computed pursuant to paragraph 2 by the total estimated Backup Special Tax A at Buildout for the entire CFD No. 31, excluding any Assessor's Parcels which have been prepaid.
4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Previously Issued Bonds to compute the amount of Previously Issued Bonds to be retired and prepaid (the "*Bond Redemption Amount*").
  5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (e.g., the redemption price-100%), if any, on the Previously Issued Bonds to be redeemed (the "*Redemption Premium*").
  6. Compute the current Future Facilities Costs.
  7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "*Future Facilities Amount*").
  8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Previously Issued Bonds.
  9. Determine the Special Tax A levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
  10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses (defined below) from the date of prepayment until the redemption date for the Previously Issued Bonds to be redeemed with the prepayment.
  11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "*Defeasance Amount*").
  12. The administrative fees and expenses of CFD No. 31 are as calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "*Administrative Fees and Expenses*").
  13. The reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Previously Issued Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Previously Issued Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero. No Reserve Fund Credit shall be granted such that the amount then on deposit in the reserve fund for the Previously Issued Bonds drops below 100% of the reserve requirement (as defined in the Indenture).
  14. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the expected balance in the capitalized interest fund or account under the Indenture after such first interest and/or principal payment (the "*Capitalized Interest Credit*").



15. The Special Tax A prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the “*Prepayment Amount*”).

From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Previously Issued Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Improvement Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 31.

The Special Tax A Prepayment Amount may be insufficient to redeem a full \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of Bonds or to make debt service payments.

Upon confirmation of the payment of the current Fiscal Year’s Special Tax A levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year’s Special Tax A levy for such Assessor’s Parcel from the County tax rolls. With respect to any Assessor’s Parcel that is prepaid, the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax A and the release of the Special Tax A lien on such Assessor’s Parcel, and the obligation of such Assessor’s Parcel to pay the Special Tax A shall cease.

Notwithstanding the foregoing, no Special Tax A prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Tax A that may be levied on Taxable Property within CFD No. 31 (after excluding 47.5 Acres of Public Property and 61.5 Acres of Property Owner Association Property that are exempt from the Special Tax as set forth in Section E) both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Previously Issued Bonds, plus the Administrative Expenses.

## **2. Prepayment in Part**

The Special Tax A on an Assessor’s Parcel of Developed Property, or an Assessor’s Parcel of Final Mapped Property or Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

PP = the partial prepayment

P<sub>E</sub> = the Special Tax A Prepayment Amount calculated according to Section H.1

A = the Administrative Fees and Expenses calculated according to Section H.1

F = the percentage, expressed as a decimal, by which the owner of the Assessor’s Parcel is partially prepaying the Special Tax A

The owner of any Assessor’s Parcel who desires such prepayment shall notify the CFD Administrator of such owner’s intent to partially prepay the Special Tax A and the percentage by which the Special Tax A shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax A for an Assessor’s Parcel within 30 days of the request and may charge a reasonable fee for providing

this service. With respect to any Assessor's Parcel that is partially prepaid, the Council shall (i) distribute the funds remitted to it according to Section H.1, and (ii) indicate in the records of CFD No. 31 that there has been a partial prepayment of the Special Tax A and that a portion of the Special Tax A with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax A, shall continue to be levied on such Assessor's Parcel pursuant to Section D.1.

**I. TERM OF SPECIAL TAX**

The Special Tax A shall be levied for a period not to exceed forty-five years commencing with Fiscal Year 2005-2006. The Special Tax B shall be levied as long as necessary to meet the Special Tax Requirement for Services.

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

**APPENDIX C**

**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

[TO COME FROM BOND COUNSEL]

**APPENDIX D**  
**FORM OF OPINION OF BOND COUNSEL**

[TO BE ATTACHED]

## APPENDIX E

### GENERAL INFORMATION CONCERNING THE CITY OF FONTANA

*This appendix sets forth general information about the City of Fontana (“Fontana”) including information with respect to its finances. The following information concerning Fontana, the County of San Bernardino (the “County”) and, the State of California (the “State”) are included only for general background purposes. The Bonds are not obligations of the City, County or State or any political subdivision thereof and neither the faith and credit nor the taxing power of the City, County or the State, or any political subdivision thereof, is pledged to the payment of the Bonds.*

#### **General**

The City of Fontana encompasses approximately 42.4 square miles of land and has an estimated population in 2021 of approximately 213,944. The City is located 50 miles east of Los Angeles, and approximately 10 miles west of the cities of Riverside and San Bernardino. Founded in 1913, Fontana is the second largest city in San Bernardino County, and the 20th largest in the State. The Riverside-San Bernardino area is often referred to as Southern California’s “Inland Empire.” As one of the cities in the Inland Empire, Fontana is part of a region whose population base exceeds 4.4 million people.

The earliest recorded landowner in the Fontana area was Don Antonio Maria Lugo, who received a land grant in 1813. A second grant, in 1842, secured the land known as Rancho de San Bernardino for his sons. The Lugo sons sold a portion of their land, which included part of what is now Fontana, to a group of Mormon settlers in 1851. The Mormon settlers eventually returned to Salt Lake City, and the Semi-Tropical Land & Water Company gained control of the Rancho. Active development of the area, however, did not begin until the early 1900’s when the Fontana Development Company acquired the acreage and began a community called Rosena - a name that was changed to Fontana in 1913.

Fontana quickly became a diversified agricultural area, with citrus, grain, grapes, poultry, and swine being the leading agricultural commodities. The community faced a transition beginning in 1942 when the Fontana area was selected as the site for a steel mill. Fontana incorporated in 1952 and the area became Southern California’s leading producer of steel and steel related products.

The steel industry dominated the City’s economy from the time the mill was built until the mid-1980’s. In the late 1970’s, however, Kaiser Steel began to cut down on production and manpower, and the steel mill closed in 1984. The mill site, located outside of City limits, is in the process of being developed into an integrated community of transportation-related industrial, commercial and business park uses to take advantage of the sites excellent highway and rail access. The plate steel and rolling mill plant was acquired by California Steel Industries, which continues to produce steel products. In addition, railroad and trucking operations and a number of industrial facilities and warehousing/distribution centers are located in Fontana because of its convenient geographical location and excellent transportation network.

Auto Club Speedway (formerly California Speedway) is a two-mile (3 km), low-banked, D-shaped oval superspeedway in Fontana, California which has hosted NASCAR racing annually since 1997. The track was also used for open wheel racing events until 2005. The racetrack is located near the former locations of Ontario Motor Speedway and Riverside International Raceway. The track is currently owned and operated by International Speedway Corporation and is the only track owned by ISC to have naming rights sold. The speedway is served by the nearby Interstate 10 and Interstate 15 freeways as well as a Metrolink station located behind the backstretch.

## City Government

The City was incorporated as a general law city in 1952, and is governed by a Mayor and four council members elected by geographical district to serve four-year terms. The City operates under the Council - Manager form of government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City.

The City of Fontana provides police protection, street sweeping, park maintenance, building inspection, library sewer, storm drain and sanitation services. The City contracts with the County for fire protection services. Numerous hospitals and health care facilities are located near Fontana.

## Population

Fontana has been one of the most rapidly growing cities in Southern California. The adopted 1990 General Plan calls for a careful balance of residential, commercial and industrial development to ensure a quality urban environment with a broad range of employment and housing opportunities.

The population in Fontana increased approximately 6.69% from 2013 to 2021. The population growth in the City, County and State is shown on the following chart.

### POPULATION ESTIMATES City of Fontana, County of San Bernardino and State of California 2013-2021

<i>Year<sup>(1)</sup></i>	<i>City of Fontana</i>	<i>County of San Bernardino</i>	<i>State of California</i>
2013	200,522	2,084,443	38,269,864
2014	201,790	2,094,951	38,556,731
2015	203,790	2,112,187	38,865,532
2016	205,180	2,122,579	39,103,587
2017	208,003	2,139,520	39,352,398
2018	209,113	2,150,017	39,519,535
2019	211,123	2,165,876	39,605,361
2020	211,519	2,175,424	39,648,938
2021	213,944	2,175,909	39,466,855

<sup>(1)</sup> January 1 estimate.

Source: State of California, Department of Finance.

## Transportation

The City of Fontana is strategically located in the hub of surface, rail and air transportation facilities. Union Pacific and Burlington Northern/Santa Fe rail lines provide rail service to Fontana. Switch yards and multi-modal terminals are located nearby.

Major interstate freeways and state highways provide direct access to the City, making shipping and transportation to and from sea ports, North American Free Trade Agreement ports of entry, and the rest of the nation highly dependable. Interstate 10 traverses the southern section of the City, Interstate 15 borders the western portion of the City, and Interstate 210, which is the extension of Route 30, opened in November 2002, links the San Bernardino Valley with the San Fernando Valley and traverses the northern portion of the City. State freeways 57, 60 and 91 are minutes from Fontana.

The LA/Ontario International Airport is a medium-hub, full-service airport, which offers more than 70 daily flights to cities in the U.S., Mexico and Taiwan and is served by nine commercial carriers. The airport

is owned and operated by Ontario International Airport Authority, a joint powers agency, and is served by AeroMexico, Alaska Airlines, American Airlines, Delta Air Lines, Southwest Airlines, United Airlines/United Express, US Airways and Volaris. Various airlines provide freight services at Ontario International Airport.

With the completion of its twin terminals, it is able to handle approximately 10 million passengers annually. When passenger traffic reaches 10 million in two consecutive years, a third terminal will be constructed. LA/Ontario International Airport is the Western States Regional Terminal for United Parcel Service. It is a member of the Los Angeles World Airports system and is ideally situated as an airfreight center for Pacific Rim and European cargo. Over 5.5 million passengers used the airport in 2019, 9.1 % more than the same period in 2018, and over 781,000 tons of air freight were shipped, an increase of 4.1% over the same period last year.

Transit services are provided by Metrolink commuter rail service to Los Angeles with connections to the numerous surrounding cities provided by Omnitrans bus service, Dial-a-Ride, Yellow Cab Company and Bell Cab Company.

## **Education**

Five school district serve students in the City of Fontana. There are thirty public elementary schools, seven middle schools, five high schools, three alternative high schools, seven private elementary/middle schools, one School of Language Development and one adult school. Local colleges and universities include: Universal Technical Institute of California Inc., Chaffey College, San Bernardino Valley College, California State University-San Bernardino, Riverside Community College, Westech College and the University of California-Riverside.



## Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2016 through 2020 for the City, the County, the State and the United States.

### **CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE City of Fontana, San Bernardino County, State of California and United States 2016 through 2020<sup>(1)</sup>**

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment<sup>(2)</sup></i>	<i>Unemployment<sup>(3)</sup></i>	<i>Unemployment Rate (%)</i>
<u>2016</u>				
City of Fontana	95,300	90,100	5,200	5.5%
San Bernardino County	930,900	877,200	53,700	5.8
State of California	19,044,500	18,002,800	1,041,700	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
<u>2017</u>				
City of Fontana	96,900	92,400	4,600	4.7%
San Bernardino County	944,300	897,800	46,500	4.9
State of California	19,205,300	18,285,500	919,800	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
<u>2018</u>				
City of Fontana	98,500	94,700	3,800	3.9%
San Bernardino County	956,083	916,725	39,375	4.1
State of California	19,281,092	18,460,433	820,650	4.3
United States	162,075,000	155,761,000	6,314,000	3.9
<u>2019</u>				
City of Fontana	99,600	96,100	3,500	3.6%
San Bernardino County	967,700	930,708	37,017	3.8
State of California	19,408,271	18,623,900	784,375	4.0
United States	163,539,000	157,538,000	6,001,000	3.7
<u>2020</u>				
City of Fontana	99,500	90,300	9,200	9.2%
San Bernardino County	966,200	874,900	91,300	9.4
State of California	18,821,200	16,913,100	1,908,100	10.1
United States	160,472,000	147,795,000	12,947,000	8.1

Note: Data is not seasonally adjusted.

<sup>(1)</sup> Annual averages, unless otherwise specified.

<sup>(2)</sup> Includes persons involved in labor-management trade disputes.

<sup>(3)</sup> The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. 2020 Benchmark.

Listed below are the major employers in the City.

**CITY OF FONTANA - MAJOR EMPLOYERS – 2020**

<i>Employer</i>	<i>Number of Employees</i>
Kaiser Hospital & Med. Group	6,248
Fontana Unified School District	5,898
Amazon.com Services LLC	3,008
City of Fontana (includes part-time employees)	995
Estes West	352
Water of Life Community Church	300
Saia Motor Freight Line LLC	289
Schlosser Forge Company	287
Walmart Store #1756	286
Costco Wholesale #627	275
Crown Technical Systems	275

Source: City of Fontana Fiscal Year Ending June 30, 2020 Comprehensive Annual Financial Report.

Listed below are the major employers in the County.

**PRINCIPAL EMPLOYERS  
San Bernardino County  
Fiscal Year 2019-20<sup>(2)</sup>**

<i>Rank</i>	<i>Name of Business</i>	<i>No. of San Bernardino County Employees<sup>(1)</sup></i>	<i>Percentage of Total Employment</i>
1	County of San Bernardino	>10,000	1.31%
2	Amazon	>10,000	1.31
3	Loma Linda University Medical Center	>10,000	1.31
4	Kaiser Permanente	>10,000	1.31
5	State of California	>10,000	1.31
6	Wal-Mart	5,000-9,999	0.66-1.31
7	United Parcel Service	5,000-9,999	0.66-1.31
8	Stater Bros. Market	5,000-9,999	0.66-1.31
9	Federal Express	2,500-4,999	0.33-0.66
10	San Maneul Tribe & Casino	2,500-4,999	0.33-0.66

<sup>(1)</sup> Data represents estimated number of employees.

<sup>(2)</sup> Due to the confidentiality of reporting number of employees, ranges have been provided.

Source: San Bernardino County Comprehensive Annual Report for the year ending June 30, 2020.

The table below summarizes employment by industry in the County from 2016 to 2020. Service Providing, Educational and Health Services and Government are the largest employment sectors in the County.

**SAN BERNARDINO COUNTY**  
**Annual Average Industry Employment 2016-2020**

	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
Total Farm	1,900	2,200	2,200	2,500	2,000
Total Nonfarm	725,200	748,800	770,500	798,500	776,700
Goods Producing	90,700	92,100	95,100	95,200	91,100
Mining and Logging	600	600	800	700	900
Construction	33,800	35,200	37,800	39,000	38,400
Manufacturing	56,300	56,300	56,600	55,400	51,900
Service Providing	634,500	656,700	675,400	703,300	685,600
Trade, Transportation and Utilities	193,500	206,600	216,000	224,800	231,200
Wholesale Trade	39,100	38,700	40,500	41,500	40,200
Retail Trade	87,400	88,200	88,300	87,000	82,000
Transportation, Warehousing and Utilities	67,000	79,600	87,100	96,300	109,000
Information	5,200	5,200	5,300	5,000	4,000
Financial Activities	23,800	22,400	21,700	23,400	22,900
Professional and Business Services	80,700	80,300	80,900	85,000	83,400
Educational and Health Services	114,100	119,700	124,500	135,000	136,300
Leisure and Hospitality	71,500	75,200	76,900	78,100	62,900
Other Services	22,800	22,800	23,000	22,900	20,100
Government	<u>122,900</u>	<u>124,600</u>	<u>127,100</u>	129,100	124,800
Total, All Industries	<u>727,100</u>	<u>750,900</u>	<u>772,700</u>	<u>801,800</u>	<u>778,700</u>

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, San Bernardino County Annual Average Labor Force and Industry Employment, March 2020 Benchmark.

### Tax Levy and Tax Collection

Below is a chart which indicates the tax levy and collection records for the City for Fiscal Years 2011 through 2020.

<i>Fiscal Year</i>	<i>Percent of Levy Collected</i>	<i>Total Tax Collections to Tax Levy to Date</i>
2011	96.70%	\$91,393,702
2012	36.93 <sup>(1)</sup>	34,465,021
2013	50.76 <sup>(1)</sup>	47,985,784
2014	47.39 <sup>(1)</sup>	45,980,226
2015	44.90 <sup>(1)</sup>	47,694,338
2016	43.35 <sup>(1)</sup>	48,471,707
2017	44.35 <sup>(1)</sup>	52,046,433
2018	43.84 <sup>(1)</sup>	54,606,892
2019	46.47 <sup>(1)</sup>	65,091,616
2020	48.58 <sup>(1)</sup>	73,672,999

<sup>(1)</sup> Due to the dissolution of the former redevelopment agency, the property taxes collected in the former project areas is no longer remitted to the agencies. Assembly Bill 1X26 provides that revenues will only be allocated to make payments on the indebtedness; all remaining collections will be distributed to the other taxing entities based on the tax sharing formula.

Source: City of Fontana Fiscal Year Ending June 30, 2020 Comprehensive Annual Financial Report.

## Largest Taxpayers

The principal property taxpayers in the City for 2020 are as follows:

<i><b>Taxpayer</b></i>	<i><b>2020 Assessed Valuation</b></i>	<i><b>% of Total Assessed Valuation</b></i>
Duke Realty LP	\$ 142,552,795	0.67%
San Gabriel Valley Water Company	137,264,772	0.65
Vintage Park East LLC	131,420,454	0.62
Target Corporation	119,369,115	0.56
Sierra Lakes Commerce LLC	109,023,747	0.52
Citrus Avenue LLC	101,427,188	0.48
Prologis USLV Newca 1 LLC	91,618,153	0.43
Francisco Street LP	91,279,694	0.43
Intex Properties Inland Empire Corp	87,030,328	0.41
DCT Jurupa Ranch LLC	<u>83,728,342</u>	<u>0.40</u>
TOTAL:	\$1,094,714,588	5.17%

Source: City of Fontana Fiscal Year Ending June 30, 2020 Comprehensive Annual Financial Report.

## Construction Trends

Below is a table indicating residential and non-residential building permits valuations for the City.

### CITY OF FONTANA BUILDING PERMITS AND VALUATION 2016-2020 (in thousands of dollars)

<i><b>Type</b></i>	<i><b>2016</b></i>	<i><b>2017</b></i>	<i><b>2018</b></i>	<i><b>2019</b></i>	<i><b>2020</b></i>
<u>Valuation (\$000's)</u>					
Residential:	\$ 129,741	\$ 157,429	\$ 145,610	\$ 241,481	\$ 311,547
Non-Residential:	<u>228,059</u>	<u>131,572</u>	<u>197,379</u>	<u>290,767</u>	<u>149,761</u>
Total Valuation:	\$ 357,800	\$ 289,001	\$ 342,989	\$ 532,248	\$ 461,308

#### New Housing Units:

Single Family	439	600	413	642	848
Multi Family	<u>33</u>	<u>69</u>	<u>85</u>	<u>202</u>	<u>234</u>
Total Units:	472	669	498	844	898

Note: Totals may not add to sums because of independent rounding.

Source: Construction Industry Research Board.

## Taxable Sales

The table below presents taxable sales for the years 2016 through 2020 for the City.

### TAXABLE SALES City of Fontana

**2016 through 2020**  
**(Dollars in Thousands)**

<i>Year</i>	<i>Retail and Food Permits</i>	<i>Retail and Food Taxable Transactions</i>	<i>Total Permits</i>	<i>Total Outlets Taxable Transactions</i>
2016	3,946	\$2,370,462	5,455	\$3,169,604
2017	3,955	2,507,859	5,495	3,380,666
2018	3,944	2,650,007	5,597	3,596,722
2019	4,101	2,688,821	5,870	3,698,999
2020	4,467	2,752,323	6,543	3,615,021

<sup>(1)</sup> Beginning in 2016, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2016 are not comparable to that of prior years.

Source: Taxable Sales in California, California Department of Tax and Fee Administration for 2016-2020.

The table below presents taxable sales for the years 2016 through 2020 for the County.

**TAXABLE SALES**  
**San Bernardino County**  
**2016 through 2020**  
**(Dollars in Thousands)**

<i>Year</i>	<i>Retail and Food Permits</i>	<i>Retail and Food Taxable Transactions</i>	<i>Total Permits</i>	<i>Total Outlets Taxable Transactions</i>
2016 <sup>(1)</sup>	38,370	\$24,477,003	57,629	\$37,216,551
2017	39,067	25,603,171	58,956	38,399,373
2018	39,837	26,905,784	61,838	40,554,024
2019	40,964	27,564,216	64,771	41,770,308
2020	44,330	28,518,285	71,145	42,884,767

<sup>(1)</sup> Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

Source: Taxable Sales in California, California Department of Tax and Fee Administration for 2016-2020.

## Per Capital Personal Income

The following tables show the personal income and per capita personal income for the City, County, State of California and United States from 2015 through 2020.

### PERSONAL INCOME City of Fontana, County of San Bernardino, State of California, and United States 2015-2020

<i>Year</i>	<i>City of Fontana</i>	<i>County of San Bernardino</i>	<i>California</i>	<i>United States</i>
2015	3,963,623	76,919,474	2,172,930,000	15,717,140,000
2016	4,013,591	80,401,688	2,273,557,000	16,151,881,000
2017	4,159,001	83,401,792	2,383,130,000	16,937,582,000
2018	4,444,518	86,995,697	2,514,503,000	17,839,255,000
2019	n/a	91,658,300	2,632,280,000	18,542,262,000
2020	n/a	n/a	2,814,011,000	19,679,715,000

Note: Dollars in Thousands.

Source: U.S. Department of Commerce, Bureau of Economic Analysis and City of Fontana Comprehensive Annual Financial Report for the year ending June 30, 2020.

### PER CAPITA PERSONAL INCOME<sup>(1)</sup> City of Fontana, County of San Bernardino, State of California, and United States 2015-2020

<i>Year</i>	<i>City of Fontana</i>	<i>County of San Bernardino</i>	<i>California</i>	<i>United States</i>
2015	19,400	36,361	55,853	49,003
2016	19,122	37,713	58,074	49,995
2017	19,545	38,774	60,581	52,096
2018	20,965	40,150	63,759	54,581
2019	n/a	42,043	66,745	56,474
2020	n/a	n/a	71,480	59,729

<sup>(1)</sup> Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

Source: City of Fontana Comprehensive Annual Financial Report for the year ending June 30, 2020, Bureau of Economic Analysis for County, State and U.S.

## Recreation

The City of Fontana maintains over 40 parks, tot lots, sports facilities and other facilities in the community. The City of Fontana operates eight centers throughout the community. The Center Stage Theatre was originally built in 1937 as a single screen movie theatre and was remodeled in 2008 and re-opened as the premiere performing arts venue in the City of Fontana.

**APPENDIX F**

**FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT**

[TO COME FROM BOND COUNSEL]

## APPENDIX G

### INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such



other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

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