

**PRELIMINARY OFFICIAL STATEMENT DATED JULY 1, 2019**

**NEW ISSUE – BOOK ENTRY ONLY**

**NOT RATED**

*In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, and (ii) interest on the Bonds is exempt from State of California personal income taxes. Interest on the Tax-Exempt Bonds may be subject to certain federal income taxes imposed only on certain corporations. Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds. INTEREST ON THE TAXABLE BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. For a more complete discussion of the tax aspects, see “TAX MATTERS” herein.*

**\$5,635,000\***

**\$3,840,000\***

**COMMUNITY FACILITIES DISTRICT NO. 2015-1  
(SYCAMORE HILLS)  
OF THE CITY OF UPLAND, COUNTY OF SAN  
BERNARDINO, STATE OF CALIFORNIA  
SPECIAL TAX BONDS**

**COMMUNITY FACILITIES DISTRICT NO. 2015-1  
(SYCAMORE HILLS)  
OF THE CITY OF UPLAND, COUNTY OF SAN  
BERNARDINO, STATE OF CALIFORNIA  
SPECIAL TAX BONDS**

**SERIES 2019A (IMPROVEMENT AREA NO. 1)**

**TAXABLE SERIES 2019B (IMPROVEMENT AREA NO. 1)**

**Dated: Date of Delivery**

**Due: September 1, as set forth on the inside front cover**

*This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of the Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain risk factors more fully described herein. See “RISK FACTORS” herein.*

The above-captioned Series 2019A Bonds (the “Series 2019A Bonds” or the “Tax-Exempt Bonds”) and the Taxable Series 2019B Bonds (the “Series 2019B Bonds” or the “Taxable Bonds”, and together with the Series 2019A Bonds/Tax-Exempt Bonds, the “Bonds”) are being issued by the Communities Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland, County of San Bernardino, State of California (the “District”) pursuant to a Bond Indenture, dated as of July 1, 2019 (the “Indenture”), by and between the District and U.S. Bank National Association, as Trustee (the “Trustee”). Proceeds of the Bonds will be used to (i) finance certain public facility improvements authorized to be financed by, and necessary to serve or mitigate impacts of the development within, Improvement Area No. 1 of the District, (ii) fund capitalized interest on the Deemed Escrow Bonds, (iii) fund a reserve account and escrow reserve account, and (iv) pay costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS.” The Bonds will be payable solely from and secured by Net Taxes and certain moneys in the Special Tax Fund (and designated accounts therein, but excluding the Administrative Expenses Account) established under the Indenture, as further described herein. Net Taxes are derived from certain special taxes levied on property within Improvement Area No. 1 of the District (the “Special Taxes”) according to the rate and method of apportionment of special taxes approved by qualified electors of Improvement Area No. 1 and the City Council of the City of Upland, acting as the legislative body of the District. See “SECURITY FOR THE BONDS” herein.

Interest on the Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2020. The Bonds will be issued 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”). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in denominations of \$5,000 each or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal of, and interest on, the Bonds will be paid directly to DTC by the Trustee. Upon its receipt of payments of principal and interest, DTC is in turn obligated to remit such principal and interest to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry Only System” and “APPENDIX F – BOOK-ENTRY ONLY SYSTEM” herein.

**The Bonds are subject to optional redemption,\* mandatory sinking fund redemption\* and extraordinary redemption prior to their maturity, as described herein. See “THE BONDS – Redemption” herein. A portion of the Series 2019A Bonds maturing on September 1, 2044\* in the aggregate principal amount of \$890,000\* and on September 1, 2049\* in the aggregate principal amount of \$310,000\* are subject to special mandatory redemption, without premium, on June 1, 2022 from amounts remaining on deposit in the Escrow Fund as of such date. See “THE BONDS – Redemption” and “SECURITY FOR THE BONDS – Escrow Fund” herein.**

THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND CERTAIN MONEYS ON DEPOSIT IN THE SPECIAL TAX FUND (AND DESIGNATED ACCOUNTS THEREIN BUT EXCLUDING THE ADMINISTRATIVE EXPENSES ACCOUNT) PLEDGED UNDER THE INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY, THE COUNTY OF SAN BERNARDINO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE PORTION OF THE SPECIAL TAXES THAT CONSTITUTE NET TAXES UNDER THE INDENTURE, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS.

**Maturity Schedule**

(see inside front cover page)

*The Bonds are offered when, as and if issued, subject to the approval as to their legality by Richards, Watson & Gershon, Los Angeles, California, Bond Counsel. Certain legal matters will also be passed on for the District by Richards, Watson & Gershon, Los Angeles, California, as Disclosure Counsel and City Attorney. Certain legal matters will be passed on for the Underwriter by its counsel, Nixon Peabody LLP, Los Angeles, California, and for Taylor Morrison by its counsel, Holland & Knight LLP, San Francisco, California. It is anticipated that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about July 25, 2019.*

Dated: \_\_\_\_\_, 2019



\* Preliminary, subject to change.

**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 be accepted prior to the dated date of the Official Statement in its final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a 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.**

**MATURITY SCHEDULE\***

**\$5,635,000\***  
**COMMUNITY FACILITIES DISTRICT NO. 2015-1**  
**(SYCAMORE HILLS)**  
**OF THE CITY OF UPLAND, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA**  
**SPECIAL TAX BONDS**  
**SERIES 2019A (IMPROVEMENT AREA NO. 1)**

\$95,000\* \_\_\_\_% Term Bond due September 1, 2025,\* Yield \_\_\_\_% CUSIP<sup>†</sup>  
\$3,055,000\* \_\_\_\_% Term Bond due September 1, 2044,\* Yield \_\_\_\_% CUSIP<sup>†</sup>  
\$2,485,000\* \_\_\_\_% Term Bond due September 1, 2049,\* Yield \_\_\_\_% CUSIP<sup>†</sup>

**\$3,840,000\***  
**COMMUNITY FACILITIES DISTRICT NO. 2015-1 (SYCAMORE HILLS)**  
**OF THE CITY OF UPLAND, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA**  
**SPECIAL TAX BONDS**  
**TAXABLE SERIES 2019B (IMPROVEMENT AREA NO. 1)**

\$725,000\* \_\_\_\_% Term Bond due September 1, 2025,\* Yield \_\_\_\_% CUSIP<sup>†</sup>  
\$895,000\* \_\_\_\_% Term Bond due September 1, 2030,\* Yield \_\_\_\_% CUSIP<sup>†</sup>  
\$1,115,000\* \_\_\_\_% Term Bond due September 1, 2035,\* Yield \_\_\_\_% CUSIP<sup>†</sup>  
\$1,105,000\* \_\_\_\_% Term Bond due September 1, 2039,\* Yield \_\_\_\_% CUSIP<sup>†</sup>

\* Preliminary, subject to change.

<sup>†</sup> CUSIP is a registered trademark of the American Bankers Association. Copyright© 2019 American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers are provided for convenience of reference only. Neither the District, the City nor the Underwriter takes any responsibility for the accuracy of such numbers.

**CITY OF UPLAND**  
**San Bernardino County, California**

**City Council Members**

Debbie Stone, *Mayor*  
Janice Elliott, *Mayor Pro Tem*  
Ricky Felix, *Council Member*  
Rudy Zuniga, *Council Member*  
Bill Velto, *Council Member*

**City Staff**

Rosemary Hoerning, *Interim City Manager*  
Keri Johnson, *City Clerk*  
James Markman, Esq., *City Attorney*

---

**SPECIAL SERVICES**

**Bond and Disclosure Counsel**

Richards, Watson & Gershon  
A Professional Corporation  
Los Angeles, California

**Municipal Advisor**

Urban Futures, Inc.  
Tustin, California

**Special Tax Consultant and Dissemination Agent**

Willdan Financial Services  
Temecula, California

**Appraiser**

Harris Realty Appraisal  
Newport Beach, California

**Trustee**

U.S. Bank National Association  
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the City, the District or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the District 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 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 a representation of facts.

The information set forth herein has been obtained from the City, the District and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a representation by, the Underwriter. The information and expressions of opinions herein are subject to change without notice and neither delivery of the 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 the City since the date hereof. All summaries contained herein of the Indenture or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All statements made herein are made as of the date of this document by the City except statistical information or other statements where some other date is indicated in the text.

The Preliminary Official Statement has been “deemed final” as of its date by the District pursuant to Rule 15c2-12 of the Securities and Exchange Commission. The District has also undertaken to provide continuing disclosure on certain matters, including annual financial information and specific enumerated events, as more fully described herein under “CONTINUING DISCLOSURE.”

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 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 Bonds are exempt from registration with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended. The Bonds have not been registered or qualified under the securities laws of any state. The Bonds will not be listed on any stock or securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of the Official Statement or approved the Bonds for sale.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL ON THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves 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. Neither the District nor the City plans to issue any updates or revisions to those forward-looking statements if or when the expectations or events, conditions or circumstances on which such statements are based change.

**TABLE OF CONTENTS**

Page

INTRODUCTION..... 1

Purpose of Official Statement ..... 1

Authority for Issuance, Deemed Escrow Bonds and Use of Proceeds..... 1

The City ..... 2

The District..... 2

Property Ownership ..... 2

Appraisal..... 2

Security and Sources of Payment ..... 3

Risk Factors..... 4

Miscellaneous ..... 4

ESTIMATED SOURCES AND USES OF FUNDS..... 5

PLAN OF FINANCE ..... 5

THE BONDS ..... 6

General ..... 6

Authority for Issuance..... 7

Debt Service Schedule ..... 8

Redemption ..... 9

Book-Entry Only System ..... 13

SECURITY FOR THE BONDS ..... 13

Pledge of Special Taxes ..... 13

Special Tax Fund ..... 15

Escrow Fund..... 20

Covenant to Commence Foreclosure Proceedings ..... 24

Issuance of Parity Bonds..... 25

Rate and Method of Apportionment of Special Taxes..... 27

THE DISTRICT ..... 28

General ..... 28

Estimated Special Taxes and Debt Service Coverage ..... 30

Appraised Property Value ..... 34

Appraised Value to Lien Ratio ..... 34

Direct and Overlapping Governmental Obligations ..... 36

Estimated Tax Burden on Detached Condominium ..... 37

PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT..... 38

Taylor Morrison..... 38

Plan of Development ..... 39

Status of Regulatory Permits, Agreements and Procedures ..... 41

Tax Delinquencies of Taylor Morrison and Its Affiliates and Other Matters ..... 42

Financing Plan..... 42

RISK FACTORS..... 43

Limited Obligations of the District..... 43

Levy and Collection of the Special Taxes..... 43

Payment of Special Tax is not a Personal Obligation of the Landowner..... 44

Appraised Values..... 44

Property Values and Property Development ..... 45

Concentration of Landownership ..... 47

Other Possible Claims Upon the Value of Taxable Property ..... 48

Exempt Properties..... 48

Depletion of Reserve Account.....	49
Bankruptcy and Foreclosure Delays and Limitations .....	49
Disclosure to Future Purchasers .....	52
Limitation on Remedies; No Acceleration Provisions.....	52
Investment of Funds .....	53
Loss of Tax Exemption.....	53
IRS Audit of Tax-Exempt Bond Issues.....	53
Impact of Legislative Proposals, Clarifications of the Tax Code and Court Decisions on Tax Exemption.....	53
Proposition 218 and the Initiative Power .....	54
Limited Secondary Market.....	55
LEGAL MATTERS .....	55
TAX MATTERS.....	55
Tax-Exempt Bonds .....	55
Taxable Bonds .....	58
Forms of Opinions .....	61
ABSENCE OF LITIGATION .....	61
CONTINUING DISCLOSURE.....	61
The District.....	61
The Landowner.....	62
NO RATING .....	63
UNDERWRITING.....	63
PROFESSIONAL FEES .....	63
EXECUTION.....	64
APPENDIX A – GENERAL INFORMATION ABOUT THE CITY OF UPLAND AND SAN BERNARDINO COUNTY .....	A-1
APPENDIX B – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES .....	B-1
APPENDIX C – APPRAISAL REPORT .....	C-1
APPENDIX D – FORMS OF OPINIONS OF BOND COUNSEL.....	D-1
APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE .....	E-1
APPENDIX F – BOOK-ENTRY ONLY SYSTEM .....	F-1
APPENDIX G – FORM OF CONTINUING DISCLOSURE AGREEMENT(ISSUER) .....	G-1
APPENDIX H – FORM OF CONTINUING DISCLOSURE CERTIFICATE (MAJOR PROPERTY OWNER).....	H-1
APPENDIX I – DISTRICT BOUNDARY MAP.....	I-1

**OFFICIAL STATEMENT**

\$5,635,000\*  
COMMUNITY FACILITIES DISTRICT NO. 2015-1  
(SYCAMORE HILLS)  
OF THE CITY OF UPLAND, COUNTY OF SAN  
BERNARDINO, STATE OF CALIFORNIA  
SPECIAL TAX BONDS  
SERIES 2019A (IMPROVEMENT AREA NO. 1)

\$3,840,000\*  
COMMUNITY FACILITIES DISTRICT NO. 2015-1  
(SYCAMORE HILLS)  
OF THE CITY OF UPLAND, COUNTY OF SAN  
BERNARDINO, STATE OF CALIFORNIA  
SPECIAL TAX BONDS  
TAXABLE SERIES 2019B (IMPROVEMENT AREA NO. 1)

**INTRODUCTION**

*This Introduction is qualified by reference to the more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described in this Official Statement. 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.*

**Purpose of Official Statement**

The purpose of this Official Statement, which includes the cover page, table of contents and appendices hereto (the “Official Statement”), is to provide information concerning the sale of \$5,635,000\* aggregate principal amount of the Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland, County of San Bernardino, State of California, Special Tax Bonds, Series 2019A (Improvement Area No. 1) (the “Tax-Exempt Bonds”) and \$3,840,000\* aggregate principal amount of the Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland, County of San Bernardino, State of California, Special Tax Bonds, Taxable Series 2019B (Improvement Area No. 1) (the “Taxable Bonds” and together with the Tax-Exempt Bonds, the “Bonds”). Capitalized terms used but not defined herein shall have the meanings set forth in the Bond Indenture, dated as of July 1, 2019 (the “Indenture”), by and between the Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland, County of San Bernardino, State of California (the “District”) and U.S. Bank National Association, as trustee (the “Trustee”). See “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” herein.

**Authority for Issuance, Deemed Escrow Bonds and Use of Proceeds**

The Bonds are authorized by and are being issued by the District pursuant to certain resolutions adopted by the City Council of the City of Upland, California, acting as the legislative body of the District (the “City Council”), the Indenture, and in accordance with the Mello-Roos Community Facilities Act of 1982, as amended, constituting Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code (the “Act”). See “THE BONDS – Authority for Issuance” herein.

A portion of the Tax-Exempt Bonds will be considered “Deemed Escrow Bonds”, which is defined in the Indenture to mean, as of any date of determination, Series 2019A Bonds in a principal amount equal to the amount then on deposit in the Escrow Fund (excluding (i) any investment earnings allocable to such amount on deposit in the Escrow Fund and (ii) amounts on deposit in the Escrow Interest Account and the Escrow Reserve Account therein), which Series 2019A Bonds shall be deemed to be comprised of the following: \$\_\_\_\_\_ initial aggregate principal amount of the Outstanding Series 2019A Term Bonds maturing on September 1, 2044\*; and \$\_\_\_\_\_ initial aggregate principal amount of the Outstanding Series 2019A Term Bonds maturing on September 1, 2049\*. See “SECURITY FOR THE BONDS -- Escrow Fund.”

\_\_\_\_\_  
\* Preliminary, subject to change.

Proceeds of the Bonds will be used to (i) finance certain public facility improvements authorized to be financed by, and necessary to serve or mitigate impacts of the development within, Improvement Area No. 1 of the District, (ii) fund capitalized interest on the Deemed Escrow Bonds, (iii) fund a reserve account and escrow reserve account, and (iv) pay costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “PLAN OF FINANCE”.

## **The City**

The City is located in the western border of San Bernardino County (the “County”), bordered by the cities of Claremont, Montclair, Ontario and Rancho Cucamonga. The City is nestled at the base of the San Gabriel Mountains and encompasses 15.2 square miles. The City was incorporated on May 15, 1906. It has a council-manager form of government, with the Mayor and the Councilmembers elected at-large for staggered four-year terms. For certain information regarding the City and the County, see “APPENDIX A – GENERAL INFORMATION ABOUT THE CITY OF UPLAND AND SAN BERNARDINO COUNTY.”

## **The District**

The District and Improvement Area No. 1 contained therein were formed and established by the City on November 23, 2015 pursuant to the Act. The District is located within the western portion of the City, north of Foothill Boulevard (Historic Route 66) and Interstate 10. The District includes two improvement areas which are being developed into housing communities consisting of a total of 321 attached and detached condominiums. Improvement Area No. 1 occupies the eastern portion of the District and Improvement Area No. 2 occupies the western portion of the District. The development known as Westridge at Sycamore Hills is situated within the boundaries of Improvement Area No. 1 and is a community which will consist of a total of 145 detached condominium units at buildout on approximately 16.2 acres of land. Improvement Area No. 2 is expected to be developed into a community consisting of approximately 176 attached and detached condominiums on approximately 15.84 acres of land. **The Bonds are only secured by the Special Taxes from taxable property within Improvement Area No. 1.** See “THE DISTRICT.”

## **Property Ownership**

The largest owner of taxable property within Improvement Area No. 1 is Taylor Morrison of California, LLC, a California limited liability company (“Taylor Morrison” or “Landowner”). Taylor Morrison is developing the property in Improvement Area No. 1 that is subject to the Special Tax. As of April 15, 2019, of the 145 lots in Improvement Area No. 1, Taylor Morrison owned 110 lots (approximately 76%) and the remaining 35 lots were owned by individual homeowners. For more detailed information about the Landowner and proposed development plans for the property in Improvement Area No. 1, see “PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT.”

## **Appraisal**

An appraisal of the property within Improvement Area No. 1 of the District, dated April 25, 2019 (the “Appraisal”), was prepared by Harris Realty Appraisal, Newport Beach, California (the “Appraiser”) in connection with issuance of the Bonds. The purpose of the Appraisal was to ascertain the “as is” market value of the fee simple estate as of the April 15, 2019 date of value for the taxable property in Improvement Area No. 1, which consisted of 35 completed homes owned by individual homeowners, 19 completed homes owned by Taylor Morrison, of which 7 are under contract with homebuyers (including 4 model homes), 6 homes under construction and 85 physically finished lots. Subject to the assumptions and limitations contained in the Appraisal, the Appraiser estimated that the fee simple interest in the subject property, subject to the lien of the Special Taxes, had an estimated aggregate value of \$46,500,000. There is no assurance that any of the property within Improvement Area No. 1 can be sold for the appraised value described herein, or for a price



sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current landowner or future landowners within Improvement Area No. 1. See “RISK FACTORS — Appraised Values” and APPENDIX C — “APPRAISAL REPORT” herein.

### **Security and Sources of Payment**

The Bonds will be payable solely from and secured by a first pledge of Net Taxes and moneys deposited in the Special Tax Fund (and the accounts therein including the Interest Account, the Principal Account, the Redemption Account and the Reserve Account, to the extent provided in the Indenture, but excluding the Administrative Expenses Account) and amounts in the Escrow Fund (to the limited extent described in the Indenture). Net Taxes mean, generally, Special Taxes received by the District, less amounts set aside to pay the Administrative Expenses (as defined in the Indenture, see “APPENDIX E- SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions”) not to exceed the Administrative Expenses Priority Amount (defined in the Indenture as \$20,000 per Bond Year). “Special Taxes” is defined in the Indenture to mean the taxes authorized to be levied by the District on property within Improvement Area No. 1 in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the November 23, 2015 election in Improvement Area No. 1, including any scheduled payments and any Prepayments thereof, the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien, and penalties and interest thereon.

The Special Taxes will be levied by the District and collected by the San Bernardino County Treasurer-Tax Collector in the same manner and at the same time as ad valorem property taxes. The District has covenanted in the Indenture to cause foreclosure proceedings to be commenced and prosecuted against parcels with delinquent Special Taxes under certain circumstances. For a more detailed description of the foreclosure covenant see “SECURITY FOR THE BONDS - Covenant to Commence Foreclosure Proceedings.” There is no assurance that the property within Improvement Area No. 1 can be sold for the appraised value described herein, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current landowners or future landowners within Improvement Area No. 1. See “RISK FACTORS — Appraised Values” and APPENDIX C — “APPRAISAL REPORT” herein.

The District has established a Reserve Account pursuant to the Indenture. The Reserve Requirement shall be calculated separately with respect to each Series of Bonds and is defined in the Indenture to mean, as of the date of calculation, an amount equal to the least of (i) Maximum Annual Debt Service on the then Outstanding Bonds of such Series; (ii) 10% of the original amount of the Bonds of such Series (“amount” meaning the principal amount of such Series of the Bonds, unless the Series was issued with original issue discount greater than two percent of the principal amount, or original issue premium greater than the sum of two percent of the principal amount plus original issue premium attributable exclusively to reasonable underwriters’ compensation, in which case “amount” means issue price); or (iii) 125% of average Annual Debt Service on the then Outstanding Bonds of such Series; provided, that during the Series 2019A Initial Reserve Period, the “Reserve Requirement” for the Series 2019A Bonds shall mean the Series 2019A Initial Reserve Requirement.

“Series 2019A Initial Reserve Period” shall mean the period commencing on the Delivery Date through and including the last day of the Bond Year ending September 1, 2039. “Series 2019A Initial Reserve Requirement” shall mean, with respect to the Series 2019A Initial Reserve Period, that fixed amount equal to the least of the following, determined as of the Delivery Date for the Series 2019A Bonds: (i) Maximum Annual Debt Service on all Series 2019A Bonds; (ii) 10% of the original amount of all Series 2019A Bonds (“amount” meaning the principal amount of all Series 2019A Bonds on their Delivery Date, unless the Series 2019A Bonds were issued with original issue discount greater than two percent of the principal amount, or original issue premium greater than the sum of two percent of the principal amount plus original issue

premium attributable exclusively to reasonable underwriters' compensation, in which case "amount" means issue price); or (iii) 125% of average Annual Debt Service on all Series 2019A Bonds. See "SECURITY FOR THE BONDS – Special Tax Fund – Reserve Account."

A portion of the Tax-Exempt Bonds will be considered "Deemed Escrow Bonds", which is defined in the Indenture to mean, as of any date of determination, Series 2019A Bonds in a principal amount equal to the amount then on deposit in the Escrow Fund (excluding (i) any investment earnings allocable to such amount on deposit in the Escrow Fund and (ii) amounts on deposit in the Escrow Interest Account and the Escrow Reserve Account therein), which Series 2019A Bonds shall be deemed to be comprised of the following: \$\_\_\_\_\_ initial aggregate principal amount of the Outstanding Series 2019A Term Bonds maturing on September 1, 2044\*; and \$\_\_\_\_\_ initial aggregate principal amount of the Outstanding Series 2019A Term Bonds maturing on September 1, 2049\*. See "SECURITY FOR THE BONDS -- Escrow Fund."

**Risk Factors**

Investment in the Bonds involves risks that may not be appropriate for some investors. See "RISK FACTORS" for a discussion of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in considering the investment quality of the Bonds.

**Miscellaneous**

The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report or other instrument. Included in this Official Statement are summaries of certain provisions of the Indenture and Appraisal. Copies of the Indenture and Appraisal are available for inspection at the offices of the City, and copies of such documents will be provided by the City upon request and payment of duplication costs.

*[Remainder of Page Intentionally Left Blank]*

## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be deposited into the following funds and accounts established under the Indenture:

<u>SOURCES</u>	Tax-Exempt Bonds	Taxable Bonds
Principal Amount of Bonds	\$	\$
Plus/Less: Original Issue Premium/Discount		
Less: Underwriter's Discount	( )	( )
<i>Total Sources</i>	\$	\$
<u>USES</u>		
Improvement Fund	\$	\$
Escrow Fund		
Escrow Interest Account (Capitalized Interest) <sup>(1)</sup>	--	
Costs of Issuance Fund <sup>(2)</sup>		
Reserve Account <sup>(3)</sup>		
Escrow Reserve Account <sup>(4)</sup>		
<i>Total Uses</i>	\$	\$

- (1) Amounts will be used to fund capitalized interest on the Deemed Escrow Bonds through and including June 1, 2022.
- (2) Includes printing costs, appraisal costs, filing and recording fees, fees and charges of the Trustee and its legal counsel, expenses incurred by the City in connection with the issuance of the Bonds, legal fees and charges, including bond counsel and disclosure counsel, and municipal advisor's fees, and other costs, charges and fees in connection with the foregoing.
- (3) Equal to the pro rata portion of the Series 2019A Initial Reserve Requirement allocable to all Series 2019A Bonds other than Deemed Escrow Bonds and the initial Reserve Requirement for the Taxable Bonds, as applicable, as of their date of delivery.
- (4) Equal to the pro rata portion of the Series 2019A Initial Reserve Requirement allocable to Deemed Escrow Bonds.

## PLAN OF FINANCE

**Tax-Exempt Bonds.** A portion of the proceeds of the Tax-Exempt Bonds will be used to finance certain public facility improvements authorized to be financed by, and serving properties within, Improvement Area No. 1, including storm drains, water, reclaimed water and sewer lines, undergrounding of existing dry utilities, and street improvements including new medians, landscape and irrigation, pavement, lighting, signage and striping, parkway improvements, adjacent sidewalk, driveway entrances, curb and gutter and traffic signals. All the facilities to be financed with Bond proceeds have been completed. The following table lists the facilities expected to be financed with the proceeds of the Bonds and the estimated costs:

<u>Description of Facilities</u>	
City Storm Drain	\$ 762,366
Storm Drain along Baseline, Parkview	1,029,971
Baseline Road Sewer Line	580,064
Domestic Water Line	840,361
Reclaimed Water Line Extension	280,015
Traffic Signalization	283,877
Underground existing Verizon lines	252,168
Underground existing Edison lines	943,542
<b>Total</b>	<b>\$4,972,366</b>

Source: Bravepark Property LLC

**Taxable Bonds.** A portion of the proceeds of the Taxable Bonds will used to finance certain capital facilities fees relating to public facility improvements authorized to be financed by, and necessary to meet the increased demands placed upon the public infrastructure and the City as a result of the development of the property within, Improvement Area No. 1, or to the extent that the proceeds are not needed to finance such fees as a result of application of certain fee credits under the development agreement, to pay the costs of certain dry utilities serving properties within Improvement Area No. 1. Such eligible fees and estimated costs are set forth in the following table.

<u>Description of Facilities</u>	
General	\$ 143,985
Fire	73,080
Police	130,790
Parks	1,551,500
Traffic	276,080
Water	546,360
Sewer	189,225
Storm Drain	414,120
Water Meter	10,875
<b>Subtotal</b>	<b>\$3,336,015</b>
Less: Estimated Fee Credits	(\$ 876,305)
Gas Main Extension in Baseline	454,189
Relocation of Edison Poles	560,020
<b>Total</b>	<b>\$3,473,919</b>

Source: Bravepark Property LLC

## THE BONDS

### General

The Bonds will be dated the date of their delivery and will mature in the amounts and on the dates set forth on the cover page of this Official Statement. The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple of \$5,000. The Bonds will bear interest at the annual rates set forth on the cover page of this Official Statement, payable semiannually on each March 1 and September 1, commencing March 1, 2020 (each, an “Interest Payment Date”). Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months.

Principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable by check of the Trustee mailed by first class mail to the registered Owner thereof at such registered Owner’s address as it appears on the registration books maintained by the Trustee at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Trustee prior to the applicable Record Date. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (i) such date of authentication is an Interest Payment Date in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from the Interest Payment Date immediately succeeding the date of authentication, or (iii) the date of authentication is prior to the close of business on the first Record Date occurring after the date of issuance of the Bonds, in which event interest shall be payable from the dated date of the Bonds.

The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Trustee.

### **Authority for Issuance**

***District Proceedings.*** The Bonds are issued pursuant to the Act and the Indenture. In addition, as required by the Act, the City Council has taken the following actions with respect to establishing the District and authorizing issuance of the Bonds:

*Resolutions of Intention:* On October 12, 2015, the City Council adopted a resolution stating its intention to establish the District, to designate improvement areas therein, to authorize the levy of a special tax therein. On that same day, the City Council adopted a resolution stating its intention to incur bonded indebtedness in an amount not to exceed \$10,000,000 for Improvement Area No. 1 and \$14,000,000 for Improvement Area No. 2 within the District and submitting that proposition to the respective qualified electors of each improvement area in the District.

*Resolution of Formation and Resolution Declaring Necessity to Incur Bonded Indebtedness:* Following a noticed public hearing, the City Council adopted, on November 23, 2015, a resolution (the “Resolution of Formation”) which established the District, designated Improvement Area No. 1 and Improvement Area No. 2 therein and authorized the levy of a special tax within the improvement areas of the District. On that same day, the City Council adopted a resolution declaring the necessity to incur bonded indebtedness in an amount not to exceed \$10,000,000 for Improvement Area No. 1 and \$14,000,000 for Improvement Area No. 2 within the District and submitting that proposition to the respective qualified electors of each improvement area in the District. The City Council called an election by the landowners within each improvement area of the District for the same date on the issues of the levy of the respective special taxes, and the incurring of bonded indebtedness.

*Landowner Election and Declaration of Results:* On November 23, 2015, an election was held within Improvement Area No. 1 and Improvement Area No. 2 of the District in which the qualified landowner electors approved ballot propositions authorizing the issuance of bonds in the not to exceed amount of \$10,000,000 for Improvement Area No. 1 and \$14,000,000 for Improvement Area No. 2 to finance the construction of the facilities, the levy of a special tax within Improvement Area No. 1 and Improvement Area No. 2 and the establishment of an appropriations limit for the District. On November 23, 2015, the City Council adopted a resolution under which the City Council approved the canvass of the votes and declared the District to be fully formed with the authority to levy special taxes for each improvement area, to incur the bonded indebtedness and to have the established appropriations limit.

*Ordinance Levying Special Taxes:* On December 14, 2015, the City Council adopted an ordinance authorizing the levy of the Special Tax within Improvement Area No. 1 of the District (the “Ordinance”).

*Special Tax Lien and Respective Levy:* A Notice of Special Tax Lien for Improvement Area No. 1 was recorded in the real property records of San Bernardino County on December 15, 2015.

*Resolution Authorizing Issuance of the Bonds:* On June 24, 2019, the City Council adopted a resolution approving issuance of the Bonds in an amount not to exceed \$10,000,000 for Improvement Area No. 1.

***City’s Goals and Policies.*** As required by the Act, the City adopted “Amended and Restated Goals and Policies for Mello-Roos Community Facilities District Financings” by Resolution No. 6472 adopted on October 22, 2018 (the “Goals and Policies”). The Goals and Policies establish certain credit quality requirements for bonds issued by community facilities districts and improvement areas therein, namely a 3:1

ratio of property value to the lien of the Bonds and other public indebtedness secured by a lien on real property currently existing against the properties to be taxed. Property value may be based on an appraisal or on assessed values as indicated on the county assessor’s tax roll.

The Goals and Policies also require that, for residential property, the maximum annual special tax, together with ad valorem property taxes, and all other special assessments or special taxes collected or to be collected on the annual tax bill for each developed parcel at the time of bond issuance, may not exceed 2% of such parcel’s projected assessed value.

**Debt Service Schedule\***

The following table presents the annualized debt service on the Bonds (including sinking fund redemptions), assuming there are no optional redemptions.

Year Ending September 1	Tax-Exempt Bonds*	Taxable Bonds*	Total Debt Service*
2020	\$212,280.75	\$195,294	\$407,574.75
2021	207,982.50	312,540	520,522.50
2022	212,645.00	312,275	524,920.00
2023	237,195.00	311,815	549,010.00
2024	240,895.00	311,160	552,055.00
2025	239,425.00	310,310	549,735.00
2026	237,955.00	314,265	552,220.00
2027	236,255.00	312,005	548,260.00
2028	234,555.00	314,525	549,080.00
2029	237,855.00	311,605	549,460.00
2030	235,985.00	313,465	549,450.00
2031	239,115.00	309,885	549,000.00
2032	242,075.00	310,085	552,160.00
2033	234,865.00	314,795	549,660.00
2034	237,825.00	313,770	551,595.00
2035	235,615.00	312,255	547,870.00
2036	238,405.00	310,250	548,655.00
2037	236,025.00	312,500	548,525.00
2038	238,645.00	314,000	552,645.00
2039	241,095.00	309,750	550,845.00
2040	548,375.00	--	548,375.00
2041	550,115.00	--	550,115.00
2042	551,345.00	--	551,345.00
2043	552,065.00	--	552,065.00
2044	552,275.00	--	552,275.00
2045	551,975.00	--	551,975.00
2046	550,700.00	--	550,700.00
2047	548,900.00	--	548,900.00
2048	551,575.00	--	551,575.00
2049	548,550.00	--	548,550.00
<b>Total:</b>	<b>\$10,182,568.25</b>	<b>\$6,126,549</b>	<b>\$16,048,968.32</b>

Source: Underwriter

\* Preliminary, subject to change.

## Redemption

**Optional Redemption.\*** The Bonds maturing on or before September 1, 2026 are not subject to optional redemption prior to maturity. The Bonds maturing on or after September 1, 2027 shall be subject to optional redemption prior to maturity and may be redeemed, at the option of the District, from any source of funds on any date on or after September 1, 2026 in whole, or in part, from such maturities as are selected by the District and by lot within a maturity, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

<u>Redemption Dates*</u>	<u>Redemption Price</u>
September 1, 2026 through August 31, 2027	103%
September 1, 2027 through August 31, 2028	102
September 1, 2028 through August 31, 2029	101
September 1, 2029 and thereafter	100

### **Mandatory Sinking Fund Redemption.\***

**Tax-Exempt Bonds.\*** The Tax-Exempt Bonds maturing on September 1, 2025, September 1, 2044 and September 1, 2049 (collectively, the “Tax-Exempt Term Bonds”) shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account, on each September 1 in accordance with the respective schedules of Sinking Fund Payments set forth below. The Tax-Exempt Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed Tax-Exempt Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

<b>Tax-Exempt Term Bonds Maturing on September 1, 2025*</b>	
<u>Redemption Date*</u> <u>(September 1)</u>	<u>Principal Amount*</u>
2021	\$15,000
2022	20,000
2023	45,000
2024	50,000
2025 (maturity)	50,000

---

\* Preliminary, subject to change.

**Tax-Exempt Term Bonds Maturing on September 1, 2044\***

Redemption Date* (September 1)	Principal Amount*
2026	\$ 50,000
2027	50,000
2028	50,000
2029	55,000
2030	55,000
2031	60,000
2032	65,000
2033	60,000
2034	65,000
2035	65,000
2036	70,000
2037	70,000
2038	75,000
2039	80,000
2040	390,000
2041	405,000
2042	420,000
2043	435,000
2044 (maturity)	450,000

**Tax-Exempt Term Bonds Maturing on September 1, 2049\***

Redemption Date* (September 1)	Principal Amount*
2045	\$465,000
2046	480,000
2047	495,000
2048	515,000
2049 (maturity)	530,000

Taxable Bonds.\* The Taxable Bonds maturing on September 1, 2025, September 1, 2030, September 1, 2035 and September 1, 2039 (collectively, the “Taxable Term Bonds”) shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account, on each September 1 in accordance with the respective schedules of Sinking Fund Payments set forth below. The Taxable Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed Taxable Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

**Taxable Term Bonds Maturing on September 1, 2025\***

Redemption Date* (September 1)	Principal Amount*
2021	\$135,000
2022	140,000
2023	145,000
2024	150,000
2025 (maturity)	155,000



**Taxable Term Bonds Maturing on September 1, 2030\***

Redemption Date* (September 1)	Principal Amount*
2026	\$165,000
2027	170,000
2028	180,000
2029	185,000
2030 (maturity)	195,000

**Taxable Term Bonds Maturing on September 1, 2035\***

Redemption Date* (September 1)	Principal Amount*
2031	\$200,000
2032	210,000
2033	225,000
2034	235,000
2035 (maturity)	245,000

**Taxable Term Bonds Maturing on September 1, 2039\***

Redemption Date* (September 1)	Principal Amount*
2036	\$255,000
2037	270,000
2038	285,000
2039 (maturity)	295,000

In the event of a partial optional redemption or extraordinary redemption of the Tax-Exempt Term Bonds or the Taxable Term Bonds, each of the remaining Sinking Fund Payments for such Tax-Exempt Term Bonds or Taxable Term Bonds, as applicable, will be reduced, as nearly as practicable, on a *pro rata* basis, in integral multiples of \$5,000.

**Extraordinary Redemption.\*** The Bonds are subject to extraordinary redemption as a whole, or in part proportionately between the Series 2019A Bonds and the Series 2019B Bonds as described further below, and on a pro rata basis among maturities of each such Series in integral multiples of \$5,000, as nearly as possible, on any Interest Payment Date, and shall be redeemed by the Trustee, from Prepayments deposited to the Redemption Account, plus any amounts authorized to be transferred from the Reserve Account pursuant to the Indenture, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

Redemption Dates*	Redemption Price
On or before March 1, 2027	103%
September 1, 2027 and March 1, 2028	102
September 1, 2028 and March 1, 2029	101
September 1, 2029 and thereafter	100

\* Preliminary, subject to change.

For purposes of the proportionate allocation of any such extraordinary redemption from Prepayments between the Series 2019A Bonds and the Series 2019B Bonds described above, “proportionately” shall mean calculated with respect to the then Outstanding principal amount of each such Series, as nearly as possible in view of the \$5,000 minimum denomination of the Bonds per the Indenture; provided, if the implementation of such a proportionate allocation requires more Bonds of one Series to be redeemed than Bonds of the other Series to accommodate the \$5,000 minimum denominations or otherwise, the District shall give priority to redeem more Series 2019A Bonds than Series 2019B Bonds.

***Special Mandatory Redemption from Escrow Fund Transfer.*** So long as moneys remain on deposit in the Escrow Fund, the Deemed Escrow Bonds are subject to special mandatory redemption on June 1, 2022 in whole, or in part, from such maturities of the Deemed Escrow Bonds as are selected by the District and by lot within a maturity, from amounts transferred from the Escrow Fund to the Redemption Account pursuant to the Indenture, in integral multiples of \$5,000, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

In the event of a special mandatory redemption of Deemed Escrow Bonds from Escrow Fund transfers pursuant to the Indenture, each of the remaining Sinking Fund Payments for the maturity of Series 2019A Term Bonds of which the Deemed Escrow Bonds comprise a portion will be reduced, as nearly as practicable, on a *pro rata* basis, in integral multiples of \$5,000.

***Purchase in Lieu of Redemption.*** As provided in the Indenture, in lieu or partially in lieu of any optional redemption, extraordinary redemption or mandatory sinking fund redemption, moneys deposited in the Redemption Account, other than Prepayments, may be used to purchase Outstanding Bonds. Such purchases of Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption or an extraordinary redemption, the premium applicable at the next following call date. Any accrued interest payable upon the purchase of Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

***Selection of Bonds for Redemption.*** If less than all of any Series of Bonds or Parity Bonds Outstanding are to be redeemed, the Trustee shall select the Bonds or Parity Bonds to be redeemed from all Outstanding Bonds or Parity Bonds of such Series or such given portion thereof not previously called for redemption, on a *pro rata* basis among the maturities (unless the maturity or maturities are otherwise specified in the Indenture or in writing by the District) and by lot within a maturity in any manner which the Trustee in its discretion shall deem appropriate. For purposes of such selection, all Bonds or Parity Bonds of a denomination of more than \$5,000 shall be deemed to be comprised of separate \$5,000 portions, and such portions shall be treated as separate Bonds which may be separately redeemed. The Trustee shall promptly notify the District in writing of the Bonds or Parity Bonds, or portions thereof, selected for redemption.

***Notice of Redemption.*** When Bonds are due for redemption, the Trustee shall give notice, in the name of the District, of the redemption of such Bonds. At least 30 days but no more than 45 days prior to the redemption date, the Trustee shall mail a copy of the notice of redemption, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Bond of notice of such redemption shall not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice shall affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as herein provided shall be conclusive as against all parties and the Owner shall not be entitled to show that he or she failed to receive notice of such redemption.

The District will have the right to rescind any optional redemption by written notice to the Trustee one (1) Business Day prior to the date fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The District and the Trustee will have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

***Partial Redemption of Bonds.*** Upon surrender of any Bond to be redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Bondowner, at the expense of the District, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity.

***Effect of Notice and Availability of Redemption Money.*** Notice of redemption having been duly given, as provided in the Indenture, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

(1) The Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Indenture, anything in the Indenture or in the Bonds to the contrary notwithstanding;

(2) Upon presentation and surrender thereof at the Principal Office of the Trustee, the redemption price of such Bonds shall be paid to the Owners thereof;

(3) As of the redemption date the Bonds, or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds, or portions thereof, shall cease to bear further interest; and

(4) As of the date fixed for redemption no Owner of any of the Bonds, or portions thereof so designated for redemption, shall be entitled to any of the benefits of the Indenture or any Supplemental Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

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

The Depository Trust Company (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered initially in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered bond will be issued for the Bonds of each maturity and each interest rate, in the initial aggregate principal amount of such maturity of such series. See APPENDIX F – “Book-Entry Only System.”

## **SECURITY FOR THE BONDS**

### **Pledge of Special Taxes**

***General.*** The Bonds will be payable solely from, and secured by, a first pledge of Net Taxes and moneys on deposit in the Special Tax Fund (and the designated accounts therein but excluding the Administrative Expenses Account) established and held under the Indenture. Net Taxes consist of a portion of the Special Taxes levied on the taxable property in Improvement Area No. 1 pursuant to the Rate and Method. The Indenture defines “Net Taxes” as Gross Taxes minus amounts set aside to pay Administrative Expenses not to exceed the Administrative Expenses Priority Amount. The term “Gross Taxes” means (i) the amount of

all Special Taxes received by Improvement Area No. 1, together with (ii) the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture for the delinquency of such Special Taxes remaining after the payment of all costs related to such foreclosure actions. The Administrative Expenses Priority Amount is equal to \$20,000 per Bond Year.

Beginning in Fiscal Year 2019-20 and so long as any Bonds issued under the Indenture are Outstanding, the District has covenanted in the Indenture to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay (1) the principal of and interest on the Bonds when due, (2) the Administrative Expenses, and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement.

The Special Taxes will be levied by the District and collected by the San Bernardino County Treasurer-Tax Collector in the same manner and at the same time as ad valorem property taxes. In the event that the Special Tax are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Trustee in the Special Tax Fund (other than the Administrative Expenses), including amounts held in the Reserve Account therein, for the exclusive benefit of the owners of the Bonds, and foreclosure proceeds resulting from the sale of delinquent parcels if and when available.

**Special Taxes.** The Indenture defines “Special Taxes” as the taxes authorized to be levied by the District on property within Improvement Area No. 1 in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the November 23, 2015 election in Improvement Area No. 1 of the District, including any scheduled payments and any Prepayments thereof, the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien, and penalties and interest thereon.

The District covenants in the Indenture that, subject to the Rate and Method, the District will levy Special Taxes on taxable property within Improvement Area No. 1 in an amount equal to the Special Tax Requirement for Improvement Area No. 1. The District further covenants that it will take no action that would discontinue or cause the discontinuance of the Special Tax levy or the District’s authority to levy the Special Tax on taxable property within Improvement Area No. 1 for so long as the Bonds are Outstanding. See “— Rate and Method” below and “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

**The Special Tax levy is limited to the maximum rates set forth in the Rate and Method.** In the event of a significant delinquency, the Trustee may have to make a draw on the Reserve Account to pay interest of, and principal on, the Bonds then coming due. The Bonds are not subject to acceleration under the Indenture. Although Special Taxes, when levied, will constitute a lien on parcels subject to taxation within Improvement Area No. 1, it does not constitute a personal indebtedness of the owners of such parcels. There is no assurance that such property owners will be financially able to pay the Special Taxes or that they will pay such taxes even if financially able to do so. See “RISK FACTORS” for a discussion of certain factors which may affect property owners’ ability or willingness to pay Special Taxes.

**Limited Obligation.** THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND CERTAIN MONEYS ON DEPOSIT IN THE SPECIAL TAX FUND (AND DESIGNATED ACCOUNTS THEREIN BUT EXCLUDING THE ADMINISTRATIVE EXPENSES ACCOUNT) PLEDGED UNDER THE INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY, THE COUNTY OF SAN BERNARDINO, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE PORTION OF THE SPECIAL TAXES THAT CONSTITUTE NET TAXES UNDER THE INDENTURE, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS.

## Special Tax Fund

Pursuant to the Indenture, there is established a “Special Tax Fund” to be held and maintained by the Trustee. In the Special Tax Fund, there is further established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account (in which the Indenture establishes (A) a Series 2019A Reserve Subaccount for the benefit of the Series 2019A Bonds and (B) a Taxable Series 2019B Reserve Subaccount for the benefit of the Series 2019B Bonds), and an Administrative Expense Account.

The amounts on deposit in the foregoing funds will be held by the Trustee, and the Trustee shall invest and disburse the amounts in such funds and accounts in accordance with the provisions of the Indenture and shall disburse investment earnings thereon in accordance with the provisions of the Indenture.

The District will transfer the Special Taxes to the Trustee for deposit in the Special Tax Fund in accordance with the terms of the Indenture. The Trustee will transfer the amounts on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Indenture in the following order of priority:

- (a) The Administrative Expense Account of the Special Tax Fund;
- (b) The Interest Account of the Special Tax Fund;
- (c) The Principal Account of the Special Tax Fund;
- (d) The Redemption Account of the Special Tax Fund;
- (e) The Reserve Account of the Special Tax Fund; and
- (f) The Rebate Fund; and
- (g) The Surplus Fund.

Notwithstanding the foregoing and any other provision of the Indenture to the contrary, in the event of a shortfall of amounts on deposit in the Special Tax Fund (such shortfall being determined excluding amounts on deposit in, and prior to drawing upon, the Reserve Account) to make the transfers, pursuant to the Indenture, to the Principal Account of the Special Tax Fund and to the Redemption Account of the Special Tax Fund necessary to pay in full both (x) the principal payment due on the Bonds and any Parity Bonds maturing on the applicable September 1 and (y) the Sinking Fund Payment due on any Outstanding Bonds and any Parity Bonds on such September 1, the Trustee shall transfer the available amount from the Special Tax Fund to the Principal Account and the Redemption Account on a pro rata basis (calculated with reference to the respective principal payment and Sinking Fund Payment coming due and payable on such September 1) at least three (3) Business Days prior to such September 1.

***Administrative Expense Account.*** As set forth in the Indenture, the District may periodically provide the Trustee with a certificate requesting the payment of Administrative Expenses. Upon its receipt of any such certificate, the Trustee shall transfer from the Special Tax Fund and deposit in the Administrative Expenses Account of the Special Tax Fund amounts necessary to make timely payment of any such Administrative Expenses as set forth in such Certificate; provided, however, that, except as set forth in the following sentence, the total amount transferred in a Bond Year shall not exceed the Administrative Expenses Priority Amount (defined in the Indenture as \$20,000 per Bond Year) until such time as there has been deposited (a) to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and any Parity Bonds due in such Bond Year, (b) to the Redemption Account an amount, together with any amounts already on deposit therein, that is sufficient to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedules set forth in the

Indenture and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule in the Supplemental Indenture for such Parity Bonds, and (c) to the Subaccounts of the Reserve Account such amounts, together with any amounts already on deposit therein, that is sufficient to restore each Subaccount of the Reserve Account to the applicable Reserve Requirement. Notwithstanding the foregoing, amounts in excess of the Administrative Expenses Priority Amount may be transferred to the Administrative Expenses Account to the extent necessary to collect delinquent Special Taxes. Moneys in the Administrative Expenses Account are not pledged to the repayment of the Bonds.

**Interest Account and Principal Account.** The principal of and interest due on the Bonds until maturity, other than principal due upon redemption, shall be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of and interest on the Bonds will be made when due and after making the transfer required by the Indenture, at least three (3) Business Days prior to each March 1 and September 1, the Trustee shall make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from amounts transferred or to be transferred from the Escrow Fund pursuant to the Indenture, the proceeds of the sale of an issue of the Bonds or any Parity Bonds, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account) are inadequate to make the foregoing transfers, then any deficiency shall be made up by transfers from the applicable Subaccounts of the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account three (3) Business Days prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account shall be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.

(b) To the Principal Account, an amount such that the balance in the Principal Account three (3) Business Days prior to September 1 of each year, commencing September 1, 2019, shall equal the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.

**Redemption Account.** On each September 1 on which a Sinking Fund Payment is due, after the deposits have been made to the Administrative Expenses Account, the Interest Account and the Principal Account of the Special Tax Fund, the Trustee shall next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account three (3) Business Days prior to each September 1 equal to the Sinking Fund Payment due on any Outstanding Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency shall be made up by an immediate transfer from the applicable Subaccounts of the Reserve Account, if funded pursuant to the Indenture. Moneys so deposited in the Redemption Account shall be used and applied by the Trustee to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedule set forth in the Indenture.

**Reserve Account.** There shall be maintained in each Subaccount of the Reserve Account of the Special Tax Fund an amount equal to the applicable Reserve Requirement; provided, on or prior to the Escrow Redemption Date (i.e., June 1, 2022), the provisions of the Indenture dealing with the Reserve Account shall be read to include the Escrow Reserve Account of the Escrow Fund together with the Series 2019A Subaccount of the Reserve Account of the Special Tax Fund, as follows:

(i) the amount on deposit in the Escrow Reserve Account of the Escrow Fund shall be taken into account and added together with the amount on deposit in the Series 2019A Reserve Subaccount of

the Reserve Account of the Special Tax Fund, for purposes of determining the sufficiency of moneys on deposit under the Indenture to satisfy the Reserve Requirement applicable to Series 2019A Bonds;

(ii) if, taking into account the foregoing clause (i), moneys are required to be transferred from the Series 2019A Reserve Subaccount of the Reserve Account pursuant to the Indenture due to an insufficiency of moneys to pay principal or interest then coming due on the Series 2019A Bonds, such amount shall be transferred on a pro rata basis from the Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund and the Escrow Reserve Account of the Escrow Fund by allocating to the Escrow Reserve Account the portion of the total amount to be so transferred based on the ratio of (x) the principal amount of then Outstanding Deemed Escrow Bonds, divided by (y) the principal amount of all then Outstanding Series 2019A Bonds;

(iii) any replenishment of the Series 2019A Reserve Subaccount of the Reserve Account pursuant to the Indenture, after taking into account the foregoing clause (i), shall be made on a pro rata basis to the Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund and the Escrow Reserve Account of the Escrow Fund, by allocating to the Escrow Reserve Account the portion of the total amount to be so transferred and replenished based on the ratio of (x) the principal amount of then Outstanding Deemed Escrow Bonds, divided by (y) the principal amount of all then Outstanding Series 2019A Bonds; and

(iv) if, taking into account the foregoing clause (i), moneys are required to be transferred from the Series 2019A Reserve Subaccount of the Reserve Account pursuant to the Indenture to the Interest Account of the Special Tax Fund due to an excess over the applicable Reserve Requirement for the Series 2019A Bonds of the moneys collectively on deposit in the Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund and in the Escrow Reserve Account of the Escrow Fund, the Trustee shall transfer such excess on a pro rata basis from the Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund and the Escrow Reserve Account of the Escrow Fund by allocating to the Escrow Reserve Account the portion of the total amount to be so transferred based on the ratio of (x) the principal amount of then Outstanding Deemed Escrow Bonds, divided by (y) the principal amount of all then Outstanding Series 2019A Bonds.

The Reserve Requirement may be satisfied by crediting to the applicable Subaccount of the Reserve Account moneys or one or more Reserve Policies or any combination thereof, which in the aggregate make funds available in the applicable Subaccount of the Reserve Account in an amount equal to the corresponding Reserve Requirement. Upon the deposit with the Trustee of any such Reserve Policy, the Trustee shall release moneys from the applicable Subaccount of the Reserve Account to the Interest Account of the Special Tax Fund, in an amount equal to the face amount of such Reserve Policy.

If funded and subject to paragraph (f) below, the amounts in the Subaccounts of the Reserve Account shall be applied as follows:

(a) Transfers from Reserve Subaccounts in the Event of Insufficiency for Interest, Principal and Sinking Fund Payments. Except as otherwise provided in the Indenture, moneys in each Subaccount of the Reserve Account shall be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity Bonds corresponding to such Subaccount when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due and for the purpose of making any required transfer to the Rebate Fund pursuant to the Indenture upon written direction from the District. If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Bonds and Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee shall

withdraw from the corresponding Subaccounts of the Reserve Account for deposit (in order of priority) in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund (subject to the pro rata allocation between the Principal Account and the Redemption Account described in the following sentence) or the Rebate Fund, as applicable, moneys necessary for such purposes. Any such withdrawal from a Subaccount of the Reserve Account for the principal of, including Sinking Fund Payments, then due on the Bonds and Parity Bonds corresponding to such Subaccount shall be deposited on a pro rata basis (calculated with reference to the respective principal payment and Sinking Fund Payment coming due and payable on such September 1 with respect to such Bonds and Parity Bonds) into the Principal Account and the Redemption Account, respectively.

(b) Replenishment of Reserve Subaccounts to Applicable Reserve Requirements. On or after March 2 and September 2 of each year, after making the required transfers under the Indenture to the Administrative Expenses Account, the Interest Account, the Principal Account and the Redemption Account, the Trustee shall transfer to each Subaccount of the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the respective amount needed to restore the amount of such Subaccount of the Reserve Account to the applicable Reserve Requirement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Account and the Subaccounts therein only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Administrative Expenses Account, the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next September 1. If amounts available in the Special Tax Fund together with any other amounts transferred to replenish the Subaccounts of the Reserve Account are inadequate to restore each Subaccount of the Reserve Account to the applicable Reserve Requirement, then the District shall include the amount necessary fully to restore the Subaccounts of the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

(c) Application of Moneys in Reserve Subaccounts to Optional or Extraordinary Redemption or Defeasance. Except for amounts on deposit in the Taxable Series 2019B Reserve Subaccount, which shall be subject to paragraph (g) below, in connection with an optional redemption or extraordinary redemption of Bonds pursuant to the Indenture, or Parity Bonds in accordance with any Supplemental Indenture, or a partial defeasance of Bonds or Parity Bonds in accordance with the Indenture, amounts in the Reserve Account Subaccount corresponding to such Bonds or Parity Bonds may be applied to such redemption or partial defeasance so long as the amount on deposit in the subject Subaccount of the Reserve Account following such redemption or partial defeasance equals the applicable Reserve Requirement (taking into account Outstanding Bonds and Parity Bonds corresponding to the subject Subaccount after such redemption or partial defeasance). The District shall set forth in a Certificate of an Authorized Representative the amount in the applicable Subaccount of the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to the Indenture to partially defease Bonds, and the Trustee shall make such transfer on the applicable redemption or defeasance date.

(d) Application of Moneys in Reserve Subaccounts to Debt Service Payments in Final Bond Year. Except for amounts on deposit in the Taxable Series 2019B Reserve Subaccount, which shall be subject to paragraph (g) below, to the extent that a Subaccount of the Reserve Account is at the applicable Reserve Requirement as of the first day of the final Bond Year for the Bonds corresponding to such Subaccount in accordance with the Indenture or, if applicable, with any Supplemental Indenture for a Series of Parity Bonds corresponding to such Subaccount, amounts in such Subaccount of the Reserve Account may be applied to pay the principal of and interest due on the corresponding Bonds and Parity Bonds, as applicable, in the final Bond Year for such Series.

(e) Moneys in Reserve Subaccounts in Excess of Applicable Reserve Requirement. Moneys in a Subaccount of the Reserve Account in excess of the applicable Reserve Requirement not transferred in



accordance with the provisions of the Indenture shall be withdrawn from such Subaccount of the Reserve Account on the fifth (5th) Business Day before each March 1 and September 1, and such moneys shall be transferred and deposited into the Interest Account of the Special Tax Fund; provided, however, to the extent that, as of a date ninety (90) days prior to the next occurring Interest Payment Date, the amount on deposit in a Subaccount of the Reserve Account (except for the Taxable Series 2019B Reserve Subaccount, which shall be subject to paragraph (g) below) is equal to or greater than the aggregate remaining principal payments to be paid on the Bonds and any Parity Bonds corresponding to such Subaccount, any and all amounts in such Subaccount of the Reserve Account may be applied to effect a redemption of all such corresponding Outstanding Bonds pursuant to the Indenture and any such Outstanding Parity Bonds in accordance with any Supplemental Indenture. .

(f) Provisions Relating to Reserve Policy in a Reserve Subaccount. If and to the extent that a Subaccount of the Reserve Account has been funded with a combination of cash (or Authorized Investments) and a Reserve Policy, then all such cash (or Authorized Investments) shall be completely used before any demand is made on such Reserve Policy, and replenishment of the Reserve Policy shall be made prior to any replenishment of any such cash (or Authorized Investments). If a Subaccount of the Reserve Account is funded, in whole or in part, with more than one Reserve Policy, then any draws made against each such Reserve Policy shall be made pro-rata among those Reserve Policies (calculated by reference to the coverage then available thereunder).

(g) Special Provisions Relating to Taxable Series 2019B Reserve Subaccount; Transfer to Series 2019A Reserve Subaccount on September 2, 2039.

(1) So long as any Series 2019A Bonds are Outstanding, amounts on deposit in the Taxable Series 2019B Reserve Subaccount of the Reserve Account shall not be applied to any optional redemption of Series 2019B Bonds pursuant to the Indenture nor to any defeasance of Series 2019B Bonds in accordance with the Indenture, nor applied to pay the principal of and interest due on the Series 2019B Bonds in the final Bond Year for such Series pursuant to the Indenture; provided, such amounts on deposit in the Taxable Series 2019B Reserve Subaccount may be applied to pay the principal of and interest due on the Series 2019B Bonds in the final Bond Year for such Series in the event of an insufficiency as described in the Indenture; provided, further, that such amounts on deposit in the Taxable Series 2019B Reserve Subaccount may be applied to an extraordinary redemption of Series 2019B Bonds from Prepayments of Special Taxes pursuant to the Indenture in the same manner as provided for amounts in other Reserve Account Subaccounts in the Indenture.

(2) In the event of an optional redemption of Series 2019B Bonds pursuant to the Indenture, or any defeasance of Series 2019B Bonds in accordance with the Indenture, the Trustee shall establish for the benefit of the Series 2019A Bonds a “Series 2019A Reserve Augmentation Account” within the Special Tax Fund, and amounts on deposit in the Taxable Series 2019B Reserve Subaccount in excess of the Reserve Requirement for the Series 2019B Bonds that will remain Outstanding, if any, after such redemption or defeasance shall be transferred by the Trustee to the Series 2019A Reserve Augmentation Account promptly upon the completion of such redemption or defeasance of Series 2019B Bonds, for further application as specified in paragraph (3) below.

(3) On September 2, 2039, the Trustee shall transfer from (A) first, if established pursuant to the Indenture, the Series 2019A Reserve Augmentation Account of the Special Tax Fund, and (B) second, the Taxable Series 2019B Reserve Subaccount, moneys in such amount necessary to bring the moneys on deposit in the Series 2019A Reserve Subaccount to the Reserve Requirement for the Series 2019A Bonds following the Series 2019A Initial Reserve Period.

## Escrow Fund

Moneys in the Escrow Fund, and in the Escrow Interest Account and the Escrow Reserve Account therein, are held in trust by the Trustee and, pending disbursement as provided in the Indenture, are subject to a lien in favor of the Owners of the Series 2019A Bonds and are administered as provided in the Indenture. On the Delivery Date, there shall be deposited in the Escrow Fund, the Escrow Interest Account and the Escrow Reserve Account the following amounts:

- \$1,200,000\* of the Series 2019A Bond proceeds will be deposited initially in the Escrow Fund established under the Indenture. This amount represents the initial principal amount of the Deemed Escrow Bonds consisting of, collectively, \$890,000\* (or approximately 29.1%\*) of the \$3,055,000\* initial principal amount of the Series 2019A Term Bonds maturing on September 1, 2044, and \$310,000\* (or approximately 12.5%\*) of the \$2,485,000\* initial principal amount of the Series 2019A Term Bonds maturing on September 1, 2049.
- \$117,163.50\* of the Series 2019A Bond proceeds will be deposited initially into the Escrow Interest Account of the Escrow Fund, representing capitalized interest on the Deemed Escrow Bonds from the Delivery Date to June 1, 2022, the special mandatory redemption date for the Deemed Escrow Bonds.
- \$90,050.92\* of the Series 2019A Bond proceeds will be deposited initially into the Escrow Reserve Account of the Escrow Fund, representing the pro rata portion of the Series 2019A Initial Reserve Requirement allocable to the Deemed Escrow Bonds (calculated by reference to initial principal amount).

Transfers to Accounts of Special Tax Fund. On the fifth (5th) Business Day immediately preceding each Interest Payment Date occurring on or prior to the Escrow Redemption Date (i.e., June 1, 2022), the Trustee will make the following transfers:

(1) On the fifth (5th) Business Day immediately preceding each Interest Payment Date occurring on or prior to the Escrow Redemption Date (i.e., June 1, 2022), if the moneys then collectively on deposit in the Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund and the Escrow Reserve Account of the Escrow Fund exceed the Reserve Requirement for the then Outstanding Series 2019A Bonds, in accordance with the Indenture, the Trustee shall transfer from the Escrow Reserve Account of the Escrow Fund to the Interest Account of the Special Tax Fund an amount equal to the pro rata portion of such excess over the Reserve Requirement for the then Outstanding Series 2019A Bonds allocable to the then Outstanding Deemed Escrow Bonds, based on the ratio of (x) the principal amount of then Outstanding Deemed Escrow Bonds, divided by (y) the principal amount of all then Outstanding Series 2019A Bonds.

(2) On the fourth (4th) Business Day immediately preceding each Interest Payment Date occurring on or prior to the Escrow Redemption Date (i.e., June 1, 2022), the Trustee shall transfer from the Escrow Interest Account of the Escrow Fund to the Interest Account of the Special Tax Fund an amount equal to the interest payable on the Deemed Escrow Bonds on such Interest Payment Date.

(3) After making the transfers required by the Indenture, if any amount is required to be transferred from the Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund pursuant to the Indenture due to an insufficiency as described therein to pay principal or interest next coming due on the then Outstanding Series 2019A Bonds, in accordance with the Indenture the

---

\* Preliminary; subject to change.

Trustee shall transfer from the Escrow Reserve Account of the Escrow Fund to the applicable Account of the Special Tax Fund the pro rata portion of such total amount to be so transferred that is allocable to the Escrow Reserve Account, based on the ratio of (x) the principal amount of then Outstanding Deemed Escrow Bonds, divided by (y) the principal amount of all then Outstanding Series 2019A Bonds.

Disbursements to Series 2019A Account of Improvement Fund Prior to Escrow Closing Date. On or prior to the Escrow Closing Date (i.e., April 15, 2022), the Trustee shall make disbursements (each such date of disbursement being an “Escrow Disbursement Date”) from the Escrow Fund to the Series 2019A Account of the Improvement Fund, as directed in writing by a certificate of an Authorized Representative of the District (which certificate shall include a representation that the District has received all certificates required by the Indenture), on any date other than an Interest Payment Date (providing that no Escrow Disbursement Date shall occur in the five (5) Business Days preceding an Interest Payment Date), (i) if at least ninety (90) days (or such shorter period as is consented to by the District) prior to the proposed Escrow Disbursement Date, the Developer causes a payment to be made to the City for escrow release costs in the amount equal to the District’s and/or City’s estimated professionals’ costs as provided to the Developer by the District or the City (unexpended amounts, if any, to be refunded to the Developer within thirty (30) days following the Escrow Disbursement Date); and (ii) if at least ten (10) Business Days prior to such proposed Escrow Disbursement Date the District receives the following:

(1) A certificate of the Developer satisfying all requirements of either subparagraph (i) or (ii) below:

(i) A certificate of the Developer certifying that (A) neither the Developer nor any Affiliate thereof owns any property within Improvement Area No. 1; and (B) the Developer has completed all development activities within or with respect to Improvement Area No. 1 for which it is responsible and as planned; or

(ii) If the Developer or any Affiliate thereof then owns property within Improvement Area No. 1, a certificate of the Developer certifying that (A) there has been no bankruptcy filing by the Developer or its partners, members or Affiliates since the delivery date of the Bonds, except that, if there has been a bankruptcy of an Affiliate, the Developer may instead deliver a certificate of an Independent Financial Consultant stating that the bankruptcy of such Affiliate will not have any material adverse effect on the ability of the Developer to pay its Special Taxes when due; (B) the Developer has completed all development activities within or with respect to Improvement Area No. 1 for which it is responsible and as planned; and (C) the Developer or its partners and members have sufficient liquidity on its most recent balance sheets to meet the Developer’s existing and projected Special Tax obligations and/or a line of credit from a financial institution adequate to pay such Special Taxes.

(2) A certificate of the Builder satisfying all requirements of subparagraph (i) below, or if the Builder or any Affiliate thereof then no longer owns taxable property within Improvement Area No. 1, a Certificate of an Authorized Representative of the City satisfying all requirements of subparagraph (ii) below:

(i) A certificate of the Builder (A) certifying that there has been no bankruptcy filing by the Builder or its partners, members or Affiliates since the delivery date of the Bonds, except that, if there has been a bankruptcy of an Affiliate, the Builder may instead deliver a certificate of an Independent Financial Consultant stating that the bankruptcy of such Affiliate will not have any material adverse effect on the ability of the Builder to pay its Special Taxes

when due; (B) certifying that the Builder or its partners and members have sufficient liquidity on its most recent balance sheets to meet the Builder's existing and projected Special Tax obligations and/or a line of credit from a financial institution adequate to pay such Special Taxes; (C) certifying the total number of residential units completed and certificates of occupancy issued with respect to residential units within Improvement Area no. 1 at such time, and with respect to any units for which certificates of occupancy have not yet been issued, certifying the total number of residential units within Improvement Area No. 1 for which building permits have been issued and vertical construction consisting of framing has commenced; and (D) attaching thereto copies of all building permits issued for the residential units certified in the foregoing clause (C) (and, if building square footage is not stated in such attachments, certifying the building square footage for each such residential unit); or

(ii) If the Builder or any Affiliate thereof then no longer owns taxable property within Improvement Area No. 1, a Certificate of an Authorized Representative of the City (A) certifying the total number of building permits and the total number of certificates of occupancy that have been issued with respect to residential units within Improvement Area No. 1 at such time, and (B) attaching thereto copies of all building permits issued for the residential units certified in the foregoing clause (A), or otherwise certifying the building square footage for each such residential unit.

(3) A Certificate of the Special Tax Administrator certifying the following:

(i) there are no delinquencies in the payment of any ad valorem real property taxes, Special Taxes or assessments levied on parcels of taxable property within Improvement Area No. 1 owned by the Developer or its Affiliates, or by the Builder or its Affiliates, as reasonably determined from the records of the Treasurer-Tax Collector of the County of San Bernardino, or such other records as the District determines are reliable;

(ii) the respective principal amounts and maturities of Deemed Escrow Bonds that will remain Outstanding immediately following the subject Escrow Disbursement Date (in each instance as determined with respect to an Escrow Disbursement Date, the "Remaining Deemed Escrow Bonds"), which principal amounts shall be in integral multiples of \$5,000 and shall be selected in a manner to facilitate the coverage certification set forth in the following subparagraph (iii); and

(iii) based on issued building permits relating only to residential units for which certificates of occupancy have been issued or for which vertical construction consisting of framing has commenced (as provided in the certificate of the Builder described above) (the "Eligible Building Permits) but assuming that no levy will be made on any property within Improvement Area No. 1 then classified as Provisional Property (as defined in the Rate and Method), the sum of (A) 100% of the applicable Assigned Special Tax on all such residential units in Improvement Area No. 1 with Eligible Building Permits that will be classified as "Developed Property" for purposes of the next annual Special Tax levy immediately following the date of such certificate, and (B) 100% of the applicable Maximum Special Tax for all property in Improvement Area No. 1 that will be classified as "Undeveloped Property" (assuming that only parcels with Eligible Building Permits will be classified as Developed Property) for purposes of the next annual Special Tax levy immediately following the date of such certificate, is at least the sum of (x) 110% of Maximum Annual Debt Service, calculated with respect to all Bonds expected to be Outstanding immediately following the applicable Escrow Disbursement Date (but excluding from such calculation the debt service on the Remaining Deemed Escrow Bonds, as described in the certification set forth in the foregoing

subparagraph (ii)), plus (y) the Administrative Expenses Priority Amount; provided, if a Certificate of an Authorized Representative of the City is utilized pursuant to the Indenture, and the number of certificates of occupancy described therein is fewer than the number of building permits described therein, the Special Tax Administrator shall use the number of certificates of occupancy, together with the parcel information associated with such issued certificates of occupancy, in lieu of the number of building permits and the parcel information associated with such building permits in determining “Developed Property” under the Rate and Method for the sole purpose of the foregoing calculation and certification in this subparagraph (iii).

(4) A certificate of an Independent Financial Consultant certifying the following:

(i) the “Transferred Principal Amount,” which shall be in an integral multiple of \$5,000 and which amount is equal to the difference between (x) the aggregate principal amount of Deemed Escrow Bonds Outstanding immediately prior to the proposed Escrow Disbursement Date, and (y) the aggregate principal amount of Remaining Deemed Escrow Bonds set forth in subparagraph (ii) of the Certificate of the Special Tax Administrator required by the Indenture;

(ii) the amount to be transferred on the subject Escrow Disbursement Date from the Escrow Reserve Account to the Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund, which shall be an amount equal to the following: (A) the Transferred Principal Amount (as defined in subparagraph (i) above), divided by (B) the principal amount of all then Outstanding Series 2019A Bonds, multiplied by (C) the Series 2019A Initial Reserve Requirement;

(iii) the amount to be transferred on the subject Escrow Disbursement Date from the Escrow Interest Account to the Interest Account of the Special Tax Fund, which shall be an amount sufficient to pay interest on the portion of the Series 2019A Bonds that immediately prior to such Escrow Disbursement Date were classified as Deemed Escrow Bonds and, after transfer of the Transferred Principal Amount on such Escrow Disbursement Date pursuant to subparagraphs (v) and (vi) below, will no longer be Deemed Escrow Bonds (in each instance as determined with respect to an Escrow Disbursement Date, the “Released 2019A Bonds”) (the aggregate principal amount of such Released 2019A Bonds being equal in principal amount to the Transferred Principal Amount) on each Interest Payment Date that will occur before Special Taxes can be levied and collected in an amount to pay interest on such Released 2019A Bonds;

(iv) with respect to the final Escrow Disbursement Date, if any of the then Outstanding Deemed Escrow Bonds must be redeemed on the Escrow Redemption Date pursuant to the Indenture in order to facilitate the coverage certification of the Special Tax Administrator set forth in subparagraph (iii) above, (A) the respective principal amounts and maturities of such Deemed Escrow Bonds to be so redeemed (which shall consist of the Remaining Deemed Escrow Bonds determined by the Special Tax Administrator pursuant to the Indenture, and (B) the respective amounts to be transferred on the Escrow Redemption Date pursuant to the Indenture to the Redemption Account of the Special Tax Fund from the Escrow Fund and the Escrow Interest Account to pay, respectively, the principal of such Remaining Deemed Escrow Bonds to be so redeemed and accrued interest thereon to the Escrow Redemption Date in accordance with the Indenture;

(v) with respect to the final Escrow Disbursement Date, the portion, if any, of the Transferred Principal Amount to be transferred on such final Escrow Disbursement Date to the Interest Account of the Special Tax Fund, which portion shall be in an amount that is sufficient, to the extent not already provided for in subparagraph (iii) above, to pay interest on the Released 2019A Bonds to and including September 1, 2022 unless Special Taxes can levied and collected in sufficient time and amount to pay such interest in which case no such transfer is required pursuant to this subparagraph (v); provided, however, that cash deposits of the Developer, its Affiliates or other third parties received by the Trustee and deposited into the Interest Account may be included in such calculation, and the District shall under no circumstances be obligated to deposit funds of the District to meet the foregoing requirement;

(vi) the amount to be transferred on the subject Escrow Disbursement Date from the Escrow Fund (excluding the Escrow Reserve Account and the Escrow Interest Account therein), to the Series 2019A Account of the Improvement Fund, which amount is equal to the corresponding Transferred Principal Amount or, with respect to the final Escrow Disbursement Date, equal to the remainder of the corresponding Transferred Principal Amount after the transfer described in the preceding paragraph (v); and

(vii) with respect to the final Escrow Disbursement Date, the amount (if any) to be transferred on such final Escrow Disbursement Date, from the Escrow Interest Account to the Series 2019A Account of the Improvement Fund, which amount shall be any remaining amount in the Escrow Interest Account after taking into account deductions for all other transfers required to be made from the Escrow Interest Account described in the foregoing paragraphs (i) through (vi).

.Disbursement for Special Mandatory Redemption from Escrow Fund Transfer; Closing of Escrow Fund.

(1) The District shall not direct the Trustee to disburse any funds from the Escrow Fund pursuant to the Indenture after the Escrow Closing Date (i.e., April 15, 2022) except that, if the certificate of the Independent Financial Consultant specifies pursuant to the Indenture amounts to be transferred on the Escrow Redemption Date (i.e., June 1, 2022), the Trustee shall transfer all such amounts to the respective Accounts and Subaccounts as specified in writing by an Authorized Representative of the District.

(2) After the Escrow Redemption Date, the Trustee shall transfer amounts, if any, on remaining on deposit in the Escrow Fund, or in the Escrow Interest Account or the Escrow Reserve Account therein, after the Escrow Redemption Date shall be transferred to the Interest Account of the Special Tax Fund to be applied to pay debt service next coming due on the Series 2019A Bonds, whereupon the Escrow Fund shall be closed.

The District may, in its sole discretion, from time to time deliver to the Trustee money derived from any legally available source for deposit in the Interest Account or the Principal Account with respect to payment of debt service on the Deemed Escrow Bonds, and the Trustee shall so deposit any such money as received.

**Covenant to Commence Foreclosure Proceedings**

The District covenants in the Indenture for the benefit of the Owners of the Bonds that it will: (i) commence judicial foreclosure proceedings against any parcel with either (A) at least four (4) consecutive installments of delinquent Special Taxes or (B) delinquent Special Taxes in excess of \$10,000 on any one parcel, in each instance by the December 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) commence judicial foreclosure proceedings against all parcels with delinquent Special

Taxes by the December 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied for such Fiscal Year, and (iii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided, however, that the District may elect to defer foreclosure proceedings on any parcel so long as the amount on deposit in the Reserve Account is at least equal to the Reserve Requirement, and such delinquencies will not cause moneys in the Reserve Account to be withdrawn on the next succeeding Interest Payment Date. In no event shall such foreclosure actions exceed the time periods specified in Section 53356.1 of the Act.

The District covenants that it will deposit the net proceeds of any foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal and interest on the Bonds, to bring the amount on deposit in the Reserve Account up to the Reserve Requirement and to pay any delinquent installments of principal or interest due on the Bonds.

Notwithstanding the foregoing, the District may elect (but is not obligated) to advance the amount of any particular delinquency (excluding penalties and interest) and deposit such amount to the Special Tax Fund. Upon a deposit of such money in the Special Tax Fund, the District will not need to initiate a foreclosure action as provided above; provided, however, the District may reimburse itself for such advance when the Special Tax on such property is paid in the amount of such advance plus interest on such amount at a rate equal to the yield on the Outstanding Bonds. Interest and penalties paid in excess of the amount advanced by the District shall be deposited in the Special Tax Fund.

Notwithstanding the foregoing, if at any time, the County's Teeter Plan (adopted pursuant to Sections 4701 through 4717 of the California Revenue and Taxation Code) is in effect and is made applicable to the District and the Special Taxes being levied in connection with the Bonds, the District may, in its discretion, elect not to commence any judicial foreclosure proceeding pursuant to the Indenture or defer the commencement of such proceedings until such time as the District deems appropriate.

IN THE EVENT FORECLOSURE OR FORECLOSURES ARE NECESSARY, THERE MAY BE A DELAY IN PAYMENTS TO BOND OWNERS PENDING PROSECUTION OF THE FORECLOSURE PROCEEDINGS AND RECEIPT BY THE DISTRICT OF THE PROCEEDS OF THE FORECLOSURE SALE; IT IS ALSO POSSIBLE THAT NO BID FOR THE PURCHASE PRICE OR APPLICABLE PROPERTY WOULD BE RECEIVED AT THE FORECLOSURE SALE. SEE "RISK FACTORS." NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO CURE ANY DEFICIENCY IN THE SPECIAL TAX FUND ESTABLISHED UNDER THE INDENTURE.

### **Issuance of Parity Bonds**

For the sole purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding, the District may at any time after the issuance and delivery of the Bonds issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expenses Account therein and any Subaccounts of the Reserve Account not designated in the Indenture for the benefit of the Bonds or Parity Bonds) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or any Supplemental Indenture. Parity Bonds issued are subject to the following additional specific conditions, which are conditions precedent to the issuance of any such Parity Bonds:

(a) The District shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect shall have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in

compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly adopted by the District which shall specify the following:

(1) that such Parity Bonds are to be issued for the purpose of refunding all or a portion of the Bonds or Parity Bonds then Outstanding, as applicable, and the fund or funds into which the proceeds thereof are to be deposited, including, a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding any Outstanding Bonds or Parity Bonds, including payment of all costs and the funding of all reserves incidental to or connected with such refunding;

(2) the authorized principal amount of such Parity Bonds;

(3) the date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date shall fall on a September 1, (ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) the description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) the denominations and method of numbering of such Parity Bonds;

(6) the amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(7) the amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account of the Special Tax Fund to increase the amount therein to the Reserve Requirement;

(8) the form of such Parity Bonds; and

(9) such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The District shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee shall accept any of such documents bearing a prior date):

(1) a certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

(2) a written request of the District as to the delivery of such Parity Bonds;

(3) an opinion of Bond Counsel and/or general counsel to the District to the effect that (a) the District has the right and power under the Act to adopt the Indenture and the Supplemental Indentures relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding



upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a Tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued;

(4) a certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;

(5) a certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds; and

(6) such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

### **Rate and Method of Apportionment of Special Taxes**

*The following is a synopsis of the provisions of the Rate and Method of Apportionment of Special Tax for Improvement Area No. 1 of the District ("Rate and Method"). This synopsis does not purport to be comprehensive and should be read in conjunction with the complete text of the Rate and Method, including its attachments, which is attached hereto as "APPENDIX B – Rate and Method of Apportionment of Special Taxes." All capitalized terms not defined in this section have the meanings set forth in APPENDIX B.*

Each Fiscal Year, each Assessor's Parcel within the boundaries of Improvement Area No. 1 shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property within Improvement Area No. 1 shall be classified as Developed Property, Undeveloped Property or Provisional Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with the Rate and Method. Under the Rate and Method and subject to certain exceptions described therein, an Assessor's Parcel within Improvement Area No. 1 generally is classified as "Developed Property" if a building permit has been issued by the City for construction of a residential dwelling unit prior to May 1 immediately preceding the Fiscal Year for the subject Special Tax levy. Furthermore, each Assessor's Parcel of Developed Property shall be classified to its applicable Land Use Class based on its Building Square Footage.

For each Fiscal Year, the CFD Administrator shall calculate the Special Tax Requirement and levy Special Tax on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at 100% of the applicable Assigned Special Tax;

Step 2: If additional monies are needed to satisfy the Special Tax Requirement after Step 1 has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property;

Step 3: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Property up to 100% of the Maximum Special Tax for Provisional Property; and

Step 4: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax amount determined in Step 1 shall be increased Proportionately on each Assessor's Parcel of Developed Property up to 100% of the Maximum Special Tax for Developed Property.

"Special Tax Requirement" is defined in the Rate and Method to mean that amount required in any Fiscal Year to: (i) pay regularly scheduled Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Fees and Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the Annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

Notwithstanding the above, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased as a result of delinquency or default in the payment of the Special Tax applicable to any other Assessor's Parcel within Improvement Area No. 1 by more than 10% above what would have been levied in the absence of such delinquencies or defaults.

The Special Tax shall be levied for as long as necessary to meet the Special Tax Requirement for period not to exceed 40 Fiscal Years, which commenced with Fiscal Year 2016-17, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required principal and interest payments on all outstanding Bonds have been paid.

## THE DISTRICT

### General

**Description.** The District includes two improvement areas which will be developed into housing communities. Improvement Area No. 1 occupies the eastern portion of the District and Improvement Area No. 2 occupies the western portion of the District. The development known as Westridge at Sycamore Hills is situated within the boundaries of Improvement Area No. 1 and is a community consisting of a total of 145 detached condominiums at buildout on approximately 16.26 gross acres of land, with a minimum of 14.27 taxable acres. The community development at Westridge at Sycamore Hills will have recreational amenities, such as a pool, spa, fitness center, barbeque area, outdoor loggia, public gardens and a club house. Currently, Bravepark Property LLC ("Bravepark") owns all the property within Improvement Area No. 2, which is approximately 15.84 acres of land. Pursuant to a Purchase and Sale Agreement entered into between Bravepark and Taylor Morrison in April 2018, Bravepark was to sell the entire parcel of Improvement Area No. 2 to Taylor Morrison no later than April 2019 to be developed by Taylor Morrison into a community consisting of single-family homes. However, the sale did not occur and the parties are currently in litigation to seek a judicial determination of the rights and duties of both parties as well as to seek recovery of the initial escrow

deposit. Bravepark is currently marketing Improvement Area No. 2 to other merchant builders. The dispute is not expected to have any impact on the development within Improvement Area No. 1. **The Bonds are only secured by the Special Taxes from taxable property within Improvement Area No. 1.**

***Location and Immediate Surroundings.*** The District is located within the western portion of the City, north of Foothill Boulevard (Historic Route 66) and Interstate 10. The District is located at the northeast corner of Baseline Road and Park View Promenade, just west of North Benson Avenue. Improvement Area No. 2 of the District is located to the west of Improvement Area No. 1 and borders the south side of the 210 Foothill Freeway. To the east of the District is a 15 to 20 year-old single family residential community known as Mountain Shadows. To the north of Improvement Area No. 1 is open space which is proposed to be developed into a city park. Sand and gravel quarries are located south of Baseline Road. See APPENDIX A – “GENERAL INFORMATION ABOUT THE CITY OF UPLAND AND SAN BERNARDINO COUNTY” for certain demographic information on the City and the County. The boundary map of the District and the two improvement areas within the District is attached hereto as APPENDIX I.

The District is located within a portion of the Park View Specific Plan area (“Specific Plan”). The Specific Plan provides for a development of a mix of single family residential detached and attached housing, with open space recreational areas, as well as a commercial center to serve the neighborhood, on approximately 42 acres. There are five planning areas covered by the Specific Plan. Planning Areas 1 and 2 are located within Improvement Area No. 1 and will consist of detached condominiums on 16.26 acres. Planning Area 3 is located within Improvement Area No. 2 of the District, directly west of and adjacent to Improvement Area No. 1, with Planning Area 3 to be developed into townhomes and single family detached cluster homes on 15.8 acres. Planning Area 4 is approximately 7.5 acres, is located directly west of and adjacent to Improvement Area No. 2 of the District, and comprises an area that coincides with the territory designated as “Future Excluded Area” on the District boundary map. See “APPENDIX I - DISTRICT BOUNDARY MAP.” Directly to the west of and adjacent to Planning Area 4 is Planning Area 5, which is located in the City of Claremont and is approximately 4.0 acres. Planning Areas 4 and 5 have been developed into an 80,000 square foot shopping center known as Sycamore Hills Plaza, which is anchored by Whole Foods 365 and consists of a variety of commercial tenants including CVS, Starbucks, Supercuts, UPS, a nail bar, Union Bank, Orange Theory Fitness, a dry cleaners, and a variety of restaurants such as Jersey Mike’s Subs, WaBa Grill, Wendy’s, Menchies and a pizza restaurant.

*[Remainder of Page Intentionally Left Blank]*

The table below shows comparable residential projects in the area:

**Table 1**  
**Upland Market Area**  
**Comparable Residential Project Summary**  
**(As of April 15, 2019)**

No.	Project Location	Units	Lot Size	Base Price	Unit Size	Price Per Square Foot	Number Sold or In Escrow/Start Date	Overall Monthly Absorption
1	The Linden at Sycamore Hills	80	2,000	\$505,990	1,621	\$312.15	24 June 2018	2.3
	Taylor Morrison of California, LLC			516,990	1,766	292.75		
	Upland			526,990	1,815	290.35		
	<i>Subject Property</i>							
2	The Avenue at Sycamore Hills	65	3,600	\$565,990	2,143	\$264.11	23 June 2018	2.2
	Taylor Morrison of California, LLC			590,990	2,271	260.23		
	Upland			600,990	2,362	254.44		
	<i>Subject Property</i>							
3	Springtime at Harvest	125	2,500	\$528,880	2,085	\$253.66	124 February 2017	4.8
	KB Home			542,880	2,192	247.66		
	Upland			552,880	2,230	247.93		
				562,880	2,439	230.78		
4	Arbor Square at Harvest	127	2,000	\$486,675	1,470	\$331.07	2 March 2019	2.6
	KB Home			503,276	1,638	307.25		
	Upland			494,900	1,785	277.25		
				496,900	1,791	277.44		
5	Sunflower at Harvest	66	2,500	\$413,328	1,273	\$324.69	2 March 2019	2.6
	KB Home			469,900	1,726	272.25		
	Upland			490,900	1,795	273.48		
				512,305	1,973	259.66		
				521,760	2,192	238.03		

Source: Appraiser

### Estimated Special Taxes and Debt Service Coverage

The debt service on the Bonds is structured, based on the Developed Property as of May 1, 2019, to produce Special Tax revenues from the Assigned Special Tax on Developed Property and the Maximum Special Tax on Undeveloped Property which, taking into account Deemed Escrow Bonds and future anticipated development required to release moneys from the Escrow Fund to the Improvement Fund, will result in a debt service coverage ratio of at least 110% for the anticipated life of the Bonds. See Tables 2 and 3 below. See "SECURITY FOR THE BONDS -- Escrow Fund."

An amount equal to the interest coming due and payable on the Deemed Escrow Bonds from the Delivery Date to June 1, 2022 (i.e., the special mandatory redemption date for the Deemed Escrow Bonds) will be deposited from proceeds of the Series 2019A Bonds into the Escrow Interest Account of the Escrow Fund on the Delivery Date. An amount equal to the initial principal amount of the Deemed Escrow Bonds will be deposited from proceeds of the Series 2019A Bonds into the Escrow Fund on the Delivery Date, and the Deemed Escrow Bonds are subject to special mandatory redemption from amounts on deposit in the Escrow Fund on June 1, 2022 in such principal amount, if any, to facilitate 110% coverage of Special Taxes, based on

the status of development at that time, over Maximum Annual Debt Service, calculated with respect to all Bonds expected to be Outstanding immediately following the final Escrow Disbursement Date, after deduction of estimated administrative expenses of the District assumed to be equal to the Administrative Expenses Priority Amount (\$20,000). If all units are fully built out in accordance with the Landowner's currently proposed development, it is projected that such 110% coverage of Special Taxes over Maximum Annual Debt Service on all Bonds (after deduction of the Administrative Expenses Priority Amount) will be attained without any special mandatory redemption of Deemed Escrow Bonds. See "THE BONDS – Redemption – *Special Mandatory Redemption from Escrow Fund Transfer*," "SECURITY FOR THE BONDS – Escrow Fund," "PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT – Plan of Development" and "RISK FACTORS – Property Values and Property Development." See also the following Table 3 (Estimated Debt Service Coverage), which sets forth the estimated debt service coverage of net Special Taxes with respect to debt service on the non-Deemed Escrow Bonds, as well as with respect to debt service on all Bonds, as further set forth and described therein.

The following Table 2 shows a projection of (i) estimated Special Taxes based on classification of parcels in Improvement Area No. 1 under the Rate and Method for Fiscal Year 2019-20 (*i.e.*, as of May 1, 2019), and the Assigned Special Tax on Developed Property and the Maximum Special Tax on Undeveloped Property; and (ii) estimated Assigned Special Taxes at full buildout, based on the Landowner's currently proposed development.

Maximum Annual Debt Service on all non-Deemed Escrow Bonds has been structured assuming no further development after May 1, 2019 (*i.e.*, that parcels classified as "Developed Property" under the Rate and Method consist solely of the 76 developed units for Fiscal Year 2019-20, and the balance of the property in Improvement Area No. 1 remains undeveloped). The coverage of (a) estimated Special Taxes based on Fiscal Year 2019-20 classification of parcels under the Rate and Method, and the Assigned Special Tax on Developed Property and the Maximum Special Tax on Undeveloped Property (\$550,625), less estimated administrative expenses of the District assumed to be equal to the Administrative Expenses Priority Amount (\$20,000), over (b) Maximum Annual Debt Service on all non-Deemed Escrow Bonds (\$483,905\*) is projected to be 110%\*.

Assuming all units are fully built out in accordance with the Landowner's currently proposed development, the coverage of (a) estimated Assigned Special Taxes at full buildout (\$626,553), less estimated administrative expenses of the District assumed to be equal to the Administrative Expenses Priority Amount (\$20,000), over (b) Maximum Annual Debt Service on all Bonds (\$552,645\*) is projected to be 110%\*. See "PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT – Plan of Development" and "RISK FACTORS – Property Values and Property Development." See Table 3 for projected coverage of Special Taxes in all Bond Years for (i) non-Deemed Escrow Bonds, and (iii) all Bonds.

[Remainder of Page Intentionally Left Blank]

---

\* Preliminary; subject to change.

**Table 2**  
**Estimated Special Taxes based on**  
**Fiscal Year 2019-20 Development Status Under the Rate and Method**  
**and at Buildout**

Land Use Class	Building Square Footage	Developed Property Fiscal Year 2019-20 <sup>(1)</sup>	Assigned Special Tax Per Residential Unit/ Maximum Special Tax per Undeveloped Acre	Estimated Special Taxes based on Fiscal Year 2019-20 Developed Property <sup>(2)</sup>	Number of Units at Buildout	Estimated Assigned Special Taxes at Buildout <sup>(3)</sup>
1	greater than 2,200	23	\$4,701	\$108,123	49	\$230,349
2	2,001-2,200	9	4,495	40,455	16	71,920
3	1,801 - 2,000	16	4,309	68,944	28	120,652
4	1,601 - 1,800	28	3,916	109,648	52	203,632
5	1,600 or less	0	3,834	0	0	0
Undeveloped	--	--	\$42,423 per acre	\$223,455	NA	NA
<b>Total</b>		<b>76</b>		<b>\$550,625</b>	<b>145</b>	<b>\$626,553</b>

Source: Willdan Financial Services.

\*Preliminary, subject to change.

(1) Under the Rate and Method, property is generally considered “Developed Property” for special tax levy purposes if a building permit has been issued for the assessor’s parcel prior to May 1 preceding the applicable tax year. See “SECURITY FOR THE BONDS – Rate and Method of Apportionment of Special Taxes” and “APPENDIX B – Rate and Method of Apportionment of Special Taxes.”

(2) Based on Assigned Special Tax on Developed Property and Maximum Special Tax on Undeveloped Property as of May 1, 2019, and includes the Administrative Expenses Priority Amount of \$20,000 per Bond Year to be used to pay administrative expenses. See Table 3 for annual debt service on the non-Deemed Escrow Bonds and all Bonds through final scheduled maturity.

(3) Assumes building permits are issued for all residential units in accordance with the Landowner’s currently proposed development and includes the Administrative Expenses Priority Amount of \$20,000 per Bond Year to be used to pay administrative expenses. See “PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT – Plan of Development” and “APPENDIX B – Rate and Method of Apportionment of Special Taxes.”

*[Remainder of Page Intentionally Left Blank]*

The following table shows the estimated debt service coverage for the Bonds.

**Table 3**  
**Estimated Debt Service Coverage\***

Bond Year Ending (September 1)	Net Available Special Taxes <sup>(1)</sup>	Non-Deemed Escrow Bonds Debt Service <sup>(3)*</sup>	Non-Deemed Escrow Bonds Debt Service Coverage*	Net Assigned Special Taxes <sup>(2)</sup>	Total Debt Service on all Bonds <sup>(3)*</sup>	Debt Service Coverage*
2020	\$545,378	\$362,354	1.51x	\$621,306	\$407,575	1.52x
2021	545,378	479,413	1.14	621,306	520,523	1.19
2022	545,378	483,810	1.13	621,306	524,920	1.18
2023	545,378	482,900	1.13	621,306	549,010	1.13
2024	545,378	481,795	1.13	621,306	552,055	1.13
2025	545,378	480,495	1.14	621,306	549,735	1.13
2026	545,378	479,000	1.14	621,306	552,220	1.13
2027	545,378	481,230	1.13	621,306	548,260	1.13
2028	545,378	483,070	1.13	621,306	549,080	1.13
2029	545,378	479,470	1.14	621,306	549,460	1.13
2030	545,378	480,650	1.13	621,306	549,450	1.13
2031	545,378	481,390	1.13	621,306	549,000	1.13
2032	545,378	480,740	1.13	621,306	552,160	1.13
2033	545,378	479,600	1.14	621,306	549,660	1.13
2034	545,378	482,895	1.13	621,306	551,595	1.13
2035	545,378	480,530	1.13	621,306	547,870	1.13
2036	545,378	482,675	1.13	621,306	548,655	1.13
2037	545,378	483,905	1.13	621,306	548,525	1.13
2038	545,378	479,385	1.14	621,306	552,645	1.12
2039	545,378	479,285	1.14	621,306	550,845	1.13
2040	545,378	483,515	1.13	621,306	548,375	1.13
2041	545,378	481,785	1.13	621,306	550,115	1.13
2042	545,378	479,715	1.14	621,306	551,345	1.13
2043	545,378	482,305	1.13	621,306	552,065	1.13
2044	545,378	479,385	1.14	621,306	552,275	1.12
2045	545,378	481,125	1.13	621,306	551,975	1.13
2046	545,378	481,950	1.13	621,306	550,700	1.13
2047	545,378	482,250	1.13	621,306	548,900	1.13
2048	545,378	482,025	1.13	621,306	551,575	1.13
2049	545,378	481,275	1.13	621,306	548,550	1.13

Source: Underwriter

(1) Based on building permits issued as of May 1, 2019. Assumes projected Special Taxes (\$550,625) less Administrative Expenses at the Administrative Expenses Priority Amount of \$20,000 per Bond Year plus interest earnings on the Reserve Account invested at an annual rate of two percent (2%). See Table 2 above for projected Special Taxes.

(2) Based on estimated Assigned Special Taxes assuming full buildout and all building permits are issued in accordance with the Landowner's current development plans. Assumes projected Special Taxes (\$626,553) less Administrative Expenses at the Administrative Expenses Priority Amount of \$20,000 per Bond Year plus interest earnings on the Reserve Account invested at an annual rate of two percent (2%). See Table 2 above for projected Special Taxes.

(3) Debt Service for each Bond Year ending September 1 will be paid from Special Taxes collected during the immediately preceding fiscal year. For example, debt service for the Bond Year ending September 1, 2020 will be paid from Special Taxes levied and collected during Fiscal Year ending June 30, 2020.

\* Preliminary, subject to change.

Pursuant to Section 53321(d) of the Act, the special tax levied in any fiscal year 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 Improvement Area No. 1 by more than 10% above the amounts 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 special tax in all years. However, subject to the limitations on the District's ability to levy the necessary amount of Special Taxes as imposed by Section 53321(d) of the Act and the terms and provisions of the Rate and Method, the District can levy Special Taxes on Undeveloped Property in Improvement Area No. 1 to make up all or a portion of such shortfall.

### **Appraised Property Value**

*The information below is only a summary of certain information contained in the Appraisal. The Appraisal is reprinted herein as Appendix C. The information below is qualified in its entirety by the complete Appraisal. The District makes no representation as to the accuracy or completeness of the Appraisal.*

**The Appraisal.** The Bonds are secured by Special Taxes which may include amounts realized upon foreclosure sale of delinquent parcels. Therefore, the ability of the District to meet debt service on the Bonds may depend on the ability of delinquent parcels to generate sufficient proceeds upon foreclosure sale to pay delinquent Special Taxes. The City commissioned Harris Realty Appraisal, Newport Beach, California (the "Appraiser") to ascertain the "as is" market value of the fee simple estate for the taxable property in Improvement Area No. 1. As of the date of the Appraisal, 35 homes were completed and owned by individual homeowners, 19 homes were completed but not closed (including 4 model homes), 6 homes were under construction, and the remainder of the property consisted of 85 physically finished lots.

The Appraiser estimated that, as of the April 15, 2019 date of value of the Appraisal, the "as is" market value of the fee simple estate (subject to the lien of the Special Taxes) of all the taxable land and improvements within Improvement Area No. 1 was \$46,500,000, which is approximately 5\* times the aggregate principal amount of the Bonds. The Appraisal's value estimates reflect certain assumptions set forth in the Appraisal including that all costs reported by Taylor Morrison are accurate, including but not limited to the remaining impact fees and lot costs for the physically finished lots. Any variance in costs could impact the value conclusions reported in this appraisal report. For a full description of the assumptions relied upon by the Appraiser, as well as a description of the valuation methodology, see APPENDIX C – "APPRAISAL REPORT". The Appraisal was prepared in accordance with and subject to the requirements of The Appraisal Standards for Land Secured Financing as published by the California Debt and Investment Advisory Commission, the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. See APPENDIX C – "APPRAISAL REPORT".

### **Appraised Value to Lien Ratio**

The following table shows the projected value to burden ratio for the 145 units that were the subject of the Appraisal based on the appraised values set forth in the Appraisal and the original principal amount of the Bonds. The following value-to-lien ratios only represent estimated averages for the property within Improvement Area No. 1. No assurance can be given that the amounts shown in this table will conform to those ultimately realized in the event of a foreclosure action following delinquency in the payment of the Special Taxes.

---

\* Preliminary, subject to change.



As a conservative measure, the table shows the distribution of the projected Special Tax levy among parcels in Improvement Area No. 1 assuming no further development after May 1, 2019 and using the Assigned Special Tax on Developed Property and Maximum Special Tax on Undeveloped Property as of May 1, 2019. Maximum Annual Debt Service on all non-Deemed Escrow Bonds has been structured within the constraints of this projected Fiscal Year 2019-20 Special Tax levy. See “THE DISTRICT – Estimated Special Taxes and Debt Service Coverage” for additional information. No assurance can be given that the amounts shown in this table will conform to those ultimately realized in the event of a foreclosure action following delinquency in the payment of the Special Taxes.

**Table 4**  
**City of Upland**  
**Community Facilities District No. 2015-1 (Sycamore Hills)**  
**(Improvement Area No. 1)**  
**Appraised Values and Value to Lien Ratio**  
**(As of April 15, 2019)**

Property Owner	Rate and Method Land Use Classification for Fiscal Year 2019-20 <sup>(1)</sup>	Development Status as of 4/15/2019 <sup>(2)</sup>	# of Residential Lots	Appraised Value <sup>(3)</sup>	Percentage of Appraised Value	Principal Amount of Non-Deemed Escrow Bonds* <sup>(4)</sup>	Value to Lien Ratio <sup>(5)*</sup>	Estimated Special Taxes based on Fiscal Year 2019-20 Developed Property <sup>(6)</sup>	Percentage of Total Special Tax Levy
Individual Owners	Developed	Fully Built	35	\$19,000,000	41%	\$2,315,706	8.20:1	\$154,089	28%
Taylor Morrison	Developed	Fully Built	19	8,500,000	18	1,203,276	7.06:1	80,067	15
Taylor Morrison	Developed	Under Construction	6	2,300,000	5	420,794	5.47:1	28,000	5
Taylor Morrison	Developed	Physically Finished Lot	16	4,000,000	9	977,054	4.09:1	65,014	12
Taylor Morrison	Undeveloped	Physically Finished Lot	69	12,700,000	27	3,358,170	3.78:1	223,455	41
<b>Totals</b>			<b>145</b>	<b>\$46,500,000</b>	<b>100%</b>	<b>\$8,275,000</b>	<b>5.62:1</b>	<b>\$550,625</b>	<b>100.0%</b>

Source: Willdan Financial Services

\* Preliminary, subject to change.

(1) Based on building permits issued as of May 1, 2019. Under the Rate and Method, property is generally considered “Developed Property” for special tax levy purposes if a building permit has been issued for the assessor’s parcel prior to May 1 preceding the applicable tax year. See “SECURITY FOR THE BONDS – Rate and Method of Apportionment of Special Taxes” and “APPENDIX B – Rate and Method of Apportionment of Special Taxes.”

(2) See “APPENDIX C – Appraisal Report” for further details regarding the development status of property within Improvement Area No. 1 as of April 15, 2019.

(3) Based on Appraisal dated April 25, 2019, with a April 15, 2019 date of value. See “APPENDIX C – Appraisal Report.”

(4) Excludes the Deemed Escrow Bonds. Allocated based on percentage of Fiscal Year 2019-20 Assigned Special Tax on Developed Property and Maximum Special Tax on Undeveloped Property.

(5) Value to Lien Ratio is calculated as “Appraised Value” divided by “Principal Amount of Non-Deemed Escrow Bonds.”

(6) Based on Assigned Special Tax on Developed Property and Maximum Special Tax on Undeveloped Property as of May 1, 2019, and includes the Administrative Expenses Priority Amount of \$20,000 per Bond Year to be used to pay administrative expenses. See “THE DISTRICT – Estimated Special Taxes and Debt Service Coverage” for more details.

## Direct and Overlapping Governmental Obligations

Properties in Improvement Area No. 1 are within the jurisdiction of a number of overlapping local agencies providing public services and assessing property taxes, assessments, special taxes and other charges on the property in Improvement Area No. 1. Many of these local agencies have outstanding debt.

The direct and overlapping obligations affecting the property in Improvement Area No. 1 as of May 1, 2019, are shown in the following table. *The table was prepared by California Municipal Statistics, Inc., and is included for general information purposes only. Neither the City nor the District has reviewed this report for completeness or accuracy and makes no representation in connection therewith.*

**Table 5**  
**Direct and Overlapping Governmental Obligations**  
**CITY OF UPLAND COMMUNITY FACILITIES DISTRICT NO. 2015-1, I.A. No. 1**

2018-19 Local Secured Assessed Valuation: \$27,429,315

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/19</u>
Metropolitan Water District General Obligation Bonds	0.001%	\$ 452
Chaffey Community College District General Obligation Bonds	0.024	33,566
Upland Unified School District General Obligation Bonds	0.286	255,895
<b>City of Upland Community Facilities District No. 2015-1, I.A. No. 1</b>	<b>100.</b>	<b>- - <sup>(1)</sup></b>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$289,913</b>
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Bernardino County General Fund Obligations	0.012%	\$ 41,327
San Bernardino County Pension Obligation Bonds	0.012	35,615
San Bernardino County Flood Control District General Fund Obligations	0.012	7,746
Chaffey Community College District General Fund Obligations	0.024	7,462
City of Upland General Fund Obligations	0.293	<u>20,788</u>
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>		<b>\$112,938</b>
<b>COMBINED TOTAL DEBT<sup>(2)</sup></b>		<b>\$402,851</b>

(1) Excludes Mello-Roos Act bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2018-19 Assessed Valuation:

<b>Direct Debt</b> .....	- %
Total Direct and Overlapping Tax and Assessment Debt .....	1.06%
Combined Total Debt .....	1.47%

## Estimated Tax Burden on Detached Condominium

The following table sets forth the estimated total tax burden on the detached condominiums by size in Improvement Area No. 1.

Table 6  
CITY OF UPLAND  
COMMUNITY FACILITIES DISTRICT NO. 2015-1 (SYCAMORE HILLS)  
IMPROVEMENT AREA NO. 1  
**Estimated Total Effective Tax Rate  
Detached Condominium Units**

VALUES	Class 1 Greater than 2,200 Sq. Ft.	Class 2 2,001 to 2,200 Sq. Ft.	Class 3 1,801 to 2,000 Sq. Ft.	Class 4 1,601 to 1,800 Sq. Ft.
Median Base Price <sup>(1)</sup>	\$595,990	\$565,990	\$526,990	\$511,495
Less Home Owners Exemption	(7,000)	(7,000)	(7,000)	(7,000)
<b>Estimated Property Value</b>	<b>\$588,990</b>	<b>\$558,990</b>	<b>\$519,990</b>	<b>\$504,495</b>
<b>AD VALOREM PROPERTY TAXES <sup>(2)</sup></b>				
Basic Levy	\$5,890	\$5,590	\$5,200	\$5,045
Chaffey Community College District	\$90	\$86	\$80	\$77
School Bonds	\$346	\$328	\$305	\$296
Metropolitan Water District DS	\$21	\$20	\$18	\$18
<b>Total<sup>(5)</sup></b>	<b>\$6,346</b>	<b>\$6,023</b>	<b>\$5,603</b>	<b>\$5,436</b>
<b>ASSESSMENTS, SPECIAL TAXES AND PARCEL CHARGES</b>				
MWD Standby <sup>(3)</sup>	\$8	\$8	\$8	\$8
SBCO Fire West Valley <sup>(3)</sup>	\$158	\$158	\$158	\$158
Upland Vector Control <sup>(3)</sup>	\$6	\$6	\$6	\$6
County Vector Control <sup>(3)</sup>	\$14	\$14	\$14	\$14
Upland CFD No. 2015-1 IA1 Special Tax <sup>(4)</sup>	\$4,701	\$4,495	\$4,309	\$3,916
Upland CFD No. 2017-1 (Services) Special Tax <sup>(3)</sup>	\$28	\$28	\$28	\$28
<b>Total<sup>(5)</sup></b>	<b>\$4,914</b>	<b>\$4,708</b>	<b>\$4,522</b>	<b>\$4,129</b>
<b>PROJECTED TOTAL PROPERTY TAXES<sup>(5)</sup></b>	<b>\$11,260</b>	<b>\$10,731</b>	<b>\$10,124</b>	<b>\$9,564</b>
<b>Estimated Effective Tax Rate</b>				
Fiscal Year 2018-19 Assigned Special Tax Rate	1.91%	1.92%	1.95%	1.90%

Source: Willdan Financial Services.

(1) Based on the median base price per the Appraisal dated April 25, 2019.

(2) Based on fiscal year 2018-2019 rates for Tax Rate Area 008-056.

(3) Based on fiscal year 2018-19 property tax bills.

(4) Based on maximum Assigned Special Taxes pursuant to the Rate and Method of Apportionment.

(5) Numbers may not add due to rounding.

## PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT

*The following information regarding the ownership, developer and planned development of Improvement Area No. 1 in the District has been provided by, or on behalf of, Taylor Morrison for use in this Official Statement, and has not been independently confirmed or verified by the District or the Underwriter. Neither the District nor the Underwriter makes any representation as to the accuracy or adequacy of this information or the absence of any material change after the date of this Official Statement. No assurance can be given that the proposed development will occur as described herein or that it will be completed in a timely manner.*

*No assurance can be given that the proposed development within Improvement Area No. 1 will occur as described below. As the proposed land development progresses and parcels are sold, it is expected that the ownership of the land within Improvement Area No. 1 will become more diversified. No assurance can be given that development of the land within Improvement Area No. 1 will occur in a timely manner or in the configuration described herein, or that any landowner described herein will obtain or retain ownership of any of the land within Improvement Area No. 1. The Bonds and the Special Taxes are not personal obligations of any landowners, including Taylor Morrison, and in the event that a landowner defaults in the payment of the Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of any landowner. As a result, other than as provided herein, no financial statements or information is, or will be, provided about Taylor Morrison or any other landowners. The Bonds are secured solely by the Special Tax revenues and other amounts pledged under the Indenture. See “SECURITY FOR THE BONDS” and “RISK FACTORS.”*

### **Taylor Morrison**

Taylor Morrison of California, LLC is a California limited liability company (the “Landowner” or “Taylor Morrison”) which, as of April 15, 2019, owned approximately 76% of the total lots within Improvement Area No. 1. The remaining landowners are individual homeowners who purchased their homes from Taylor Morrison. Taylor Morrison is constructing the homes within Improvement Area No. 1 that will be subject to the Special Tax.

Taylor Morrison’s sole shareholder is Taylor Morrison Services, Inc., a Delaware corporation qualified in California (“TMSI”). TMSI is controlled by Taylor Morrison Home Corporation, a Delaware corporation (“TMHC”). TMHC 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, whose predecessor entities commenced homebuilding operations in the United States in 1936. The merger resulted in the formation of Taylor Wimpey plc. The subsequent integration of Taylor Woodrow, Inc. and Morrison Homes, Inc. in the U.S. formed TMHC and Monarch Corporation in Canada, respectively. TMHC is one of the largest public homebuilders in the United States. According to TMHC, during the year ended December 31, 2018, it had operations located in nine states and closed 8,760 homes, an increase of approximately 9.1% compared to 2017. Additional information on TMHC, including Annual Reports and related financial statements, prepared in accordance with generally accepted accounting standards, can be found on the investors relations tab of [www.taylormorrison.com](http://www.taylormorrison.com). *This internet address is included for reference only and the information on the Internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the internet site.*

*Development Experience.* A partial list of projects completed Taylor Morrison or its affiliates in Southern California include:

**Table 7**  
**Taylor Morrison**  
**Development Experience**

<b>Project</b>	<b>Location</b>	<b>Number of Units</b>	<b>Occupied by Individual Homeowners</b>	<b>Average Base Price</b>
Palisades	Yorba Linda	143	Yes	Mid \$700,000
Quinterra	Irvine	51	Yes	Low \$1 Million
Citrus Glen	Claremont	50	Yes	Low \$400,000
Saviero	Irvine	90	Yes	High \$1 Million
Capella	Irvine	72	Yes	Low \$1 Million
Springhouse	Irvine	83	Yes	High \$800,000
Sol Y Mar	Palos Verdes	60	Yes	Low \$900,000
Estancia	Rancho Cielo	32	Yes	Mid \$1 Million

### **Plan of Development**

Bravepark Property LLC (“Bravepark”), the original owner of all the land within Improvement Area No. 1, has taken all actions necessary to entitle the land within Improvement Area No. 1. Bravepark entered into the Park View Upland Development Agreement with the City, which was recorded on April 28, 2016 with the County Recorder for San Bernardino County (the “Development Agreement”). The Development Agreement grants certain rights, duties and obligations with respect to the development and improvement of the Park View Project in which the District is contained. On September 20, 2017, Bravepark and Taylor Morrison entered into an Assignment and Assumption Agreement (“Assignment Agreement”) pursuant to which Bravepark assigned certain rights, duties and obligations under the Development Agreement pertaining to Improvement Area No. 1, while at the same time retaining some obligations and rights with respect thereto. Pursuant to the Assignment Agreement, Bravepark retained the obligation to construct the backbone infrastructure (i.e., water, reclaimed water, sewer lines, storm drain improvements, off site dry utilities, undergrounding of certain utilities and various street and traffic signal improvements) on the major arterial streets serving the District, which are eligible for acquisition by the City from bond proceeds pursuant to an Acquisition Agreement, dated as of November 1, 2015, between the City and Bravepark. Bravepark sold the property within Improvement Area No. 1 to Taylor Morrison in September 2017. Taylor Morrison will construct and sell to individual homebuyers single-family detached condominium units on such property, and has substantially completed the subdivision streets (except for final lift of paving and sidewalks customarily deferred until after completion of home construction) and utilities within Improvement Area No. 1. All necessary land entitlements to construct, or contract for the construction of, all necessary improvements and infrastructure in Improvement Area No. 1 have been obtained.

Taylor Morrison will develop a total of 145 detached condominiums in Improvement Area No. 1. These condominiums will be located in a planned residential community known as “Westridge at Sycamore Hills”. The proposed 145 detached condominiums in Improvement Area No. 1 will consist of two product lines: The Linden (80 units) and The Avenue (65 units). The Linden units will consist of two-story three and four bedroom units with 2.5 or 3 bathrooms and a 2 car garage, built on lots with a minimum size of 2,000 square feet, and will have three different home plans ranging in size from 1,621 to

1,815 square feet, with base sales prices ranging from \$505,990 to \$526,990. The Avenue units will consist of two-story four bedroom units with 3 bathrooms and a 2 car garage built on minimum 3,600 square foot lots ranging in size from 2,143 square feet to 2,362 square feet with base sale prices ranging from \$565,990 to \$600,990.

The following table summarizes the units in The Linden and The Avenue developments in Improvement Area No. 1 by square footage and the estimated prices of each plan type as of April 15, 2019:

**Table 8**  
**Linden and Avenue Base Sales Price and Absorption**  
**(as of April 15, 2019)**

	Total Units	Minimum Lot Size	Base Price <sup>(1)</sup>	Unit Square Footage	Absorption
The Linden	80	2,000	\$505,990	1,621	2.3 Du/mo.
			516,990	1,766	
			526,990	1,815	
The Avenue	65	3,600	565,990	2,143	2.2 Du/mo.
			590,990	2,271	
			600,990	2,362	
	145				

Source: Appraisal and Taylor Morrison.

<sup>(1)</sup> Prices reflect base sales prices as of April 15, 2019, which are subject to change and exclude options, upgrades, lot premiums and any incentives or price reductions being offered. There can be no assurance that actual base sales prices of the remaining units will equal or exceed the base sales prices set forth above.

The following table summarizes the status of development, as well as closed sales of the units in The Linden and The Avenue developments as of April 15, 2019:

**Table 9**  
**Improvement Area No. 1**  
**Status of Development**  
**(as of April 15, 2019)**

	The Linden	The Avenue	Total
<b>Completed Dwellings</b>	<b>28</b>	<b>26</b>	<b>54</b>
Models	2	2	4
Production Dwellings	26	24	50
Closed Sales	16	19	35
<b>Dwellings Under Construction</b>	<b>0</b>	<b>6</b>	<b>6</b>
<b>Physically Finished Lots</b>	<b>52</b>	<b>33</b>	<b>85</b>
<b>Total Per Product</b>	<b>80</b>	<b>65</b>	<b>145</b>

Source: Appraisal

Taylor Morrison anticipates the remaining phases of development within Improvement Area No. 1 will be completed in accordance with the following proposed schedule:

**Table 10**  
**Improvement Area No. 1**  
**Development Schedule**  
**(as of May 15, 2019)**

<b>Product Line</b>	<b>Phase</b>	<b>Number of Units</b>	<b>Actual/Projected Start Date</b>	<b>Actual/Projected Completion Date</b>
The Linden	Model	2	January 2018	May 2018
	1	6	February 2018	September 2018
	3	6	February 2018	September 2018
	5	6	March 2018	February 2019
	7	8	May 2018	March 2019
	9	8	July 2018	August 2019
	11	8	April 2019	November 2019
	13	8	August 2019	January 2020
	15	8	October 2019	April 2020
	17	8	December 2019	June 2020
	19	8	February 2020	August 2020
	21	4	April 2020	October 2020
The Avenue	Model	2	January 2018	May 2018
	2	6	March 2018	November 2018
	4	6	April 2018	November 2018
	6	6	March 2018	December 2018
	8	6	June 2018	March 2019
	10	6	August 2018	July 2019
	12	6	May 2019	October 2019
	14	6	June 2019	December 2019
	16	7	August 2019	January 2020
	18	4	September 2019	February 2020
	20	6	October 2019	April 2020
	22	4	December 2019	May 2020

Source: Taylor Morrison

### **Status of Regulatory Permits, Agreements and Procedures**

Taylor Morrison represents that subject only to the payment of applicable fees, all material permits (other than building permits, which are customarily deferred until prior to construction of each condominium unit) needed to commence construction of the Westridge at Sycamore Hills development project have been obtained and when such fees are paid will be in full force and effect and not subject to

appeal or challenge. Various impact fees are due each time a building permit is obtained. Taylor Morrison represents that there are no other conditions to the issuance of the building permits.

### **Tax Delinquencies of Taylor Morrison and Its Affiliates and Other Matters**

A representative of Taylor Morrison will sign a certificate in connection with the issuance of the Bonds in which such representative will certify to various things to the actual knowledge of such representative, as defined in the certificate, including (i) that neither Taylor Morrison nor any of its affiliates (as defined in the certificate) has been delinquent to any material extent in the payment of any *ad valorem* property tax, special assessment, or special tax on property in California owned by Taylor Morrison or by any such affiliate (during the period of their ownership) included within the boundaries of a community facilities district or an assessment district that (a) would have caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being filed in a court of law against the delinquent property owner, (ii) that Taylor Morrison is not currently in material default on any loans, lines of credit or other obligation related to the development of the property in Improvement Area No. 1 or any other project which default is reasonably likely to materially and adversely affect Taylor Morrison's ability to develop its property in Improvement Area No. 1 as described in this Official Statement or to pay the special tax due with respect to the property in Improvement Area No. 1 then owned by Taylor Morrison (to the extent the responsibility of Taylor Morrison) prior to delinquency, and (iii) that no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against Taylor Morrison (with proper service of process to Taylor Morrison having been accomplished) or, to the actual knowledge of the representative signing the certificate on behalf of Taylor Morrison, is pending against any current affiliate (with proper service of process to such affiliate having been accomplished) or to the actual knowledge of the representative signing the certificate on behalf of Taylor Morrison is threatened in writing against Taylor Morrison or any such Affiliate which if successful, would materially adversely affect the ability of Taylor Morrison to complete the sale and development of the property it currently owns within Improvement Area No. 1 or to pay the Special Taxes and ad valorem tax obligations prior to delinquency on the property it currently owns within Improvement Area No. 1. Except as described in this Official Statement and except for those consents, permits, authorizations, certifications and approvals of governmental entities required in the ordinary course of development, Taylor Morrison represents that it has no actual knowledge of any impediment which could have a material adverse effect on its ability to complete the planned development of its property within Improvement Area No. 1 in the manner described herein.

### **Financing Plan**

As of April 1, 2019, Taylor Morrison had expended approximately \$27,429,000 in acquiring its land in Improvement Area No. 1 and approximately \$22,513,719 in land improvements, home construction costs and other development, marketing and sales costs (exclusive of internal financing repayment). Taylor Morrison expects the remaining site improvement costs (including all required fees), home construction costs and other development, marketing and sales costs within Improvement Area No. 1 to be approximately \$17,712,492.

Taylor Morrison has financed and plans to finance the buildout of the Westridge at Sycamore Hills project within Improvement Area No. 1, including the remaining cost of construction, marketing and carrying costs, with a combination of internal sources, home sales proceeds and bond proceeds. Neither Taylor Morrison nor any other related entity is under any legal obligation to expend funds for the development of its property in Improvement Area No. 1.



## **RISK FACTORS**

INVESTMENT IN THE BONDS INVOLVES ELEMENTS OF RISK AND ARE NOT APPROPRIATE INVESTMENTS FOR CERTAIN INVESTORS. THE FOLLOWING SECTION DESCRIBES CERTAIN SPECIFIC RISK FACTORS AFFECTING THE PAYMENT AND SECURITY OF THE BONDS. THE FOLLOWING DISCUSSION OF RISKS IS NOT MEANT TO BE AN EXHAUSTIVE LIST OF THE RISKS ASSOCIATED WITH THE PURCHASE OF THE BONDS AND THE ORDER OF DISCUSSION OF SUCH RISKS DOES NOT NECESSARILY REFLECT THE RELATIVE IMPORTANCE OF THE VARIOUS RISKS. POTENTIAL INVESTORS ARE ADVISED TO CONSIDER THE FOLLOWING FACTORS ALONG WITH ALL OTHER INFORMATION IN THIS OFFICIAL STATEMENT IN EVALUATING THE BONDS. THERE CAN BE NO ASSURANCE THAT OTHER RISK FACTORS NOT DISCUSSED UNDER THIS CAPTION WILL NOT BECOME MATERIAL IN THE FUTURE.

### **Limited Obligations of the District**

Funds for the payment of the principal of, and the interest on, the Bonds are derived from the Special Tax levied against the taxable property in Improvement Area No. 1. While a projected coverage factor has been considered in structuring the annual debt service on the Bonds, the amount of Special Taxes that will be collected by the District could become insufficient to pay principal of, or interest on, the Bonds in certain circumstances. If there is a non-payment by property owners or insufficient proceeds are received from the foreclosure sale of property within Improvement Area No. 1 due to delinquencies, a default on the Bonds may follow upon the depletion of the Reserve Account. The Bonds do not represent the general obligations of the District. The District's obligation with respect to payment on the Bonds is limited to Net Taxes and moneys on deposit in the Special Tax Fund (and designated accounts therein, but excluding the Administrative Expenses Account) held by the Trustee under the Indenture. Neither the faith and credit nor the taxing power of the City, the County or the State or any of its political subdivisions is pledged to the payment of the Bonds.

### **Levy and Collection of the Special Taxes**

The principal source of payment of principal of and interest on the Bonds is the proceeds of the annual levy and collection of the Special Tax against property within Improvement Area No. 1. The annual levy of the Special Tax is subject to the Maximum Annual Special Tax rate authorized in the Rate and Method. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Bonds when due.

Because the Special Tax formula set forth in the Rate and Method is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of Taxable Property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Taxable Property and their proportionate share of debt service on the Bonds, and certainly not a direct relationship.

The following are some of the factors that might cause the levy of the Special Tax on any particular parcel of Taxable Property to vary from the Special Tax that might otherwise be expected:

- Reduction in the number of parcels of Taxable Property for such reasons as acquisition of Taxable Property by a governmental entity and failure (or refusal) 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 taxed parcels.

- Failure of the owners of Taxable Property to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels.
- Development of a parcel of Taxable Property more rapidly than development of other parcels of Taxable Property, thereby resulting in the application of development factors in the Special Tax formula to the parcel and resulting in an increased tax burden on the parcel of Taxable Property.
- Development of other parcels of Taxable Property less rapidly than expected, thereby resulting in delay in application of development factors in the Special Tax formula to the other parcels of Taxable Property and resulting in an increased tax burden on the developed parcel of Taxable Property.

If any Special Tax installment becomes delinquent, the District can foreclose only upon the parcel or parcels with respect to which the Special Tax is delinquent. The Indenture provides that the Special Tax is to be collected in the same manner as ordinary ad valorem property taxes are collected and, except as provided in the special covenant for foreclosure described in “SECURITY FOR THE BONDS – Covenant to Commence Foreclosure Proceedings” and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary ad valorem property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County.

If 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 Account is depleted. See “SECURITY FOR THE BONDS – Covenant to Commence Foreclosure Proceedings.”

### **Payment of Special Tax is not a Personal Obligation of the Landowner**

An owner of Taxable Property is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation only against the parcels of Taxable Property. If, after a default in the payment of the Special Tax and a foreclosure sale by the District, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the parcels of Taxable Property, the District has no recourse against the owner for the delinquency.

### **Appraised Values**

The Appraisal summarized in APPENDIX C estimates the market value of the taxable property within Improvement Area No. 1. This market value is merely the present opinion of the Appraiser, and is subject to the assumptions and limiting conditions stated in the Appraisal. The District has not sought the present opinion of any other appraiser of the value of the taxed parcels. A different present opinion of value might be rendered by a different appraiser.

The opinion of value relates to sale by a willing seller to a willing buyer, each having similar information and neither being forced by other circumstances to sell or to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information. In addition, the opinion is a present opinion, based upon present facts and circumstances. Differing facts and circumstances may lead to differing opinions of

value. The appraised value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that any of the Taxable Property within Improvement Area No. 1 could be sold for the estimated market value contained in the Appraisal if that property should become delinquent in the payment of Special Taxes and be foreclosed upon.

The Appraisal should be read for a more complete understanding of the assumptions, methodology and analysis used in estimating the market value of the taxable property within Improvement Area No. 1.

## **Property Values and Property Development**

The value of Taxable Property within Improvement Area No. 1 is a critical factor in determining the investment quality of the Bonds. If a landowner defaults in the payment of the Special Tax, the District's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax and prospective purchasers of the Bonds should not assume that the property within Improvement Area No. 1 could be sold for the appraised or assessed values described herein or an amount adequate to pay delinquent Special Taxes. Land development and land values could be adversely affected by economic and other factors beyond the District and the City's control, such as a general economic downturn, adverse judgments in future litigation that could affect the scope, timing or viability of development, relocation of employers out of the area, stricter land use regulations, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, flood or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

*Neither the District nor the City has evaluated development risks. Since these are largely business risks of the type that the landowner customarily evaluates individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any particular parcel, the District is issuing the Bonds without regard to any such evaluation. Thus, the creation of the District and the issuance of the Bonds in no way implies that either the City or the District has evaluated these risks or the reasonableness of these risks. On the contrary, the City and the District have made no such evaluation and are undertaking acquisition and construction of the facilities being financed by the Bonds even though these risks may be serious and may ultimately halt or slow the progress of land development and forestall the realization of Taxable Property values in the event of delinquency and foreclosure.*

The following is a discussion of specific risk factors that could affect the timing or scope of property development in the District or the value of property in the District.

**Land Development and Land Values.** Land values are influenced by the level of development in the area in many respects.

First, undeveloped or partially developed land is generally less valuable than developed land and provides less security to the owners of the Bonds should it be necessary for the District to foreclose on undeveloped or partially developed property due to the nonpayment of Special Taxes.

Second, failure to complete development on a timely basis could adversely affect the land values of those parcels that have been completed. Lower land values would result in less security for the payment of principal of and interest on the Bonds and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of the Special Tax. See "THE DISTRICT – Appraised Value to Lien Ratio." No assurance can be given that the proposed development within Improvement

Area No. 1 will be completed or with respect to the timing of development, and in assessing the investment quality of the Bonds, prospective purchasers should evaluate the risks of noncompletion.

***Risks of Real Estate Investment Generally.*** Purchasers of the Bonds will be subject to the risks generally incident to an investment secured by real estate. These risks affect the value of the property, as well as the property owners' willingness and/or ability to pay Special Taxes when due. Continuing development of land within Improvement Area No. 1 may be adversely affected by changes in general or local economic conditions, fluctuations in or a deterioration of the real estate market, increased construction costs, development, financing and marketing capabilities of the individual landowner, water or electricity shortages, and other similar factors. Development in Improvement Area No. 1 may also be affected by development in surrounding areas, which may compete with the District. In addition, land development operations are subject to comprehensive federal, state and local regulations, including environmental, land use, zoning and building requirements. There can be no assurance that proposed land development operations within the District will not be adversely affected by future government policies, including, but not limited to, governmental policies to restrict or control development, or future growth control initiatives. There can be no assurance that land development operations within the District will not be adversely affected by these risks.

***Risk Related to Availability of Construction Financing.*** The ability of the Taylor Morrison to develop property within Improvement Area No. 1 is partially dependent on the availability of construction financing. At this time, Taylor Morrison believes that sufficient construction financing is available from internal sources to allow it to develop properties in Improvement Area No. 1 as planned. However, no guarantees can be made that such construction financing will remain available. In the event Taylor Morrison is unable to complete development of the property within Improvement Area No. 1, this may adversely impact the value of the Taxable Property and as a result, adversely impact Special Tax revenues available to pay debt service on the Bonds.

***Risks Related to Availability of Home Loans.*** The availability of loans for potential purchasers of units and lots in Improvement Area No. 1 may impact the ability of Taylor Morrison and other owners of property to sell units and the lots within Improvement Area No. 1. No guarantees can be made that such home loans will be available or what impact, if any, such availability will have on Taylor Morrison's ability to develop Improvement Area No. 1 as envisioned.

***Natural Disasters.*** The value of the Taxable Property in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the Taxable Property and the continued habitability and enjoyment of such private improvements. The areas in and surrounding the District, like those in much of California, may be subject to unpredictable seismic activity. According to the City's General Plan adopted in September 2015, the City is located close to the San Antonio and Alquist-Priolo faults, as well as to other smaller faults in the region. In addition, the City's General Plan states that areas of the City (not including the District) are located in a 100-year flood zone, and therefore, may be subject to flooding. Other natural disasters could include, without limitation, fires, landslides, droughts or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may 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 there could be significant delinquencies in the payment of Special Taxes, and the value of the Taxable Property may well depreciate or disappear.

***Legal Requirements.*** Other events that may affect the value of Taxable Property include changes in the law or application of the law. Such changes may include, without limitation, local growth control

initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures.

***Hazardous Substances.*** Claims regarding hazardous substances can have an adverse impact on the value of Taxable Property. In general, the owners and operators 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 one of the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also generally regarded as 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 financial and legal liability of a property owner (and thus affect such owners’ ability or willingness to pay Special Taxes when due), as well as the value of the property that is realized upon foreclosure.

The appraised values set forth in this Official Statement do not take into account the possible reduction in marketability and value of any of the Taxable Property by reason of the possible liability of the owner or operator for the remedy of a hazardous substance condition of the parcel. Although the District is not aware that the owner or operator of any of the 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.

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 that 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 that 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 Taxable Property that is realizable upon a delinquency.

***Endangered and Threatened Species.*** It is illegal to harm or disturb any plants or animals in their habitat that have been listed as endangered species by the United States Fish & Wildlife Service under the Federal Endangered Species Act or by the California Fish & Game Commission under the California Endangered Species Act without a permit. Although Taylor Morrison believes that no federally listed endangered or threatened species would be affected by the proposed development within Improvement Area No. 1, the discovery of an endangered plant or animal could delay development of vacant property in Improvement Area No. 1 or reduce the value of undeveloped property.

### **Concentration of Landownership**

As of April 15, 2019, Taylor Morrison owned approximately 76% of the taxable units in Improvement Area No. 1. The willingness and ability of Taylor Morrison, as well as other property owners, to pay property taxes and the Special Taxes could be adversely affected by changes in general or local economic conditions, fluctuations in the real estate market and other factors. A description of the Landowner is set forth under the caption “PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT.” If any Special Tax installment becomes delinquent, the District can foreclose only

upon the parcel or parcels with respect to which the Special Tax is delinquent. Failure of any owner of property in Improvement Area No. 1 to pay installments of the Special Tax when due could result in the depletion of the Reserve Account prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax and, consequently, an insufficiency of Special Tax proceeds to meet obligations under the Indenture. In that event, there could be a delay or failure in payments of the principal of and interest on the Bonds.

### **Other Possible Claims Upon the Value of Taxable Property**

While the Special Taxes are secured by the Taxable Property, the security only extends to the value of such Taxable Property that is not subject to priority and parity liens and similar claims.

The table in the section entitled “THE DISTRICT – Direct and Overlapping Governmental Obligations” shows, as of May 1, 2019, the outstanding amount of governmental obligations (with stated exclusions), the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property. The table also states the additional amount of general obligation bonds the tax for which, if and when issued, may become an obligation of one or more of the parcels of Taxable Property. The table does not specifically identify which of the governmental obligations are secured by liens on one or more of the parcels of Taxable Property.

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of Taxable Property and may be secured by a lien on a parity with the lien of the Special Tax securing the Bonds. The District does not have any control over the ability of other governmental entities to issue such obligations.

In general, as long as the Special Taxes are collected on the County Tax Roll, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Bonds, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See “– Bankruptcy and Foreclosure Delays and Limitations” below. The existence of other property taxes, special taxes and special assessments may reduce the value-to-lien ratio of the affected parcels and increases the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Taxes or the principal of, and interest on, the Bonds when due.

### **Exempt Properties**

Certain properties in Improvement Area No. 1 are exempt from the Special Tax in accordance with the Rate and Method and the Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax, subject to minimum taxable acreage of 14.27 acres per the Rate and Method; provided, however, that property within 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. See “SECURITY FOR THE BONDS – Rate and Method of Apportionment of Special Taxes” and “APPENDIX B - RATE AND METHOD OF

APPORTIONMENT OF SPECIAL TAXES.” It is possible that property in Improvement Area No. 1 acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from Special Taxes. In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax.

The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

### **Depletion of Reserve Account**

The Reserve Account generally is to be maintained at an amount equal to the Reserve Requirement. See “SECURITY FOR THE BONDS – Special Tax Fund – Reserve Account.” Funds in the Reserve Account may be used to pay principal of and interest on the Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Tax against property within Improvement Area No. 1 for such purpose. If funds in the Reserve Account for the Bonds are depleted, 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 to the Bond holders pursuant to the Indenture. However, no replenishment from the proceeds of a Special Tax levy can occur as long as the proceeds that are collected from the levy of the Special Tax against property within Improvement Area No. 1 at the maximum Special Tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus it is possible that the Reserve Account will be depleted and not be replenished by the levy of the Special Tax.

### **Bankruptcy and Foreclosure Delays and Limitations**

**Bankruptcy.** 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 FOR THE BONDS” and “THE DISTRICT” 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. 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 Special Taxes to become extinguished, bankruptcy of a landowner or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds. To the extent that property in Improvement Area No. 1 continues to be owned by a limited number of landowners, the chances are increased that the Reserve Account established for the Bonds could be fully depleted during any such delay in obtaining payment of delinquent Special Taxes. As a result, sufficient moneys would not be available in the Reserve Account for transfer to the Bond Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis.

In addition, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become

less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien for the Special Tax, or any such delay or non-payment, would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent Special Taxes not being paid in full.

***Glasply Marine Industries.*** On July 30, 1992 the United States Court of Appeals for the Ninth Circuit issued an opinion in a bankruptcy case entitled *In re Glasply Marine Industries*, holding that ad valorem property taxes levied by a county in the State of Washington after the date that the landowner filed a petition for bankruptcy would not be entitled to priority over the claims of a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed subsequent to the filing of the bankruptcy petition were declared to be “administrative expenses” of the bankruptcy estate, payable after the claims of all secured creditors. As a result, the secured creditor was able to foreclose on the subject property and retain all the proceeds from the sale thereof except the amount of the pre-petition taxes. Pursuant to this holding, post-petition taxes would be paid only as administrative expenses and only if a bankruptcy estate has sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would be subject only to current ad valorem taxes (i.e., not those accruing during the bankruptcy proceeding).

The *Glasply* decision is controlling precedent in bankruptcy court in the State of California. If *Glasply* were held to be applicable to Special Taxes, a bankruptcy petition filing would prevent the lien for Special Taxes levied in subsequent fiscal years from attaching so long as the property was part of the estate in bankruptcy, which could reduce the amount of Special Taxes available to pay debt service on the Bonds. However, *Glasply* speaks as to ad valorem property taxes, and not special taxes, and no case law exists with respect to how a bankruptcy court would treat the lien for special taxes levied after the filing of a petition in bankruptcy.

It should also be noted that on October 22, 1994, Congress enacted 11 U.S.C. §362(b)(18), which added a new exception to the automatic stay for ad valorem property taxes imposed by a political subdivision after the filing of a bankruptcy petition. Under this law, if a bankruptcy petition is filed on or after October 22, 1994, the lien for ad valorem property taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bond owners should be aware that the potential effect of 11 U.S.C. § 362(b)(18) on the Special Taxes also depends upon whether a court were to determine that the Special Taxes should be treated like ad valorem property taxes for this purpose.

***Property Owned by FDIC.*** The ability of the District to foreclose upon the lien on property for delinquent Special Taxes may be limited for properties in which the Federal Deposit Insurance Corporation (the “FDIC”) has an interest. On November 26, 1996, the FDIC adopted a Statement of Policy Regarding the Payment of State and Local Property Taxes (the “Policy Statement”) (which superseded a prior statement issued by the FDIC and the Resolution Trust Corporation in 1991). The Policy Statement applies to the FDIC when it is liquidating assets in its corporate and receivership capacities. The Policy Statement provides, in part, that real property of the FDIC is subject to state and local real property taxes if those taxes are assessed according to the property’s value, and that the FDIC is immune from ad valorem real property taxes assessed on other bases. The Policy Statement also provides that the FDIC will pay its proper tax obligations when they become due and will pay claims for delinquencies as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC interest in the property is appropriate. It further provides that the FDIC will pay claims for interest on delinquent property taxes owned at the rate provided under state law, but only to the extent the interest payment obligation is secured by a valid lien.



The FDIC will not pay for any fines or penalties and will not pay nor recognize liens for such amounts. The Policy Statement also provides that if any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. No property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, a lien for taxes and interest may attach, but the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

With respect to challenges to assessments, the Policy Statement provides: "The [FDIC] is only liable for state and local taxes which are based on the value of the property during the period for which the tax is imposed, notwithstanding the failure of any person, including prior record owners, to challenge an assessment under the procedures available under state law. In the exercise of its business judgment, the [FDIC] may challenge assessments which do not conform with the statutory provisions, and during the challenge may pay tax claims based on the assessment level deemed appropriate, provided such payment will not prejudice the challenge. The [FDIC] will generally limit challenges to the current and immediately preceding taxable year and to the pursuit of previously filed tax protests. However, the [FDIC] may, in the exercise of its business judgment, challenge any prior taxes and assessments provided that (1) the [FDIC's] records (including appraisals, offers or bids received for the purchase of the property, etc.) indicate that the assessed value is clearly excessive, (2) a successful challenge will result in a substantial savings to the [FDIC], (3) the challenge will not unduly delay the sale of the property, and (4) there is a reasonable likelihood of a successful challenge."

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee simple interest unless the amount of tax is fixed at the time the FDIC acquires its fee simple interest in the property, nor will the FDIC recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Because the Special Taxes are neither ad valorem taxes nor special assessments, and because they are levied under a special tax formula under which the amount of the Special Tax is determined each year, the Special Taxes appear to fall within the category of taxes the FDIC generally will not pay under the Policy Statement.

Following the County of Orange bankruptcy proceedings filed in December 1994, the FDIC filed claims against the County of Orange in the U.S. Bankruptcy Court and the Federal District Court which challenged special taxes that Orange County had levied on FDIC-owned property (and which the FDIC had paid) under the Act. The FDIC took a position similar to that outlined in the Policy Statement, to the effect that the FDIC, as a governmental entity, is exempt from special taxes under the Act. The Bankruptcy Court agreed, finding that the FDIC was not liable for post-receivership Mello-Roos taxes, and the Bankruptcy Appellate Panel affirmed. On appeal, the U.S. Court of Appeals for the Ninth Circuit, while not specifically asked to decide on the issue, stated in its decision filed on August 28, 2001, that "the FDIC, as a federal agency, is exempt from the Mello-Roos tax," and quoted Section 53340(c) of the Act in stating that "'properties or entities' of the federal government are exempt from the tax."

The District is unable to predict what effect the application of the Policy Statement, or the ultimate outcome of the County of Orange case, would have in case of a Special Tax delinquency on a parcel in which the FDIC has an interest. However, prohibiting the judicial foreclosure sale of a FDIC-owned parcel would likely reduce the number of or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that the District will be unable to foreclose on parcels of land in Improvement Area No. 1 owned by the FDIC. Such an outcome would cause a draw on the Reserve Account and perhaps, ultimately, a default in payment of the Bonds.

*No investigation has been made as to whether the FDIC or any other governmental entity currently owns or has an interest in any property in the District.*

***Property Owned by Fannie Mae or Freddie Mac.*** If 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 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.

*No investigation has been made as to whether Fannie Mae, Freddie Mac, or any other governmental entity currently owns or has an interest in any property in the District.*

#### **Disclosure to Future Purchasers**

The District has recorded a Notice of the Special Tax Lien in the Office of the San Bernardino County Recorder against the Taxable Property. 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 or a home in Improvement Area No. 1 or the lending of money secured by property in Improvement Area No. 1. The Act and the Goals and Policies require the subdivider of a subdivision (or its agent or representative) 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 these 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.

#### **Limitation on Remedies; No Acceleration Provisions**

Under the Indenture, a Bondowner is given the right for the equal benefit and protection of all Bondowners similarly situated to pursue certain remedies. See APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.” So long as the Bonds are in book-entry form, DTC will be the sole Bondowner and will be entitled to exercise all rights and remedies of Bondowners. Remedies available to Bondowners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of, and interest on, the Bonds, or to preserve the tax-exempt status of the Tax-Exempt Bonds. Bond Counsel has limited its opinion as to the enforceability of the Bonds and the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, or similar laws generally affecting the enforcement of creditors' rights. Additionally, 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. Lack of remedies may entail risks of delay, limitation, or modification of Bondowner rights. Judicial remedies, such as foreclosure and enforcement of covenants, are subject to exercise of judicial discretion. A California court may not strictly apply certain remedies or enforce certain covenants if it concludes that application or enforcement thereof would be unreasonable under the circumstances and it may delay the application of such remedies and enforcement.

### **Investment of Funds**

The Reserve Account and all other funds and accounts held under the Indenture are required to be invested in certain Authorized Investments, as defined in the Indenture. See “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.” All investments, including Authorized Investments, authorized by law from time to time for investments by the District contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture could have a material adverse effect on the security for the Bonds.

### **Loss of Tax Exemption**

As discussed under the caption “TAX MATTERS – Tax Exemption,” interest on the Tax-Exempt Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Tax-Exempt Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Indenture. The Indenture does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Tax-Exempt Bonds were to be includable in gross income for purposes of federal income taxation, the Tax-Exempt Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to optional or mandatory redemption or redemption upon prepayment of the Special Tax. See “THE BONDS – Redemption.”

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

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

### **Impact of Legislative Proposals, Clarifications of the Tax Code and Court Decisions on Tax Exemption**

Future legislative proposals, if enacted into law, clarification of the Code (as defined under “TAX MATTERS”) or court decisions may cause interest on the Tax-Exempt Bonds to be subject, directly or indirectly, to federal income taxation or the interest on the Bonds to be subject to, or exempted from, state income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest.

The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation.

## Proposition 218 and the Initiative Power

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 added Articles XIIC and XIID to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 became effective for most purposes on November 6, 1996. Among other things, Section 3 of Article XIIC states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states,

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

The initiative power also is limited by the United States Constitution’s prohibition against State or local laws “impairing the obligation of contracts.” The Bonds represent a contract between the District and the Bondholders secured by the Special Taxes. While not free from doubt, it is likely that, once the Bonds are issued, the Special Taxes would not be subject to repeal or reduction by initiative, at least to the extent the Special Taxes are necessary to enable the District to make timely payment on principal and interest on the Bonds, but not necessarily to the full extent of the authorized tax amount. It may be possible, however, for voters or the City Council, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. The interpretation and application of these provisions of Proposition 218, the State Government Code, and the federal Constitution’s Contracts Clause will ultimately be determined by the courts, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts.

Proposition 218 is likely to continue to undergo both judicial and legislative scrutiny. For example, in August 2014, in *City of San Diego. v. Melvin Shapiro*, an Appellate Court invalidated an election held by the City of San Diego to authorize the levying of special taxes on hotels City-wide pursuant to a City charter ordinance creating a convention center facilities district which specifically defined the electorate to consist solely of (1) the owners of real property in the City on which a hotel is located, and (2) the lessees of real property owned by a governmental entity on which a hotel is located. The Court held that such landowners and lessees are neither “qualified electors” of the City for purposes of Articles XIII A, Section 4 of the California Constitution, nor a proper “electorate” under Article XIIC, Section 2(d) of the California Constitution. The Court specifically noted that the decision did not require the Court to consider the distinct question of whether landowner voting to impose special taxes under Section 53326(b) of the Act (which was the nature of the voter approval through which the District was

formed) violates the California Constitution in districts that lack sufficient registered voters to conduct an election among registered voters. Accordingly, this case should have no effect on the levy of the Special Taxes.

The foregoing discussion of Proposition 218 should not be considered an exhaustive or authoritative treatment of the issues relating thereto. The District does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of Proposition 218 on the Bonds as well as the market for the Bonds. Legislative and court calendar delays and other factors may prolong any uncertainty regarding the effects of Proposition 218.

### **Limited Secondary Market**

There can be no assurance that there will be a secondary market for the Bonds, or if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, pricing of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could substantially differ from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Code), or changes in interpretation of the Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

## **LEGAL MATTERS**

The legality of the issuance of the Bonds is subject to the approval of Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Bond Counsel. Bond Counsel's opinions with respect to the Bonds will be substantially in the form set forth in APPENDIX D of this Official Statement. Certain legal matters also will be passed on for the District by Richards, Watson & Gershon, as Disclosure Counsel and City Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel Nixon Peabody LLP, Los Angeles, California.

## **TAX MATTERS**

### **Tax-Exempt Bonds**

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the Tax-Exempt Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to their date of issue. These requirements include, but are not limited to, provisions which limit how the proceeds of the Tax-Exempt Bonds may be spent and invested, and generally require that certain investment earnings be rebated on a periodic basis to the United States of America. The City and the District have made certifications and representations and have covenanted to maintain the exclusion of the interest on the Tax-Exempt Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing law and assuming the accuracy of such certifications and representations by, and compliance with such covenants of, the City and the District, (i) interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, and (ii) the Tax-Exempt Bonds are not “specified private activity bonds” within the meaning of Section 57(a)(5) of the Code and, therefore, interest on the Tax-Exempt Bonds is not a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. Bond Counsel is also of the opinion that, under existing law, interest on the Tax-Exempt Bonds is exempt from State of California personal income taxes. Bond counsel expresses no opinion as to any other tax consequences regarding the Tax-Exempt Bonds.

Under the Code, interest on the Tax-Exempt Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Tax-Exempt Bonds. Bond Counsel will express no opinion regarding these and other such consequences.

Bond Counsel has not undertaken to advise in the future whether any circumstances or events occurring after the date of issue of the Tax-Exempt Bonds may affect the tax status of interest on the Tax-Exempt Bonds. Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Tax-Exempt Bonds. No assurance can be given that legislation enacted or proposed, or actions by a court, after the date of issue of the Tax-Exempt Bonds, will not contain provisions which could eliminate, or directly or indirectly reduce the benefit of the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes, or have an adverse effect on the market value or marketability of the Tax-Exempt Bonds.

For example, federal tax legislation enacted on December 22, 2017, reduced corporate tax rates, modified individual tax rates, eliminated many deductions, repealed the corporate alternative minimum tax for taxable years beginning after December 31, 2017, and generally eliminated tax-exempt advance refunding bonds, among other things. This legislation may increase, reduce, or otherwise change the financial benefits currently provided to certain owners of state and local government bonds. In addition, investors in the Tax-Exempt Bonds should be aware that future legislative actions may retroactively change the treatment of all or a portion of the interest on the Tax-Exempt Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Tax-Exempt Bonds may be adversely affected and the ability of holders to sell their Tax-Exempt Bonds in the secondary market may be reduced. The Tax-Exempt Bonds are not subject to special mandatory redemption, and the interest rates on the Tax-Exempt Bonds are not subject to adjustment, in the event of any such change.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Certain requirements and procedures contained or referred to in relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Tax-Exempt Bond, or the interest

thereon, if any such change occurs or action is taken upon the advice or approval of bond counsel other than Richards, Watson & Gershon, A Professional Corporation.

If the issue price of a Tax-Exempt Bond (the first price at which a substantial amount of the bonds of a maturity are sold to the public) is less than the stated redemption price at maturity of such Tax-Exempt Bond, the difference constitutes original issue discount, the accrual of which is excluded from gross income for federal income tax purposes to the same extent as interest on the Tax-Exempt Bonds. Further, such original issue discount accrues actuarially on a constant yield method over the term of each such Tax-Exempt Bond and the basis of each Tax-Exempt Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Tax-Exempt Bonds. Purchasers who acquire Tax-Exempt Bonds with original issue discount are advised that they should consult with their own independent tax advisors with respect to the state and local tax consequences of owning such Tax-Exempt Bonds.

If the issue price of a Tax-Exempt Bond is greater than the stated redemption price at maturity of such Tax-Exempt Bond, the difference constitutes original issue premium, the amortization of which is not deductible from gross income for federal income tax purposes. Original issue premium is amortized over the period to maturity of such Tax-Exempt Bond based on the yield to maturity of that Bond (or, in the case of a Tax-Exempt Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Tax-Exempt Bond), compounded semiannually. For purposes of determining gain or loss on the sale or other disposition of such Tax-Exempt Bond, the purchaser is required to decrease such purchaser's adjusted basis in such Tax-Exempt Bond by the amount of premium that has amortized to the date of such sale or other disposition. As a result, a purchaser may realize taxable gain for federal income tax purposes from the sale or other disposition of such Tax-Exempt Bond for an amount equal to or less than the amount paid by the purchaser for that Tax-Exempt Bond. A purchaser of that Tax-Exempt Bond in the initial public offering at the issue price for that Tax-Exempt Bond who holds it to maturity (or, in the case of a callable Tax-Exempt Bond, to its earlier call date that results in the lowest yield on that Tax-Exempt Bond) will realize no gain or loss upon its retirement.

Payments of interest on tax-exempt obligations, including the Tax-Exempt Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of a Tax-Exempt Bond is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Prospective purchasers of the Tax-Exempt Bonds should consult their own independent tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Tax-Exempt Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Tax-Exempt Bonds ends with the issuance of the Tax-Exempt Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the owners of the Tax-Exempt Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Tax-Exempt Bonds, under current IRS procedures, the IRS will treat the District as the taxpayer

and the beneficial owners of the Tax-Exempt Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Tax-Exempt Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Tax-Exempt Bonds.

## **Taxable Bonds**

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing law, interest on the Taxable Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion as to any other tax consequences regarding the Taxable Bonds. *INTEREST ON THE TAXABLE BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.*

THE LEGAL DEFEASANCE OF THE TAXABLE BONDS MAY RESULT IN A DEEMED SALE OR EXCHANGE OF THE TAXABLE BONDS UNDER CERTAIN CIRCUMSTANCES; OWNERS OF THE TAXABLE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL INCOME TAX CONSEQUENCES OF SUCH AN EVENT. PROSPECTIVE PURCHASERS OF THE TAXABLE BONDS SHOULD ALSO CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE AND LOCAL, AND FOREIGN TAX CONSEQUENCES OF THEIR ACQUISITION, OWNERSHIP AND DISPOSITION OF THE TAXABLE BONDS.

The following discussion is generally limited to “U.S. owners,” meaning beneficial owners of Taxable Bonds that for United States federal income tax purposes are individual citizens or residents of the United States, corporations or other entities taxable as corporations created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), and certain estates or trusts with specific connections to the United States. *Partnerships holding Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable Bonds (including their status as U.S. owners).*

In general, interest paid or accrued on the Taxable Bonds, including qualified stated interest on Discount Bonds (described below), if any, will be treated as ordinary income to U.S. owners. A U.S. owner using the accrual method of accounting for U.S. federal income tax purposes must include interest paid or accrued on the Taxable Bonds in ordinary income as the interest accrues, while a U.S. owner using the cash receipt and disbursement method of accounting for U.S. federal income tax purposes must include interest in ordinary income when payments are received or constructively received by the owner, except as described below.

Certain of the Taxable Bonds (Discount Bonds) may be offered and sold to the public at an original issue discount (OID). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of such Bonds, provided that excess equals or exceeds a statutory *de minimis* amount (one-quarter of one percent of the Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity, or if required by applicable Treasury Regulations, to an earlier call date). The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity are sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the time a U.S. owner owns a Discount Bond (i) constitutes interest includable in the U.S. owner's gross income for federal income tax purposes and (ii) is added to the U.S. owner's tax basis for purposes of determining gain or loss on the



maturity, redemption, prior sale, or other disposition of the Discount Bond. The effect of OID is to accelerate the recognition of taxable income during the term of the Discount Bond.

Certain of the Taxable Bonds (Premium Bonds) may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. If a U.S. owner purchases a Premium Bond, that owner will be considered to have purchased such a Premium Bond with “amortizable bond premium” equal in amount to such excess. The U.S. owner may elect (and that election will apply to all securities purchased at a premium by such U.S. owner), in accordance with the applicable provisions of Section 171 of the Code, to amortize that premium as an offset to the interest payments on the Premium Bond using a constant yield to maturity method over the remaining term of the Premium Bond (or, if required by applicable Treasury Regulations, to an earlier call date). Pursuant to Section 67(b)(11) of the Code, the amortization of that premium is not considered a miscellaneous itemized deduction. Any amortization of bond premium will reduce the basis of the Premium Bond pursuant to Section 1016(a)(5) of the Code.

Owners of Discount or Premium Bonds (or book entry interests in them) should consult their own tax advisers as to the determination for federal tax purposes of the amount of OID or amortizable bond premium properly accruable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences and the treatment of OID and amortizable bond premium for purposes of state or local taxes on (or based on) income.

Upon the sale, exchange, retirement or other taxable disposition of a Taxable Bond, a U.S. owner will recognize gain or loss equal to the difference between the amount realized from the sale, exchange, retirement or other disposition and the owner’s adjusted basis in the Taxable Bond or applicable portion of the adjusted basis. The owner’s adjusted basis generally will equal the cost of the Taxable Bond to the owner, increased by any OID includible in the owner’s ordinary income for the Taxable Bond and reduced by any principal payments on the Taxable Bond previously received by the owner (including any other payments on the Taxable Bond that are not qualified stated interest payments) and by any amortizable bond premium allowed as a deduction as described above. Any gain or loss recognized upon a sale, exchange, retirement or other disposition of a Taxable Bond (excluding amounts attributable to accrued interest or OID) will generally be capital gain or loss and will be long-term capital gain or loss if the U.S. owner’s holding period in the Taxable Bond exceeds one year. Long-term capital gains of individuals are currently eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

General information reporting requirements will apply to payments of principal and interest made on Taxable Bonds and the proceeds of the sale of Taxable Bonds to non-corporate owners, and “backup withholding” at a rate of 24 percent will apply to such payments if the owner fails to provide an accurate taxpayer identification number in the manner required or fails to report all interest required to be shown on its federal income tax returns. A beneficial owner of Taxable Bonds that is a U.S. owner generally can obtain complete exemption from backup withholding by providing a properly completed IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

For taxable years beginning after December 31, 2012, a U.S. owner that is an individual or estate, or a trust not included in a special class of trust that is exempt from such tax, is subject to a 3.8 percent Medicare tax on the lesser of (i) the U.S. owner's “net investment income” for the taxable year, and (ii) the excess of the U.S. owner's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between \$125,000 and \$250,000, depending on the individual's circumstances). A U.S. owner's net investment income generally includes interest income on, and net gains from the disposition of, Taxable Bonds, unless such interest income or net gains are derived in the ordinary course of a trader business (other than a trade or business that consists of certain passive or

trading activities). A U.S. owner that is an individual, estate, or trust, should consult its tax advisor regarding the applicability of the Medicare tax.

*Non-U.S. Owners.*

Under the Code, interest and OID on any Taxable Bond whose beneficial owner is not a U.S. owner are generally not subject to United States income tax or withholding tax (including backup withholding) if the non-U.S. owner provides the payor of interest on the Taxable Bonds with an appropriate statement as to its status as a non-U.S. owner. This statement can be made on IRS Form W-8BEN or a successor form. If, however, the non-U.S. owner conducts a trade or business in the United States and the interest or OID on the Taxable Bonds held by the non-U.S. owner is effectively connected with such trade or business, that interest or OID will be subject to United States income tax but will generally not be subject to United States withholding tax (including backup withholding). The foregoing is a brief summary of certain federal income tax consequences to a non-U.S. owner. ***Non-U.S. owners should consult their own tax advisors regarding the tax consequences of an investment in the Taxable Bonds.***

*Foreign Account Tax Compliance Act.*

The Foreign Account Tax Compliance Act (“FATCA”) generally imposes a 30 percent withholding tax on interest payments and proceeds from the sale of interest-bearing obligations for payments made after the relevant effective date to (i) certain foreign financial institutions that fail to certify their FATCA status, and (ii) investment funds and non-financial foreign entities if certain disclosure requirements related to direct and indirect United States shareholders and/or United States account holders are not satisfied)

Under applicable Treasury Regulations, the FATCA withholding tax of 30 percent will generally be imposed, subject to certain exceptions, on payments of (i) interest on Taxable Bonds, and (ii) gross proceeds from the sale or other disposition of other Taxable Bonds, on or after January 1, 2017, where such payments are made to persons described in the preceding paragraph.)

In the case of payments made to a “foreign financial institution” (generally including an investment fund), as a beneficial owner or as its intermediary, the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such institution (i) enters into (or is otherwise subject to) and complies with an agreement with the United States government (a “FATCA Agreement”), or (ii) is required by and complies with applicable foreign law enacted in connection with an intergovernmental agreement between the United States and a foreign jurisdiction (an “IGA”), in either case to, among other things, collect and provide to the United States or other relevant tax authorities certain information regarding United States account holders of such institution. In the case of payments made to a foreign entity that is not a financial institution (as a beneficial owner), the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such entity either provides the withholding agent with a certification that it does not have any “substantial” United States owner (generally, any specified United States person that directly or indirectly owns more than a specified percentage of such entity) or identifies its “substantial” United States owners.

If Taxable Bonds are held through a foreign financial institution that enters into (or is otherwise subject to) a FATCA Agreement, such foreign financial institution (or, in certain cases, a person paying amounts to such foreign financial institutions) generally will be required, subject to certain exceptions, to withhold the 30 percent FATCA tax on payments of dividends or the items described above made to (i) a person (including an individual) that fails to comply with certain information requests, or (ii) a foreign financial institution that has not entered into (and is not otherwise subject to) a FATCA Agreement and

that is not required to comply with FATCA pursuant to applicable foreign law enacted in connection with an IGA. Coordinating rules may limit duplicative withholding in cases where the withholding described above in “Non-U.S. Owners” or back-up withholding described above also applies.

If any amount of, or in respect of, United States withholding tax were to be deducted or withheld from payments on Taxable Bonds as a result of a failure by an investor (or by an institution through which an investor holds the Taxable Bonds) to comply with FATCA, neither the District, the Trustee, any paying agent or bond registrar nor any other person would, pursuant to the terms of the Taxable Bonds, be required to pay additional amounts with respect to any Taxable Bond as a result of the deduction or withholding of such tax. Non-U.S. Owners should consult their tax advisors regarding the application of FATCA to the ownership and disposition of Taxable Bonds.

### **Forms of Opinions**

A copy of the proposed forms of opinions of Bond Counsel are attached hereto as APPENDIX D.

### **ABSENCE OF LITIGATION**

To the best of the District’s knowledge, there is no lawsuit or claim pending and notice of process having been served upon and received by the District or threatened against the District seeking to restrain or enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds of the Bonds in accordance with the Indenture, the levy and collection of Special Taxes by the District, the application of Special Taxes and other moneys pledged under the Indenture to pay debt service on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, or the Indenture, or contesting the powers of the District or its authority with respect to the Bonds or its ability to perform its obligations under the Indenture.

### **CONTINUING DISCLOSURE**

#### **The District**

The District has covenanted in a continuing disclosure agreement, the form of which is set forth in APPENDIX G – “FORM OF CONTINUING DISCLOSURE AGREEMENT (ISSUER)” (the “Issuer Continuing Disclosure Agreement”), for the benefit of holders and beneficial owners of the Bonds, to provide certain financial information and operating data relating to the District and the Bonds by not later than March 31 of each year, beginning on March 31, 2020. The Issuer Continuing Disclosure Agreement also requires the District to provide notices of the occurrence of certain enumerated events. The initial Dissemination Agent under the Issuer Continuing Disclosure Agreement will be Willdan Financial Services. The covenants of the City in the Issuer Continuing Disclosure Agreement will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

*Continuing Disclosure History.* Prior to the printing of this Official Statement, an examination was conducted of the continuing disclosure filings by the City during the past five years. The result of such examination indicated a few instances of filing delays.

In connection with the Upland Public Financing Authority’s (the “Authority”) \$12,140,000 Water Revenue Refunding Bonds, Series 2011 (the “2011 Bonds”), the City and the Authority entered into a continuing disclosure undertaking under Rule 15c2-12 to file an annual report by January 31 of each year containing, among other information, its audited financial statements, and if not available by such time, the unaudited financial statements. The annual reports due January 31, 2015 and January 31, 2016 were

not filed on a timely basis (the reports were filed on April 7, 2015 and May 24, 2016, respectively). In addition, on March 18, 2014, Standard and Poor's Ratings Services ("S&P") upgraded the rating of Assured Guaranty Municipal Corp., the bond insurer for the 2011 Bonds, from AA- to AA and the notice of this event was not posted until May 7, 2014, outside of the required 10 business day reporting period.

In connection with the Successor Agency to the Upland Community Redevelopment Agency's (the "Successor Agency"), \$22,090,000 Upland Community Redevelopment Project (A Merged Project) Tax Allocation Refunding Bonds, Issue of 2013 (the "2013 Bonds"), the Successor Agency entered into a continuing disclosure undertaking under Rule 15c2-12 to file an annual report by March 31 of each year containing, among other information, its audited financial statements, and if not available by such time, the unaudited financial statements. The annual report due March 31, 2015 was not filed on a timely basis (the report was filed on April 6, 2015). In addition, on March 18, 2014, S&P upgraded the rating of Assured Guaranty Municipal Corp., the bond insurer for the 2013 Bonds, from AA- to AA and the notice of this event was not posted until May 7, 2014, outside of the required 10 business day reporting period.

On September 14, 2016, the Successor Agency issued its \$12,275,000 Upland Community Redevelopment Project (A Merged Project) Tax Allocation Refunding Bonds, Issue of 2016 in order to refund the Upland Community Redevelopment Agency outstanding Upland Community Redevelopment Project (A Merged Project), Tax Allocation Refunding Bonds, Issue of 2006 (the "2006 Bonds"). Notice of the refunding of the 2006 Bonds was not posted until October 7, 2016, outside of the required 10 business day reporting period.

On July 1, 2015, the Community Facilities District No. 2003-2 of the City of Upland (The Colonies at San Antonio) issued its \$18,360,000 Improvement Area No. 2 Special Tax Refunding Bonds, Issue of 2015 in order to refund the District's outstanding Improvement Area No. 2 Special Tax Bonds, Series B of 2004 (the "2004 Bonds"). Notice of the refunding of the 2004 Bonds was not posted until July 27, 2015, outside of the required 10 business day reporting period.

The City believes that its procedures with its Dissemination Agent are sufficient in the normal due course to assure substantial compliance with its continuing disclosure undertakings in the future. A default under the Issuer Continuing Disclosure Agreement will not, in itself, constitute an Event of Default under the Indenture, and the sole remedy under the Issuer Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply will be an action to compel specific performance. However, a failure to comply with a continuing disclosure undertaking must be reported in accordance with the SEC Rule 15c2-12(b)(5) and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds. Therefore, a failure by the City to comply with the provisions of a continuing disclosure agreement may adversely affect the marketability of the Bonds on the secondary market.

### **The Landowner**

Taylor Morrison will covenant in a continuing disclosure certificate, the form of which is set forth in APPENDIX H – "FORM OF DISCLOSURE CERTIFICATE (MAJOR PROPERTY OWNER)" (the "Landowner Continuing Disclosure Certificate"), for the benefit of holders and beneficial owners of the Bonds, to provide certain information relating to Taylor Morrison, and the parcels it owns within Improvement Area No. 1 on a semi-annual basis, and to provide notices of the occurrence of certain enumerated events. The obligations of the Landowner under its Landowner Continuing Disclosure Certificate will terminate on the earlier of (i) legal defeasance, prior redemption or payment in full of all the Bonds, (ii) the date on which Taylor Morrison and its Affiliates collectively own less than 25 taxable lots in Improvement Area No. 1 or property that is responsible for less than 20% of the Special Taxes, (iii) the date on which Taylor Morrison, prepays in full all of the Special Taxes attributable to its property

within Improvement Area No. 1; or (iv) upon the delivery to the Landowner to the District of an opinion of bond counsel to the effect that the information required by the Disclosure Agreement is no longer required; provided that such opinion is based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Landowner or a similar entity.

A default under a Landowner Continuing Disclosure Certificate will not, in itself, constitute an Event of Default under the Indenture, and the sole remedy under the Landowner Continuing Disclosure Certificate in the event of any failure of Taylor Morrison to comply will be an action to compel specific performance. Taylor Morrison has reported that in connection with a continuing disclosure obligation dated December 3, 2015 executed in connection with the City of San Clemente Community Facilities District No. 2006-1 (Marblehead Coastal), 2015 Special Tax Bonds, Marblehead Development Partners LLC, an affiliate of Taylor Morrison, filed its semiannual report that was due by May 1, 2017 on August 27, 2017. Other than the foregoing, Taylor Morrison has represented to the District that Taylor Morrison is not aware of any material failures by it to comply in any material respect with any previous continuing disclosure undertakings in a written certificate or agreement executed by it to provide annual reports, semi-annual reports or notices of listed events respecting securities offerings in southern California in the last five years.

### **NO RATING**

The District has not applied and does not contemplate applying to any rating agency for an assignment of rating on the Bonds.

### **UNDERWRITING**

The Tax-Exempt Bonds have been sold at a net interest rate of \_\_\_%. The Tax-Exempt Bonds are being purchased by the Underwriter at a purchase price of \$\_\_\_ (which represents the aggregate principal amount of the Tax-Exempt Bonds, less original issue discount of \$\_\_\_, less an underwriter's discount of \$\_\_\_). The Taxable Bonds have been sold at a net interest rate of \_\_\_%. The Taxable Bonds are being purchased by the Underwriter at a purchase price of \$\_\_\_ (which represents the aggregate principal amount of the Taxable Bonds, less original issue discount of \$\_\_\_, less an underwriter's discount of \$\_\_\_). The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering price stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

### **PROFESSIONAL FEES**

The following professionals are participating in this financing:

- U.S. Bank National Association, Los Angeles, California, will serve as the Trustee and will perform the functions required of it under the Indenture.
- Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, is Bond and Disclosure Counsel to the City.
- James Markman, a shareholder of Richards, Watson & Gershon, serves as City Attorney to the City.
- Urban Futures, Inc., Tustin, California, is the municipal advisor to the City.
- Harris Realty Appraisal, Newport Beach, California, prepared the Appraisal.

- Willdan Financial Services, Temecula, California, is the special tax consultant to the City and will serve as administrator to the City with respect to the District and dissemination agent for the District under the Issuer Continuing Disclosure Agreement.

**EXECUTION**

The execution and delivery of the Official Statement has been duly authorized by the City of Upland on behalf of the District.

COMMUNITY FACILITIES DISTRICT NO. 2015-1  
(SYCAMORE HILLS) OF THE CITY OF UPLAND, COUNTY  
OF SAN BERNARDINO, STATE OF CALIFORNIA

By: \_\_\_\_\_  
City Manager of the City of Upland

**APPENDIX A  
GENERAL INFORMATION ABOUT THE CITY OF  
UPLAND AND SAN BERNARDINO COUNTY**

*The following information is included only for the purpose of supplying general information regarding the City of Upland (the “City”) and San Bernardino County (the “County”). This information is provided only for general informational purposes, and provides prospective investors limited information about the City, the County and their economic base. The Bonds are secured and will be paid solely from Net Taxes and certain funds and accounts held under the Indenture as described in the forepart of this Official Statement. The Bonds are not a debt of the City, the County, the State of California (the “State”) or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.*

**General**

The City encompasses 15.2 square miles and is located 35 miles east of Los Angeles in the County of San Bernardino. The City was incorporated on May 15, 1906 and operates as a general law city. It has a council-manager form of government. The Mayor and City Council are elected at large. The average high temperature is 79.5 degrees, and the average low temperature is 50.2 degrees. Annual precipitation ranges between 17 inches and 39 inches, with higher altitude areas generally receiving between 30 and 39 inches, and the lower elevation areas receiving between 17 and 30 inches.

**Population**

The City’s estimated population on January 1, 2018 was 77,017. The following table shows the population data for the City for the last ten years.

**CITY OF UPLAND**

<b>Year (as of January 1)</b>	<b>Population</b>
2009	72,715
2010	73,732
2011	74,193
2012	74,462
2013	74,615
2014	74,973
2015	75,617
2016	76,016
2017	76,957
2018	77,017

*Source: Demographic Research Unit, California State Department of Finance.*

**Assessed Valuation**

Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in each City as of the preceding January 1. For assessment and collection purposes, property is classified either as secured or unsecured and is listed accordingly on separate parts of the assessment roll. The Secured rolls is that part of the assessment roll containing State-assessed public utilities property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the unsecured roll.

Property Taxes on the secured roll are due in two installments, on November 1 and February 1 of the Fiscal Year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and

a penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30 of the Fiscal Year.

Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquent penalty, plus a redemption penalty of 5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31, of the Fiscal Year. A 10% penalty attaches to the delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 30 of the Fiscal Year. The taxing authority has four ways of collecting unsecured personal property taxes: (a) a civil action against the taxpayer; (b) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (c) filing a certificate of delinquency for record in the County Recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (d) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

A ten year history of the City’s taxable assessed valuation is as follows:

	<b>Total Assessed Value</b>	<b>% change from Previous Year</b>
2009-10	\$6,922,528,388	-3.19%
2010-11	6,841,349,114	-1.17
2011-12	6,944,331,150	1.51
2012-13	7,057,197,912	1.63
2013-14	7,277,753,115	3.13
2014-15	7,682,100,008	5.56
2015-16	8,067,152,634	5.01
2015-17	8,421,459,871	4.39
2017-18	8,884,615,500	5.50
2018-19	9,370,618,881	5.47

*Source: Urban Futures, Inc.*

### **Environment, Geography and Geology**

Upland has a dry, subtropical climate with average yearly precipitation of 18 inches, temperatures averaging 65 degrees and humidity of about 45%. Air quality is similar to that in the rest of the Los Angeles/San Bernardino Basin with seasonally fluctuating levels of secondary air pollutants.

Geologically, the area is characterized by deep unconsolidated alluvium overlying bedrock. Seismic considerations affecting the City are comparable to those affecting most of the surrounding areas. The elevation is 1,060 feet above sea level.



## Employment and Industry

The City is located in San Bernardino County. The available labor force employment figures over the last five years for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA) is as follows.

### Riverside-San Bernardino MSA Annual Average Employment by Industry (In Thousands)

Industry	2013	2014	2015	2016	2017
Total Farm	14,500	14,400	14,800	14,600	14,400
Total Nonfarm	1,233,300	1,289,300	1,353,100	1,401,900	1,451,600
Total Private	1,008,100	1,060,500	1,119,800	1,159,600	1,201,600
Goods Producing	158,600	170,200	183,000	191,500	196,600
Mining, Logging, and Construction	71,200	78,900	86,900	92,900	98,000
Mining and Logging	1,200	1,300	1,300	900	900
Construction	70,000	77,600	85,700	92,000	97,000
Manufacturing	87,300	91,300	96,100	98,600	98,700
Service Providing	1,074,700	1,119,100	1,170,100	1,210,500	1,255,000
Private Service Providing	849,600	890,300	936,800	968,200	1,005,000
Trade, Transportation & Utilities	299,700	314,900	333,200	348,100	366,000
Information, Publishing and Telecommunications	11,500	11,300	11,400	11,500	11,300
Financial Activities	41,800	42,900	43,900	44,600	44,500
Professional & Business Services	131,900	138,700	147,400	145,000	147,200
Educational & Health Services	187,600	194,800	205,100	214,300	224,800
Leisure & Hospitality	135,900	144,800	151,700	160,200	165,700
Other Services	41,100	43,000	44,000	44,600	45,600
Government	225,200	228,800	233,300	242,300	250,000
<b>Total, All Industries<sup>(1)</sup></b>	<b>1,247,800</b>	<b>1,303,700</b>	<b>1,367,900</b>	<b>1,416,600</b>	<b>1,466,000</b>

<sup>(1)</sup> Numbers may not add due to rounding.

Source: State Employment Development Department, Labor Market Information Division, as of March 23, 2018.

## Transportation

The San Bernardino Freeway (Interstate 10) runs east-west to the south of the City, separating Upland from Ontario, its neighboring city to the south. The City's main north-south highway, Euclid Avenue, provides the main access to the City from the San Bernardino Freeway and continues southward through the cities of Ontario and Chino. The Foothill Freeway (Interstate 210) runs east-west in the northern part of the City.

Air cargo and passenger flight services are provided at the Ontario International Airport, three miles southeast of Upland, which provides nation-wide and international service to major cities from 13 major carriers and two commuters. All major freight forwarding organizations are represented in the area. Los Angeles International Airport is located approximately 50 miles to the west of the City. General aviation is provided by Cable Airport located within the City limits.

Freight and passenger bus service is provided by Greyhound lines. Los Angeles Metropolitan Transportation Authority (MTA), OmniTrans and Dial-a-Lift operate regional and local bus service. Upland has "Metro-Link" commuter train service at the Upland Town Center Station connecting to the San Bernardino line providing service to Los Angeles and San Bernardino.

## **Community Services and Facilities**

The Upland Police Department has 79 sworn officers and 23 black and white and 12 detective fully equipped police vehicles. The City's fire protection and emergency medical services are provided by the San Bernardino County Fire Department. Health facilities for the City include San Antonio Community Hospital, an acute care facility with a 283-bed capacity and 24-hour basic emergency service. There are approximately 500 physicians on staff at the facility. Upland also has 3 convalescent hospital rest homes.

Educational services are provided by the Upland Unified School District (Kindergarten through twelfth grade), which has a student population of approximately 10,300. Fourteen schools make up the Upland Unified School District system, including ten elementary, two middle schools and two high schools. Chaffey Community College is located in Rancho Cucamonga, and California State Polytechnic University, Pomona, is located approximately 10 miles to the west. The Claremont Colleges, a group of six private colleges, are located adjacent to Upland.

The City's park system encompasses over 234.5 acres designated for parks, plus 57 undeveloped acres designated for a regional park site inclusive of 13 developed parks ranging in area from less than one acre to more than 40 acres. Park amenities include picnic facilities, soccer, softball, and baseball fields. The Recreation Division offers a wide range of recreation and cultural programs and programs for age groups of three years old to seniors. The Upland Public Library has over 142,834 volumes in its book collection and provides reference, information and cultural services to its citizens. The City is also the home of the Chaffey Communities Cultural Center, a non-profit corporation whose mission is to preserve local heritage. Among other things, it owns a museum in downtown Upland that displays collections representative of the San Bernardino West Valley's early heritage.

## **APPENDIX B**

### **RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 2015-1 (SYCAMORE HILLS) OF THE CITY OF UPLAND (IMPROVEMENT AREA NO. 1)**

A Special Tax shall be levied on all Taxable Property within the boundaries of Improvement Area No. 1 of Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland ("CFD No. 2015-1 IA1") and collected each Fiscal Year commencing in Fiscal Year 2016-17, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property within CFD No. 2015-1 IA1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

#### **1. 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. An Acre means 43,560 square feet of land.

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

**"Administrative Expenses"** means the following actual or reasonably estimated costs related to the administration of CFD No. 2015-1 IA1 including, but not limited to: the costs of preparing and computing the Annual Special Tax (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City, 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. 2015-1 IA1, or any designee thereof complying with arbitrage rebate requirements, including without limitation rebate liability costs and periodic rebate calculations; the costs to the City, CFD No. 2015-1 IA1, or any designee thereof complying with disclosure or reporting requirements of the City or CFD No. 2015-1 IA1, associated with applicable federal and State laws; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the City, CFD No. 2015-1 IA1, or any designee thereof related to an appeal of the Special Tax; 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. 2015-1 IA1 for any other administrative purposes of CFD No. 2015-1 IA1, including attorney's fees and other costs related to commencing and pursuing any foreclosure of delinquent Special Taxes.

**"Annual Special Tax"** means the Special Tax actually levied in any Fiscal Year on any Assessor's Parcel.

**"Assessor"** means the Assessor of the County of San Bernardino.

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

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

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

**“Assigned Special Tax”** means the Special Tax of that name described in Section 3.A below.

**“Backup Special Tax”** means the Special Tax of that name described in Section 3.B below.

**“Bonds”** means any bonds or other Debt of CFD No. 2015-1 IA1, whether in one or more series, secured by the levy of Special Taxes.

**“Building Permit”** means a building permit for construction of a Residential Unit within CFD No. 2015-1 IA1 issued by the City.

**“Building Square Footage”** means all of the square footage of usable area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, or similar area. The determination of Building Square Footage shall be made by reference to the Building Permit(s) issued for such Assessor’s Parcel and/or by reference to appropriate records kept by the City.

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

**“CFD Administrator”** means an authorized representative of the City, or designee thereof, responsible for determining the Special Tax Requirement, for preparing the Annual Special Tax roll and/or calculating the Backup Special Tax.

**“CFD No. 2015-1 IA1”** means the Community Facilities District No. 2015-1 (Sycamore Hills) Improvement Area No. 1 of the City of Upland.

**“City”** means the City of Upland, California.

**“Condominium”** means a unit, whether attached or detached, meeting the statutory definition of a condominium contained in the California Civil Code Section 4285.

**“Council”** means the City Council of the City acting as the legislative body of CFD No. 2015-1 IA1 under the Act.

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

**“Debt”** means any binding obligation to pay or repay a sum of money, including obligations in the form of bonds, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts.

**“Debt Service”** means for each Fiscal Year, the total amount of principal and interest payable on any Outstanding Bonds during the Calendar Year commencing on January 1 of such Fiscal Year.

**“Developed Property”** means for each Fiscal Year, all Taxable Property, exclusive of Provisional Property, for which a Building Permit was issued prior to May 1 of the previous Fiscal Year. An Assessor’s Parcel classified as Developed Property but for which the Building Permit that caused such Assessor’s Parcel to be classified as Developed Property has been cancelled and/or voided prior to the Fiscal Year for which Special Taxes are being levied shall be reclassified as Undeveloped Property, provided that the levy of the Annual Special Tax after such reclassification shall not be less than 1.1 times the annual Debt Service less Administrative Expenses on all Outstanding Bonds. If Bonds have not been issued, an Assessor’s Parcel classified as Developed Property for which such a Building Permit has been cancelled and/or voided shall be reclassified as Undeveloped Property.

**“Exempt Property”** means for each Fiscal Year, all Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section 8 below.

**“Final Map”** means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) or recordation of a condominium plan pursuant to California Civil Code 4285 that creates individual lots for which Building Permits may be issued without further subdivision.

**“Fiscal Year”** means the period starting on July 1 and ending 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, and any instrument replacing or supplementing the same.

**“Land Use Class”** means any of the classes listed in Table 1 under Section 3 below.

**“Lot”** means a parcel created by a Final Map on which a Residential Unit can be constructed.

**“Maximum Special Tax”** means for each Assessor’s Parcel, the maximum Special Tax, determined in accordance with Sections 3.C and 3.D below, which may be levied in a given Fiscal Year on such Assessor’s Parcel of Taxable Property.

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

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

**“Prepayment Amount”** means the amount required to prepay the Annual Special Tax obligation in full for an Assessor’s Parcel as described in Section 6.A below.

**“Property Owner Association Property”** means any Assessor’s Parcel within the boundaries of CFD No. 2015-1 IA1 owned in fee by a property owner association, including any master or sub-association.

**“Proportionately”** or **“Proportionate”** means for Developed Property, that the ratio of the actual Special Tax levy to the applicable Assigned Special Tax or Backup Special Tax is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, **“Proportionately”** means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property. **“Proportionately”** may similarly be applied to other categories of Taxable Property as listed in Section 4 below.

**“Provisional Property”** means all Assessor’s Parcels of Public Property, Property Owner Association Property or property that would otherwise be classified as Exempt Property pursuant to the provisions of Section 8, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 8.

**“Public Property”** means any property within the boundaries of CFD No. 2015-1 IA1, which is owned by, or irrevocably offered for dedication to the federal government, the State of California, the County, the City or any other public agency; provided however that any property owned by a public agency and leased to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

**“Residential Property”** means all Assessor’s Parcels of Developed Property for which a Building Permit has been issued for the purpose of constructing one or more Residential Units.

**“Residential Unit”** means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental, separate from adjacent residential dwelling units.

**“Special Tax”** means any special tax levied within CFD No. 2015-1 IA1 pursuant to the Act and this Rate and Method of Apportionment of Special Tax.

**“Special Tax Obligation”** means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax for the remaining life of CFD No. 2015-1 IA1.

**“Special Tax Requirement”** means that amount required in any Fiscal Year to: (i) pay regularly scheduled Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Fees and Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the Annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

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

**“Taxable Property”** means all of the Assessor’s Parcels within the boundaries of CFD No. 2015-1 IA1, which are not exempt from the levy of the Special Tax pursuant to law or Section 8 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 or Provisional Property.

**2. LAND USE CLASSIFICATION**

Each Fiscal Year, beginning with Fiscal Year 2016-17, each Assessor’s Parcel within CFD No. 2015-1 IA1 shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property shall further be classified as Developed Property, Undeveloped Property or Provisional Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment of Special Tax determined pursuant to Sections 3 and 4 below. Furthermore, each Assessor’s Parcel of Developed Property shall be classified according to its applicable Land Use Class based on its Building Square Footage.

**3. SPECIAL TAX RATES**

**A. Assigned Special Tax for Developed Property**

The Assigned Special Tax applicable to an Assessor’s Parcel classified as Developed Property commencing in Fiscal Year 2016-17 shall be determined pursuant to Table 1 below.

**Table 1  
Assigned Special Tax Rates**

<b>Land Use Class</b>	<b>Land Use Type</b>	<b>Building Square Footage</b>	<b>Assigned Special Tax</b>
<b>1</b>	Residential Property	> 2,200	\$4,701 per Residential Unit
<b>2</b>	Residential Property	2,001 – 2,200	\$4,495 per Residential Unit
<b>3</b>	Residential Property	1,801 – 2,000	\$4,309 per Residential Unit
<b>4</b>	Residential Property	1,601 – 1,800	\$3,916 per Residential Unit
<b>5</b>	Residential Property	≤ 1,600	\$3,834 per Residential Unit

**B. Backup Special Tax for Developed Property**

The Backup Special Tax for Developed Property commencing in Fiscal Year 2016-17 shall be \$42,423 per Acre.

For the purpose of calculating the Backup Special Tax, the land area applicable to a Condominium shall be computed from the Acreage of the Lot on which the Condominium is located, with the Acreage for such Lot allocated equally among all of the Condominiums located or to be located on such Lot.

**C. Maximum Special Tax for Developed Property**

The Maximum Special Tax for Developed Property shall be the greater of the Assigned Special Tax for Developed Property and the Backup Special Tax for Developed Property.

**D. Maximum Special Tax for Provisional Property and Undeveloped Property**

The Maximum Special Tax for Provisional Property and Undeveloped Property commencing in Fiscal Year 2016-17 shall be \$42,423 per Acre.

**4. METHOD OF APPORTIONMENT**

For each Fiscal Year, commencing Fiscal Year 2016-17, the CFD Administrator shall levy the Special Tax on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at 100% of the applicable Assigned Special Tax;

Step 2: If additional monies are needed to satisfy the Special Tax Requirement after Step 1 has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property;

Step 3: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Property up to 100% of the Maximum Special Tax for Provisional Property;

Step 4: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax amount determined in Step 1 shall be increased Proportionately on each Assessor's Parcel of Developed Property up to 100% of the Maximum Special Tax for Developed Property.

Notwithstanding the above, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased as a result of a delinquency or default in the payment of the Special Tax applicable to any other Assessor's Parcel within CFD No. 2015-1 IA1 by more than ten percent (10%) above what would have been levied in the absence of such delinquencies or defaults.

**5. COLLECTION OF SPECIAL TAXES**

Collection of the Annual Special Tax shall be made by the County in the same manner as ordinary ad valorem property taxes are collected and the Annual Special Tax shall be subject to the same penalties and the same lien priority in the case of delinquency as ad valorem taxes; provided, however, that the Council may provide for (i) other means of collecting the Special Tax, including direct billings thereof to the property owners; and (ii) judicial foreclosure of delinquent Annual Special Taxes.

**6. PREPAYMENT OF SPECIAL TAX OBLIGATION**

**A. Prepayment in Full**

Property owners may prepay and permanently satisfy the Special Tax Obligation by a cash settlement with the City as permitted under Government Code Section 53344. The following definitions apply to this Section 6:



**“CFD Public Facilities Costs”** means \$7,000,000 or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the facilities to be financed under the Act and financing program for CFD No. 2015-1 IA1, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more Bonds (except refunding bonds).

**“Construction Fund”** means the fund (regardless of its name) established pursuant to the Indenture to hold funds, which are currently available for expenditure to acquire or construct the facilities or pay fees authorized to be funded by CFD No. 2015-1 IA1.

**“Future Facilities Costs”** means the CFD Public Facilities Costs minus (i) costs previously paid from the Construction Fund to acquire or construct the facilities, (ii) monies currently on deposit in the Construction Fund, and (iii) monies currently on deposit in an escrow or other designated fund that are expected to be available to finance CFD Public Facilities Costs.

**“Outstanding Bonds”** means all Previously Issued Bonds, which remain outstanding as of the first interest and/or principal payment date following the current Fiscal Year excluding Bonds to be redeemed at a later date with proceeds of prior Special Tax prepayments.

**“Previously Issued Bonds”** means all Bonds that have been issued prior to the date of prepayment.

The Special Tax Obligation applicable to an Assessor’s Parcel of Developed Property, or Undeveloped Property for which a Building Permit has been issued may be prepaid and the obligation to pay the Special Tax for such Assessor’s Parcel permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor’s Parcel 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 eligible to prepay the Special Tax Obligation shall provide the CFD Administrator with written notice of intent to prepay, and designate or identify the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the Prepayment Amount for such Assessor’s Parcel within thirty (30) days of the request, and may charge a reasonable fee for providing this service. Prepayment must be made at least 60 days prior to any redemption date for the CFD No. 2015-1 IA1 Bonds to be redeemed with the proceeds of such prepaid Special Taxes, unless a shorter period is acceptable to the Trustee and the City.

The Prepayment Amount (defined below) shall be calculated for each applicable Assessor’s Parcel or group of Assessor’s Parcels as summarized below (capitalized terms as defined below):

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

As of the proposed date of prepayment, the Prepayment Amount (defined in Step 14 below) shall be calculated as follows:

**Step No.:**

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, determine the Maximum Special Tax. For Assessor's Parcels of Undeveloped Property for which a Building Permit has been issued, compute the Maximum Special Tax 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. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total expected Maximum Special Tax revenue for CFD No. 2015-1 IA1 assuming all Building Permits have been issued (build-out) within CFD No. 2015-1 IA1, excluding any Assessor's Parcels for which the Special Tax Obligation has been previously prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid for all applicable parcels and round that amount up to the nearest \$5,000 increment (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (expressed as a percentage), if any, on the Outstanding Bonds to be redeemed at the first available call date (the "Redemption Premium").
6. Compute the Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Prepayment 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 expected redemption date for the Outstanding Bonds which, depending on the Indenture, may be as early as the next interest payment date.
9. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Prepayment Amount and the Prepayment Administrative Fees from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
10. Subtract the amount computed in paragraph 9 from the amount computed in paragraph 8 (the "Defeasance Amount").
11. Calculate the administrative fees and expenses of CFD No. 2015-1 IA1, including the costs of computation of the prepayment, the costs to invest the prepayment

proceeds, the costs of redeeming CFD No. 2015-1 IA1, and the costs of recording any notices to evidence the prepayment and the redemption (the "Prepayment Administrative Fees").

12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment calculation date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if, after the Prepayment Amount is calculated, reserve funds are below 100% of the reserve requirement.
13. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
14. The amount to prepay the Special Tax Obligation is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10, and 11, less the amounts computed pursuant to paragraphs 12 and 13 (the "Prepayment Amount").
15. From the Prepayment Amount, the sum of the amounts computed pursuant to paragraphs 4, 5, and 10, less the amounts computed pursuant to paragraphs 12 and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make Debt Service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by CFD No. 2015-1 IA1.

The Prepayment Amount may be sufficient to redeem an amount other than a \$5,000 increment of CFD No. 2015-1 IA1 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 redeem CFD No. 2015-1 IA1 Bonds to be used with the next prepayment of CFD No. 2015-1 IA1 Bonds.

The CFD Administrator will confirm that all previously levied Special Taxes have been paid in full. With respect to any Assessor's Parcel for which the Special Tax Obligation is prepaid in full, once the CFD Administrator has confirmed that all previously levied Special Taxes have been paid, the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of the owner of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the aggregate amount of Maximum Special Taxes less Administrative Expenses that may be levied on Taxable Property, respectively, after the proposed prepayment is at least 1.1 times the Debt Service on all Outstanding Bonds in each Fiscal Year.

## **B. Partial Prepayment**

The Special Tax on an Assessor's Parcel of Developed 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 6.A.; 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
- $P_E$  = the Prepayment Amount calculated according to Section 6.A
- F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax Obligation
- A = the Prepayment Administrative Fees and Expenses from Section 6.A

The owner of any Assessor's Parcel who desires such partial prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax Obligation, (ii) the percentage by which the Special Tax Obligation shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax Obligation for an Assessor's Parcel within sixty (60) 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 City shall (i) distribute the funds remitted to it according to Section 6.A., and (ii) indicate in the records of CFD No. 2015-1 IA1 that there has been a partial prepayment of the Special Tax Obligation and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage  $(1.00 - F)$  of the Maximum Special Tax, shall continue to be levied on such Assessor's Parcel.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the aggregate amount of Maximum Special Taxes less Administrative Expenses that may be levied on Taxable Property, respectively, after the proposed partial prepayment is at least 1.1 times the Debt Service on all Outstanding Bonds in each Fiscal Year.

## **7. TERM OF SPECIAL TAX**

The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed forty (40) Fiscal Years commencing with Fiscal Year 2016-17, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on CFD No. 2015-1 IA1 bonds have been paid.

## **8. EXEMPTIONS**

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels of Public Property, (ii) Assessor's Parcels of Property Owner Association Property, or (iii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, (iv) Assessor's Parcels with public or utility

easements making impractical their utilization for other than the purposes set forth in the easement, and (v) Assessor's Parcels of Developed Property classified as Non-Residential Property as determined reasonably by the CFD Administrator, provided that no such classification would reduce the sum of all Taxable Property in CFD No. 2015-1 IA1 to less than 14.27 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in CFD No. 2015-1 IA1 to less than 14.27 Acres shall be classified as Provisional Property and will continue to be subject to the CFD No. 2015-1 IA1 Special Taxes accordingly. Tax exempt status for the purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of Section 8 above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

## **9. APPEALS**

Any landowner who pays the Special Tax and claims the amount of the Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than thirty-six (36) months after first having paid the first installment of the Special Tax that is disputed. If following such consultation the CFD Administrator determines that an error has occurred, then the CFD Administrator shall take any of the following actions, in order of priority, in order to correct the error:

- (i) Amend the Special Tax levy on the landowner's Assessor's Parcel(s) for the current Fiscal Year prior to the payment date,
- (ii) Require the CFD to reimburse the landowner for the amount of the overpayment to the extent of available CFD funds, or
- (iii) Grant a credit against, eliminate or reduce the future Special Taxes on the landowner's Assessor's Parcel(s) in the amount of the overpayment.

If following such consultation and action by the CFD Administrator the landowner believes such error still exists, such person may file a written notice of appeal with the City Council. Upon the receipt of such notice, the City Council or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. If the City Council or designee determines an error still exists, the CFD Administrator shall take any of the actions described as (i), (ii) and (iii) above, in order of priority, in order to correct the error.

The City Council or designee thereof shall interpret this Rate and Method of Apportionment of Special Tax for purposes of clarifying any ambiguities and make determinations relative to the administration of the Special Tax and any landowner appeals. The decision of the City Council or designee shall be final.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX C**  
**APPRAISAL REPORT**

[THIS PAGE INTENTIONALLY LEFT BLANK]



**APPRAISAL REPORT**

**CITY OF UPLAND  
COMMUNITY FACILITIES DISTRICT NO. 2015-1, IA-1  
SYCAMORE HILLS  
UPLAND, CA**

Prepared for:

**CITY OF UPLAND  
460 North Euclid Avenue  
Upland, CA 91785**

**James B. Harris, MAI  
Harris Realty Appraisal  
5100 Birch Street, Suite 200  
Newport Beach, CA 92660**

April 2019

# Harris Realty Appraisal

---

5100 Birch Street, Suite 200  
Newport Beach, California 92660  
949-851-1227 FAX 949-851-2055  
www.harris-appraisal.com  
April 25, 2019

Mr. Robert Dalquest  
Director, Development Services  
CITY OF UPLAND  
460 North Euclid Avenue  
Upland, CA 91785

Re: Appraisal Report  
City of Upland - Community Facilities District No. 2015-1, IA-1  
**Sycamore Hills**

Dear Mr. Dalquest:

In response to your authorization, I have prepared an appraisal report that addresses all of the property within the boundaries of Community Facilities District (CFD) No. 2015-1 (District), Improvement Area No. 1 (IA-1), Sycamore Hills. According to the specific guidelines of the City of Upland, and its Underwriter, this report includes an estimate of Minimum Market Value of all the property subject to the Special Tax within IA-1 of the District. The property is under the ownership of one merchant builder, Taylor Morrison of California, LLC and 35 individual homeowners in two products, Linden and Avenue. IA-1 of the District is proposed to include 145 dwellings, of which 60 are built or under construction and 85 lots are in a physically finished condition. The community name for CFD No. 2015-1, IA-1, is Westridge at Sycamore Hills.

The appraisal includes a mass appraisal analysis for the completed and occupied dwelling units, which results in a Minimum Market Value for the 35 closed dwellings. Please review the definitions of Minimum Market Value and Mass Appraisal listed in the definitions section of this report. The dwellings under construction are valued with consideration to their construction completion and current market conditions. The physically finished lots are valued with consideration to both the Direct Comparison Approach to value and the Static Residual Analysis.

According to the specific guidelines of the California Debt and Investment Advisory Commission (CDIAC), each ownership is valued in bulk, representing a discounted value to each ownership as of the date of value. The aggregate value of the closed dwellings and the land and dwellings in various stages of construction under the ownership of Taylor Morrison of California, LLC, are considered Minimum Market Value for CFD No. 2015-1, IA-1, Sycamore Hills, as of the date of value.

Mr. Robert Dalquest  
April 25, 2019  
Page Two

Based on the investigation and analyses undertaken, my experience as a real estate appraiser, and subject to all the premises, assumptions and limiting conditions set forth in this report, the following opinions of Minimum Market Value have been formed as of April 15, 2019.

**Community Facilities District No. 2015-1, IA-1**  
**FORTY-SIX MILLION FIVE HUNDRED DOLLARS**  
**\$46,500,000**

**Individual Homeowners – 35 Completed Dwellings**  
**NINETEEN MILLION DOLLARS**  
**\$19,000,000**

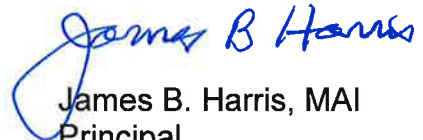
**Taylor Morrison of California, LLC. – 110 Lots/Dwelling**  
**TWENTY-SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS**  
**\$27,500,000**

The self-contained appraisal report which follows sets forth the data and analyses upon which my opinion of value is, in part, predicated. This report has been prepared for the City of Upland for use in the sale of Community Facilities District No. 2015-1, IA-1 bonds. The intended users of this report are the City of Upland, its underwriter, legal counsel, consultants, and potential bond investors. This appraisal has been prepared in accordance with and is subject to the requirements of *The Appraisal Standards for Land Secured Financing* as published by the California Debt and Investment Advisory Commission; the *Uniform Standards of Professional Appraisal Practice* (USPAP) of the Appraisal Foundation; and the *Code of Professional Ethics* and the *Standards of Professional Appraisal Practice* of the Appraisal Institute.

Mr. Robert Dalquest  
April 25, 2019  
Page Three

I meet the requirements of the Competency Provision of the *Uniform Standards of Professional Appraisal Practice*. A statement of my qualifications appears in the Addenda.

Respectfully submitted,

  
James B. Harris, MAI  
Principal  
AG001846

**City of Upland**  
**Community Facilities District No 2015-1**  
**Improvement Area 1**  
**Sycamore Hills**

**210 Freeway**

Future City of Upland Sports Park

**Parkview**

**Baseline Rd**

Boundaries Approximate

9310\_041319

**SUMMARY OF FACTS AND CONCLUSIONS**

<b>EFFECTIVE DATE OF APPRAISAL</b>	April 15, 2019	
<b>DATE OF REPORT</b>	April 25, 2019	
<b>INTEREST APPRAISED</b>	Fee Simple Estate, subject to special tax liens	
<b>LEGAL DESCRIPTION</b>	CFD No. 2015-1, IA-1 Lot 1, Tract 18707 (145 Units)	
<b>OWNERSHIPS</b>	<b>Individual homeowners:</b> <i>The Avenue – 19 Units</i> Units 77-83, 85, 87-89, 91-93, 132 – 136 Tract 18707 (19 Units)  <i>The Linden – 16 Units</i> Units 1, 4-5, 72-76, 107, 109-110, 112-113, 115-116, 118 Tract 18707 (16 Units)  <b>Taylor Morrison of California, LLC</b> <i>The Avenue – 46 Units</i> Units 57-70, 84, 86, 90, 94-106, 125-131, 137-145 Tract No. 18707-46 Units  <i>The Linden – 64 Units</i> Units 2-3, 6-56, 71, 108, 111, 114, 117, 119-124, Tract 18707 (64 Units)	
<b>SITE CONDITION</b>	4 model homes completed, 35 production homes closed, 15 dwellings completed but not closed, 6 production homes under construction, and 85 physically finished lots.	
<b>HIGHEST AND BEST USE</b>	Continued residential development within the Westridge at Sycamore Hills	
<b>VALUATION CONCLUSIONS</b>	<b>MINIMUM MARKET VALUE</b>	<b>\$46,500,000</b>
	<b>Individual Homeowners (35 DUs)</b>	<b>\$19,000,000</b>
	<b>Taylor Morrison of California, LLC (110 lots/DUs)</b>	<b>\$27,500,000</b>

## TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
Transmittal Letter .....	i
Summary of Facts and Conclusions .....	iv
Aerial .....	v
Table of Contents.....	vi
Introduction .....	1
Area Description .....	13
Site Analysis .....	28
Improvement Description .....	37
Highest and Best Use .....	40
Valuation Methodology .....	48
Valuation of Dwelling Units .....	51
Valuation of Dwellings Under Construction.....	53
Valuation of Finished Lots .....	55
Valuation Conclusion .....	66
Certification .....	67
 Addenda	
Qualifications	
Ownerships	
Sales by Year	

# HRA

## INTRODUCTION

### Purpose of the Report

The purpose of this appraisal is to estimate the Minimum Market Value for the *fee simple estate, subject to special tax liens* for all taxable property within the City of Upland Community Facilities District No. 2015-1, IA-1, (CFD No. 2015-1, IA-1). The purpose of this appraisal is to estimate the "As Is" Minimum Market Value of the land and improvements within IA-1 of the District under the ownerships of Taylor Morrison of California, LLC, and 35 individual homeowners. CFD No. 2015-1, IA-1 generally conforms to Tract No. 18707, in Upland. The master planned community is known as Westridge at Sycamore Hills.

The opinions of value set forth are subject to the assumptions and limiting conditions set forth in this appraisal and the appraisal guidelines as set forth by the City of Upland for CFD financing.

### Function of the Report and Intended Use

It is our understanding that this appraisal report is to be used for Community Facilities District bond purposes only. The subject properties are described more particularly within this report. The bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The maximum authorized bond indebtedness for CFD No. 2015-1, IA-1 is \$10,000,000.

### Client and Intended Users of the Report

This report was prepared for our client, the City of Upland. The intended users of the report include the City, its legal counsel, financial advisor, underwriter, consultants, and potential bond purchasers.

### Scope of the Assignment

According to the CDIAAC guidelines, the total value conclusion includes the "As Is" estimate of Minimum Market Value for the property under the ownerships of the developer/merchant builder, and 35 individual ownerships within the boundaries of IA-1 of the District. This is a fully documented self-contained appraisal report. Any lands designated for school, park, open space or civic uses within CFD No. 2015-1, IA-1 not



# HRA

subject to special tax are not included in this assignment. The residential property is valued in its "as is" condition as of the date of value. Site development for the subject property ranges from physically finished lots to completed and sold dwelling units.

The residential land is valued in its "as is" condition as of the date of value. Site development for the subject property is to a near finished lot condition, plus completed model homes and production homes. The exhibit on the next page illustrates the condition and construction of the proposed development within IA-1 of the District.

I have analyzed the subject property based upon the proposed uses and my opinion of its highest and best use. I have searched for sales of residential land to estimate the value of the property.

The following paragraphs summarize the process of collecting, confirming and reporting of data used in the analysis.

1. Gathered and analyzed demographic data from sources including the California Department of Finance (population data), Employment Development Department of the State of California (employment data), City of Upland (zoning information, building permit trends), Upland Chamber of Commerce (local demographic trends), Metrostudy (housing sales, inventory levels, and absorption), and sales personnel of comparable projects (market trends of individual home sales). Subject property information was obtained from the builder and their consultant.
2. Inspected the subject's neighborhood and reviewed proposed product and similar products for consideration of Highest and Best Use of the proposed lots.
3. Gathered and analyzed comparable merchant builder land sales within the Upland market areas, and residential detached unit sales, within the subject's primary and secondary market areas. Data was gathered from sources including, Comps.com, brokers, appraisers, builders active in the area and developers within the Southern California area. Where feasible, data were confirmed with both the buyer and seller. The data gathered are presented on summary data sheets within this report.

**City of Upland**  
 CFD No. 2015-1, IA-1  
 Lot Condition/Status  
 4/15/2019  
**Homeowners - 35 Lots**  
**Taylor Morrison of California, LLC Ownership - 110 Lots**

Product Name	The Linden	The Avenue	Total
<b>Completed Dwellings</b>	<b>28</b>	<b>26</b>	<b>54</b>
Models	2	2	4
Production Dwellings	26	24	50
Closed Sales - Production	16	19	35
Completed Not Closed - Production	10	5	15
<i>Merchant Builder Owned Dwellings</i>	12	7	19
<i>(includes models and not closed completed dwelling units)</i>			
<b>Dwellings Under Construction</b>	<b>0</b>	<b>6</b>	<b>6</b>
Framing	0	6	6
Wrapped	0	0	0
Stucco	0	0	0
Near-Complete	0	0	0
<b>Physically Finished Lots</b>	<b>52</b>	<b>33</b>	<b>85</b>
<b>Totals Per Product</b>	<b>80</b>	<b>65</b>	<b>145</b>

# HRA

## **Date of Value and Report**

The opinion of Minimum Market Value expressed in this report is stated as of April 15, 2019. The date of the appraisal report is April 25, 2019.

## **Date of Inspection**

The subject property was inspected on several occasions, with the most recent on April 13, 2019.

## **Property Rights Appraised**

The property rights appraised are those of the *fee simple estate subject to special tax liens* of the real estate described herein.

## **Property Identification**

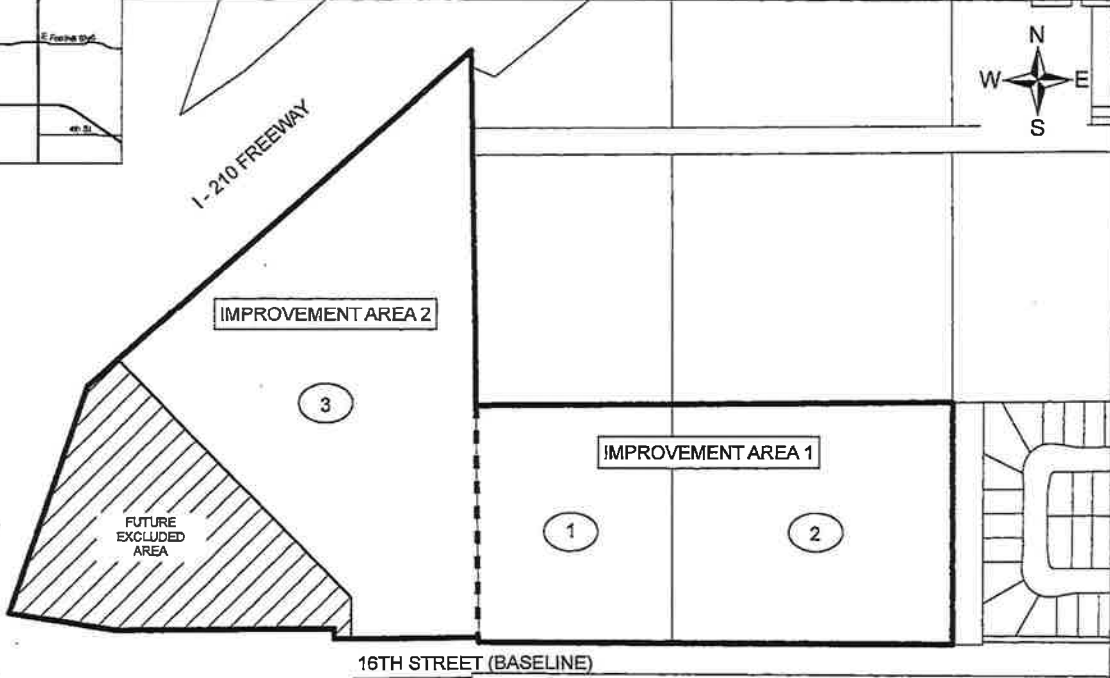
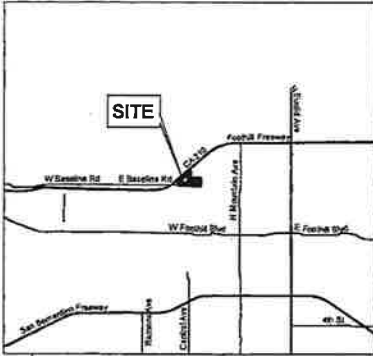
The subject property, CFD No. 2015-1, IA-1, includes approximately 16± gross acres and 11± net acres in the master planned community known as Westridge at Sycamore Hills. Westridge at Sycamore Hills is located within the City limits of Upland, in San Bernardino County, California. Westridge at Sycamore Hills is located in the western portion of Upland. The community is generally bounded by Baseline Road to the south and Parkview Promenade to the west. Sand and gravel quarries are located south of Baseline Road. A new neighborhood shopping center, known as Sycamore Hills Plaza, is on the northside of Baseline Road, to the west of CFD. No. 2015-1, IA-1. Future detached residential development is proposed northwest of CFD No. 2015-1, IA-1. A future City Sports Park is proposed for the northside of CFD No. 2015, IA-1.

The subject property consists of 4 model homes, 50 completed production dwellings, six dwellings under unit construction and 85 physically finished lots. IA-1 of the District in its entirety consists of 11± net acres according to the tract map. Please refer to the following page for a copy of the boundary map for CFD No. 2015-1, IA-1.

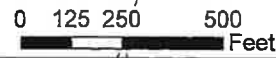
**PROPOSED BOUNDARIES OF  
COMMUNITY FACILITIES DISTRICT NO. 2015-1  
(SYCAMORE HILLS)**

CITY OF UPLAND  
COUNTY OF SAN BERNARDINO  
STATE OF CALIFORNIA

VICINITY MAP



- Legend**
- DISTRICT BOUNDARY
  - MAP REFERENCE NUMBER
  - FUTURE EXCLUDED AREA
  - IMPROVEMENT AREA BOUNDARY



MAP REFERENCE NUMBER	ASSESSOR'S PARCEL NUMBER	IMPROVEMENT AREA
1	1005-481-01	1
2	1005-481-02	1
3	1005-491-04	2

Filed in the office of the City Clerk of City of Upland this 18 day of October, 2015

*[Signature]*  
City Clerk  
City of Upland

I hereby certify that the within map showing the proposed boundaries of Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland, County of San Bernardino, State of California, was approved by the City Council of City of Upland at a regular meeting thereof, held on this 18 day of October, 2015, by its Resolution No. 4301

*[Signature]*  
City Clerk  
City of Upland

Reference is hereby made to the Assessor Maps of the County of San Bernardino for an exact description of the lines and dimensions of each lot and parcel.

San Bernardino County Recorder's Certificate

This map has been filed under Document Number 2015-0465103, this 27 day of OCTOBER, 2015, at 4:01 P.M., in Book 87 of ASSESSMENT MAPS at page 2, at the request of CITY OF UPLAND, in the amount of \$10.00.

Bob Dutton  
Assessor-Recorder-Clerk  
County of San Bernardino

By: *[Signature]*  
Deputy Recorder

Recorded to Official Records,  
County of San Bernardino  
Book 2015-0465103  
PAGE 12 431 PM



# HRA

## Legal Description and Ownership

The land within IA-1 of the District is under the ownerships of Taylor Morrison of California, LLC and 35 individual homeowners. Taylor Morrison of California, LLC owns 110 lots/dwellings within CFD No. 2015-1, IA-1. Thirty-five dwellings have closed escrow to individual homeowners as of the date of value. Please refer to the Addenda of this report for a lot by lot summary of ownerships.

## Property History

Based on our research through public records, and information provided by the builder, Taylor Morrison of California, LLC purchased the property from Bravepark Property, LLC on September 21, 2017. The purchase price was \$27,429,500. The net purchase price for the 145 lots was \$189,169 per lot. The site was in a rough-graded condition with entitlements, at the time of sale. The finished lot price was \$300,000 per lot.

To the best of the appraiser's knowledge, other than the home sales to individual homeowners, there have not been any other transfers of the subject property over the previous three years.

## Definitions

### **Market Value<sup>1</sup>**

The most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (a) Buyer and seller are typically motivated.
- (b) Both parties are well informed or well advised, and each acting in what he considers his own best interest.
- (c) A reasonable time is allowed for exposure in the open market.

---

<sup>1</sup> Part 563, subsection 563.17-1a(b)(2), Subchapter D, Chapter V, Title 12, Code of Federal Regulations.

# HRA

- (d) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- (e) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

## **Minimum Market Value**

It may be appropriate for projects that have built-out and occupied product to use mass appraisal techniques. When conforming groups of property types within the same CFD are built and have achieved a stabilized occupancy, appraiser may use a limited valuation analysis to value a sampling of similar properties. In this analysis, the overall average sales price per square foot for each product is compared for each year. A conservative estimate of value per square foot is used in estimating Minimum Market Value for the 35 built and closed dwellings within CFD No. 2015-1, IA-1.

## **Mass Appraisal**

When a tract or project is built-out and absorbed, the appraiser may use an aggregate value estimate based upon *conservative per dwelling unit estimates*. It is implicit in mass appraisal that some individual value conclusions will not meet standards of reasonableness, consistency and accuracy. *However, appraisers engaged in mass appraisal have a professional responsibility to ensure that, on an overall basis, the value conclusions meet attainable standards of accuracy.* The appraiser has used an average conservative value for the average size unit within IA-1 of the District. By utilizing average value estimates, individual home values could be higher or lower, depending on unit size. However, on an overall basis, the value conclusions are reasonable and meet attainable standards of accuracy.

## **Fee Simple Estate<sup>2</sup>**

Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government.

## **Fee Simple Estate Subject to Special Tax and Special Assessment Liens**

Empirical evidence (and common sense) suggests that the selling prices of properties encumbered by such liens are discounted compared to properties free and clear of such liens. In new development projects, annual special tax and/or special assessment payments can be substantial, and prospective buyers take this added tax burden into account when formulating their bid prices. Taxes, including special taxes, are legally distinct from assessments.

---

<sup>2</sup> *The Dictionary of Real Estate Appraisal*, Third Edition, published by The Appraisal Institute, 1993, Page 140

# HRA

The Minimum Market Value included herein, reflects the value potential buyers would consider given the special tax lien of CFD No. 2015-1, IA-1 for the City of Upland.

## **Retail Value**

Retail value should be estimated for all fully improved and sold properties. Retail value is an estimate of what an end user would pay for a finished property under the conditions requisite to a fair sale.

## **Blue-Top Graded Parcel**

Blue-top graded parcel includes streets cut and padded lots with utilities stubbed to the parcel and perimeter streets installed.

## **Physically Finished Site**

Near finished site condition, requiring final street cap, sidewalks and development fees.

## **Finished Site<sup>3</sup>**

Land that is improved so that it is ready to be used for a specific purpose. (Improvements include padded lot, streets and utilities to the lot, and all fees required to issue a building permit paid.)

## **Extraordinary Assumptions, Assumptions and Limiting Conditions**

Standards Rule ("S.R.") 2-1(c) of the "Standards of Professional Appraisal Practice" of the Appraisal Institute requires the appraisers to "clearly and accurately disclose any extraordinary assumption or limiting condition that directly affects an appraisal analysis, opinion, or conclusion." In compliance with S.R. 2-1(c) and to assist the reader in interpreting the report, the following contingencies, assumptions and limiting conditions are set forth as follows:

### **Extraordinary Assumptions of the Appraisal**

It is assumed that all conditions for site development as indicated in the Conditions of Approval have been completed. *It is a specific contingency and assumption of this appraisal report that the costs reported are accurate. Any variance in costs could impact the value conclusions reported in this appraisal report.*

---

<sup>3</sup> Ibid, Page 334

# HRA

It is assumed that CFD No. 2015-1, IA-1 bond proceeds, in combination with development impact fees credits available to the builder pursuant to a development agreement with the city of Upland will be sufficient to offset all remaining city development impact fees.

The opinions of values expressed in this report do not apply to any specific dwelling unit.

The opinions of value rely on the information provided by the District's Special Tax Consultant, which we have assumed to accurately describe the properties within CFD No. 2015-1, IA-1. It is a specific assumption of this appraisal that the appraiser has been provided with a summary of all the parcels subject to special tax within IA-1 of the CFD.

## **Assumptions and Limiting Conditions**

No responsibility is assumed by your appraiser for matters that are legal in nature. No opinion of title is rendered, and the property is appraised as though free of all encumbrances and the title marketable. No survey of the boundaries of the property was undertaken by your appraiser. All areas and dimensions furnished to your appraiser is presumed to be correct.

The date of value for which the opinions of Minimum Market Value expressed in this report is April 15, 2019. The dollar amount of this value opinion is based on the purchasing power of the United States dollar on that date.

Maps, plats, and exhibits included herein are for illustration only, as an aid for the reader in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.

Oil, gas, mineral rights and subsurface rights were not considered in making this appraisal unless otherwise stated and are not a part of the appraisal, if any exist.

The appraiser has requested copies of geotechnical/soils reports and site assessment reports. As of the date of the appraisal report, the appraiser has not been provided with soils reports for review. For purposes of this appraisal, the soil is assumed to be of adequate load-bearing capacity to support all the proposed uses.

The appraiser was provided with one preliminary title report. The preliminary report was prepared by First American Title Company, dated March 5, 2019. For purposes of this appraisal, I am not aware of any easements, encroachments or restrictions that would adversely impact the value of the subject properties. The lien for CFD No. 2015-1, IA-1 was reported on the title policy.



# HRA

The appraiser has not been provided with plans or specifications for the existing or proposed dwellings within IA-1 of the District. For purposes of this appraisal, I have assumed that the quality of construction, functional utility, amenities and features will meet market demand for new product in the market area in which the subject is located. This is a specific assumption of the value estimate included in the report.

Information contained in this report has been gathered from sources which are believed to be reliable, and, where feasible, has been verified. No responsibility is assumed for the accuracy of information supplied by others.

Since earthquakes are common in the area, no responsibility is assumed for their possible effect on individual properties, unless detailed geologic reports are made available.

The appraiser has inspected as far as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representations are made as to these matters unless specifically considered in the report.

The appraiser assumes no responsibility for economic or physical factors that may occur after the date of this appraisal. The appraiser, in rendering these opinions, assumes no responsibility for subsequent changes in management, tax laws, environmental regulations, economic, or physical factors that may or may not affect said conclusions or opinions.

No engineering survey, legal, or engineering analysis has been made by me of this property. It is assumed that the legal description and area computations furnished are reasonably accurate. However, it is recommended that an analysis be made for exact verification through appropriate professionals before demising, hypothecating, purchasing or lending occurs.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during the appraisers' inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test for such substances or conditions.

The presence of such substances such as asbestos, urea formaldehyde, foam insulation, or other hazardous substances or environmental conditions may affect the value of the property. The value estimated herein is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering

# HRA

knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate if so desired.

The cost and availability of financing help determine the demand for and supply of real estate and therefore affect real estate values and prices. The transaction price of one property may differ from that of an identical property because financing arrangements vary.

The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.

The forecasts of future events that influence the valuation process are predicated on the continuation of historic and current trends in the market.

The property appraised is assumed to be in full compliance with all applicable federal, state, and local environmental regulations and laws, and the property is in conformance with all applicable zoning and use ordinances/restrictions, unless otherwise stated.

The *Americans with Disabilities Act* ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect on the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible non-compliance with the requirements of the ADA in estimating the value of the property.

I shall not be required, by reason of this appraisal, to give testimony or to be in attendance in court or any governmental or other hearing with reference to the property without prior arrangements having first been made with the appraiser relative to such additional employment.

In the event the appraiser is subpoenaed for a deposition, judicial, or administrative proceeding, and is ordered to produce his appraisal report and files, the appraiser will immediately notify the client.

The appraiser will appear at the deposition, judicial, or administrative hearing with his appraisal report and files and will answer all questions unless the client provides the appraiser with legal counsel who then instructs him not to appear, instructs him not to produce certain documents, or instructs him not to answer certain questions. These instructions will be overridden by a court order which the appraiser will follow if legally required to do so. It shall be the responsibility of the client to obtain a protective order.

# HRA

The appraiser has personally inspected the subject property; however, no opinion as to structural soundness of existing improvements or conformity to any applicable building code is made. The appraiser assumes no responsibility for undisclosed structural deficiencies/conditions. No consideration has been given in this appraisal to personal property located on the premises; only the real estate has been considered unless otherwise specified.

James B. Harris is a Member of the Appraisal Institute. The Bylaws and Regulations of the Institute require each Member and Associates to control the uses and distribution of each appraisal report signed by such Member or Associates. Except as hereinafter provided, possession of this report, or a copy of it, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser and in any event only with properly written qualification and only in its entirety. **The City of Upland, its underwriter, financial advisor and legal counsel may publish this report in the Official Statement for this CFD.**

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, public relations, news media or any other public means of communication without the prior consent and approval of the undersigned.

The acceptance of and/or use of this appraisal report by the client or any third party constitutes acceptance of the following conditions:

**The liability of Harris Realty Appraisal and the appraiser responsible for this report is limited to the client only and to the fee actually received by the appraiser. Further, there is no accountability, obligation or liability to any third party. If the appraisal report is placed in the hands of anyone other than the client for whom this report was prepared, the client shall make such party and/or parties aware of all limiting conditions and assumptions of this assignment and related discussions. Any party who uses or relies upon any information in this report, without the preparer's written consent, does so at his own risk.**

**If the client or any third party brings legal action against Harris Realty Appraisal or the signer of this report and the appraiser prevails the party initiating such legal action shall reimburse Harris Realty Appraisal and/or the appraiser for any and all costs of any nature, including attorneys' fees, incurred in his defense.**

## AREA DESCRIPTION

The following section of this report will summarize the major demographic and economic characteristics such as population, employment, income and other pertinent characteristics for San Bernardino County, City of Upland and the subject market areas.

### San Bernardino County

San Bernardino County consists of 24 individual cities and numerous unincorporated communities. San Bernardino County is typically grouped with adjacent Riverside County to form the Riverside-San Bernardino Metropolitan Statistical Area. This area is commonly called the Inland Empire. San Bernardino County is bounded by Los Angeles County to the west, Kern County to the north, the state of Nevada to the east, and Riverside County to the south. San Bernardino County covers 20,160 square miles, of which 90% is desert.

The major urbanized areas are located in the western portion of the County. The major incorporated cities include the cities of San Bernardino, Fontana, Ontario, Chino, and Rancho Cucamonga. These areas are the most active areas for new growth.

### **Population**

San Bernardino County has added over 1,280,000 new residents since 1980 as illustrated in the following exhibit. As of January 2018, the countywide population stood at 2,175,000 residents. Since 2011, annual population gains, from natural increase and immigration, have ranged from 9,400 persons in 2014 up to 35,300 persons in 2016. During the decade of the 1980's, the average annual increase was 52,336 persons. During the 1990's the average annual increase was 29,106 persons. From 2000 to 2009 the average annual increase was 38,578. However, over the last five years, the average annual increase was only 19,740 persons per year. This shows the weaknesses caused by the past recession and the collapse of the real estate market. Recent trends over the last nine years represent annual changes of a 0.5% to 1.7%.

**San Bernardino County  
Population Trends  
1980-2018**

<u>Year<sup>1</sup></u>	<u>Population</u>	<u>Average Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
1980	895,016	--	--
1990	1,418,380	52,336	5.8%
2000	1,709,434	29,105	2.1%
2010	2,035,210	32,518	1.9%
2011	2,052,400	17,190	0.8%
2012	2,063,900	10,500	0.5%
2013	2,076,300	12,400	0.6%
2014	2,085,700	9,400	0.5%
2015	2,104,300	18,600	0.9%
2016	2,139,600	35,300	1.7%
2017	2,160,300	20,700	1.0%
2018	2,175,000	14,700	0.7%

<sup>1</sup>April 1, 1980, 1990, 2000, 2010; all other years January 1  
 Source: California Department of Finance, SANBAG, U.S.  
 Census 5/18

The future rate of growth within the County will depend on a number of factors. Some of the major factors include availability of developable land, availability of water, national and regional economic climate and public policy toward growth. The recent resurgence of the real estate market should improve the growth rate of the population.

## **Employment**

Employment data for San Bernardino County are compiled for the entire MSA, which includes San Bernardino and Riverside Counties. These counties have a diverse economy, with manufacturing, construction and tourism being the major industry groups. In conjunction with the rapid population growth experienced in the past two decades, the employment base continued to grow and diversify until 2007. The Inland Empire's unemployment rate is above the Southern California average and higher than the State. The higher unemployment rate is due to the seasonal nature of agricultural employment in the area and the sharp decline in construction, manufacturing and logistics jobs. The following exhibit illustrates the area's unemployment compared to California as of February 2019. Unemployment rates have

# HRA

surpassed the previous record low of 5%± in 2006. The unemployment rate peaked in July 2010 at 15.1%.

	<u>Labor Force</u>	<u>Unemployment</u>
California	19,592,700	4.4%
Inland Empire	2,074,500	4.3%

The most common measure of employment growth is the increase in nonagricultural employment. Nonagricultural employment is outlined in the following exhibit. Beginning in the 1980's, the Inland Empire's employment base expanded rapidly as the area moved away from its military and government-oriented employment base to a more fully diversified economy.

Nonagricultural employment has grown from an annual average of 443,100 jobs in 1983 to 1,504,200 jobs in 2018. This represents an increase of over 1,000,000 new jobs created in San Bernardino and Riverside Counties during the past 36 years. Job gains peaked in 1990 with 67,700 new jobs. Since 2000, job increases have ranged from a negative 79,900 new jobs in 2009, to a near record increase of 63,200 new jobs in 2004. However, during 2008, 2009 and 2010, the Inland Empire had losses of over 140,000 jobs. That reduced employment back to 2003-2004 levels. During 2013 and 2014 there was an increase of 105,100 jobs. In 2015, there was an increase of 61,900 jobs, a 4.8% increase. In 2016, employment increased 4.0% to 1,400,800. In 2017, employment increased 3.6% to 1,451,600 jobs. In 2018, employment increased 3.6% to 1,504,200 jobs. 2018 is a new record high employment. Employment levels between 2015 and 2018 are at record high levels. Over the last five years, job growth has ranged from 3.6 to 4.8%. The following table illustrates the annual employment trends from 1983 through 2018. In February 2019, the non-agricultural employment was 1,506,900, a 1.2% increase from February 2018.

## San Bernardino-Riverside MSA Employment Trends 1983-2018

<u>Year</u>	<u>Employment</u>	<u>Average Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
1983	443,100	--	--
1990	735,200	41,700	9.4%
2000	995,100	25,990	3.5%
2001	1,037,300	42,200	4.2%
2002	1,073,000	35,700	3.4%
2003	1,110,100	37,100	3.5%
2004	1,173,300	63,200	5.7%
2005	1,236,200	62,900	5.4%
2006	1,282,400	46,200	3.7%
2007	1,286,200	3,800	0.3%
2008	1,243,100	(43,100)	(3.4%)
2009	1,163,200	(79,900)	(6.4%)
2010	1,144,700	(18,500)	(1.6%)
2011	1,148,000	3,300	0.3%
2012	1,180,000	32,000	2.8%
2013	1,231,900	51,900	4.4%
2014	1,285,100	53,200	4.3%
2015	1,347,000	61,900	4.8%
2016	1,400,800	53,800	4.0%
2017	1,451,600	50,800	3.6%
2018	1,504,200	52,600	3.6%

2018 Benchmark

Source: Employment Development Department 3/19

Employment among the individual industry categories reflects changes in the Inland Empire economy. Construction employment gains generally mirror the regional economy. In response to the high level of construction activity that occurred in the County during the period from 1984 to 1989, construction employment reached nearly three times the level recorded in 1982. From 1992 through 1995, construction employment declined in response to decreased building activity. The 2006 levels were more than triple the 1993 low. However, from 2006, construction jobs declined 27.5% to 59,100 jobs in 2011. Since 2011, construction jobs have increased to 104,800 in 2018. The 2018 employment is up 77.3% from the low mark of 59,100 construction jobs in 2011.

The number of manufacturing jobs in the Inland Empire has increased over 25% from the levels recorded in 1991. However, manufacturing jobs declined 5.5% from the 2000 high

# HRA

of 119,200 jobs to 115,400 jobs by 2002, then increased back to 123,400 in 2006, but declined to 85,100 in 2011. Small increases occurred over the last seven years, up to 101,300 jobs in 2018. Due to the high labor and capital costs in Los Angeles and Orange Counties, manufacturing firms have expanded or relocated some of their manufacturing operations to Riverside and San Bernardino Counties to take advantage of the labor force and lower land costs. The following table lists the largest employers in San Bernardino and Riverside Counties.

<b>Inland Empire Major Employers</b>		
<b>Name of Company</b>	<b>Local Employees</b>	<b>Type of Business or Entity</b>
County of Riverside	22,038	Local Government
Arrowhead Regional Medical Center	18,000	Health Care
Stater Bros. Markets	18,000	Supermarket
County of San Bernardino	17,395	Local Government
March Air Reserve Base	9,000	Military
University of California, Riverside	8,829	Higher Education
S.B. City Unified School District	8,574	Education
Ontario International Airport	7,510	Aviation
Kaiser Permanente, Fontana	5,682	Health Care
Kaiser Permanente, Riverside	5,500	Health Care
Corona-Norco USD	5,478	Education
Pechanga Resort and Casino	4,750	Casino/Resort
Loma Linda University Med. Center	4,676	Health Care
Riverside Unified School District	4,200	Education
Hemet USD	4,058	Education
Fontana USD	4,010	Education
Riverside University Medical Center	3,965	Health Care
Loma Linda University Medical Ctr	3,906	Health Care
Morongo Casino	3,800	Casino/Resort
Eisenhower Medical Center	3,700	Health Care

Source: San Bernardino Area Chamber of Commerce, County of Riverside CAFR

Transportation and public utilities employment tend to mirror population growth. In the Inland Empire, the finance, insurance and real estate ("FIRE") category is still a small segment of the employment picture.



# HRA

A significant number of the new jobs created in the last 15 years have been created in the service sector. The service sector will continue to play a major role in employment growth during the next few years. Government employment is a major employment sector in the Inland Empire due to the rapid population growth; however, government employment declined from 235,200 jobs in 2009 to 224,600 jobs in 2012. In 2018, employment had increased to 257,500, a record high government employment.

The Inland Empire has finally started to show signs of improvement in employment over the last several years. The Inland Empire has seen larger employment growth compared to most other Metropolitan Statistical Areas in California and its unemployment rate has finally shown significant declines. The Inland Empire unemployment rate peaked at 15.1% in July 2010, which is 251% above the current rate.

## Income

The average household income in San Bernardino County in 2019 is estimated to be \$82,461. The median household income stands at \$61,630. These figures are moderately below the Southern California region average. Over 41% of all households earn less than \$50,000 per year. The lower income level is due to the lower wages in agriculture, manufacturing, service and government employment. The household income distribution for San Bernardino County is illustrated in the following table.

**County of San Bernardino  
Household Income Distribution  
2019**

<u>Income Range</u>	<u>Households</u>	<u>Percent <sup>1</sup></u>
Less than \$15,000	64,244	9.92%
\$15,000 - \$24,999	61,237	9.46%
\$25,000 - \$34,999	55,987	8.64%
\$35,000 - \$49,999	86,035	13.28%
\$50,000 - \$74,999	112,222	17.33%
\$75,000 - \$99,999	84,725	13.08%
\$100,000 - \$149,999	103,861	16.03%
\$150,000 - \$199,999	40,725	6.29%
\$200,000 or more	<u>38,637</u>	<u>5.96%</u>
Total	647,673	100.00%
Median Household Income		\$61,630
Average Household Income		\$82,461

<sup>1</sup> Percent of total distribution  
Source: Claritas 3/19

# HRA

## Retail Sales

Retail demand continues to be fueled by the growth in population as outlined previously. For San Bernardino County, taxable retail sales increased from \$8.9 billion in 1996 to over \$22.1 billion in 2006. However, between 2007 and 2009 retail sales declined. During the past five years, retail sales growth has ranged from a low of \$0.902 billion in 2015 to \$1.245 billion in 2012. During 2016, retail sales totaled \$24.242 billion, or 4.75% greater than 2015. During 2017, retail sales totaled \$25,342 billion, or about 4.5% more than 2016.

### San Bernardino County Retail Sales Trends 1985-2017

Year	Taxable Retail Sales (000's)	Average Annual Change	
		Number (000's)	Percent
1985	\$4,964,279	\$ 544,662	12.3%
1990	\$7,809,826	\$ 569,109	11.5%
2000	\$12,801,364	\$ 499,154	6.4%
2001	\$13,525,375	\$ 724,011	5.7%
2002	\$14,319,508	\$ 794,133	5.9%
2003	\$15,905,360	\$1,585,852	11.1%
2004	\$18,468,023	\$2,562,663	16.1%
2005	\$21,120,406	\$2,652,383	14.4%
2006	\$22,130,160	\$1,009,754	4.8%
2007	\$21,335,824	(\$ 794,336)	(3.6%)
2008	\$19,065,786	(\$2,270,038)	(10.6%)
2009	\$16,330,138	(\$2,735,648)	(14.3%)
2010	\$17,308,880	\$ 978,742	6.0%
2011	\$18,736,053	\$1,427,173	8.2%
2012	\$19,980,937	\$1,244,884	6.6%
2013	\$21,173,875	\$1,192,938	6.0%
2014	\$22,240,376	\$1,066,501	5.0%
2015	\$23,142,828	\$ 902,452	4.1%
2016	\$24,242,145	\$ 1,099,317	4.8%
2017	\$25,341,793	\$ 1,099,648	4.5%

Retail Stores, Taxable Retail Sales Total  
Source: State Board of Equalization 4/19

The increases, up to 2007, in retail sales were due to the exceptionally high County population growth rates experienced during the period from 1985 through 1990. During the period from 1991 through 1993, retail sales declined due to the economic recession. From 1994, and continuing through 2006, there was a significant growth in retail sales.

# HRA

Retail sales declined in 2007, 2008, and 2009 and were 26.2% below the 2006 sales levels. Although retail sales increased 6.0% in 2010, they were only at the 2003-2004 sales level. During 2011, retail sales were up 8.2% over 2010. In 2012 retail sales increased 6.6%. In 2013, retail sales increased 6.0%, to \$21,173,875,000. In 2014, retail sales increased 5.0% to \$22,240,376,000. In 2015, retail sales totaled \$23,142,820,000, a 4.1% increase. 2014, 2015, 2016 and 2017 were record high retail sales levels, finally exceeding the previous high level in 2006. For 2017, retail sales totaled \$25,341,792,000, up 4.5% from 2016. In the future, retail sales growth should reflect the population growth in the County.

## **Transportation**

San Bernardino County is served by a major airport, Ontario International, located within 15 miles of the subject property. Several major airlines have flights into Ontario, while international flights can originate at Los Angeles International Airport.

A network of freeways links most urbanized areas of San Bernardino County. The major north-south arterial is the Mojave/Ontario Freeway (I-15) and the Riverside Freeway (SR-91). The Pomona Freeway (SR-60) and San Bernardino Freeway (I-10) provide east-west access to the Los Angeles area. The Foothill Freeway (SR-210), parallels the San Bernardino Freeway in an east-west direction. The subject property is about one-quarter mile east of the SR-210 Freeway. Baseline Road has a full interchange at the SR-210 Freeway. The subject is about three miles north of the I-10 Freeway via Monte Vista Avenue.

## **Real Estate**

The following table shows San Bernardino County in relation to the remaining Southern California counties for median home price and number of dwellings sold.

## Southern California Home Sales

County	No. Sold – All Homes			Median Price – All Homes		
	Feb 2018	Feb 2019	Pct. Chg.	Feb 2018	Feb 2019	Pct. Chg.
Los Angeles	4,768	4,206	-11.8%	\$580,000	\$585,000	0.9%
Orange County	2,296	1,903	-17.1%	\$710,000	\$700,000	-1.4%
Riverside	2,805	2,556	- 8.9%	\$375,000	\$381,500	1.7%
<b>San Bernardino</b>	<b>2,027</b>	<b>1,748</b>	<b>-13.8%</b>	<b>\$335,000</b>	<b>\$335,000</b>	<b>0.0%</b>
San Diego	2,705	2,486	-8.1%	\$535,000	\$549,000	2.6%
Ventura	644	567	-12.0%	\$555,000	\$565,000	1.8%
Southern California	15,245	13,466	-11.7%	\$506,455	\$512,500	1.2%

Source: CoreLogic 3/19

During the period from 1988 through 1989, housing values appreciated at rates approaching an average of 15% per annum throughout much of San Bernardino County and Southern California. In Southern California, during the period from 1990 through 1993 as the economic recession influenced all segments of potential homebuyers, the rate of home price appreciation fell dramatically with declines of approximately 4% to 6% per annum. During 1996 home prices stabilized, and most new subdivisions experienced significant price increases from 1997 to mid-2005, with annual double-digit appreciation. Over the subsequent 7± years, sales prices significantly decreased. However, over the last 6± years, sales prices have increased on a year-over-year basis in almost every month. The change in sales were up 6.3% from January 2019 and down 11.7% since February 2018. Additionally, except for the summer of 2017, sales have not been above the 29 year average for any particular month in over seven years. Total Southern California sales in February were the lowest February sales since February 2008. There were also more signs of home prices flattening out. The region's median sale price has changed little over the last seven months, following 70 months of increases. The February median price for San Bernardino County is the same as February 2018. Southern California's February median sale price was 4.7% below the record high median price of \$537,000 reached in June 2018. The year to year median price has had single-digit increases for 55 straight months after 26 consecutive months of double-digit increases. In January, Upland had a median existing home sale price of \$536,000, a 2.1% increase since February 2018.

# HRA

In San Bernardino County, 1,748 homes were reportedly sold in February 2019, which is a decrease of 13.8% from February 2018. Over the past 12 months, the median existing home sales price has stayed the same at \$335,000, according to CoreLogic.

## **Conclusion**

In summary, the region exhibited very strong population and employment growth during the 1980 to 1989 period. The recession of the early 1990s significantly slowed population growth and resulted in overall job losses from 1990 to 1995. During the following decade, as the economy recovered, population and employment growth were stronger than during the prior growth years of the 1980s. As the past recession took hold in 2008, San Bernardino County was impacted particularly hard, with plummeting home prices and related job losses. However, during 2012/2013 the double-digit year-over-year price increases indicated that the market was in a rebounding phase of the cycle. The more recent year to year price gains of 1% to 4% are considered a return to a more normal and stable market which should be sustainable over the next several years, assuming the economy continues to be strong and the labor force continues to grow.

The long-term outlook for the region remains positive as the elements of abundant affordable land and labor still exist. Future growth will continue to be affected by the trends in the overall economy. San Bernardino County's economic environment should follow a path similar to that of the other Southern California counties.

## **City of Upland**

The City of Upland is located in the central west valley area of San Bernardino County. Upland is located approximately 35 miles east of Los Angeles and 22 miles west of the City of San Bernardino. The City was incorporated in 1906. The Upland area was primarily an agricultural area from the early part of the century until urban development began in the 1950's.

The City of Upland encompasses an area of approximately 15.7 square miles and is bounded by the following local cities and counties.

# HRA

<u>City/Area</u>	<u>Dir. From Upland</u>
San Bernardino County	North
Claremont	West
Rancho Cucamonga	East
Montclair and Ontario	South

The majority of the City land area is developed with primarily residential uses. The major commercial area is adjacent to the San Bernardino Freeway (I-10) at Monte Vista Avenue. The nearby area is now being improved with industrial uses.

Within the City limits of Upland, there are 14 schools including, 10 public elementary schools, 2 middle schools, and 2 high schools, plus 1 continuation high school, community college and private college. There are 13 parks located throughout the City.

## Population

The City of Upland has had significant population growth since the 1990's. The recent growth has been minimal, as there is little area for future residential development. The following exhibit illustrates the City's growth and population since 1990. The April 2010 population, according to the U.S. Census, was 73,732 residents. As of 2018, the city's population has increased to 77,000 persons. The City's growth rate is generally lower than the County's growth rate. This reflects the nearly built-out status of Upland.

### Population Trends Upland 1990-2018

<u>Year</u>	<u>Population</u>	<u>Average Annual Change</u>
1990	63,378	--
2000	68,393	0.8%
2010	73,732	0.8%
2011	74,200	0.6%
2012	74,600	0.5%
2013	74,900	0.4%
2014	75,100	0.3%
2015	75,800	0.9%
2016	76,000	0.3%
2017	76,800	1.1%
2018	77,000	0.3%

Source: California Department of Finance 5/18

# HRA

## Employment and Income Levels

The City of Upland is within a labor market area that includes the nearby community of Rancho Cucamonga. Within the immediate Upland area there is an estimated 39,800-person labor force with a 3.7% unemployment rate, as reported by the State of California. Within the Upland and Rancho Cucamonga area, there is a 136,300 person labor force with a 3.4% unemployment rate. The largest employers in Upland are:

<b>Major Employers</b>	
<u>Employer</u>	<u>No. of Employees</u>
San Antonio Community Hospital	2,400
Upland Unified School District	1,037
Home Depot	340
Upland Rehabilitation & Care Center	320
WalMart	315
Lewis Group	312
Target	265
Lowe's Home Center	254
City of Upland	250
Holliday Rock	250

Source: City of Upland 2018 CAFR

The adjacent area of Ontario is home to many large distribution and manufacturing facilities and the Ontario International Airport.

According to Claritas, the Upland area has a significantly higher income level than other sections of San Bernardino County. The median household income for 2019 is \$70,469 compared to the County median of \$61,630. The City's average household income is \$96,735.

## Retail Sales

Retail sales in the City of Upland increased significantly prior to the recent recession. The table below shows the growth of retail store sales since 2005. The annual changes are similar to the County changes. Upland did not suffer from negative retail sales growth until 2007, when sales declined 2.5%. In 2008 and 2009, retail sales again declined, down 9.2% and 9.8%. Sales increased in 2010 and 2011. 2010 retail sales increased 5.6% from 2009 and 2011 sales increased 6.1% from 2010. Retail sales for 2012, increased 2.9% over 2011. The upward trend continued in 2013 with a 10.3%

# HRA

increase, to a new record high. In 2014, retail sales increased 6.4%. Retail sales increased 5.9% in 2015. Annual retail sales for 2016 increased 1.5%. In 2017, retail sales increased 2.9%. This was the fifth year in a row that retail sales reached new record highs. During Q1 2018, retail sales totaled \$239,658,000, up 4.4% over Q1 2017.

<b>Upland Retail Store Sales 2005-2017</b>		
	<u>Amount</u>	<u>Annual Change</u>
2005	\$737,711,000	---
2006	\$820,184,000	11.2%
2007	\$800,072,000	-2.5%
2008	\$726,479,000	-9.2%
2009	\$655,536,000	-9.8%
2010	\$692,099,000	-5.6%
2011	\$734,054,000	6.1%
2012	\$755,739,000	2.9%
2013	\$832,874,000	10.3%
2014	\$885,860,000	6.4%
2015	\$937,690,000	5.9%
2016	\$952,215,000	1.5%
2017	\$979,418,000	2.9%

Source: California Board of Equalization

## Housing

The City of Upland has 27,850 housing units.

Single-family Detached	16,027
Single family Attached	1,762
2-4 Units	2,902
Over 5 Units	6,294
Mobile Homes	865

The February 2019 median single-family home price for the City is \$536,000, increasing 2.1% in the last year. Average rent is \$1,585 per month, up 1.0% from one year ago.

As previously mentioned, the City of Upland encompasses 15.7 square miles or 10,000± acres. The majority of the vacant land is located in the north and western section of the City. The majority of development in Upland has been residential. The City is almost



# HRA

fully built out in residential uses. The current population of 77,000 people is expected to reach its build out of 80,000 in 2035.

## **Transportation**

Major highways and railroads cross Upland, making shipping and transportation throughout Southern California and the Western States convenient and reliable.

Upland has access to six major highways. Interstate 10 traverses the southern section of the City and Interstate 15 is five miles to the east. State Route 66, Foothill Boulevard, travels an east/west path through the middle of the City. State Route 210, traversing the City in its northern section, and Interstate 15 is within 20 minutes driving distance of Upland. The Foothill Freeway (S-210) is located about one-quarter mile west of CFD 2015-1, IA-1.

Burlington Northern Santa Fe and Union Pacific provide rail service to nearby Fontana. The rail switchyard facilities include 24-hour rail car switching service and reciprocal switching between both rail lines.

The Ports of Long Beach and Los Angeles are located within an hour drive from Upland and are easily accessible by truck. The Ontario International Airport is located 3 miles to the south of Upland and is used by the United Parcel Service as its main Southern California regional cargo distribution point.

## **Immediate Surroundings**

CFD No. 2015-1, IA-1 is located at the northeast corner of Baseline Road and Parkview Promenade, in the City of Upland. This location is being developed with the Community of Sycamore Hills. Baseline Road has a full interchange with SR-210, about one-quarter mile west of CFD No. 2015-1, IA-1. Land to the east of CFD No. 2015-1, IA-1 is improved with 15 to 20 year-old single family dwellings in a community known as Mountain Shadows. To the north is a 50± acre vacant site proposed for a large City of Upland Sports Park. Land to the west and northwest is vacant land, blue-top graded for future Sycamore Hills residential uses. To the west, at the northeast corner of Baseline

# HRA

Road and the SR-210 Freeway is the new Sycamore Hills Plaza, a neighborhood shopping center. The southside of Baseline Road is developed with the Holliday Rock, sand and concrete batch plant. The property is about 200 acres in size.

## Conclusion

The local economy previously experienced economic decline from 2008 into 2012, due largely to the national and state recessions. However, beginning in mid-2012 the markets began to stabilize. From 2013 to the present time home price increases have returned. Inflation is reported to remain low, which should keep mortgage rates from rising too steeply while the economy gains strength.

Nationally, the economy has rebounded from the past recession lows. As of April 15, 2019, the Dow Jones Industrial Average (DJIA) and S&P 500 are near historical highs of 26,384 and 2,905 respectively. Home buyer demand in San Bernardino County and all of Southern California has declined while the supply of homes on the market has increased.

San Bernardino County experienced an increase of 6.6% in the median existing home price from a year ago. The median home price in San Bernardino County was \$335,000 in February 2019. Riverside's median home price was \$381,000. Upland's median home price is \$536,000. The subject's market area has experienced improving demand for newer detached single-family homes on 2,000 to 5,000 square foot lots. As long as the economy continues to grow, employment opportunities improve closer to the subject area, and the cities close to the more urbanized areas become even more expensive areas in which to live and operate a business, the City of Upland and the nearby communities are anticipated to continue to experience moderate growth.

# HRA

## SITE ANALYSIS

### General

The subject property of this appraisal is identified as City of Upland CFD No. 2015-1, IA-1. The subject consists of one tract map proposed for two residential projects totaling 145 dwelling units. As of the date of value, 54 dwellings were completed within IA-1 of the District. Of the 54 dwelling units, four are model homes and 50 are production homes. Thirty-five production homes have sold and closed escrow to individual homeowners. Fifteen nearly complete dwellings have not closed escrow to individual homeowners. Six production homes are under construction. The remaining 85 lots are in a physically finished lot condition. Please refer to page 5 for boundary map of the District.

The Sycamore Hills project area is located on an alluvial plain formed by San Antonio Creek. Portions of this alluvial fan serve as areas for groundwater recharge. No streams or seasonal creeks cross or impact the subject area and the subject area is devoid of any significant natural vegetation. There are no riparian, coastal sage scrub or annual grass habitats within the subject area. A large 200± acre, sand and gravel quarry, plus a concrete batch plant is located on the southside of Baseline Road.

The topography within Sycamore Hills is generally flat to gently sloping in a northeast-to-southwest direction. This area does not have any distinguishing geologic features or formations. There are no rock outcroppings, hills or swales within the subject property. *The USGS Topographic Map*, Dated 2015, presents the U.S. Geologic Survey 7.5-Minute Quadrangle Map for the subject district's surrounding area. Elevations within CFD No. 2015-1, IA-1 range from approximately 1,575 feet above sea level at the northeast boundary down to approximately 1,550 feet at the southern boundary adjacent to Parkview Promenade. The subject area slopes at approximately 2% from north to south and has an elevation change of around 20 feet. Three major active faults are located in the region. This includes the San Andreas, the Red Hill, and the Cucamonga Fault Zones, all located northerly of the subject area. There are no known active faults that directly impact the subject area. The closest active fault to the subject area is the Cucamonga Fault, located northerly of the subject property. According to the 2007 EIR, impacts related to this fault are anticipated to be less than significant.

# HRA

## Location

The subject property is located south and east of SR-210, on the north side of Baseline Road, on the east side of Parkview Promenade in the city of Upland. The subject is about one quarter mile east of the Baseline Road interchange with SR-210. This a full interchange, with on-ramps and off-ramps in both direction.

## Current Site Condition

As of the date of value of this appraisal, the land in CFD No. 2015-1, IA-1 is in a physically finished lot condition with most streets and utilities installed. Several of the private access streets will be paved during construction of the dwellings. There are 54 completed dwellings, with six production dwellings under construction. The remaining 85 lots are in a physically finished lot condition.

## Size and Shape

The overall shape of CFD No. 2015-1, IA-1 is generally rectangular and contains 16.3± gross acres and 11.1± net acres, according to the recorded tract map. CFD No. 2015-1, IA-1 has been subdivided into one final tract, proposed for two products with 145 dwellings. Please refer to the following table which summarizes the final tract map.

<u>CFD No. 2015-1, IA-1</u>	<u>Tract No.</u>	<u>Gross Acres</u>	<u>Number of Units</u>	<u>Density</u>
Westridge at Sycamore Hills	18707	16.259	145	8.9/ac

## Soils and Geology

No soil report was provided for CFD No. 2015-1, IA-1. The appraiser assumes that the soil conditions allow all of the existing and proposed development as discussed in the Highest and Best Use section of this report and as proposed by the builder. All 145 homesites in CFD No. 2015-1, IA-1 are in a physically finished condition, with 60 dwellings completed or under construction.

# HRA

## **Topography and Drainage**

Elevations range from 1,550± feet to 1,575± feet. The property is level with surrounding streets, with a down slope from the northeast to the southwest. Drainage is via natural sheet flow and percolation. There are storm drains serving the subject property. Storm drain capacity for the subject was constructed during the development process. During my inspection of the site, I did not observe any drainage problems.

## **Zoning**

The subject property is zoned SP, Specific Plan. The property is designated single-family residential, by the City of Upland. This zone allows for detached single-family residential uses with a density 8.9 dwellings per acre. The property has a General Plan Designation of Residential/Commercial. The minimum lot size for The Avenue is 3,600 square feet. The minimum lot size for The Linden is 2,000± square feet.

As built and proposed, the subject project appears to be a legally conforming use. The subject property is in conformance with all zoning requirements and is assumed to be in conformance with all governmental regulations.

## **Access and Circulation**

Regional access to the area is provided by the Foothill Freeway (SR-210). State Route 210 runs in an east-west direction from Pasadena to Redlands, bisecting the West San Bernardino Valley. Access to the subject's immediate area is Baseline Road which connects with SR-210, just west of the subject. This is a full interchange about one quarter mile west of CFD No. 2015-1, IA-1.

Baseline Road is paved with two traffic lanes in each direction. Parkview Promenade is paved with one lane in each direction adjacent to CFD No. 2015-1, IA-1. Interior streets within CFD No. 2015-1, IA-1 have dedicated widths of 30 feet allowing for two traffic lanes, concrete curbs, and gutters.

# HRA

## Easements

The appraisers have been provided with one title report for CFD No. 2015-1, IA-1. The report was dated March 5, 2019 and prepared by First American Title Company. There are easements for utilities, streets, avigation, noise easements, development agreements, well site, access and waterline easements, over the subject property. CC&Rs were recorded September 20, 2017. For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely impact the value of the subject properties. The special tax for CFD No. 2015-1, IA-1 was listed on the title report. The Notice of Special Tax was recorded on December 15, 2015.

## Utilities

As of the date of this appraisal, all utilities with capacity to serve are available to the property. All utilities required to support the subject property to its highest and best use are provided by the following companies/agencies.

Electricity	Southern California Edison
Natural Gas	Southern California Gas Company
Cable	Spectrum/Time Warner
Telephone	Verizon
Fire	City of Upland
Police	City of Upland
Solid Waste	Burrtec Waste/City of Upland
Water	City of Upland
Sewer	City of Upland

## Earthquake, Flood Hazards, and Nuisances

CFD No. 2015-1, IA-1, as of the date of valuation, is not located in a designated Earthquake Study Zone as determined by the State Geologist. All of Southern California is subject to seismic activity. The major active and potentially active fault systems that could produce significant ground shaking at the subject include the San Andreas, Cucamonga, and San Jacinto faults.

The site is located in a seismically active area, as is the case throughout Southern California. However, there have been no instrumentally recorded large-magnitude earthquakes near the subject property.

# HRA

Liquefaction is characterized by saturated soils that behave like liquid during ground shaking, associated with perched water conditions and loose soils. The groundwater level at the subject is more than 400 feet below the ground surface. Thus, the potential for perched water conditions and liquefaction hazard is low.

The subject property is located in a Zone "X" flood designated area according to Federal Emergency Management Agency Community Panel No. 06071C8605H, dated August 20, 2008. This designation references an area of minimal flooding, which is outside the 500-year flood plain. Flood insurance is not required.

## **Hazards**

CFD No. 2015-1, IA-1 is located about three-quarter mile north of the existing Cable Airport. This is a small privately-owned airport serving privately owned planes and helicopters. CFD No. 2015-1, IA-1 is approximately three-quarter mile north of the runway at Cable Airport, which is also located within the City of Upland, and is located within the Cable Airport Land Use Plan Safety Area 2. Safety Area 2 is an area of moderate crash hazard. The Cable Airport Land Use Plan established the following land use restrictions within Safety Area 2:

*No structure should be constructed or an object permitted within Safety Area 2 that would penetrate the airport imaginary surfaces as defined in Federal Aviation Regulations Part 77. Because of the proximity to aircraft operations, structures in this area should not reflect glare, emit electronic interference, or produce smoke so as to endanger aircraft operations.*

Federal Aviation Regulation, Part 77 establishes a series of imaginary surfaces in the airspace surrounding a runway or helicopter landing area. No object should penetrate into any of these surfaces to ensure an obstruction free airspace for pilots using the airport. The proposed project site did not penetrate any of these surfaces, but it did underlie parts of the Transitional Surface and the Horizontal Surface. The Horizontal Surface is 150 feet above the established airport elevation. Because the City of Upland's zoning requirements restrict structure height on the CFD No. 2015-1, IA-1 site to 35 feet, structures constructed as part of the approved subdivision would not enter the Horizontal Surface area. Additionally, the

# HRA

Transitional Surface varies from 135 feet above the project site to approximately 275 feet aboveground where it meets the Horizontal Surface. Structures located on-site are not expected to penetrate into the Transitional Surface area. CFD No. 2015-1, IA-1 will not include any uses that would produce smoke, emit electronic interference, or reflect glare. As development of CFD No. 2015-1, IA-1 is required to comply with the requirements of Federal Aviation Regulation, Part 77 and the Cable Airport Land Use Plan, impacts associated with the issue were determined to be less than significant.

According to the Caltrans Airport Land Use Planning Handbook, the basic state guidance sets a CNEL of 65 dB as the maximum noise level normally compatible with urban residential land uses. The Cable Airport Land Use Plan Noise Impact Zone Map depicts two noise contours: Zone A (Greater than 65 dBA, CNEL) and Zone B (between 60-65 dBA, CNEL). The proposed project site is located over one-half mile north of the runway. No portion of CFD No. 2015-1, IA-1 is located in Zone A or Zone B. CFD No. 2015-1, IA-1 is consistent with the Cable Airport Noise Element.

The Caltrans Airport Land Use Planning Handbook includes buyer awareness measures such as recorded deed notices and real estate disclosure statements which focus on informing prospective buyers of property within the vicinity of an airport about the airport's impact on the property.

The Caltrans Handbook contains guidance on Airport Height Restrictions (Obstructions) to ensure the safe passage of aircraft in, out and around the airport by safeguarding and preserving navigable airspace. The following policy regarding height restrictions is included within Section 4.2 of the Cable Airport Land Use Plan:

Policy: Recommend that no structure be erected or object be placed, or allowed to grow which would protrude into the imaginary surfaces as established by FAR Part 77.

CFD No. 2015-1, IA-1 will not penetrate imaginary surfaces as established by FAR Part 77. The Horizontal Surface is 150 feet above the established airport elevation. Because the City of Upland's zoning requirements restrict structure height on the proposed project



# HRA

site to 35 feet, structures constructed as part of CFD No. 2015-1, IA-1 will not enter the Horizontal Surface area. Additionally, the Transitional Surface varies from 135 feet above the project site to approximately 275 feet aboveground where it meets the Horizontal Surface. Structures located on-site are not expected to penetrate into the Transitional Surface. According to the project site plans, the height of the dwellings will not exceed thirty-five feet, and thus will not be in violation of FAR 77. CFD No. 2015-1, IA-1 is within the Cable Airport Land Use Plan Overflight Policy 1 which recommends that no structure be built or object be placed, or allowed to grow which would protrude into the imaginary surfaces as established by FAR 77.

## **Hazardous Material/Toxic Waste**

Physical inspection of the subject property did not indicate evidence of hazardous materials and/or toxic waste. However, your appraiser is not considered an expert in the field and is not qualified to detect such materials. A specific assumption of the report and value is that the soil is suitable for development as proposed and no evidence of hazardous materials or toxic waste exists.

## **Environmental Issues**

The subject parcel was previously used as a quarry and has been vacant for many years. The property is reportedly not impacted by any negative environmental issues.

## **Transportation**

Vital to an area's growth and economic expansion are its transportation facilities for both business and residents. The following table summarizes the existing transportation facilities available in the area.

Rail:	Metrolink stops in Fontana and Ontario
Truck:	All major trucking lines serve Upland
Air:	Ontario International Airport (3 miles), Los Angeles International Airport (45 miles)
Water:	Long Beach Harbor/Port of Los Angeles (35 miles)

# HRA

Highways: San Bernardino Freeway (Interstate 10) – E/W  
Foothill Freeway (S-210) – E/W

## Taxes and Special Taxes

Pursuant to Proposition 13, passed in California in 1978, current Assessed Values may or may not have any direct relationship to current Market Value. Real estate tax increases are limited according to Proposition 13 to a maximum of 2% per year plus bonds, if any. If the property is sold, real estate taxes are normally subject to modification to the then current Market Value.

The basic levy for the properties is 1%. In addition, there are taxes for the Metropolitan Water District, Chaffey College District, San Bernardino County Vector Control District, West Valley Mosquito and Vector Control District, San Bernardino County Fire Protection District and the Upland Unified School District.

There will be Special Taxes for the City of Upland CFD No. 2015-1, IA-1. The total tax rate is estimated not to exceed 1.95%. CFD No. 2015-1, IA-1 will have maximum taxes ranging from \$3,834 to \$4,701 per unit depending on house size. In addition, City of Upland CFD 2017-1 has a Services Special Tax of \$28.00 per dwelling for fiscal year 2018-19.

The office of Willdan Financial estimates the Special Taxes on the vacant residential land within CFD No. 2015-1, IA-1. Pursuant to the Rate and Method of Apportionment of Special Tax included in the recorded Notice of Special Tax Lien for CFD 2015-1, IA-1, property is generally considered "Developed Property" for special tax purposes if a building permit has been issued for the assessor's parcel prior to May 1 preceding the applicable tax year. For the 2018-19 tax year, this is only one parcel, APN 1005-481-05, with no building permits issued prior to the preceding May 1. The Special Taxes for the individual homes are also estimated. The estimated property values are based, in part, on the Special Taxes estimated for the ultimate homeowner.

The subject property falls within the taxing jurisdiction of the San Bernardino County Assessor's office. The applicable tax rate area is 8-056. The published annual, tax rate in

# HRA

this area is 1.0775%. The subject tax rate includes bond indebtedness related to school district debt service, flood control district debt service and community college district debt service.

For the 2018-19 tax year, CFD No. 2015-1, IA-1 has a total Assessed Value of \$27,429,215 consisting of one undeveloped parcel, APN 1005-481-05. The one APN is assessed as land only. The ad-valorem property tax is \$295,549.79. No Special Tax was levied for CFD No 2015-1, IA-1 for the 2018-19 tax year. Reportedly, one property is delinquent in their tax payments.

The overall effective tax rate for the proposed homes will be approximately 1.95% of base prices. This tax burden is common for newer dwellings in Western San Bernardino County where tax rates in new home communities typically range from 1.50% to 2.00%. A survey of the subject's market area revealed that special Assessment Districts or CFDs encumber most of the competing residential subdivisions. There does not appear to be a great deal of resistance to the CFD/special assessments that do not increase the overall tax rate significantly above 2.0% of value.

## IMPROVEMENT DESCRIPTION

### General

There are two active detached condominium subdivisions currently being developed in CFD No. 2015-1, IA-1. The currently active developments contain 56 detached production residential units, completed or under construction, four model homes completed and 85 physically finished lots. The 145 units in two products are being built on lots that have a minimum size of 2,000 square feet for The Linden and 3,600 square feet for The Avenue. The community has a small, completed park. The Linden, built by Taylor Morrison of California, LLC, contains 16 dwellings that have closed escrow to homeowners as of the date of value. Sales began in June 2018. As of the date of value, 24 dwellings have sold, with 16 dwellings closing to homeowners. The Avenue, built by Taylor Morrison of California, LLC contains 65 dwellings. Sales began in June 2018. As of the date of value, 23 dwellings have sold, with 19 dwellings closed to homeowners. Current base prices are \$1,000 more than the June 2018 base sale prices for The Linden and \$4,000 more for The Avenue.

The following table summarizes the floor plans of the active developments within CFD No. 2015, IA-1, as of the appraisal date. The base sales prices are those actually being achieved, as of the date of value for The Linden and The Avenue.

The Linden/The Avenue CFD No. 2015-1, IA-1 April 2019									
<u>No.</u>	<u>Project/Builder</u>	<u>Total Units</u>	<u>Min. Lot Size</u>	<u>Base Price</u>	<u>Size Sq.Ft.</u>	<u>\$/Sq.Ft.</u>	<u>Bdrm/ Bath</u>	<u>Stories/ Garage</u>	<u>No. Sold Absorption</u>
1	The Linden Taylor Morrison of California, LLC	80	2,000	\$505,990	1,621	\$312.15	3 / 2.5	2 / 2	24
				\$516,990	1,766	\$292.75	3 / 2.5	2 / 2	2.3 Du/mo.
				\$526,990	1,815	\$290.35	4 / 3.0	2 / 2	
2	The Avenue Taylor Morrison of California, LLC	65	3,600	\$565,990	2,143	\$264.11	4 / 3.0	2 / 2	23
				\$590,990	2,271	\$260.23	4 / 3.0	2 / 2	2.2 Du/mo.
				\$600,990	2,362	\$254.44	4 / 3.0	2 / 2	

As indicated in the above table, The Linden is being built by Taylor Morrison of California, LLC. There will be 80 dwellings. The project opened for sales in June 2018 and as of the date of value, 24 homes were reported to be sold; which indicates an overall absorption of 2.3 units per month. As of the date of value, 16 homes have closed escrow.

# HRA

As of our date of inspection, there were two model homes, 16 homes had closed escrow, ten completed homes had not closed escrow and no homes were under construction. There were 52 physically finished lots.

Taylor Morrison of California, LLC is building The Avenue, which opened for sales in June 2018. There are 65 dwellings proposed. As of the date of value, 23 homes were reported as sold which indicates an overall absorption of 2.2 units per month. As of the date of inspection, there were two model homes, 19 homes had closed escrow, five completed dwellings had not closed escrow and six dwellings were under construction in the framing stage. There are 33 physically finished lots.

I have been provided with a brochure of the actively selling projects and they have been reviewed. The following is a list of some of the assumed general construction specifications for the detached single-family homes.

## **Construction**

Units are of Class "D" construction; wood frame and stucco siding with several elevation choices.

## **Foundations**

Foundations are poured concrete. Particle board over wood floor joists for the second floor.

## **Structural Frame**

Consists of 2" x 4" and 2" x 6" wood framing.

## **Roofs**

Roofs are of concrete tile.

## **Windows**

Dual glazed low E white vinyl framed windows and sliding glass door.

## **Floor Covering**

Floor coverings are wall-to-wall carpet in all living areas. Entries are of ceramic tile and kitchen; bathrooms and laundry room are of vinyl or ceramic tile flooring.

## **Interior Finish**

Custom trowelled ceiling and wall treatments.

## **Heating/HVAC**

# HRA

Energy efficient central air conditioning and gas forced air heating.

## **Kitchens**

Kitchens will be equipped with white Thermofil cabinets and granite counter tops. Each kitchen will include stainless steel appliances including a 30 inch gas range or cooktop, fan hood, microwave, single or double oven, dishwasher and disposal.

## **Bathrooms**

Master bathrooms will have double sinks with E-stone countertops and stain grade cabinets, and a separate fiberglass shower/tub. Secondary bathrooms will have E-stone countertops, fiberglass combination tub/shower and stain grade cabinets.

## **Doors**

Solid core 8 foot entry door. Garage doors are sectional steel roll-up.

## **Site Improvements**

The production homes include concrete driveways and walkways to the front entry. Front yard landscaping with side and rear yard fencing are included.

## **Options**

Numerous options and upgrades will be available including flooring, cabinet, and countertop upgrades. Most options and upgrades, provided at competing similar quality developments, will be offered.

## **Conclusion of the Improvements**

Based on the review of the product information and physical inspection of current models and similar products, we are of the opinion that the quality of the projects is average for the market area and will generally meet buyer expectations for the subject's marketplace.

## **Functional Utility**

It is an assumption of this appraisal that all of the floor plans are functional, and competitive with current design standards.

## **Remaining Economic Life**

The total/remaining economic life, according to the Marshall Valuation Service, is considered to be 50 years from date of completion.

## **Homeowners Association**

The monthly fee for the Homeowner's Association will be \$166.50 at build-out.

## HIGHEST AND BEST USE

The term *highest and best use* is an appraisal concept that has been defined as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.<sup>4</sup>

The determination of highest and best use, therefore, requires a separate analysis for the land as legally permitted, as if vacant. Next, the highest and best use of the property with its improvements must be analyzed to consider any deviation of the existing improvements from the ideal. "The highest and best use of both land as though vacant and property as improved must meet four criteria. The highest and best use must be: legally permissible, physically possible, financially feasible, and maximally productive. These criteria are often considered sequentially."<sup>5</sup> The four criteria interact and, therefore, may also be considered in concert. A use may be financially feasible, but it is irrelevant if it is physically impossible or legally prohibited.

### Legally Permissible Use

The legal factors affecting the site and its potential uses are often the most restrictive. These would typically be government regulations such as zoning and building codes.

The subject property is located in the Upland area of San Bernardino County, adjacent to Los Angeles County. CFD No. 2015-1, IA-1 is east of the S-210 Freeway and north of Baseline Road. Tract Map No. 18707 was recorded on September 19, 2017 and together with 22 phases of condominium plans (12 phases of which have been recorded through February 26, 2018, corresponding to 78 dwelling units), allows for development

---

<sup>4</sup> *The Dictionary of Real Estate Appraisal*, 4th Edition, Pub. by the Appraisal Institute, Chicago, IL., P. 135.

<sup>5</sup> *The Appraisal of Real Estate*, 10<sup>th</sup> Edition, Pub. By the Appraisal Institute, Chicago, IL., P. 280.

# HRA

of 145 detached condominium units on 2,000 and 3,600 square foot minimum sized lots. The Linden has 16 completed production dwellings, closed to homeowners, ten completed but not closed dwellings, two model homes, with no dwellings under construction. The remaining 52 lots are in a physically finished condition. The Avenue has 19 completed production dwellings, closed to homeowners, five completed but not closed dwellings, two model homes, with six dwellings under construction in the framing stage. The remaining 33 lots are in a physically finished condition.

## Physically Possible Use

CFD No. 2015-1, IA-1 is rectangular in shape and contains 11± net acres according to the District's Special Tax Consultant. The individual lots have a flat topography. The development is a natural extension of existing nearby residential developments.

All normal utilities are available to serve the subject site. All utility and street improvements have been completed as of the date of value, except for minor street paving, which will occur during construction of the dwellings. The property is generally bounded by 15-20 year old dwellings, vacant land and a new neighborhood shopping center. Access is considered good with fully improved streets and the SR-210 freeway within one-quarter mile and the I-10 Freeway within 2¾ miles.

The size, access, and topography of the subject property make it physically suited for several types of development; however, the zoning that has occurred on the site is for residential detached condominium use. Additionally, the future neighboring use of residential development appear to make the subject property more suitable for residential use.

Based on the physical analysis, the subject property appears to be viable for several types of development based on its size and topography; however, the current site condition would suggest the land has a primary use of residential development due to its location and site development.



# HRA

## **Financial Feasibility and Market Conditions**

The financial feasibility of the development of the subject property is based on its ability to generate sufficient income and value in excess of the costs to develop the property to its highest and best use. Please refer to the Valuation sections of this report, which give support to the financial feasibility of CFD No. 2015-1, IA-1.

### **General Market Conditions – San Bernardino County**

The attractiveness of residential development anywhere in San Bernardino County is evidenced by market activity which has taken place over the last 20± years. Beginning in 1996/1997 and continuing through 2005, significant price increases occurred while incentives and concessions disappeared. The general consensus was that demand for residential land exceeded supply over the 10± year period. Both land sales and home sales showed annual double-digit appreciation from 1996/1997 through 2006. The past recession had a significant negative impact on the residential market. The following paragraphs are based on Metrostudy Quarterly Reports for new home sales and Corelogic monthly reports for existing home sales.

The current condition of the housing market is that there has been a significant increase in demand over the past 7± years, which has positively impacted price. The decline in sales and prices between the end of 2005 through 2011 has ended. As reported by Metrostudy, there was a significant increase in new home sales during 2012 and 2013 which positively impacted the sales price. The median new home price increased by over 18%, to \$415,000± during 2013. During the fourth quarter of 2018 (the most recent report), total new home sales increased by 5.3%. According to CoreLogic, between December 2018 and January 2019, existing home sales declined 7.6%. January existing sales are about 26% below the average January existing home sales over the last 29 years. Total Southern California existing home sales in January 2019 were the lowest for any January since January 2008. The median new home sales price was at \$486,400 during Q4 2018, an increase of 0.1%. Based on current existing home market conditions, it appears that the upward pressure on price due to demand outpacing supply could be over. Inland Empire's homes are more affordable than on the coast. The Inland Empire is expected to continue to draw homebuyers from Orange, Los Angeles and San Diego

# HRA

counties where home prices are significantly higher, especially as those three markets continue to improve.

According to CoreLogic, San Bernardino County's January 2019 existing home sales decreased 13.1% to 1,838 dwellings compared to January 2018. San Bernardino County median existing home price in January 2018 rose 2.6% to \$320,000 from January 2017. During the 12 months ending at the fourth quarter of 2018, new home sales increased to 3,339 or 16.3% compared to the 12 months ending at the fourth quarter 2017 in San Bernardino County. During 2017 new home sales totaled 2,874 detached dwellings compared to 2,318 detached dwellings in the 12 months ending at the fourth quarter of 2016, a 24.0% increase. The median new home sales price during the fourth quarter of 2018 was \$486,400, 0.1% more than the median price for the fourth quarter of 2017. Both short sales and foreclosures are at their lowest levels in over eight years. Most economists are forecasting that existing home sales rates and sales prices will be stable to declining during 2019.

Builders within San Bernardino County sold 3,339 new single-family detached homes and 393 attached new homes during the 12 months ending at the end of the fourth quarter of 2018. This was up 16.3% for detached homes and up 10.7% for attached homes compared to the 12 months ending at the fourth quarter of 2017. Most of the detached homes sold in San Bernardino County during the fourth quarter of 2018 were priced over \$500,000 and comprise 52%± of the total sales. Sales of homes priced under \$500,000 comprised 48%± of the detached market. The number of active detached projects in San Bernardino County was down two projects to 164 projects from Q4 2017.

According to Metrostudy, there are 949 detached dwellings under construction in San Bernardino County as of Q4 2018. This total is down 31% from Q3 2018. In addition, there are a reported 4,312 lots that are improved to a finished lot condition in San Bernardino County. At the end of Q4 2017 there were 1,223 detached dwellings under construction and 4,306 lots were in a finished lot condition. Based on the current closing rate per project per quarter, the 949 detached homes under construction, assuming a similar number of active projects, would have an approximate 3.4-month absorption time.

# HRA

The estimated absorption time for the 4,312 finished lots is 17.0 months. Total inventory, which includes units under construction, units built but not occupied and model homes; indicates 5.7 months of absorption for the detached dwellings. The current total lot inventory absorption of 15.8 months is down from the reported 17.0 months one year ago.

## **San Bernardino - Northwest Submarket**

CFD No. 2015-1, IA-1 is situated in the Northwest submarket region, which includes the cities and communities of Upland, Rancho Cucamonga, Etiwanda and Alta Loma. The Northwest submarket region accounted for 52 detached sales during Q4 2018, or a 5.4% market share of the San Bernardino County market. This sales rate is up 108.0% from the Q4 2017 sales rate. The Northwest submarket had average quarterly sales per project of 3.7± units which is 48.6% more than the Q4 2017 sales rate. The Q4 2018 median sales price in the Northwest submarket is \$590,000, down from \$595,800 in Q4 of 2017, a 1.0% decrease. It is an expensive submarket in San Bernardino County with an average price per square foot of \$284.00, the most expensive submarket in the county. The average size of a detached home in the subject's submarket decreased by 26.4% from Q4 2017 to 2,217 square feet.

During Q4 of 2018, all 52 detached homes that sold were priced over \$500,000. There were 27 attached units sold in the subject's submarket in Q4 of 2018.

Within the Northwest submarket there are 14 active projects, which is four more than the number of projects as of last year at this time. The subject's market area reports 87 units under construction. This is a 4.7 month absorption time for the units under construction. This is more than the average absorption time of San Bernardino County, in total. A year earlier, the absorption time was 4.9 months. Total lot inventory, which includes finished lots without home construction, totals 316 lots which equates to a 18.3-month supply at the current sales rate. One year ago, finished lot inventory was at 120 lots, and the absorption time based on last year's sales rate was 6.5 months.

## **Feasibility**

The financial feasibility of the development of the subject property is based on its ability to generate sufficient income and value in excess of the costs to develop the property

# HRA

to its highest and best use. Please refer to the Valuation sections of this report, which give support to the financial feasibility of the District.

Most projects throughout Upland and surrounding markets started to plateau during the first quarter of 2006. Incentives and price reductions were apparent in most tracts in an attempt to find the “new” equilibrium in absorption and sales price, given market conditions at that time. The decline in sales activity and price occurred over the next 6± years, followed by 6± years of significant annual increases. Over the last year, both sales activity and sales prices have been stable to declining. It appears that current prices have achieved an affordability level more consistent with current economic growth. Most economists are predicting current market conditions will continue through 2019.

Please refer to the table on the next page that summarizes the actively selling projects most comparable to the subject. As indicated, demand has weakened and projects similar to that of the subject are currently experiencing sales rates of 2.2± to 4.8± dwelling units per month. The project with absorption of 4.8± dwellings per month, had closed most of the sales prior to mid-2018. The builder significantly reduced prices after the third quarter of 2018. Two of the five projects included in the summary are within Westridge. The absorption for Westridge at Sycamore Hills between 2.2 and 2.3 dwellings per month.

## **Maximally Productive**

In considering what uses would be maximally productive for the subject property, we must consider the previously stated legal considerations. We are assuming the land uses allowed under the zoning of the County of San Bernardino are the most productive uses that will be allowed at the present time. Current zoning and approved uses indicate that other alternative uses are not feasible at this time.

Given the stable demand for new residential product in San Bernardino County and the Northwest Submarket, it is our opinion that development, as built and as planned, provides the highest land value and is, therefore, maximally productive.

**Competitive Market Area  
Comparable Residential Project Summary  
Detached Condominiums and Single Family Homes  
April 15, 2019**

<u>No.</u>	<u>Project/Developer/Location</u>	<u>Total</u>		<u>Base Price</u>	<u>Size</u>		<u>No. Sold</u>	<u>Overall</u>
		<u>Units</u>	<u>Lot Size</u>		<u>Sq. Ft.</u>	<u>\$/Sq. Ft.</u>		
<b>1</b>	<b>The Linden at Sycamore Hills</b>	80	2,000	\$505,990	1,621	\$312.15	24	2.3
	Taylor Morrison of California, LLC			\$516,990	1,766	\$292.75	Jun-18	
	Upland			\$526,990	1,815	\$290.35		
	<i>Subject Property</i>							
<b>2</b>	<b>The Avenue at Sycamore Hills</b>	65	3,600	\$565,990	2,143	\$264.11	23	2.2
	Taylor Morrison of California, LLC			\$590,990	2,271	\$260.23	Jun-18	
	Upland			\$600,990	2,362	\$254.44		
	<i>Subject Property</i>							
<b>3</b>	<b>Springtime at Harvest</b>	125	2,500	\$528,880	2,085	\$253.66	124	4.8
	KB Home			\$542,880	2,192	\$247.66	Feb-17	
	Upland			\$552,880	2,230	\$247.93		
				\$562,880	2,439	\$230.78		
<b>4</b>	<b>Arbor Square at Harvest</b>	127	2,000	\$486,675	1,470	\$331.07	2	2.6
	KB Home			\$503,276	1,638	\$307.25	Mar-19	
	Upland			\$494,900	1,785	\$277.25		
				\$496,900	1,791	\$277.44		
<b>5</b>	<b>Sunflower at Harvest</b>	66	2,500	\$413,328	1,273	\$324.69	2	2.6
	KB Home			\$469,900	1,726	\$272.25	Mar-19	
	Upland			\$490,900	1,795	\$273.48		
				\$512,305	1,973	\$259.66		
			\$521,760	2,192	\$238.03			

# HRA

## Conclusion

Legal, physical, and market considerations have been analyzed to evaluate the highest and best use of the property. This analysis is presented to evaluate the type of uses that will generate the greatest level of future benefits possible from the land.

After reviewing the alternatives available and considering this and other information, it is the opinion of the appraiser that the highest and best use for the subject property, as vacant and as improved, is for residential development similar to the existing and proposed subject property.

### **As Vacant**

After reviewing the alternatives available, it is the appraiser's opinion that ultimate development of single-family detached for-sale products, similar to the existing product, is considered the highest and best use of the remaining physically finished lots.

### **As Improved**

The existing use is a legal use of the land and the value of the land as improved far exceeds the value of the site if vacant. This means that the existing improvements contribute substantial value to the site. Based on these considerations, it is my opinion that the existing improvements constitute the highest and best use of the subject property.

## VALUATION METHODOLOGY

### Basis of Valuation

Valuation is based upon general and specific background experience, opinions of qualified informed persons, consideration of all data gathered during the investigative phase of the appraisal, and analysis of all market data available to the appraiser.

### Valuation Approaches

Three basic approaches to value are available to the appraiser:

#### **Cost Approach**

This approach entails the preparation of a replacement or reproduction cost estimate of the subject property improvements new (maintaining comparable quality and utility) and then deducting for losses in value sustained through age, wear and tear, functionally obsolescent features, and economic factors affecting the property. This is then added to the estimated land value to provide a value estimate.

#### **Income Approach**

This approach is based upon the theory that the value of the property tends to be set by the expected net income therefrom to the owner. It is, in effect, the capitalization of expected future income into present worth. This approach requires an estimate of net income, an analysis of all expense items, the selection of a capitalization rate, and the processing of the net income stream into a value estimate.

#### **Direct Comparison Approach**

This approach is based upon the principle that the value of a property tends to be set by the price at which comparable properties have recently been sold or for which they can be acquired. This approach requires a detailed comparison of sales of comparable properties with the subject property. One of the main requisites, therefore, is that sufficient transactions of comparable properties be available to provide an accurate indicator of value and that accurate information regarding price, terms, property description, and proposed use be obtained through interview and observation.

# HRA

Static Residual Analysis is used to estimate the merchant builder finished lot value. From the estimated base retail home price, all costs associated with the home construction including direct construction costs, indirect construction costs, financing and profit are deducted. Following the deduction of costs, the residual figure is an estimate of the merchant builder finished lot value.

As previously discussed, there are two products in CFD No. 2015-1, IA-1, The Linden is proposed for 80 dwellings, with 28 completed dwellings. There are two model homes. Of the remaining 26 production dwellings, 16 have closed escrow to homeowners. The Avenue is proposed for 65 dwellings with 26 completed dwellings. There are two model homes. Of the remaining 24 production homes, 19 have closed escrow to homeowners. Due to the built-out status of this portion of IA-1 of the District, the appraisers have utilized a mass appraisal technique in the valuation of the completed dwelling units. When implementing a mass appraisal, conservative estimates are to be used in the valuation. It is implicit in mass appraisal that some individual value conclusions will not meet standards of reasonableness, consistency and accuracy. *However, appraisers engaged in mass appraisal have a professional responsibility to ensure that, on an overall basis, the value conclusions meet attainable standards of accuracy.* The appraisers have used an average conservative value, for the average size unit, for the sold dwellings in two products within CFD No. 2015-1, IA-1. By utilizing average value estimates, individual home values could be higher or lower, depending on unit size. However, on an overall basis, the value conclusions are reasonable and meet attainable standards of accuracy.

In addition to the 35 completed and occupied dwelling units, there are four models complete. There are 15 dwellings essentially complete, which have not closed escrow and 6 dwellings are under construction. Sales prices have generally been stable to slightly increasing since the products opened in June 2018. The subject dwellings have conservatively been valued based on recent sales within the District of similar sized dwelling units, with consideration given to current base asking prices at The Linden and The Avenue. The model units are valued at 100% of the estimated base value for the modeled floor plan. The dwellings under construction are conservatively valued based on the completion of construction for the average size unit in the project.



# HRA

The Direct Comparison Approach is used for the valuation of land when sufficient comparable sales are available. Their sales prices would be considered the best indicators of value, assuming the sales are current and in a similar land condition. The Income Approach is typically used when appraising income producing properties. This approach is not applicable in the valuation of land as land is not typically held to generate monthly income, but rather purchased to construct an end product that may or may not generate income. The Cost Approach is not an appropriate tool in the valuation of land.

To estimate value of the remaining 85 physically finished lots within IA-1 of the District, valuation of lots in a finished condition, ready to issue a building permit is first analyzed. The Direct Comparison Approach is used to value the merchant builder lots. Valuation by the Direct Comparison Approach is with similar merchant builder land sales. The Static Residual Analysis is also used for valuation purposes as it reflects the current products and current market conditions. A finished lot value is estimated with consideration from each analysis. Reconciliation of the two approaches is made and a conclusion of finished lot value is estimated for the lots.

To estimate the "As Is" value of the physically finished lots, a deduction for the remaining costs to finish is made to arrive at an estimated value for the "as is" condition of the lots.

## VALUATION OF DWELLING UNITS

### Valuation of Completed Dwelling Units

As previously discussed, there are 35 completed dwelling units which closed escrow to individual homeowners since the first closing in November 2018. Please refer to the Addenda of this report for a unit by unit summary of each ownership, date of sale, and sales price. In addition, eight dwellings in The Linden and four dwellings in The Avenue are currently in escrow to individual homeowners. For the valuation of the built and sold dwellings, the appraiser has utilized a mass appraisal technique. When implementing a mass appraisal, conservative estimates are to be used in the valuation. It is implicit in mass appraisal that some individual value conclusions will not meet standards of reasonableness, consistency and accuracy. *However, appraisers engaged in mass appraisal have a professional responsibility to ensure that, on an overall basis, the value conclusions meet attainable standards of accuracy.* The appraiser has used an average conservative value for the average size unit for each product in IA-1 of the District. By utilizing average value estimates, individual home values could be higher or lower, depending on unit size. However, on an overall basis, the value conclusions are reasonable and meet attainable standards of accuracy.

The 35 closed dwelling units include 16 dwellings within the development known as The Linden and 19 dwellings within the development known as The Avenue. The Linden project opened for sales on June 2, 2018 and has 24 home sales. This sales history equates to an absorption of 2.3 units per month. The Avenue project has been open for sale since June 2, 2018, with a reported 23 sales. This sales history equates to an absorption of 2.2 units per month. Interviews with sales persons of similar projects in the subject's market area have also reported stable to decreasing prices over the past 6-10 months. This section of the report will first value the 35 closed dwelling units, followed by valuation of the model homes, the complete, but not closed dwellings and dwelling units under construction.

As discussed within this report, the residential market has shown signs of stable to slight declines over the past 6-10± months. Interviews with sales personnel at The

# HRA

Linden indicates that since opening for sale in June 2018, there has been a \$1,000 price increase for all three floorplans. It was also reported that at The Avenue since it opened for sale on June 2, 2018, there has been a \$4,000 price increase on all three floor plans. As discussed in this report, the median new home price in San Bernardino County has increased approximately 2.6% over the past 12 months. Between November 2017 and the date of value, in the north San Bernardino area, we are aware of one product that had \$30,000 price reductions and three products that had price reductions of 5% to 6%. We are of the opinion that to achieve a normal absorption of 3-4 dwellings per month, the subject products would require a 5%± price reduction.

To analyze the recent sales trends for the two products, the appraiser has reviewed the 35 closed sales within CFD No. 2015-1, IA-1. Closed sales have been included from November 2018 to the present time. As all of the closed sales have occurred over the last five months, the average sales prices and the average price per square foot reflect the current market conditions. It is also important to note, that as a dwelling unit size increases, all else being similar, the price per square foot usually decreases. Please refer to the following tables which summarizes the average size unit, average sales price and average price per square foot. The Linden's 16 closings occurred from November 20, 2018 to March 28, 2019. The Avenue's 19 closings occurred from November 27, 2018 to March 28, 2019. The table includes closings over the past five months for The Linden and The Avenue within CFD No. 2015-1, IA-1. The two products have experienced generally stagnate prices since the first opening on June 2, 2018.

<b>Summary of The Linden</b>				
<u>Year</u>	<u>No. of Closings</u>	<u>Avg. Size</u>	<u>Avg. S/P</u>	<u>Avg. \$/SF</u>
11/18 to 4/19	16	1,756 SF	\$526,559	\$299.84
<b>Total</b>	16	1,756 SF	\$526,559	\$299.84

The historic closings within The Linden community reflect the state of the residential market over the timeframe of the sales. As indicated in the table which summarizes the closings within The Linden, the average price per square foot was \$299.84 for 16 closings during the last five months.

# HRA

<b>Summary of The Avenue</b>				
<u>Year</u>	<u>No. of Closings</u>	<u>Avg. Size</u>	<u>Avg. S/P</u>	<u>Avg. \$/SF</u>
11/18 to 4/19	19	2,276 SF	\$608,284	\$267.30
<b>Total</b>	<b>19</b>	<b>2,276 SF</b>	<b>\$608,284</b>	<b>\$267.30</b>

The historic and current closings within The Avenue community reflect the state of the residential market over the timeframe of the sales. As indicated in the table which summarizes the closings within The Avenue, the average price per square foot was \$267.30 over the last five months.

The average size for the 16 closed The Linden dwelling units within CFD No. 2015-1, IA-1 is 1,756 square feet. I have estimated a value per square foot of \$285.00 for the 16 closed dwelling units. The estimated Minimum Market Value for the 16 closed The Linden dwellings within CFD No. 2015-1, IA-1 is calculated: 1,756 square feet X \$285.00 per square foot X 16 dwelling units = \$8,007,360, say **\$8,000,000**.

The average size for the 19 closed The Avenue dwelling units within CFD No. 2015-1, IA-1 is 2,276 square feet. We have estimated a value per square foot of \$255.00 for the 19 closed dwelling units. The estimated Minimum Market Value for the 19 closed The Avenue product dwellings within CFD No. 2015-1, IA-1 is calculated: 2,276 square feet X \$255.00 per square foot X 19 dwelling units = \$11,027,220, say **\$11,000,000**.

The indicated Minimum Market Value for the 35 closed dwelling units within CFD No. 2015-1, IA-1 is **\$19,000,000**.

In addition to the completed and sold dwelling units within CFD No. 2015-1, IA-1, there are two model homes for each product. The model homes, under the ownership of Taylor Morrison of California, LLC are valued at 100% of the reported base prices.

# HRA

<b>Model Home Value</b>			
<u>Product</u>	<u>Floor Plan</u>	<u>Sq.Ft.</u>	<u>Base Price</u>
The Linden	2	1,766 SF	\$516,990
	3	1,815 SF	\$526,990
The Avenue	2	2,271 SF	\$590,990
	3	2,362 SF	\$600,990
Total Models Value			\$2,235,960
<b>Rounded to,</b>			<b>\$2,200,000</b>

The Minimum Market Value for the four model homes under the ownership of Taylor Morrison of California, LLC is **\$2,200,000**.

There are also ten completed The Linden dwellings that have not closed escrow as of the date of value. The Avenue has five completed dwellings that have not closed escrow, as of the date of value. For the 15 dwellings, I have conservatively estimated a value of 80% of the sold and closed The Linden and the Avenue dwelling value.

## Completed-not closed Minimum Market Value

### The Linden

\$500,500 per dwelling X 10 dwellings X 80% = \$4,004,000

**Rounded to \$4,000,000**

### The Avenue

\$580,400 per dwelling X 5 dwellings X 80% = \$2,321,600

**Rounded to \$2,300,000**

**Total \$6,300,000**

## Valuation of Dwelling Units Under Construction

In addition to the 35 completed and sold dwelling units, 15 completed, but not closed dwellings, and four model homes within CFD No. 2015-1, IA-1 there are 6 dwelling units under construction in a framing condition. For the Minimum Market Value of the dwellings under construction, I have conservatively estimated 65% of the closed dwellings value, for the dwellings in a framing condition.

# HRA

The Minimum Market Value for the 6 The Avenue dwellings in a framing condition:

$\$580,400 \text{ per dwellings} \times 6 \text{ dwellings} \times 65\% = \$2,263,560$

**Say \$2,300,000**

The indicated Minimum Market Value for the 21 production dwellings completed or under construction within CFD No. 2015-1, IA-1 under the ownership of Taylor Morrison of California, LLC is **\$8,600,000**.

## VALUATION OF FINISHED LOTS

The previous section of this report valued the completed and sold dwelling units owned by 35 individual homeowners and the dwellings under the ownerships of the merchant builder. This section of the report will value the 85 physically finished lots owned by the merchant builder, Taylor Morrison of California, LLC.

The actual sales price of a particular parcel is always considered the best indication of value, assuming the transaction is arm's length, current and meets the definition of Market Value. Due to the downturn in the residential market from 2005 to 2012 and lack of demand for merchant builder land, there had been limited comparable land sales within the subject market place. However, from 2013 to 2015, the residential market improved, with increasing home sales and increasing prices. This spurred a resurgence of merchant builder lot sales. From 2015 to the present time, the residential market began to stabilize which has limited recent land sales. Other than the 2017 sale of the subject property, there have been few recent merchant builder land sales in Upland.

### Direct Comparison Approach

The Direct Comparison Approach is based upon the premise that, when a property is replaceable in the market, its value tends to be set by the purchase price necessary to acquire an equally desirable substitute property, assuming no costly delay is encountered in making the decision and the market is reasonably informed. In appraisal practice, this is known as the Principle of Substitution.

This approach is a method of analyzing the subject property by comparison of actual sales of similar properties, when available. These sales are evaluated by weighing both overall comparability and the relative importance of such variables as time, terms of sale, location of sale property, and lot characteristics. For the purpose of this report, the unit of comparison utilized is the price per lot for the residential land. Please refer to the following page that summarizes the sales considered similar to the subject lots.

### Land Sales Summary

Data No./ Project	Buyer/ Seller	Sale Date	Lot Size	No. of Lots	Sales Price	Sale Price Per Lot	Finished Price/Lot	At time of Sale Land Condition
No. 1 Westridge NEC Baseline Rd. & Parkview Promenade Upland Subject Property 1005-481-05	Taylor Morrison Bravepark Property Tr. 18707	9/17	2,000 to 3,600	145	\$27,429,500	\$189,169	\$300,000	Rough Graded Westridge at Sycamore Hills
No. 1 Springtime NEC 11th St. & Monte Vista Ave. Upland Subject Property APN 1007-021-15	KB Home Lewis Homes Tr. 18249	11/16	2,500	125	\$19,876,750	\$159,014	\$250,000	Blue-top Lots Harvest at Upland
No. 2 Sunflower/Arbor Park NWC 11th St. & Dewey Way Upland APN 1007-021-16	Lennar Homes Lewis Homes Tr. 18274	5/18	TH	193	\$25,160,800	\$130,367	\$215,000	Blue-top Site Harvest at Upland



# HRA

I have surveyed merchant builder land sales in the subject area. The three sales are the comparables considered most helpful in valuing the subject property. One of the sales is of the subject property. I have reviewed and inspected all of the data items. The data includes the finished lot prices for merchant builder parcels. The comparable land sales have sold in rough graded to a blue-top lot condition. Costs to bring the land from the condition at the time of sale to finished lot condition were made available by the builders to analyze the data. Therefore, the analysis will conclude at an indication of the finished lot value for the subject lots.

Between the date of the land sales and the date of value, market conditions have been stable to declining. The residential land market had been declining from 2006 to mid-2012. Between mid-2012 and early 2014, prices increased rapidly. From 2014 to the current time, prices stabilized with some increases and some decreases, depending on location. Recently, the residential market is declining. The number of home sales has decreased and sales prices are stable to declining for most products. The residential lot market appears to be near the bottom and is now stable to declining.

## **Analysis**

### *Financing*

All of the comparable sales were all cash transactions or financing considered to be cash, therefore, no adjustments for financing were warranted.

### *Property Rights Conveyed*

All of the comparables involved the transfer of the fee simple interest. The subject fee simple interest is appraised in this report, and therefore, no adjustment is warranted.

### *Time of Sale*

The three merchant builder lot sales included in this analysis occurred between November 2016 and May 2018. Prices have been stable to slightly improving during this time frame. Just the fact that there have been merchant builder lot sales is a significant change from the prior market between 2006± to mid-2012. The price reductions for homes equated to a 60% to 70% decrease in lot prices between 2006± and 2012. The Hoffman

# HRA

Company, a land brokerage firm, tracks merchant builder lot sales in Southern California. Based on their research, they reported that merchant builder lot prices increased 55% to 185%, depending on location, in San Bernardino County between the beginning of 2009 through the first quarter of 2016. The sub-areas most similar to Upland are north Fontana and Ontario. North Fontana is near the middle of the range. They also report that in north Fontana, between Q1 2014 and Q1 2016, merchant builder lot prices decreased approximately 20%. Between Q1 2016 and Q4 2017, north Fontana lot prices have increased approximately 3%. The Ontario lot prices were basically stable, with no or minimal increases between Q1 2016 and Q4 2017. The residential market began to stagnate with minor declining in home sale in mid-2018. The CoreLogic monthly sales and price reports have shown small price increases in three of the last four months, with one month having no change from one year ago.

## *Conditions of Sale*

Typically, adjustments for conditions of sale reflect the motivations of the buyer and the seller in the transfer of real property. The conditions of sale adjustment reflect the difference between the actual sales price of the comparable and its probable sales price if it were sold in an arms-length transaction with typical motivations. Some circumstances of comparable sales that will need adjustment include sales made under duress, eminent domain transactions and sales that were not arm's length. All of the transactions were reported to be arm's length in nature. Accordingly, no adjustment is indicated.

## *Location/Appeal*

The Location/Appeal adjustment is based on the strength of new home sales proximity to existing infrastructure and employment and the surrounding developments. Data No.1 is the sale of the land for CFD No. 2015-1, IA-1, Data Nos. 2 and 3 are located in Upland CFD No. 2016-1 and considered similar to CFD No. 2015-1, IA-1.

## *Entitlement/Map Status*

All of the sales are entitled. No adjustment is required.

# HRA

## *Tax Rate*

The subject property is expected to have an average overall tax rate of between 1.80% and 1.90% of the current base sales price. Because the comparable sales all have similar CFDs/ADs, no adjustment is required.

## *Lot Size*

The comparables have a minimum lot size that range from 2,000 square feet to 3,600 square feet. The minimum lot size for the subject parcels is from 2,000 to 3,600 square feet. An adjustment is not indicated.

## *Condition of Lots*

All of the data included information to estimate a finished lot price for each comparable. According to the builders, there are site cost associated with the near finished lots within CFD No. 2015-1, IA-1. Taylor Morrison reports that most of the site improvements have been completed. There is approximately \$900,000 remaining for site costs. Sixty-eight building permits have been issued. Developer fees will average about \$38,000 per lot for the remaining 85 physically finished lots. This amount will be deducted from the finished lot value of the 85 remaining lots.

## *Finished Lot Values by Direct Comparison*

The adjusted finished lot values range from \$225,750 to \$285,000 per lot. Giving the most weight to the Data No. 1, I have concluded at \$285,000 per lot for the 85 remaining lots in Westridge at Sycamore Hills.

As previously discussed, the residential market started to stabilize during 2012, after the lengthy down turn in the residential market over the previous six years. By mid-2012, the positive impact on the residential market started and has continued to the present time. The impact of the sales activity and minimal supply to meet demand resulted in increased sales prices from 2012 to 2014. While the residential market continues to be positive, sales activity has decreased from 2014 to 2016 compared to 2013. However, between the first quarter of 2016 and mid-2018, there were a modest increase in price levels. Over the last 6 to 10 months, the number of sales and sale prices have declined.

**RESIDENTIAL LAND SALES ADJUSTMENT GRID**

<b>Data No./ Location</b>	<b>Date of Sale</b>	<b>No. Units</b>	<b>Lot Size</b>	<b>Finished Lot Price</b>	<b>Time</b>	<b>Adjusted Price</b>	<b>Appeal &amp; Location</b>	<b>Lot Size</b>	<b>Adjusted Price/Unit</b>
No. 1 NEC Baseline Rd. & Parkview Promenade Upland 1005-481-05 Subject Property	9/17	145	2,000 to 3,600	\$300,000	-5%	\$285,000	0%	0%	\$285,000
No. 2 Springtime at Harvest NEC 11th St. & Monte Vista Ave. Upland APN 1007-021-15	11/16	125	2,500	\$250,000	-5%	\$237,500	0%	0%	\$237,500
No. 3 N/A NWC 11th St. & Dewey Way Upland APN 1007-021-16	5/18	193	TH	\$215,000	0%	\$215,000	0%	5%	\$225,750

# HRA

In a changing market with limited comparable land sales, the better indication of land value can be estimated by the Static Residual Analysis which reflects current dwelling sales prices and market conditions. The following paragraphs begin the discussion of the Static Residual Analysis for the Westridge products within CFD No. 2015-1, IA-1.

## **Static Residual Analysis to Finished Lot Value**

The merchant builder lots are valued by the Direct Comparison Approach and by the Static Residual Analysis. The purpose of this analysis is to estimate a value for the lots assuming no direct construction has taken place. This method is particularly helpful when development for a subdivision represents the highest and best use and when competitive house sales are available. Reportedly, this analysis is by far the most commonly used by merchant builders when determining price for land.

This analysis is useful for projects that will have a typical holding period of one to two years which represents the typical holding period sought by merchant builders. The Static Residual Analysis best replicates the investor's analysis when determining what can be paid for the land based on proposed product. Purchase of the land is simply treated as one of the components necessary to build the houses to sell to the homeowner. When all the components of the end-product can be identified and reasonable estimates of costs and profit can be allocated, the Static Residual Analysis becomes the best indicator of value to a merchant builder for a specific product. Specific product information is available, which makes this analysis particularly meaningful.

The analysis uses an estimated average base sales price for a specific product, then deducts the various costs including direct and indirect costs of construction, marketing, taxes and overhead, as well as the required profit margin to attract an investor in light of the risks and uncertainties of the project and residential market. This analysis is most helpful when significant lot and or view premiums are not present. When negotiating land price, builders typically will consider the value of lot premiums when they are significant, but typically do

# HRA

not give the premiums full consideration. When a downturn in the market occurs or a slight stall in a sales program, premiums are typically the first to be negotiated away.

## *End-product Sales Prices*

The analysis uses the average base sales price as provided by the builders without lot premiums. The Linden and The Avenue products have met with fair market acceptance. Based on interviews with sales personnel in the subject's market area, it appears that the market is moderating, with some decrease in price.

## *Direct Development Costs*

The builders have provided direct construction costs to build The Linden and The Avenue products. The appraiser has also been provided with direct construction costs for recent projects in the Inland Empire and are aware that direct construction costs have decreased over the past several years. The appraiser has given consideration to the builder's estimates of direct construction costs as well as costs from other builders in the Inland Empire in the analyses. Based on our understanding of the quality of construction, home size and functional utility, I have estimated direct construction costs of \$75.00 per square foot for the Westridge products.

Indirect construction costs have been estimated at 4% of sales price. The 4% deduction is generally similar to the indirect cost estimate provided by the builder/developer.

## *General and Administrative*

General and administrative costs are estimated at 4% of retail value. This category covers such expenses as administrative, professional fees, real estate taxes, HOA dues, and miscellaneous costs. This estimate is typical and consistent with the market.

# HRA

## *Marketing and Warranty*

Marketing and sales expenses plus warranty costs are estimated at 6% of retail value. This category covers such expenses as advertising and sales commissions and home warranties. This estimate is typical and consistent with the market.

## *Developer Profit*

The line item for profit reflects the required margin to attract an investor in light of the risk and uncertainties of the specific project. This analysis assumes a finished lot and no on-site construction. Therefore, additional risk of development is unknown.

Based on surveys of builders, current profit requirements are typically between 8% and 12% of revenues, with occasional responses as high as 15%. These profit estimates are for projects that can be constructed and sold out in a two-year period. Higher profits can be required for longer construction/sellout periods and riskier projects. Lower profits can be accepted in inexpensive land cost areas where homes sell quickly. Given the moderate strength of the market over the past three to four years, the market demand for products similar to the subject is average to good. Based on a review of the absorption of the subject product and competing subdivisions, a sales rate of 3-4± dwellings per month for the products appears reasonable.

The line item for profit is based on a typical holding period sought by merchant builders; that of 1 to 2 years. Based on current market conditions and the outlook for the next 12 to 24 months, an 10%-line item for profit, would seem appropriate for a 24±-month holding period.

## *Interest During Holding Period*

A typical allowance for financing during the holding period has been between 5% and 7%. Based on recent interviews with builders in the subject market area, we have chosen a 6% deduction for financing during the holding period.

# HRA

## *Site Costs*

Because this analysis residuals to a finished lot condition, deductions for costs to bring to a finished lot condition are not required.

There are 85 lots within Westridge remaining to be completed with vertical residential construction. The Linden is built on lots with a minimum 2,000 square foot size. The Avenue is built on lots with a minimum 3,600 square foot size. In estimating a finished lot value for the 85 lots, the average unit size for The Linden and The Avenue is used in the analysis. The following page illustrates the Static Residual Analysis for the combined The Linden and The Avenue products within IA-1 of the District. This analysis indicates a finished lot value of \$233,000 for lots with a minimum size of between 2,000 and 3,600 square feet.



**Westridge at Sycamore Hills**  
**The Linden/The Avenue**  
**CFD No. 2015-1, IA-1**  
**Finished Lot Value**

Floor Plan	Size	Base Price
The Linden 1	1,621	\$505,990
The Linden 2	1,766	\$516,990
The Linden 3	1,815	\$526,990
The Avenue 1	2,143	\$565,990
The Avenue 2	2,271	\$590,990
The Avenue 3	2,362	\$600,990
<b>Average</b>	<b>1,996</b>	<b>\$551,323</b>

**Incentives** **\$5,000**

Land Ratio

*2,000 to 3,600 Square Foot Lot*

Average Retail Value of Improvements \$546,323 \$273.66  
(Per sq. ft.)

Average Dwelling Size (Sq. Feet)	1,996	
Direct Building Cost Per Sq. Ft.	\$75.00	\$149,725
Indirect Construction Costs	4.00%	\$21,853
General & Administrative Costs	4.00%	\$21,853
Marketing and Warranty Costs	6.00%	\$32,779
Builder's Profit	10.00%	\$54,632
Interest During Holding Period	6.00%	\$32,779
Costs to bring to Finished Lot		<u>None</u>

**Finished Lot Estimate of Value** **\$232,701**  
**\$233,000**

**Finished Lot 43%**

# HRA

## Conclusion of Finished Lot Values

The following table summarizes the conclusions of the finished lot values by the Direct Comparison Approach, the Static Residual Analysis and the concluded lot value. Due to the continued changes in the residential market and limited land sales, I have given equal consideration to the results of the Direct Comparison Approach and the Static Residual Analysis.

<b>Finished Lot Value Conclusions</b>						
<u>Product</u>	<u>No. Lots</u>	<u>Direct Comparison Approach</u>	<u>Minimum Lot Size</u>	<u>Static Residual Analysis</u>	<u>Finished Lot Ratio</u>	<u>Concluded Lot Value</u>
Westridge	85	\$285,000	2,000-3,600 SF	\$233,000	43%	\$250,000

According to the builder, approximately \$3,305,917 of site cost remain for CFD No. 2015-1, IA-1 and according to the master developer, approximately \$115,000 in site cost remain for CFD No. 2015-1, IA-1. In addition, an average of \$38,000 per lot in developer impact fees remain for the 77 sites that do not have building permits.

The total fee would be  $77 \times \$38,000 = \$2,926,000$ : Say \$2,900,000.

### *Westridge at Sycamore Hills*

85 Physically Finished Sites X \$250,000 =	\$21,250,000
Less: Remaining Site Cost =	\$ 3,420,917
Less: Developer Fees =	\$ 2,900,000
Plus: Bond Proceed Credit and Fee Credits =	<u>\$ 1,771,000</u>
(77 Sites X \$23,000)	\$16,700,000

**Say \$16,700,000**

The indicated "as is" Minimum Market Value for the 85 finished lots within Westridge at Sycamore Hills under the ownership of the builder, Taylor Morrison of California, LLC, is **\$16,700,000**.

## VALUATION CONCLUSION

Based on the investigation and analyses undertaken, my experience as real estate appraiser and subject to all the premises, assumptions and limiting conditions set forth in this report, the following opinions of Minimum Market Value are formed as April 15, 2019.

**Community Facilities District No. 2015-1, IA-1**  
**FORTY-SIX MILLION NINE HUNDRED DOLLARS**  
**\$46,500,000**

**Individual Homeowners – 35 Completed Dwellings**  
**NINETEEN MILLION DOLLARS**  
**\$19,000,000**

**Taylor Morrison of California, LLC. – 110 Lots/Dwelling**  
**TWENTY-SEVEN MILLION NINE HUNDRED THOUSAND DOLLARS**  
**\$27,500,000**

## CERTIFICATION

I hereby certify that during the completion of this assignment, I personally inspected the property that is the subject of this appraisal and that, except as specifically noted:

I have no present or contemplated future interest in the real estate or personal interest or bias with respect to the subject matter or the parties involved in this appraisal.

I have not provided appraisal services regarding the subject property within the last three years to my client, The City of Upland.

To the best of my knowledge and belief, the statements of fact contained in this appraisal report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.

My engagement in this assignment was not contingent upon developing or reporting predetermined results. The compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

As of the date of this report, James B. Harris has completed the requirements of the continuing education program of the Appraisal Institute.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.

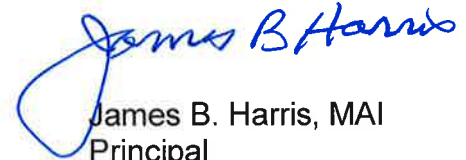
Berri Cannon Harris provided significant real property appraisal assistance to the persons signing this certificate.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. In furtherance of the aims of the Appraisal

# HRA

Institute to develop higher standards of professional performance by its Members, I may be required to submit to authorized committees of the Appraisal Institute copies of this appraisal and any subsequent changes or modifications thereof.

Respectfully submitted,



James B. Harris, MAI  
Principal  
AG001846

**HRA**

**ADDENDA**

*QUALIFICATIONS*

**HARRIS REALTY APPRAISAL**

5100 Birch Street, Suite 200

Newport Beach, CA 92660

(949) 851-1227

**QUALIFICATIONS  
OF  
JAMES B. HARRIS, MAI**

***PROFESSIONAL BACKGROUND***

Actively engaged as a real estate analyst and consulting appraiser since 1971. Principal of **Harris Realty Appraisal**, with offices at:

5100 Birch Street, Suite 200  
Newport Beach, California 92660

Before forming Harris Realty Appraisal, in 1982, was employed with Real Estate Analysts of Newport, Inc. (REAN) as a Principal and Vice President. Prior to employment with REAN was employed with the Bank of America as the Assistant Urban Appraisal Supervisor. Previously, was employed by the Verne Cox Company as a real estate appraiser.

***PROFESSIONAL ORGANIZATIONS***

Member of the Appraisal Institute, with MAI designation No. 6508  
Director, Southern California Chapter – 1998, 1999  
Chair, Orange County Branch, Southern California Chapter -1997  
Vice-Chair, Orange County Branch, Southern California Chapter - 1996  
Member, Region VII Regional Governing Committee - 1991 to 1995, 1997, 1998  
Member, Southern California Chapter Executive Committee - 1990, 1997 to 1999  
Chairman, Southern California Chapter Seminar Committee - 1991  
Chairman, Southern California Chapter Workshop Committee - 1990  
Member, Southern California Chapter Admissions Committee - 1983 to 1989  
Member, Regional Standards of Professional Practice Committee -1985 - 1997

Member of the International Right-of-Way Association, Orange County Chapter 67.

California State Certified Appraiser, Number AG001846

***EDUCATIONAL ACTIVITIES***

B.S., California State Polytechnic University, Pomona

Successfully completed the following courses sponsored by the Appraisal Institute and the Right-of-Way Association:

Course I-A	Principles of Real Estate Appraisal
Course I-B	Capitalization Theory
Course II	Urban Properties
Course IV	Litigation Valuation
Course VI	Investment Analysis
Course VIII	Single-Family Residential Appraisal
Course SPP	Standards of Professional Practice
Course 401	Appraisal of Partial Acquisitions

Has attended numerous seminars sponsored by the Appraisal Institute and the International Right-of-Way Association.



## **TEACHING AND LECTURING ACTIVITIES**

Seminars and lectures presented to the Appraisal Institute, the University of California-Irvine, UCLA, California Debt and Investment Advisory Commission, Stone & Youngberg and the National Federation of Municipal Analysts.

## **MISCELLANEOUS**

Member of the Advisory Panel to the California Debt and Investment Advisory Commission, regarding Appraisal Standards for Land Secured Financing (March 2003 through June 2004)

## **LEGAL EXPERIENCE**

Testified as an expert witness in the Superior Court of the County of Los Angeles and the County of San Bernardino and in the Federal Bankruptcy Courts five times concerning the issues of Eminent Domain, Bankruptcy, and Specific Performance. He has been deposed numerous times concerning these and other issues. This legal experience has been for both Plaintiff and Respondent clients. He has prepared numerous appraisals for submission to the IRS, without having values overturned. He has worked closely with numerous Bond Counsel in the completion of 175 Land Secured Municipal Bond Financing appraisals over the last five years.

## **SCOPE OF EXPERIENCE**

### ***Feasibility and Consultive Studies***

Feasibility and market analyses, including the use of computer-based economic models for both land developments and investment properties such as shopping centers, industrial parks, mobile home parks, condominium projects, hotels, and residential projects.

### ***Appraisal Projects***

Has completed all types of appraisal assignments from San Diego to San Francisco, California. Also has completed out-of-state appraisal assignments in Arizona, Florida, Georgia, Hawaii, Nevada, New Jersey, Oklahoma, Oregon, and Washington.

### ***Residential***

Residential subdivisions, condominiums, planned unit developments, mobile home parks, apartment houses, and single-family residences.

### ***Commercial***

Office buildings, hotels, motels, retail store buildings, restaurants, power shopping centers, neighborhood shopping centers, and convenience shopping centers.

### ***Industrial***

Multi-tenant industrial parks, warehouses, manufacturing plants, and research and development facilities.

### ***Vacant Land***

Community Facilities Districts, Assessment Districts, master planned communities, residential, commercial and industrial sites; full and partial takings for public acquisitions.

## ***PARTIAL LIST OF CLIENTS***

### ***Lending Institutions***

Bank of America  
Bank One  
Commerce Bank  
Downey S&L Assoc.  
Fremont Investment and Loan  
First Los Angeles Bank  
Institutional Housing Partners

NationsBank  
Preferred Bank  
Santa Monica Bank  
Tokai Bank  
Union Bank  
Universal S&L Assoc.  
Wells Fargo Bank

### ***Public Agencies***

Army Corps of Engineers  
California State University  
Caltrans  
City of Aliso Viejo  
City of Beaumont  
City of Corona  
City of Costa Mesa  
City of Encinitas  
City of Fontana  
City of Fullerton  
City of Hemet  
City of Hesperia  
City of Honolulu  
City of Huntington Beach  
City of Indian Wells  
City of Irvine  
City of Lake Elsinore  
City of Loma Linda  
City of Los Angeles  
City of Moreno Valley  
City of Newport Beach  
City of Oceanside

City of Palm Springs  
City of Perris  
City of Riverside  
City of San Marcos  
City of Tustin  
City of Upland  
City of Victorville  
County of Orange  
County of Riverside  
County of San Bernardino  
Eastern Municipal Water District  
Orange County Sheriff's Department  
Ramona Municipal Water District  
Rancho Santa Fe Comm. Services District  
Capistrano Unified School District  
Hemet Unified School District  
Hesperia Unified School District  
Romoland School District  
Saddleback Valley Unified School District  
Santa Ana Unified School District  
Val Verde Unified School District  
Yucaipa-Calimesa Unified School District

### ***Law Firms***

Arter & Hadden  
Bronson, Bronson & McKinnon  
Bryan, Cave, McPheeters & McRoberts  
Richard Clements  
Cox, Castle, Nicholson  
Gibson, Dunn & Crutcher  
Hill, Farrer & Burrill

McClintock, Weston, Benshoof,  
Rocheffort & MacCuish  
Palmiri, Tyler, Wiener, Wilhelm, & Waldron  
Sonnenschein Nath & Rosenthal  
Strauss & Troy  
Wyman, Bautzer, Rothman, Kuchel &  
Silbert

## **OWNERSHIP**

Neighborhood	Final Map No.	Phase	Address	APN (from Assessor's maps and Landvision)	Lot	Plan	SQFT	Owner Name	Closing Date (Actual/Estimated)
The Linden	18707	1	1635 Peach Tree Pl	1005-481-11	109	3A	1,815	David Huang	11/30/2018
The Linden	18707	7	1615 Pear Tree Pl	1005-481-47	1	3A	1,815	Deborah Carter	3/14/2019
The Linden	18707	3	1640 Topeka Pl	1005-481-25	116	3B	1,815	Han Tsai Hsiung	11/21/2018
The Linden	18707	7	1603 Pear Tree Pl	1005-481-50	4	3B	1,815	Holliday Trucking, Inc, a California Cor	3/14/2019
The Linden	18707	7	1602 Pear Tree Pl	1005-481-51	5	1RB	1,621	Holliday Trucking, Inc, a California Cor	3/14/2019
The Linden	18707	5	1915 Apple Tree Pl	1005-481-39	75	1B	1,621	Jane Nguon	3/22/2019
The Linden	18707	1	1634 Peach Tree Pl	1005-481-14	112	2XC	1,776	Jason Wright	11/20/2018
The Linden	18707	5	1907 Apple Tree Pl	1005-481-40	76	2XC	1,776	Kai Qi Ni	3/15/2019
The Linden	18707	3	1634 Topeka Pl	1005-481-27	118	2XC	1,776	Marco De Castro Valencia	11/20/2018
The Linden	18707	3	1633 Topeka Pl	1005-481-24	115	3C	1,815	Perry Michael Goth, Jr	11/20/2018
The Linden	18707	5	1906 Apple Tree Pl	1005-481-37	73	3RA	1,815	Porfirio Cornelio Suay, Jr	3/14/2019
The Linden	18707	3	1641 Topeka Pl	1005-481-22	113	1C	1,621	Ralph R. Raymond	1/18/2019
The Linden	18707	5	1923 Apple Tree Pl	1005-481-38	74	3C	1,815	Sang Hyeon Lee	3/28/2019
The Linden	18707	1	1638 Peach Tree Pl	1005-481-12	110	3C	1,815	Victoria Wu	2/27/2019
The Linden	18707	1	1639 Peach Tree Pl	1005-481-09	107	1B	1,621	Vinh M. Aven	11/20/2018
The Linden	18707	5	1918 Apple Tree Pl	1005-481-36	72	2RC	1,766	Xiong Cheng	3/28/2019
					<b>16</b>				

#### Taylor Morrison of California, LLC

The Linden	18707	9	1614 Ruedy Pl	APN Not Yet Assigned	16	3RC	N/A	Taylor Morrison of California, LLC	9/1/2019
The Linden	18707	7	1612 Pear Tree Pl	1005-481-54	8	2XC	N/A	Taylor Morrison of California, LLC	4/24/2019
The Linden	18707	7	1611 Pear Tree Pl	1005-481-48	2	2B	N/A	Taylor Morrison of California, LLC	4/25/2019
The Linden	18707	9	1613 Ruedy Pl	APN Not Yet Assigned	9	2XC	N/A	Taylor Morrison of California, LLC	8/28/2019
The Linden	18707	7	1607 Pear Tree Pl	1005-481-49	3	1C	N/A	Taylor Morrison of California, LLC	
The Linden	18707	7	1606 Pear Tree Pl	1005-481-52	6	3RC	N/A	Taylor Morrison of California, LLC	
The Linden	18707	1	1637 Peach Tree Pl	1005-481-10	108	2C	N/A	Taylor Morrison of California, LLC	4/25/2019
The Linden	18707	1	1636 Peach Tree Pl	1005-481-13	111	1A	N/A	Taylor Morrison of California, LLC	4/29/2019
The Linden	18707	3	1637 Topeka Pl	1005-481-23	114	2B	N/A	Taylor Morrison of California, LLC	5/3/2019
The Linden	18707	3	1638 Topeka Pl	1005-481-26	117	1A	N/A	Taylor Morrison of California, LLC	4/26/2019
The Linden	18707	7	1608 Pear Tree Pl	1005-481-53	7	1A	N/A	Taylor Morrison of California, LLC	
The Linden	18707	9	1609 Ruedy Pl	APN Not Yet Assigned	10	3B	N/A	Taylor Morrison of California, LLC	
The Linden	18707	9	1605 Ruedy Pl	APN Not Yet Assigned	11	2A	N/A	Taylor Morrison of California, LLC	
The Linden	18707	9	1601 Ruedy Pl	APN Not Yet Assigned	12	1C	N/A	Taylor Morrison of California, LLC	
The Linden	18707	9	1604 Ruedy Pl	APN Not Yet Assigned	13	3RC	N/A	Taylor Morrison of California, LLC	
The Linden	18707	9	1608 Ruedy Pl	APN Not Yet Assigned	14	1RA	N/A	Taylor Morrison of California, LLC	
The Linden	18707	9	1612 Ruedy Pl	APN Not Yet Assigned	15	2B	N/A	Taylor Morrison of California, LLC	
The Linden	18707	11	1615 Shaw Pl	APN Not Yet Assigned	17	2XC	N/A	Taylor Morrison of California, LLC	
The Linden	18707	11	1611 Shaw Pl	APN Not Yet Assigned	18	1B	N/A	Taylor Morrison of California, LLC	
The Linden	18707	11	1607 Shaw Pl	APN Not Yet Assigned	19	3A	N/A	Taylor Morrison of California, LLC	
The Linden	18707	11	1603 Shaw Pl	APN Not Yet Assigned	20	1C	N/A	Taylor Morrison of California, LLC	
The Linden	18707	11	1600 Shaw Pl	APN Not Yet Assigned	21	3RC	N/A	Taylor Morrison of California, LLC	
The Linden	18707	11	1604 Shaw Pl	APN Not Yet Assigned	22	1RA	N/A	Taylor Morrison of California, LLC	
The Linden	18707	11	1608 Shaw Pl	APN Not Yet Assigned	23	2RC	N/A	Taylor Morrison of California, LLC	
The Linden	18707	11	1612 Shaw Pl	APN Not Yet Assigned	24	3RB	N/A	Taylor Morrison of California, LLC	

Neighborhood	Final Map No.	Phase	Address	APN (from Assessor's maps and Landvision)	Lot	Plan	SQFT	Owner Name	Closing Date (Actual/Estimated)
The Linden	18707	13	1613 Jedediah Pl	APN Not Yet Assigned	25	2XC	N/A	Taylor Morrision of California, LLC	
The Linden	18707	13	1611 Jedediah Pl	APN Not Yet Assigned	26	3A	N/A	Taylor Morrision of California, LLC	
The Linden	18707	13	1609 Jedediah Pl	APN Not Yet Assigned	27	2B	N/A	Taylor Morrision of California, LLC	
The Linden	18707	13	1607 Jedediah Pl	APN Not Yet Assigned	28	1A	N/A	Taylor Morrision of California, LLC	
The Linden	18707	13	1602 Jedediah Pl	APN Not Yet Assigned	29	3RB	N/A	Taylor Morrision of California, LLC	
The Linden	18707	13	1606 Jedediah Pl	APN Not Yet Assigned	30	1RC	N/A	Taylor Morrision of California, LLC	
The Linden	18707	13	1610 Jedediah Pl	APN Not Yet Assigned	31	2RA	N/A	Taylor Morrision of California, LLC	
The Linden	18707	13	1614 Jedediah Pl	APN Not Yet Assigned	32	3RC	N/A	Taylor Morrision of California, LLC	
The Linden	18707	15	1615 Armijo Pl	APN Not Yet Assigned	33	2XC	N/A	Taylor Morrision of California, LLC	
The Linden	18707	15	1609 Armijo Pl	APN Not Yet Assigned	34	1B	N/A	Taylor Morrision of California, LLC	
The Linden	18707	15	1605 Armijo Pl	APN Not Yet Assigned	35	3A	N/A	Taylor Morrision of California, LLC	
The Linden	18707	15	1601 Armijo Pl	APN Not Yet Assigned	36	1C	N/A	Taylor Morrision of California, LLC	
The Linden	18707	15	1602 Armijo Pl	APN Not Yet Assigned	37	3RB	N/A	Taylor Morrision of California, LLC	
The Linden	18707	15	1604 Armijo Pl	APN Not Yet Assigned	38	1RA	N/A	Taylor Morrision of California, LLC	
The Linden	18707	15	1608 Armijo Pl	APN Not Yet Assigned	39	2RB	N/A	Taylor Morrision of California, LLC	
The Linden	18707	15	1612 Armijo Pl	APN Not Yet Assigned	40	3RC	N/A	Taylor Morrision of California, LLC	
The Linden	18707	17	1611 Dundas Pl	APN Not Yet Assigned	41	3A	N/A	Taylor Morrision of California, LLC	
The Linden	18707	17	1609 Dundas Pl	APN Not Yet Assigned	42	2C	N/A	Taylor Morrision of California, LLC	
The Linden	18707	17	1607 Dundas Pl	APN Not Yet Assigned	43	1B	N/A	Taylor Morrision of California, LLC	
The Linden	18707	17	1603 Dundas Pl	APN Not Yet Assigned	44	3C	N/A	Taylor Morrision of California, LLC	
The Linden	18707	17	1600 Dundas Pl	APN Not Yet Assigned	45	1RC	N/A	Taylor Morrision of California, LLC	
The Linden	18707	17	1606 Dundas Pl	APN Not Yet Assigned	46	2RA	N/A	Taylor Morrision of California, LLC	
The Linden	18707	17	1610 Dundas Pl	APN Not Yet Assigned	47	3RB	N/A	Taylor Morrision of California, LLC	
The Linden	18707	17	1614 Dundas Pl	APN Not Yet Assigned	48	2XRC	N/A	Taylor Morrision of California, LLC	
The Linden	18707	19	1615 Harwood Pl	APN Not Yet Assigned	49	2XC	N/A	Taylor Morrision of California, LLC	
The Linden	18707	19	1613 Harwood Pl	APN Not Yet Assigned	50	1A	N/A	Taylor Morrision of California, LLC	
The Linden	18707	19	1609 Harwood Pl	APN Not Yet Assigned	51	2C	N/A	Taylor Morrision of California, LLC	
The Linden	18707	19	1605 Harwood Pl	APN Not Yet Assigned	52	1B	N/A	Taylor Morrision of California, LLC	
The Linden	18707	19	1604 Harwood Pl	APN Not Yet Assigned	53	3RC	N/A	Taylor Morrision of California, LLC	
The Linden	18707	19	1606 Harwood Pl	APN Not Yet Assigned	54	1RB	N/A	Taylor Morrision of California, LLC	
The Linden	18707	19	1610 Harwood Pl	APN Not Yet Assigned	55	2RA	N/A	Taylor Morrision of California, LLC	
The Linden	18707	19	1616 Harwood Pl	APN Not Yet Assigned	56	3RB	N/A	Taylor Morrision of California, LLC	
The Linden	18707	5	1924 Apple Tree Pl	1005-481-35	71	1RA	N/A	Taylor Morrision of California, LLC	
The Linden	18707	21/BO	1639 Burlington Pl	APN Not Yet Assigned	119	3A	N/A	Taylor Morrision of California, LLC	
The Linden	18707	21/BO	1637 Burlington Pl	APN Not Yet Assigned	120	1RB	N/A	Taylor Morrision of California, LLC	
The Linden	18707	21/BO	1633 Burlington Pl	APN Not Yet Assigned	121	2XRC	N/A	Taylor Morrision of California, LLC	
The Linden	18707	21/BO	1638 Burlington Pl	APN Not Yet Assigned	122	1RC	N/A	Taylor Morrision of California, LLC	
The Linden	18707	Model	1636 Burlington Pl	APN Not Yet Assigned	123	2A	N/A	Taylor Morrision of California, LLC	
The Linden	18707	Model	1630 Burlington Pl	APN Not Yet Assigned	124	3B	N/A	Taylor Morrision of California, LLC	

	A	B	C	D	E	F	G	H	L	M
1										
2										
3	<b>Neighborhood</b>	<b>Final Map No.</b>	<b>Phase</b>	<b>Address</b>	<b>APN (from Assessor's maps and Landvision)</b>	<b>Lot</b>	<b>Plan</b>	<b>SQFT</b>	<b>Owner Name</b>	<b>Closing Date (Actual/Estimated)</b>
4	The Avenue	18707	8	1639 Atchinson Pl	1005-481-56	132	3RA	2,362	Arnold E. Dichosa	3/14/2019
5	The Avenue	18707	2	1892 Plan Tree Dr	1005-481-15	77	3B	2,362	Charles Nguyen	12/3/2018
6	The Avenue	18707	6	1836 Plan Tree Dr	1005-481-43	91	2B	2,271	Cheryl Velasquez	2/12/2019
7	The Avenue	18707	8	1632 Atchinson Pl	1005-481-60	136	3RC	2,362	David Dunkel	3/14/2019
8	The Avenue	18707	2	1875 Chinar Tree Dr	1005-481-20	82	1RC	2,143	Eric M. Smith	12/19/2018
9	The Avenue	18707	8	1635 Atchinson Pl	1005-481-57	133	2RC	2,271	Janet Lillian Moon	3/28/2019
10	The Avenue	18707	8	1640 Atchinson Pl	1005-481-58	134	3RC	2,362	Jennifer Howell	3/22/2019
11	The Avenue	18707	4	1851 Chinar Tree Dr	1005-481-34	88	3RC	2,362	Jia He	1/4/2019
12	The Avenue	18707	6	1828 Plan Tree Dr	1005-481-45	93	1A	2,143	Jose Luis Camejo	12/27/2018
13	The Avenue	18707	2	1876 Plan Tree Dr	1005-481-19	81	1A	2,143	Kathleen Ann Lioudakis	3/28/2019
14	The Avenue	18707	8	1634 Atchinson Pl	1005-481-59	135	2B	2,271	Lin Nie	3/25/2019
15	The Avenue	18707	4	1850 Plan Tree Dr	1005-481-33	87	2A	2,271	Lori Cantero	11/28/2018
16	The Avenue	18707	2	1883 Chinar Tree Dr	1005-481-18	80	3RB	2,362	May K Lai	12/18/2018
17	The Avenue	18707	4	1858 Plan Tree Dr	1005-481-31	85	1B	2,143	Qiaolian Lai	11/28/2018
18	The Avenue	18707	2	1884 Plan Tree Dr	1005-481-17	79	2C	2,271	Qinzhen Cao	11/28/2018
19	The Avenue	18707	6	1835 Chinar Tree Dr	1005-481-44	92	3RA	2,362	Ralai Andriamiarisoa	12/27/2018
20	The Avenue	18707	2	1891 Chinar Tree Dr	1005-481-16	78	2RC	2,271	Richard James Stewart	12/17/2018
21	The Avenue	18707	4	1866 Plan Tree Dr	1005-481-29	83	3C	2,362	Wataru Sugiura	11/27/2018
22	The Avenue	18707	6	1844 Plan Tree Dr	1005-481-41	89	1C	2,143	Yaohua Lin	12/27/2018
23			<b>19</b>							
24										
25	Taylor Morrison of California, LLC									
26	The Avenue	18707	10	1811 Chinar Tree Dr	APN Not Yet Assigned	98	3RC	N/A	Taylor Morrison of California, LLC	8/27/2019
27	The Avenue	18707	10	1820 Plan Tree Dr	APN Not Yet Assigned	95	3C	N/A	Taylor Morrison of California, LLC	9/26/2019
28	The Avenue	18707	8	1643 Atchinson Pl	1005-481-55	131	1B	N/A	Taylor Morrison of California, LLC	5/29/2019
29	The Avenue	18707	10	1802 Plan Tree Dr	APN Not Yet Assigned	99	3A	N/A	Taylor Morrison of California, LLC	8/27/2019
30	The Avenue	18707	20	1609 Burl Drive	APN Not Yet Assigned	57	2C	N/A	Taylor Morrison of California, LLC	
31	The Avenue	18707	20	1605 Burl Drive	APN Not Yet Assigned	58	3RA	N/A	Taylor Morrison of California, LLC	
32	The Avenue	18707	20	1601 Burl Drive	APN Not Yet Assigned	59	1RB	N/A	Taylor Morrison of California, LLC	
33	The Avenue	18707	20	1602 Burl Drive	APN Not Yet Assigned	60	3C	N/A	Taylor Morrison of California, LLC	
34	The Avenue	18707	20	1606 Burl Drive	APN Not Yet Assigned	61	2A	N/A	Taylor Morrison of California, LLC	
35	The Avenue	18707	20	1610 Burl Drive	APN Not Yet Assigned	62	3B	N/A	Taylor Morrison of California, LLC	
36	The Avenue	18707	18	1614 Burl Drive	APN Not Yet Assigned	63	1RC	N/A	Taylor Morrison of California, LLC	
37	The Avenue	18707	18	1618 Burl Drive	APN Not Yet Assigned	64	3A	N/A	Taylor Morrison of California, LLC	
38	The Avenue	18707	18	1622 Burl Drive	APN Not Yet Assigned	65	1B	N/A	Taylor Morrison of California, LLC	
39	The Avenue	18707	18	1626 Burl Drive	APN Not Yet Assigned	66	2C	N/A	Taylor Morrison of California, LLC	
40	The Avenue	18707	16	1630 Burl Drive	APN Not Yet Assigned	67	1A	N/A	Taylor Morrison of California, LLC	
41	The Avenue	18707	16	1634 Burl Drive	APN Not Yet Assigned	68	3C	N/A	Taylor Morrison of California, LLC	
42	The Avenue	18707	16	1638 Burl Drive	APN Not Yet Assigned	69	2B	N/A	Taylor Morrison of California, LLC	
43	The Avenue	18707	16	1640 Burl Drive	APN Not Yet Assigned	70	3RA	N/A	Taylor Morrison of California, LLC	
44	The Avenue	18707	4	1867 Chinar Tree Dr	1005-481-30	84	2RB	N/A	Taylor Morrison of California, LLC	

	A	B	C	D	E	F	G	H	L	M
3	Neighborhood	Final Map No.	Phase	Address	APN (from Assessor's maps and Landvision)	Lot	Plan	SQFT	Owner Name	Closing Date (Actual/Estimated)
45	The Avenue	18707	4	1859 Chinar Tree Dr	1005-481-32	86	1RA	N/A	Taylor Morrison of California, LLC	
46	The Avenue	18707	6	1843 Chinar Tree Dr	1005-481-42	90	2B	N/A	Taylor Morrison of California, LLC	
47	The Avenue	18707	6	1827 Chinar Tree Dr	1005-481-46	94	1RC	N/A	Taylor Morrison of California, LLC	
48	The Avenue	18707	10	1819 Chinar Tree Dr	APN Not Yet Assigned	96	2RA	N/A	Taylor Morrison of California, LLC	
49	The Avenue	18707	10	1810 Plan Tree Dr	APN Not Yet Assigned	97	2B	N/A	Taylor Morrison of California, LLC	
50	The Avenue	18707	10	1803 Chinar Tree Dr	APN Not Yet Assigned	100	1RB	N/A	Taylor Morrison of California, LLC	
51	The Avenue	18707	12	1798 Plan Tree Dr	APN Not Yet Assigned	101	1C	N/A	Taylor Morrison of California, LLC	
52	The Avenue	18707	12	1795 Chinar Tree Dr	APN Not Yet Assigned	102	3RA	N/A	Taylor Morrison of California, LLC	
53	The Avenue	18707	12	1786 Plan Tree Dr	APN Not Yet Assigned	103	2A	N/A	Taylor Morrison of California, LLC	
54	The Avenue	18707	12	1787 Chinar Tree Dr	APN Not Yet Assigned	104	1RC	N/A	Taylor Morrison of California, LLC	
55	The Avenue	18707	12	1780 Plan Tree Dr	APN Not Yet Assigned	105	3RB	N/A	Taylor Morrison of California, LLC	
56	The Avenue	18707	12	1781 Chinar Tree Dr	APN Not Yet Assigned	106	2A	N/A	Taylor Morrison of California, LLC	
57	The Avenue	18707	22/BO	1641 Santa Fe Pl	APN Not Yet Assigned	125	2B	N/A	Taylor Morrison of California, LLC	
58	The Avenue	18707	Model	1635 Santa Fe Pl	APN Not Yet Assigned	126	3RC	N/A	Taylor Morrison of California, LLC	
59	The Avenue	18707	Model	1631 Santa Fe Pl	APN Not Yet Assigned	127	2RA	N/A	Taylor Morrison of California, LLC	
60	The Avenue	18707	22/BO	1640 Santa Fe Pl	APN Not Yet Assigned	128	3RA	N/A	Taylor Morrison of California, LLC	
61	The Avenue	18707	22/BO	1636 Santa Fe Pl	APN Not Yet Assigned	129	2C	N/A	Taylor Morrison of California, LLC	
62	The Avenue	18707	22/BO	1632 Santa Fe Pl	APN Not Yet Assigned	130	3C	N/A	Taylor Morrison of California, LLC	
63	The Avenue	18707	14	1639 Cherry Tree Pl	APN Not Yet Assigned	137	2A	N/A	Taylor Morrison of California, LLC	
64	The Avenue	18707	14	1635 Cherry Tree Pl	APN Not Yet Assigned	138	3RC	N/A	Taylor Morrison of California, LLC	
65	The Avenue	18707	14	1631 Cherry Tree Pl	APN Not Yet Assigned	139	2RB	N/A	Taylor Morrison of California, LLC	
66	The Avenue	18707	14	1638 Cherry Tree Pl	APN Not Yet Assigned	140	3RB	N/A	Taylor Morrison of California, LLC	
67	The Avenue	18707	14	1636 Cherry Tree Pl	APN Not Yet Assigned	141	1A	N/A	Taylor Morrison of California, LLC	
68	The Avenue	18707	14	1630 Cherry Tree Pl	APN Not Yet Assigned	142	3C	N/A	Taylor Morrison of California, LLC	
69	The Avenue	18707	16	1641 Burl Drive	APN Not Yet Assigned	143	2C	N/A	Taylor Morrison of California, LLC	
70	The Avenue	18707	16	1637 Burl Drive	APN Not Yet Assigned	144	3RB	N/A	Taylor Morrison of California, LLC	
71	The Avenue	18707	16	1633 Burl Drive	APN Not Yet Assigned	145	2RA	N/A	Taylor Morrison of California, LLC	
72						46				

## **SALES BY YEAR**



Neighborhood	Final Map No.	Address	APN (from Assessor's maps and Landvision)	Lot	Plan	SQFT	Sales Date	Base Price	Lot Premium	Option Price	Total Sales Price	\$/SF	Owner Name	Closing Date
The Linden	18707	1918 Apple Tree Pl	1005-481-36	72	2RC	1,766	2/17/2019	\$ 516,990.00	\$ -	\$ 6,589.00	\$ 523,579.00	\$ 296.48	Xiong Cheng	3/28/2019
The Linden	18707	1923 Apple Tree Pl	1005-481-38	74	3C	1,815	2/17/2019	\$ 526,990.00	\$ 1,000.00	\$ 6,767.00	\$ 534,757.00	\$ 294.63	Sang Hyeon Lee	3/28/2019
The Linden	18707	1915 Apple Tree Pl	1005-481-39	75	1B	1,621	2/24/2019	\$ 505,990.00	\$ -	\$ 6,396.00	\$ 512,386.00	\$ 316.09	Jane Nguon	3/22/2019
The Linden	18707	1907 Apple Tree Pl	1005-481-40	76	2XC	1,776	8/23/2018	\$ 516,990.00	\$ 2,000.00	\$ 6,079.00	\$ 525,069.00	\$ 295.65	Kai Qi Ni	3/15/2019
The Linden	18707	1615 Pear Tree Pl	1005-481-47	1	3A	1,815	10/24/2018	\$ 526,990.00	\$ 1,500.00	\$ 6,507.00	\$ 534,997.00	\$ 294.76	Deborah Carter	3/14/2019
The Linden	18707	1603 Pear Tree Pl	1005-481-50	4	3B	1,815	9/23/2018	\$ 526,990.00	\$ -	\$ 6,190.00	\$ 533,180.00	\$ 293.76	Holliday Trucking, Inc.	3/14/2019
The Linden	18707	1602 Pear Tree Pl	1005-481-51	5	1RB	1,621	9/23/2018	\$ 505,990.00	\$ -	\$ 5,470.00	\$ 511,460.00	\$ 315.52	Holliday Trucking, Inc.	3/14/2019
The Linden	18707	1906 Apple Tree Pl	1005-481-37	73	3RA	1,815	8/5/2018	\$ 526,990.00	\$ 2,000.00	\$ 6,322.00	\$ 535,312.00	\$ 294.94	Porfirio Cornelio Suay, Jr	3/14/2019
The Linden	18707	1638 Peach Tree Pl	1005-481-12	110	3C	1,815	1/12/2019	\$ 525,990.00	\$ -	\$ 9,085.00	\$ 535,075.00	\$ 294.81	Victoria Wu	2/27/2019
The Linden	18707	1641 Topeka Pl	1005-481-22	113	1C	1,621	12/3/2018	\$ 505,990.00	\$ -	\$ 8,706.00	\$ 514,696.00	\$ 317.52	Ralph R. Raymond	1/18/2019
The Linden	18707	1635 Peach Tree Pl	1005-481-11	109	3A	1,815	6/4/2018	\$ 525,990.00	\$ 500.00	\$ 6,208.00	\$ 532,698.00	\$ 293.50	David Huang	11/30/2018
The Linden	18707	1640 Topeka Pl	1005-481-25	116	3B	1,815	8/20/2018	\$ 526,990.00	\$ -	\$ 5,877.00	\$ 532,867.00	\$ 293.59	Han Tsai Hsiung	11/21/2018
The Linden	18707	1639 Peach Tree Pl	1005-481-09	107	1B	1,621	6/3/2018	\$ 504,990.00	\$ 6,100.00	\$ 5,355.00	\$ 516,445.00	\$ 318.60	Vinh M. Aven	11/20/2018
The Linden	18707	1634 Peach Tree Pl	1005-481-14	112	2XC	1,776	6/11/2018	\$ 515,990.00	\$ 500.00	\$ 8,516.00	\$ 525,006.00	\$ 295.61	Jason Wright	11/20/2018
The Linden	18707	1633 Topeka Pl	1005-481-24	115	3C	1,815	7/26/2018	\$ 526,990.00	\$ 1,000.00	\$ 5,952.00	\$ 533,942.00	\$ 294.18	Perry Michael Goth, Jr	11/20/2018
The Linden	18707	1634 Topeka Pl	1005-481-27	118	2XC	1,776	7/1/2018	\$ 516,990.00	\$ 1,000.00	\$ 5,483.00	\$ 523,473.00	\$ 294.75	Marco De Castro Valencia	11/20/2018
				<b>16</b>	<b>Average</b>	<b>1,756</b>					<b>\$ 526,558.88</b>	<b>\$ 299.84</b>		

Neighborhood	Final Map No.	Address	APN (from Assessor's maps and Landvision)	Lot	Plan	SQFT	Sales Date	Base Price	Lot Premium	Option Price	Sales Price	\$/SF	Owner Name	Closing Date
The Avenue	18707	1876 Plan Tree Dr	1005-481-19	81	1A	2,143	1/31/2019	\$ 561,990.00	\$ 1,000.00	\$ 16,509.00	\$ 579,499.00	\$ 270.41	Kathleen Ann Lioudakis	3/28/2019
The Avenue	18707	1635 Atchinson Pl	1005-481-57	133	2RC	2,271	2/20/2019	\$ 590,990.00	\$ 2,000.00	\$ 22,146.00	\$ 615,136.00	\$ 270.87	Janet Lillian Moon	3/28/2019
The Avenue	18707	1634 Atchinson Pl	1005-481-59	135	2B	2,271	2/6/2019	\$ 590,990.00	\$ 1,500.00	\$ 22,281.00	\$ 614,771.00	\$ 270.70	Lin Nie	3/25/2019
The Avenue	18707	1640 Atchinson Pl	1005-481-58	134	3RC	2,362	9/17/2018	\$ 600,990.00	\$ 2,500.00	\$ 27,564.00	\$ 631,054.00	\$ 267.17	Jennifer Howell	3/22/2019
The Avenue	18707	1639 Atchinson Pl	1005-481-56	132	3RA	2,362	9/16/2018	\$ 600,990.00	\$ -	\$ 37,319.00	\$ 638,309.00	\$ 270.24	Arnold E. Dichosa	3/14/2019
The Avenue	18707	1632 Atchinson Pl	1005-481-60	136	3RC	2,362	9/19/2018	\$ 600,990.00	\$ 5,000.00	\$ 52,256.00	\$ 658,246.00	\$ 278.68	David Dunkel	3/14/2019
The Avenue	18707	1836 Plan Tree Dr	1005-481-43	91	2B	2,271	1/16/2019	\$ 590,990.00	\$ 2,000.00	\$ 15,968.00	\$ 608,958.00	\$ 268.15	Cheryl Velasquez	2/12/2019
The Avenue	18707	1851 Chinar Tree Dr	1005-481-34	88	3RC	2,362	6/30/2018	\$ 600,990.00	\$ 1,000.00	\$ 15,335.00	\$ 617,325.00	\$ 261.36	Jia He	1/4/2019
The Avenue	18707	1844 Plan Tree Dr	1005-481-41	89	1C	2,143	9/5/2018	\$ 565,990.00	\$ 2,000.00	\$ 5,720.00	\$ 573,710.00	\$ 267.71	Yaohua Lin	12/27/2018
The Avenue	18707	1835 Chinar Tree Dr	1005-481-44	92	3RA	2,362	8/31/2018	\$ 600,990.00	\$ -	\$ 28,489.00	\$ 629,479.00	\$ 266.50	Ralai Andriamiarisoa	12/27/2018
The Avenue	18707	1828 Plan Tree Dr	1005-481-45	93	1A	2,143	8/7/2018	\$ 565,990.00	\$ 2,000.00	\$ 7,064.00	\$ 575,054.00	\$ 268.34	Jose Luis Camejo	12/27/2018
The Avenue	18707	1875 Chinar Tree Dr	1005-481-20	82	1RC	2,143	10/28/2018	\$ 561,990.00	\$ 1,000.00	\$ 16,599.00	\$ 579,589.00	\$ 270.46	Eric M. Smith	12/19/2018
The Avenue	18707	1883 Chinar Tree Dr	1005-481-18	80	3RB	2,362	10/28/2018	\$ 596,990.00	\$ 1,000.00	\$ 19,705.00	\$ 617,695.00	\$ 261.51	May K Lai	12/18/2018
The Avenue	18707	1891 Chinar Tree Dr	1005-481-16	78	2RC	2,271	9/26/2018	\$ 586,990.00	\$ 5,800.00	\$ 16,600.00	\$ 609,390.00	\$ 268.34	Richard James Stewart	12/17/2018
The Avenue	18707	1892 Plan Tree Dr	1005-481-15	77	3B	2,362	6/2/2018	\$ 596,990.00	\$ 5,800.00	\$ 16,087.00	\$ 618,877.00	\$ 262.01	Charles Nguyen	12/3/2018
The Avenue	18707	1884 Plan Tree Dr	1005-481-17	79	2C	2,271	6/6/2018	\$ 586,990.00	\$ 1,000.00	\$ 5,490.00	\$ 593,480.00	\$ 261.33	Qinzheng Cao	11/28/2018
The Avenue	18707	1858 Plan Tree Dr	1005-481-31	85	1B	2,143	6/30/2018	\$ 565,990.00	\$ 1,000.00	\$ 5,480.00	\$ 572,470.00	\$ 267.13	Qiaolian Lai	11/28/2018
The Avenue	18707	1850 Plan Tree Dr	1005-481-33	87	2A	2,271	10/14/2018	\$ 590,990.00	\$ 1,000.00	\$ 15,217.00	\$ 607,207.00	\$ 267.37	Lori Cantero	11/28/2018
The Avenue	18707	1866 Plan Tree Dr	1005-481-29	83	3C	2,362	9/4/2018	\$ 600,990.00	\$ 1,000.00	\$ 15,160.00	\$ 617,150.00	\$ 261.28	Wataru Sugiura	11/27/2018
				<b>19</b>		<b>2,276</b>					<b>\$ 608,284.16</b>	<b>\$ 267.30</b>		

**APPENDIX D**

**FORMS OF OPINIONS OF BOND COUNSEL**

*Upon issuance and delivery of the Tax-Exempt Bonds, Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Tax-Exempt Bonds in substantially the following form:*

[Delivery Date]

Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland,  
County of San Bernardino, State of California  
Upland, California

**Opinion of Bond Counsel**

with reference to

§ \_\_\_\_\_

Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland,  
County of San Bernardino, State of California  
Special Tax Bonds  
Series 2019A (Improvement Area No. 1)

Ladies and Gentlemen:

We have examined (i) a record of proceedings relating to the issuance by Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland, County of San Bernardino, State of California (the “District”) of the above-captioned bonds (the “Tax-Exempt Bonds”); (ii) the Bond Indenture, dated as of July 1, 2019 (the “Indenture”), by and between the District and U.S. Bank National Association, as trustee (the “Trustee”); (iii) supplemental documents furnished to us, certificates, and documents from public officials and others; and (iv) such other matters of law as we have deemed necessary to enable us to render the opinions expressed herein. As to questions of fact material to this opinion, we have relied upon such certificates and documents without undertaking to verify the same by independent investigation. Capitalized terms used but not defined herein have the meanings ascribed to them in the Indenture.

The Tax-Exempt Bonds are issued under and pursuant to the Indenture and the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the California Government Code) (the “Act”) to finance certain public facilities as authorized by the Act.

Based on the examination described herein, we are of the opinion that under existing law:

1. The Indenture has been duly and lawfully authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the Trustee, is in full force and effect in accordance with its terms and is valid and binding upon the District, enforceable in accordance with its terms, and no other authorization for the Indenture is required. The Indenture creates the valid pledge which it purports to create of the Net Taxes and certain funds established by the Indenture, including the investments, if any, thereof, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

2. The District is duly authorized and entitled to issue the Tax-Exempt Bonds. The Tax-Exempt Bonds have been duly and validly authorized and issued by the District in accordance with the Constitution and statutes of the State of California, including the Act, and in accordance with the Indenture.

The Tax-Exempt Bonds constitute the valid and binding special obligations of the District, payable solely from Net Taxes and certain funds established by and as provided in the Indenture.

3. Interest on the Tax-Exempt Bonds is exempt from State of California personal income taxes.

4. Assuming compliance with the covenants described below, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes. The Tax-Exempt Bonds are not “specified private activity bonds” within the meaning of Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the “Code”) and, therefore, interest on the Tax-Exempt Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code.

The Code sets forth certain requirements that must be met subsequent to the issuance and delivery of the Tax-Exempt Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Tax-Exempt Bonds to be included in gross income retroactive to the date of issue of the Tax-Exempt Bonds. The District has covenanted to satisfy, or take such actions as may be necessary to cause to be satisfied, each provision of the Code necessary to maintain the exclusion of the interest on the Tax-Exempt Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. We express no opinion as to any Tax-Exempt Bond, or the interest thereon, if any change occurs or action is taken or omitted upon the advice or approval of any bond counsel other than ourselves.

Except as stated in the foregoing paragraphs numbered 3 and 4 and the paragraph immediately following paragraph 4, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Tax-Exempt Bonds.

The opinions expressed in the paragraphs numbered 1 and 2 hereof are qualified to the extent that the enforceability of the Indenture and the Tax-Exempt Bonds may be limited by any applicable bankruptcy, insolvency, debt adjustment, fraudulent conveyance or transfer, moratorium, reorganization or other similar laws affecting creditors’ rights, and subject to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents.

The opinions expressed herein are based on an analysis of existing law and cover certain matters not directly addressed thereby. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof, and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents. Furthermore, we have assumed compliance with all agreements and covenants contained in the Indenture. No opinion is expressed herein with respect to the accuracy, completeness or fairness of the Official Statement or any other offering material relating to the Tax-Exempt Bonds.

Respectfully submitted,

*Upon issuance and delivery of the Taxable Bonds, Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Taxable Bonds in substantially the following form:*

[Delivery Date]

Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland,  
County of San Bernardino, State of California  
Upland, California

**Opinion of Bond Counsel**

with reference to

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

Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland,  
County of San Bernardino, State of California  
Special Tax Bonds  
Taxable Series 2019B (Improvement Area No. 1)

Ladies and Gentlemen:

We have examined (i) a record of proceedings relating to the issuance by Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland, County of San Bernardino, State of California (the “District”) of the above-captioned bonds (the “Taxable Bonds”); (ii) the Bond Indenture, dated as of July 1, 2019 (the “Indenture”), by and between the District and U.S. Bank National Association, as trustee (the “Trustee”); (iii) supplemental documents furnished to us, certificates, and documents from public officials and others; and (iv) such other matters of law as we have deemed necessary to enable us to render the opinions expressed herein. As to questions of fact material to this opinion, we have relied upon such certificates and documents without undertaking to verify the same by independent investigation. Capitalized terms used but not defined herein have the meanings ascribed to them in the Indenture.

The Taxable Bonds are issued under and pursuant to the Indenture and the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the California Government Code) (the “Act”) to finance certain public facilities as authorized by the Act.

Based on the examination described herein, we are of the opinion that under existing law:

1. The Indenture has been duly and lawfully authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the Trustee, is in full force and effect in accordance with its terms and is valid and binding upon the District, enforceable in accordance with its terms, and no other authorization for the Indenture is required. The Indenture creates the valid pledge which it purports to create of the Net Taxes and certain funds established by the Indenture, including the investments, if any, thereof, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

2. The District is duly authorized and entitled to issue the Taxable Bonds. The Taxable Bonds have been duly and validly authorized and issued by the District in accordance with the Constitution and statutes of the State of California, including the Act, and in accordance with the Indenture. The Taxable Bonds constitute the valid and binding special obligations of the District, payable solely from Net Taxes and certain funds established by and as provided in the Indenture.

3. Interest on the Taxable Bonds is exempt from State of California personal income taxes. We express no opinion regarding the exclusion of interest on the Taxable Bonds from gross income for federal income tax purposes.

Except as stated in the foregoing paragraph numbered 3, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Taxable Bonds.

The opinions expressed in the paragraphs numbered 1 and 2 hereof are qualified to the extent that the enforceability of the Indenture and the Taxable Bonds may be limited by any applicable bankruptcy, insolvency, debt adjustment, fraudulent conveyance or transfer, moratorium, reorganization or other similar laws affecting creditors' rights, and subject to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents.

The opinions expressed herein are based on an analysis of existing law and cover certain matters not directly addressed thereby. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof, and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents. Furthermore, we have assumed compliance with all agreements and covenants contained in the Indenture. No opinion is expressed herein with respect to the accuracy, completeness or fairness of the Official Statement or any other offering material relating to the Taxable Bonds.

The foregoing discussion with respect to the Taxable Bonds was not intended or written by us to be used, and it cannot be used, for the purpose of avoiding penalties that may be imposed on an owner of the Taxable Bonds. The foregoing discussion was written to support the promotion or marketing of the Taxable Bonds. Each prospective purchaser of the Taxable Bonds should seek advice based on the prospective purchaser's particular circumstances from an independent tax advisor.

Respectfully submitted,

## APPENDIX E

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

*The following is a summary of certain definitions and provisions of the Indenture which are not described elsewhere in the Official Statement. This Summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of its provisions.*

### DEFINITIONS

“Account” means any account created pursuant to the Indenture.

“Acquisition Agreement” means that certain Acquisition Agreement, dated as of November 1, 2015, by and between the City and Bravepark Property LLC, a Delaware limited liability company, as developer.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Section 53311 *et seq.* of the California Government Code.

“Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes, including all attorneys’ fees and other costs related thereto, the fees and expenses of the Trustee, any fees and related costs for credit enhancement for the Bonds or any Parity Bonds which are not otherwise paid as Costs of Issuance, any costs related to the District’s compliance with state and federal laws requiring continuing disclosure of information concerning the Bonds and the District, and any other costs otherwise incurred by the City staff on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and any obligation of the District under the Indenture, including matters related to the administration of the Escrow Fund.

“Administrative Expenses Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Administrative Expenses Priority Amount” means an amount equal to \$20,000 per Bond Year.

“Affiliate” means, with respect to the Developer or the Builder, any entity with respect to which fifty percent (50%) or more of the ownership or voting power is held individually or collectively by any of the Developer or the Builder, as applicable, and any other entity owned, controlled or under common ownership or control by or with, as applicable, the Developer or the Builder, and includes all general partners of any entity which is a partnership. Control shall mean ownership of fifty percent (50%) or more of the voting power of or ownership interest in the respective entity.

“Annual Debt Service” means the principal amount of any Outstanding Bonds or Parity Bonds, as applicable, payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds or Parity Bonds, as applicable, in such Bond Year, if the Bonds and any Parity Bonds, as applicable, are retired as scheduled.

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

- (1) (A) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”); (B) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by

the United States of America; (C) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or (D) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)

Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

Senior Debt obligations

- Farm Credit Banks (formerly: Federal Land Banks, Federal

Intermediate Credit Banks and Banks for Cooperatives)

Consolidated system-wide bonds and notes

- Federal Home Loan Banks (FHL Banks)

Consolidated debt obligations

- Federal National Mortgage Association (FNMA)

Senior debt obligations

Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

- Financing Corporation (FICO)

Debt obligations

- Resolution Funding Corporation (REFCORP)

Debt obligations

(4) Unsecured certificates of deposit, time deposits, money-market deposits, and bankers' acceptances of any bank (including the Trustee and any affiliate) the short-term obligations of which are rated "A-1" or better by S&P.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC) or fully collateralized by Permitted Investments described in



clauses (1), (2), or (3), in banks (including the Trustee and any affiliate) which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days rated, at the time of investment, “A-1” or better by S&P and “Prime-1” or better by Moody’s and issued by an entity meeting the criteria in either clause (A) or (B):

(A) the entity (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of \$500,000,000, and (iii) has debt other than commercial paper, if any, that is rated “A” or higher by S&P or Moody’s; or

(B) the entity (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond, and (ii) has commercial paper rated “A-1” or higher by S&P or “A1” by Moody’s.

(7) Money market funds rated “AAm” or “AAm-G” by S&P, or better (including funds for which the Trustee or its affiliates provide investment advisory or other management services), but excluding such funds with a floating net asset value.

(8) “State Obligations,” which means:

(A) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A3” by Moody’s and “A” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(B) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated “A-1+” by S&P and “Prime-1” (“MIG-1”) by Moody’s.

(C) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.

(9) Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s meeting the following requirements:

(A) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(B) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(C) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified

public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(D) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(E) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(F) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(10) Repurchase agreements:

(A) With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated “A” or better by S&P and Moody’s, provided that:

(a) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);

(b) The Trustee or a third party acting solely as agent therefor or for the District (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

(c) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(d) All other requirements of S&P in respect of repurchase agreements shall be met; and

(e) The repurchase agreement shall provide that if during its term the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A-” by S&P or “A3” by Moody’s, as appropriate, the provider must, at the direction of the District or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Trustee.

(B) Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (a) above, so long as such collateral levels are 103% or better and the provider is rated at least “A” by S&P and Moody’s, respectively.

(11) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “AA-” by S&P or “Aa3” by Moody’s; provided that, by the terms of the investment agreement:

(A) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service on the Bonds;

(B) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice; the District and the Trustee agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(C) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof, or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

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

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

(1) the provider’s rating by either S&P or Moody’s falls below “AA-” or “Aa3”, respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider’s books) to the District, the Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment; and

(2) the provider’s rating by either S&P or Moody’s is withdrawn or suspended or falls below “A-” or “A3”, respectively, the provider must, at the direction of the District or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the

investment, in either case with no penalty or premium to the District or Trustee; and

(F) The investment agreement shall state and an opinion of counsel shall be rendered, addressed to the District and the Trustee, in the event collateral is required to be pledged by the provider under the terms of the investment agreement at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(G) the investment agreement must provide that if during its term

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

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

(12) The State of California Local Agency Investment Fund; provided that the Trustee may restrict investments in such Fund to the extent necessary to keep moneys available for the purposes of the Indenture.

(13) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation, including certificates of deposit placed through the CDARS program.

"Authorized Representative of the City" means the City Manager of the City, the Administrative Services Director of the City, the Finance Director (or if there is no Finance Director, then the Finance Officer or Finance Manager) of the City, or any other person or persons designated by the City Manager, the Administrative Services Director, or the Finance Director (or if there is no Finance Director, then the Finance Officer or Finance Manager) by a written certificate signed by the City Manager, the Administrative Services Director, or the Finance Director (or if there is no Finance Director, then the Finance Officer or Finance Manager) and containing the specimen signature of each such person

"Authorized Representative of the District" means the City Manager of the City, the Administrative Services Director of the City, the Finance Director (or if there is no Finance Director, then the Finance Officer or Finance Manager) of the City, or any other person or persons designated by the City Manager, the Administrative Services Director, or the Finance Director (or if there is no Finance Director, then the Finance Officer or Finance Manager) by a written certificate signed by the City Manager, the Administrative Services Director, or the Finance Director (or if there is no Finance Director, then the Finance Officer or Finance Manager) and containing the specimen signature of each such person.

"Bond Counsel" means an attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the Tax-exempt nature of interest on bonds issued

by states and their political subdivisions duly admitted to the practice of law in any state of the United States of America or the District of Columbia.

“Bond Register” means the books which the Trustee shall keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds shall be recorded.

“Bondowner” or “Owner” means the person or persons in whose name or names any Bond or Parity Bond is registered.

“Bonds” means the Series 2019 Bonds.

“Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds or an issue of Parity Bonds shall begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date.

“Builder” means Taylor Morrison of California, LLC, the merchant builder that purchased the property within Improvement Area No. 1 from the Developer and is completing development of such property and the construction and sales of residences within Improvement Area No. 1 to end users, and any successors or assigns.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Trustee is located, are not required or authorized to remain closed.

“Certificate of an Authorized Representative” means a written certificate executed by an Authorized Representative of the City or District, as applicable.

“Certificate of the Developer” means a written certificate executed by an authorized representative of the Developer and meeting the requirements set forth in provisions of the Indenture governing the Taxable Series 2019B Account of the Improvement Fund.

“Certificate of the Special Tax Administrator” means a written certificate of an Authorized Representative of the District, Willdan Financial Services, or any successor entity appointed by the City, to administer the calculation and collection of the Special Taxes.

“City” means the City of Upland, California.

“Code” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement dated as of July 1, 2019, by and between the District and Willdan Financial Services, as dissemination agent, together with any amendments thereto.

“Costs of Issuance” means the costs and expenses incurred in connection with the formation of the District and the issuance and sale of the Bonds or any Parity Bonds, including the acceptance and initial annual fees and expenses of the Trustee, legal fees and expenses, costs of printing the Bonds and any Parity Bonds and the preliminary and final official statements for the Bonds and any Parity Bonds,

fees of financial consultants, and all other related fees and expenses, as set forth in a Certificate of an Authorized Representative of the City.

“Costs of Issuance Fund” means the fund by that name created and established pursuant to the Indenture.

“Deemed Escrow Bonds” means, as of any date of determination, Series 2019A Bonds in a principal amount equal to the amount then on deposit in the Escrow Fund (excluding (i) any investment earnings allocable to such amount on deposit in the Escrow Fund and (ii) amounts on deposit in the Escrow Interest Account and the Escrow Reserve Account therein), which Series 2019A Bonds shall be deemed to be comprised of the following: \$\_\_\_\_\_ initial aggregate principal amount of the Outstanding Series 2019A Term Bonds maturing on September 1, 2044; and \$\_\_\_\_\_ initial aggregate principal amount of the Outstanding Series 2019A Term Bonds maturing on September 1, 2049.

“Delivery Date” means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

“Depository” means The Depository Trust Company, New York, New York, and its successors and assigns as securities depository for the Bonds, or any other securities depository acting as Depository under the Indenture.

“Developed Property” shall have the meaning ascribed to such term in the Rate and Method.

“Developer” means Bravepark Property LLC, as the Developer under the Acquisition Agreement, and any successors and assigns thereto duly authorized pursuant to and in accordance with the Acquisition Agreement.

“District” means Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland, County of San Bernardino, State of California, established pursuant to the Act and the Resolution of Formation.

“Escrow Closing Date” means April 15, 2022.

“Escrow Disbursement Date” means each date, if any, on which funds are transferred from the Escrow Fund to the Series 2019A Account of the Improvement Fund pursuant to the provisions of the Indenture governing the Escrow Fund.

“Escrow Fund” means the fund by that name created and established pursuant to the Indenture.

“Escrow Interest Account” means the account by that name created and established in the Escrow Fund pursuant to the Indenture.

“Escrow Redemption Date” means June 1, 2022.

“Escrow Reserve Account” means the account by that name created and established in the Escrow Fund pursuant to the Indenture.

“Event of Default” shall mean an “event of default” under the Indenture as described below under the heading “EVENTS OF DEFAULT; REMEDIES.”

“Federal Securities” means any of the following: (a) non-callable direct obligations of the United States of America (“Treasuries”), (b) evidence of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, and (c) pre refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, (d) securities eligible for “AAA” defeasance under then existing criteria of S&P, or (e) any combination of the foregoing.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next following June 30.

“Gross Taxes” means the amount of all Special Taxes received by Improvement Area No. 1 of the District, together with the proceeds collected from the sale of property pursuant to the foreclosure provisions of the Indenture for the delinquency of such Special Taxes remaining after the payment of all costs related to such foreclosure actions.

“Improvement Area No. 1” means Improvement Area No. 1 of the District, as depicted on the boundary map for the District recorded in Book 87 of the County of San Bernardino Assessment Maps, at page 2, in the County Recorder’s Office as Document No. 2015-0465103, on October 27, 2015.

“Improvement Fund” means the fund by that name created and established pursuant to the Indenture.

“Indenture” means the Bond Indenture dated as of July 1, 2019 pursuant to which the Bonds have been issued, together with any Supplemental Indenture approved and entered into pursuant to the Indenture.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom:

- (1) is in fact independent and not under the domination of the District or the City;
- (2) does not have any substantial interest, direct or indirect, in the District or the City; and
- (3) is not connected with the District or the City as a member, officer or employee of the District or the City, but who may be regularly retained to make annual or other reports to the District or the City.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at [www.emma.msrb.org](http://www.emma.msrb.org); provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to called bonds as the District may designate to the Trustee in writing.

“Interest Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Interest Payment Date” means each March 1 and September 1, commencing March 1, 2020; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

“Investment Agreement” means one or more agreements for the investment of funds of the District complying with the criteria therefor as set forth in subsection (11) of the definition of Authorized Investments.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds, as applicable, by adding the following for each Bond Year:

(1) the principal amount of all Outstanding Bonds and Parity Bonds, as applicable, payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and

(2) the interest payable on the aggregate principal amount of all Bonds and Parity Bonds, as applicable, Outstanding in such Bond Year if the Bonds and Parity Bonds, as applicable, are retired as scheduled.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Net Taxes” means Gross Taxes minus amounts set aside to pay Administrative Expenses, not to exceed the Administrative Expenses Priority Amount.

“Nominee” shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

“Ordinance” means Ordinance No. 1899 adopted by the legislative body of the District on December 14, 2015, providing for the levying of the Special Tax.

“Outstanding Bonds” or “Outstanding Bonds and Parity Bonds” means all Bonds and/or Parity Bonds, as applicable, theretofore issued by the District, except:

(1) Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with the Indenture;

(2) Bonds and Parity Bonds for payment or redemption of which moneys shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or any applicable Supplemental Indenture for Parity Bonds; and

(3) Bonds and Parity Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to the Indenture or for which a replacement has been issued pursuant to the Indenture.

“Parity Bonds” means all bonds, notes, or other similar evidences of indebtedness hereafter issued, payable out of the Net Taxes and which, as provided in the Indenture or any Supplemental Indenture, rank on a parity with the Bonds.



“Participants” shall mean those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds or Parity Bonds as securities depository.

“Person” means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

“Prepayments” means any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the Rate and Method.

“Principal Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Principal Office of the Trustee” means the corporate trust office of the Trustee located in Los Angeles, California, or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

“Project” means those public facilities described in the Resolution of Formation which are to be acquired or constructed within and outside of the District, including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within the District from time to time.

“Project Costs” means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Bonds or any Parity Bonds, including, but not limited to, matters related to the administration of the Escrow Fund and remarketing, credit enhancement, Trustee and other fees and expenses relating to the issuance of the Bonds or any Parity Bonds and the formation of the District, and to pay any other “incidental expenses” of the District, as such term is defined in the Act.

“Rate and Method” means the rate and method of apportionment of Special Taxes for Improvement Area No. 1 approved by the Resolution of Formation and appended as Appendix A to the Notice of Special Tax Lien for Improvement Area No. 1 of the District, recorded in the Official Records of the County of San Bernardino Recorder as Document No. 2015-0547479 on December 15, 2015, as it may be amended or modified from time to time.

“Rating Agency” means Moody’s and S&P, or both, as the context requires.

“Rebate Fund” means the fund by that name established pursuant to the Indenture in which there are established the Accounts described in the Indenture.

“Record Date” means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

“Redemption Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

“Released 2019A Bonds” shall have, with respect to each Escrow Disbursement Date, the respective meaning ascribed to such term in the provisions of the Indenture governing the Escrow Fund.

“Remaining Deemed Escrow Bonds” shall have, with respect to each Escrow Disbursement Date, the respective meaning ascribed to such term in the provisions of the Indenture governing the Escrow Fund.

“Representation Letter” shall mean the Blanket Letter of Representations from the District to the Depository as described in the Indenture.

“Reserve Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Reserve Policy” means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) the long-term credit rating of such bank or insurance company is A+ or better from S&P or A1 or better from Moody’s; (b) such letter of credit, insurance policy, or surety bond has a term of at least twelve (12) months; (c) such letter of credit, insurance policy, or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; and (d) the Trustee is authorized pursuant to the terms of such letter of credit, insurance policy, or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the amount Interest Account and the Principal Account for the purpose of making payments required pursuant to the Indenture.

“Reserve Requirement” shall be calculated separately with respect to each Series of Bonds and shall mean, as of the date of calculation, an amount equal to the least of (i) Maximum Annual Debt Service on the then Outstanding Bonds of such Series; (ii) 10% of the original amount of the Bonds of such Series (“amount” meaning the principal amount of such Series of the Bonds, unless the Series was issued with original issue discount greater than two percent of the principal amount, or original issue premium greater than the sum of two percent of the principal amount plus original issue premium attributable exclusively to reasonable underwriters’ compensation, in which case “amount” means issue price); or (iii) 125% of average Annual Debt Service on the then Outstanding Bonds of such Series; provided, that during the Series 2019A Initial Reserve Period, the “Reserve Requirement” for the Series 2019A Bonds shall mean the Series 2019A Initial Reserve Requirement.

“Resolution of Formation” means Resolution No. 6308 adopted by the City Council of the City on November 23, 2015, pursuant to which the City formed the District.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, its successors and assigns.

“Series” means, when used with reference to the Bonds, all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture or a Supplemental Indenture authorizing such Bonds as a separate series or issue of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

“Series 2019 Bonds” means, collectively, the Series 2019A Bonds and the Series 2019B Bonds.

“Series 2019 Term Bonds” means, collectively, the Series 2019A Term Bonds and the Series 2019B Term Bonds.

“Series 2019A Bonds” means the District’s Special Tax Bonds, Series 2019A (Improvement Area No. 1), issued on their Delivery Date in the aggregate principal amount of \$ \_\_\_\_\_.

“Series 2019A Initial Reserve Period” shall mean the period commencing on the Delivery Date through and including the last day of the Bond Year ending September 1, 2039.

“Series 2019A Initial Reserve Requirement” shall mean, with respect to the Series 2019A Initial Reserve Period, that fixed amount equal to the least of the following, determined as of the Delivery Date for the Series 2019A Bonds: (i) Maximum Annual Debt Service on all Series 2019A Bonds; (ii) 10% of the original amount of all Series 2019A Bonds (“amount” meaning the principal amount of all Series 2019A Bonds on their Delivery Date, unless the Series 2019A Bonds were issued with original issue discount greater than two percent of the principal amount, or original issue premium greater than the sum of two percent of the principal amount plus original issue premium attributable exclusively to reasonable underwriters’ compensation, in which case “amount” means issue price); or (iii) 125% of average Annual Debt Service on all Series 2019A Bonds.

“Series 2019A Reserve Augmentation Account” means the account by that name, as it hereafter may be created and established in the Special Tax Fund pursuant to the provisions of the Indenture governing the Reserve Account of the Special Tax Fund.

“Series 2019A Term Bonds” means, collectively, the Series 2019A Bonds maturing on September 1, 20\_\_, September 1, 20\_\_, and September 1, 20\_\_.

“Series 2019B Bonds” means the District’s Special Tax Bonds, Taxable Series 2019B (Improvement Area No. 1), issued on their Delivery Date in the aggregate principal amount of \$ \_\_\_\_\_.

“Series 2019B Facilities Subaccount” means the subaccount by that name, as it hereafter may be created and established in the Taxable Series 2019B Account of the Improvement Fund pursuant to the provisions of the Indenture governing the Taxable Series 2019B Account of the Improvement Fund.

“Series 2019B Term Bonds” means, collectively, the Series 2019B Bonds maturing on September 1, 20\_\_, September 1, 20\_\_, September 1, 20\_\_, and September 1, 20\_\_.

“Sinking Fund Payment” means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedules set forth in the Indenture and any annual sinking fund payment schedule to retire any Parity Bonds which are designated as Term Bonds.

“Special Tax Fund” means the fund by that name created and established pursuant to the Indenture.

“Special Taxes” means the taxes authorized to be levied by the District on property within Improvement Area No. 1 of the District in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the November 23, 2015 election in Improvement Area No. 1 of the District, including any scheduled payments and any Prepayments thereof, the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien, and penalties and interest thereon.

“Subaccount” means any subaccount created pursuant to the Indenture.

“Supplemental Indenture” means any supplemental indenture amending or supplementing the Indenture.

“Surplus Fund” means the fund by that name created and established pursuant to the Indenture.

“Tax Certificate” means the Certificate Regarding Compliance with Certain Tax Matters (or similar document) pertaining to the use and investment of proceeds of a Series of Bonds, executed and delivered by a duly authorized officer of the District and of the City on the related Delivery Date, including any and all exhibits and attachments thereto.

“Tax-exempt” means, with respect to interest on any obligations of a state or local government, including the interest on the Series 2019A Bonds, that such interest is excluded from gross income for federal income tax purposes whether or not such interest is an item of tax preference for purposes of the alternative minimum tax under the Code or otherwise taken into account in calculating tax liabilities under the Code.

“Term Bonds” means the Series 2019 Term Bonds.

“Transferred Principal Amount” shall have, with respect to each Escrow Disbursement Date, the respective meaning ascribed to such term in the provisions of the Indenture governing the Escrow Fund.

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, at its corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Indenture and any successor thereto.

“Underwriter” means Hilltop Securities Inc., with respect to the Series 2019 Bonds.

## **CREATION OF FUNDS AND APPLICATION OF PROCEEDS**

### **Creation of Funds; Application of Proceeds.**

(a) There is created by the Indenture and shall be maintained by the Trustee the following funds and accounts:

(1) The Community Facilities District No. 2015-1 (Sycamore Hills) IA No. 1 Special Tax Fund (the “Special Tax Fund”) (in which there shall be established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account (in which there shall be established and created (A) a Series 2019A Reserve Subaccount for the benefit of the Series 2019A Bonds and (B) a Taxable Series 2019B Reserve Subaccount for the benefit of the Series 2019B Bonds), and an Administrative Expenses Account).

(2) The Community Facilities District No. 2015-1 (Sycamore Hills) IA No. 1 Improvement Fund (the “Improvement Fund”) (in which there shall be established and created a Series 2019A Account and a Taxable Series 2019B Account).

(3) The Community Facilities District No. 2015-1 (Sycamore Hills) IA No. 1 Costs of Issuance Fund (the “Costs of Issuance Fund”) (in which there shall be established and created a Series 2019A Account and a Taxable Series 2019B Account).

(4) The Community Facilities District No. 2015-1 (Sycamore Hills) IA No. 1 Rebate Fund (the “Rebate Fund”).

(5) The Community Facilities District No. 2015-1 (Sycamore Hills) IA No. 1 Surplus Fund (the “Surplus Fund”).

(6) The Community Facilities District No. 2015-1 (Sycamore Hills) IA No. 1 Escrow Fund (the “Escrow Fund”) (in which there shall be established and created an Escrow Interest Account and an Escrow Reserve Account).

The amounts on deposit in the foregoing funds, accounts and subaccounts shall be held by the Trustee and the Trustee shall invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of the Indenture and shall disburse investment earnings thereon in accordance with the provisions of the Indenture.

In connection with the issuance of any Parity Bonds, the Trustee, at the direction of an Authorized Representative of the District, may create new funds, accounts or subaccounts, or may create additional accounts and subaccounts within any of the foregoing funds and accounts for the purpose of separately accounting for the proceeds of the Bonds and any Parity Bonds.

(b) The proceeds of the sale of the Bonds shall be received by the Trustee on behalf of the District and deposited and transferred as set forth in the Official Statement under the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

#### **Deposits to and Disbursements from Special Tax Fund.**

(a) To the extent the District receives any Prepayments, the District shall deposit such Prepayments with the Trustee, together with a Certificate of an Authorized Representative designating such Special Taxes as Prepayments and specifying the respective amounts to be deposited in the various funds and accounts under the Indenture, and the Trustee shall make such deposits as specified in such certificate promptly after its receipt thereof. Except for any Prepayments to be deposited pursuant to the foregoing, the Trustee shall, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee shall transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

- (1) the Administrative Expenses Account of the Special Tax Fund;
- (2) the Interest Account of the Special Tax Fund;
- (3) the Principal Account of the Special Tax Fund;
- (4) the Redemption Account of the Special Tax Fund;
- (5) the Reserve Account of the Special Tax Fund;
- (6) the Rebate Fund; and
- (7) the Surplus Fund.

Notwithstanding the foregoing and any other provision of the Indenture to the contrary, in the event of a shortfall of amounts on deposit in the Special Tax Fund (such shortfall being determined excluding amounts on deposit in, and prior to drawing upon, the Reserve Account) to make the transfers, pursuant to the Indenture, to the Principal Account of the Special Tax Fund and to the Redemption Account of the Special Tax Fund necessary to pay in full both (x) the principal payment due on the Bonds and any Parity Bonds maturing on the applicable September 1 and (y) the Sinking Fund Payment due on any Outstanding Bonds and any Parity Bonds on such September 1, the Trustee shall transfer the available amount from the Special Tax Fund to the Principal Account and the Redemption Account on a pro rata basis (calculated with reference to the respective principal payment and Sinking Fund Payment coming due and payable on such September 1) at least three (3) Business Days prior to such September 1.

(b) At maturity of all of the Bonds and any Parity Bonds and, after all principal and interest then due on the Bonds and any Parity Bonds then Outstanding has been paid or provided for and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

**Administrative Expenses Account of the Special Tax Fund.** From time to time, the District may provide the Trustee with a Certificate of an Authorized Representative of the District in substantially the form provided in the Indenture, requesting the payment of Administrative Expenses as set forth therein. Upon its receipt of any such certificate, the Trustee shall transfer from the Special Tax Fund and deposit in the Administrative Expenses Account of the Special Tax Fund amounts necessary to make timely payment of any such Administrative Expenses as set forth in the Certificate of an Authorized Representative of the District; provided, however, that, except as set forth in the following sentence, the total amount transferred in a Bond Year shall not exceed the Administrative Expenses Priority Amount until such time as there has been deposited (a) to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and any Parity Bonds due in such Bond Year, (b) to the Redemption Account an amount, together with any amounts already on deposit therein, that is sufficient to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedules set forth in the Indenture and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule in the Supplemental Indenture for such Parity Bonds, and (c) to the Subaccounts of the Reserve Account such amounts, together with any amounts already on deposit therein, that is sufficient to restore each Subaccount of the Reserve Account to the applicable Reserve Requirement. Notwithstanding the foregoing, amounts in excess of the Administrative Expenses Priority Amount may be transferred to the Administrative Expenses Account to the extent necessary to collect delinquent Special Taxes. Moneys in the Administrative Expenses Account of the Special Tax Fund may be invested in any Authorized Investments as directed in writing by an Authorized Representative of the District and shall be disbursed as directed in a Certificate of an Authorized Representative. The Trustee shall have no obligation to transfer any amount from the Special Tax Fund for deposit in the Administrative Expenses Account of the Special Tax Fund except upon its receipt of a Certificate of an Authorized Representative of the District pursuant to this section.

**Interest Account and Principal Account of the Special Tax Fund.** The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption, shall be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of and interest on the Bonds and any Parity Bonds will be made when due, and after making the transfer required by the Indenture, at least three (3) Business Days prior to each March 1 and September 1, the Trustee shall make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from amounts transferred or to be transferred from the Escrow Fund pursuant to the provisions of the Indenture governing the Escrow Fund, the proceeds of the sale of an issue of the Bonds or any

Parity Bonds, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account) are inadequate to make the foregoing transfers, then any deficiency shall be made up by transfers from the applicable Subaccounts of the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account three (3) Business Days prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account shall be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.

(b) To the Principal Account, an amount such that the balance in the Principal Account three (3) Business Days prior to September 1 of each year, commencing September 1, 2019, shall equal the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.

#### **Redemption Account of the Special Tax Fund.**

(a) With respect to each September 1 on which a Sinking Fund Payment is due, and after the deposits have been made to the Administrative Expenses Account, the Interest Account and the Principal Account of the Special Tax Fund as required by the preceding two paragraphs, the Trustee shall next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account three (3) Business Days prior to each September 1 equal to the Sinking Fund Payment due on any Outstanding Bonds and any Parity Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency shall be made up by an immediate transfer from the applicable Subaccounts of the Reserve Account, if funded, pursuant to the Indenture. Moneys so deposited in the Redemption Account shall be used and applied by the Trustee to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedules set forth in the Indenture, and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedules in the Supplemental Indenture for such Parity Bonds.

(b) After making the deposits to the Administrative Expenses Account, the Interest Account and the Principal Account of the Special Tax Fund and to the Redemption Account for Sinking Fund Payments then due pursuant to subparagraph (a) above, and in accordance with the District's election to call Bonds for optional redemption as set forth in the Indenture, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee shall transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund (other than the Administrative Expenses Account therein) may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the Subaccounts of the Reserve Account will equal the applicable Reserve Requirements.

(c) Prepayments deposited to the Redemption Account shall be applied on the redemption date established pursuant to the Indenture for the use of such Prepayments to the payment of the principal of, premium, and interest on the Bonds and Parity Bonds to be redeemed with such Prepayments. Amounts transferred to the Redemption Account from the Escrow Fund pursuant to the provisions of the

Indenture governing the Escrow Fund shall be applied to redeem Bonds pursuant to the provisions of the Indenture governing special mandatory redemption from Escrow Fund transfer.

(d) Moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming Bonds and Parity Bonds and shall be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender of such Bonds or Parity Bonds and in the case of an optional redemption or an extraordinary redemption from Prepayments or a special mandatory redemption of Deemed Escrow Bonds, to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account, other than Prepayments, may be used to purchase Outstanding Bonds or Parity Bonds in the manner provided in the next sentence. Purchases of Outstanding Bonds or Parity Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption or an extraordinary redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to the Indenture, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

**Reserve Account of the Special Tax Fund.** There shall be maintained in each Subaccount of the Reserve Account of the Special Tax Fund an amount equal to the applicable Reserve Requirement; provided, on or prior to the Escrow Redemption Date (i.e., June 1, 2022), the provisions of the Indenture governing the Reserve Account of the Special Tax Fund shall be read to include the Escrow Reserve Account of the Escrow Fund together with the Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund, as follows:

(i) the amount on deposit in the Escrow Reserve Account of the Escrow Fund shall be taken into account and added together with the amount on deposit in the Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund, for purposes of determining the sufficiency of moneys on deposit under the Indenture to satisfy the Reserve Requirement applicable to Series 2019A Bonds;

(ii) if, taking into account the foregoing clause (i), moneys are required to be transferred from the Series 2019A Reserve Subaccount of the Reserve Account pursuant to subsection (a) below due to an insufficiency as described therein to pay principal or interest then coming due on Series 2019A Bonds, such amount shall be transferred on a pro rata basis from the Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund and the Escrow Reserve Account of the Escrow Fund by allocating to the Escrow Reserve Account the portion of the total amount to be so transferred based on the ratio of (x) the principal amount of then Outstanding Deemed Escrow Bonds, divided by (y) the principal amount of all then Outstanding Series 2019A Bonds;

(iii) any replenishment of the Series 2019A Reserve Subaccount of the Reserve Account pursuant to subsection (b) below, after taking into account the foregoing clause (i), shall be made on a pro rata basis to the Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund and the Escrow Reserve Account of the Escrow Fund, by allocating to the Escrow Reserve Account the portion of the total amount to be so transferred and replenished based on the ratio of (x) the principal amount of then Outstanding Deemed Escrow Bonds, divided by (y) the principal amount of all then Outstanding Series 2019A Bonds; and



(iv) if, taking into account the foregoing clause (i), moneys are required to be transferred from the Series 2019A Reserve Subaccount of the Reserve Account pursuant to subsection (e) below to the Interest Account of the Special Tax Fund due to an excess over the applicable Reserve Requirement for the Series 2019A Bonds of the moneys collectively on deposit in the Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund and in the Escrow Reserve Account of the Escrow Fund, the Trustee shall transfer such excess on a pro rata basis from Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund and the Escrow Reserve Account of the Escrow Fund by allocating to the Escrow Reserve Account the portion of the total amount to be so transferred based on the ratio of (x) the principal amount of then Outstanding Deemed Escrow Bonds, divided by (y) the principal amount of all then Outstanding Series 2019A Bonds.

The Reserve Requirement may be satisfied by crediting to the applicable Subaccount of the Reserve Account moneys or one or more Reserve Policies or any combination thereof, which in the aggregate make funds available in the applicable Subaccount of the Reserve Account in an amount equal to the corresponding Reserve Requirement. Upon the deposit with the Trustee of any such Reserve Policy, the Trustee shall release moneys from the applicable Subaccount of the Reserve Account to the Interest Account of the Special Tax Fund, in an amount equal to the face amount of such Reserve Policy.

If funded and subject to subsection (f) below, the amounts in the Subaccounts of the Reserve Account shall be applied as follows:

(a) Transfers from Reserve Subaccounts in the Event of Insufficiency for Interest, Principal, and Sinking Fund Payments. Except as otherwise provided below, moneys in each Subaccount of the Reserve Account shall be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity Bonds corresponding to such Subaccount when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due and for the purpose of making any required transfer to the Rebate Fund upon written direction from the District. If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Bonds and Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee shall withdraw from the corresponding Subaccounts of the Reserve Account for deposit (in order of priority) in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund (subject to the pro rata allocation between the Principal Account and the Redemption Account described in the following sentence), or the Rebate Fund, as applicable, moneys necessary for such purposes. Any such withdrawal from a Subaccount of the Reserve Account for the principal of, including Sinking Fund Payments, then due on the Bonds and Parity Bonds corresponding to such Subaccount shall be deposited on a pro rata basis (calculated with reference to the respective principal payment and Sinking Fund Payment coming due and payable on such September 1 with respect to such Bonds and Parity Bonds) into the Principal Account and the Redemption Account, respectively.

(b) Replenishment of Reserve Subaccounts to Applicable Reserve Requirements. On or after March 2 and September 2 of each year, after making the required transfers to the Administrative Expenses Account, the Interest Account, the Principal Account and the Redemption Account, the Trustee shall transfer to each Subaccount of the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the respective amount needed to restore the amount of such Subaccount of the Reserve Account to the applicable Reserve Requirement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Account and the Subaccounts therein only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Administrative Expenses Account, the Interest

Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next September 1. If amounts available in the Special Tax Fund together with any other amounts transferred to replenish the Subaccounts of the Reserve Account are inadequate to restore each Subaccount of the Reserve Account to the applicable Reserve Requirement, then the District shall include the amount necessary fully to restore the Subaccounts of the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

(c) Application of Moneys in Reserve Subaccounts to Optional or Extraordinary Redemption or Defeasance. Except for amounts on deposit in the Taxable Series 2019B Reserve Subaccount, which shall be subject to subsection (g) below, in connection with an optional or extraordinary redemption of Bonds pursuant to the Indenture, or Parity Bonds in accordance with any Supplemental Indenture, or a partial defeasance of Bonds or Parity Bonds in accordance with the Indenture, amounts in the Reserve Account Subaccount corresponding to such Bonds or Parity Bonds may be applied to such redemption or partial defeasance so long as the amount on deposit in the subject Subaccount of the Reserve Account following such redemption or partial defeasance equals the applicable Reserve Requirement (taking into account Outstanding Bonds and Parity Bonds corresponding to the subject Subaccount after such redemption or partial defeasance). The District shall set forth in a Certificate of an Authorized Representative the amount in the applicable Subaccount of the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to the Indenture to partially defease Bonds, and the Trustee shall make such transfer on the applicable redemption or defeasance date.

(d) Application of Moneys in Reserve Subaccounts to Debt Service Payments in Final Bond Year. Except for amounts on deposit in the Taxable Series 2019B Reserve Subaccount, which shall be subject to subsection (g) below, to the extent that a Subaccount of the Reserve Account is at the applicable Reserve Requirement as of the first day of the final Bond Year for the Bonds corresponding to such Subaccount in accordance with the Indenture or, if applicable, with any Supplemental Indenture for a Series of Parity Bonds corresponding to such Subaccount, amounts in such Subaccount of the Reserve Account may be applied to pay the principal of and interest due on the corresponding Bonds and Parity Bonds, as applicable, in the final Bond Year for such Series.

(e) Moneys in Reserve Subaccounts in Excess of Applicable Reserve Requirement. Moneys in a Subaccount of the Reserve Account in excess of the applicable Reserve Requirement not transferred in accordance with the preceding provisions of this section shall be withdrawn from such Subaccount of the Reserve Account on the fifth (5th) Business Day before each March 1 and September 1, and such moneys shall be transferred and deposited into the Interest Account of the Special Tax Fund; provided, however, to the extent that, as of a date ninety (90) days prior to the next occurring Interest Payment Date, the amount on deposit in a Subaccount of the Reserve Account (except for the Taxable Series 2019B Reserve Subaccount, which shall be subject to subsection (g) below) is equal to or greater than the aggregate remaining principal payments to be paid on the Bonds and any Parity Bonds corresponding to such Subaccount, any and all amounts in such Subaccount of the Reserve Account may be applied to effect a redemption of all such corresponding Outstanding Bonds pursuant to the optional redemption provisions of the Indenture and any such Outstanding Parity Bonds in accordance with any Supplemental Indenture. The District shall set forth in a Certificate of an Authorized Representative the amount in the Reserve Account Subaccount to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to the Indenture to defease Bonds corresponding to such Subaccount, and the Trustee shall make such transfer on the applicable redemption or defeasance date.

(f) Provisions Relating to Reserve Policy in a Reserve Subaccount. If and to the extent that a Subaccount of the Reserve Account has been funded with a combination of cash (or Authorized Investments) and a Reserve Policy, then all such cash (or Authorized Investments) shall be completely used before any demand is made on such Reserve Policy, and replenishment of the Reserve Policy shall

be made prior to any replenishment of any such cash (or Authorized Investments). If a Subaccount of the Reserve Account is funded, in whole or in part, with more than one Reserve Policy, then any draws made against each such Reserve Policy shall be made pro-rata among those Reserve Policies (calculated by reference to the coverage then available thereunder).

(g) Special Provisions Relating to Taxable Series 2019B Reserve Subaccount; Transfer to Series 2019A Reserve Subaccount on September 2, 2039.

(1) So long as any Series 2019A Bonds are Outstanding, amounts on deposit in the Taxable Series 2019B Reserve Subaccount of the Reserve Account shall not be applied to any optional redemption of Series 2019B Bonds nor to any defeasance of Series 2019B Bonds, nor applied to pay the principal of and interest due on the Series 2019B Bonds in the final Bond Year for such Series pursuant to subsection (d) above; provided, such amounts on deposit in the Taxable Series 2019B Reserve Subaccount may be applied to pay the principal of and interest due on the Series 2019B Bonds in the final Bond Year for such Series in the event of an insufficiency as described in subsection (a) above; provided, further, that such amounts on deposit in the Taxable Series 2019B Reserve Subaccount may be applied to an extraordinary redemption of Series 2019B Bonds from Prepayments of Special Taxes pursuant to the Indenture in the same manner as provided for amounts in other Reserve Account Subaccounts in subsection (c) above.

(2) In the event of an optional redemption of Series 2019B Bonds pursuant to the Indenture or any defeasance of Series 2019B Bonds in accordance with the Indenture, the Trustee shall establish for the benefit of the Series 2019A Bonds a “Series 2019A Reserve Augmentation Account” within the Special Tax Fund, and amounts on deposit in the Taxable Series 2019B Reserve Subaccount in excess of the Reserve Requirement for the Series 2019B Bonds that will remain Outstanding, if any, after such redemption or defeasance shall be transferred by the Trustee to the Series 2019A Reserve Augmentation Account promptly upon the completion of such redemption or defeasance of Series 2019B Bonds, for further application as specified in subsection (g)(3) below.

(3) On September 2, 2039, the Trustee shall transfer from (A) first, if established pursuant to subsection (g)(2) above, the Series 2019A Reserve Augmentation Account of the Special Tax Fund, and (B) second, the Taxable Series 2019B Reserve Subaccount, moneys in such amount necessary to bring the moneys on deposit in the Series 2019A Reserve Subaccount to the Reserve Requirement for the Series 2019A Bonds following the Series 2019A Initial Reserve Period.

**Rebate Fund.** To the extent and at such time necessary to accommodate rebate amounts pursuant to the Tax Certificate, the Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund. Upon establishing the Rebate Fund, the Trustee shall establish a separate Account within the Rebate Fund with respect to each Series of Tax-exempt Bonds or Parity Bonds. All amounts on deposit in the Rebate Fund with respect to the Series 2019A Bonds or a Series of Tax-exempt Parity Bonds shall be governed by the provisions of the Indenture concerning the Rebate Fund and the Tax Certificate for such Series, unless the District obtains an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on the Bonds and Parity Bonds, as applicable, will not be adversely affected if such requirements are not satisfied. The District shall calculate and make, or cause to be calculated and made, the rebate amount in accordance with the Tax Certificate.

**Surplus Fund.** After making the transfers required by the Indenture, as soon as practicable after each September 1, and in any event prior to each October 1, the Trustee shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date it has received a Certificate of an Authorized Representative directing that certain amounts be retained in the Special Tax

Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to the Indenture. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the applicable Subaccounts of the Reserve Account of the Special Tax Fund are insufficient therefor; (ii) to the Subaccounts of the Reserve Account in order to replenish the Subaccounts to the applicable Reserve Requirements; (iii) to the Administrative Expenses Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expenses Account of the Special Tax Fund are insufficient to pay Administrative Expenses; or (iv) for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or any Parity Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative, and the Trustee will segregate such amount into a separate account of the Surplus Fund. The moneys on deposit in such account of the Surplus Fund shall be invested at the written direction of the District in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a yield not in excess of the yield on the Series of Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a Tax-exempt basis for federal income tax purposes.

**Costs of Issuance Fund.** The moneys in the Accounts of the Costs of Issuance Fund shall be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative of the District. Any balance therein shall be transferred by the Trustee to the corresponding Account of the Improvement Fund 180 days after the Delivery Date of the Bonds or Parity Bonds, as applicable, and the Trustee shall thereafter close the Costs of Issuance Fund.

**Improvement Fund.** Subject to the limitations and requirements set forth in the provisions of the Indenture governing the Improvement Fund, the moneys in the Series 2019A Account and the Taxable Series 2019B Account of the Improvement Fund shall be applied exclusively to pay the Project Costs. Amounts for Project Costs shall be disbursed by the Trustee from the such accounts and subaccounts of the City Facilities Fund as specified in a Requisition for Disbursement of Project Costs, substantially in the form attached to the Indenture, which must be submitted in connection with each requested disbursement.

Upon receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in an Account of the Improvement Fund is no longer needed to pay Project Costs, the Trustee shall transfer all or such specified portion, as applicable, of the moneys remaining on deposit in such Account of the Improvement Fund to the Principal Account or Redemption Account of the Special Tax Fund for application to the next principal payment coming due on the corresponding Series of Bonds (or if no Series 2019B Bonds are then Outstanding, to the next principal payment coming due on the Series 2019A Bonds) or to the Surplus Fund, as directed in the Certificate, provided that in connection with any direction to transfer amounts to the Surplus Fund there shall have been delivered to the Trustee with such Certificate an opinion of Bond Counsel to the effect that such transfer to the Surplus Fund will not adversely affect the exclusion from gross income for federal income

tax purposes of interest on the Bonds or any Parity Bonds which were issued on a Tax-exempt basis for federal income tax purposes.

**Escrow Fund.**

(a) Establishment of Escrow Fund and Accounts Therein. Moneys in the Escrow Fund, and in the Escrow Interest Account and the Escrow Reserve Account therein, shall be held in trust by the Trustee and, pending disbursement as provided in the Indenture, shall be subject to a lien in favor of the Owners of the Series 2019A Bonds and shall be administered as provided in the provisions of the Indenture governing the Escrow Fund. On the Delivery Date, there shall be deposited in the Escrow Fund, the Escrow Interest Account, and the Escrow Reserve Account the respective amounts as set forth in the Official Statement under the caption “ESTIMATED SOURCES AND USES OF FUNDS.”

(b) Transfers to Accounts of Special Tax Fund. On the fifth (5th) Business Day immediately preceding each Interest Payment Date occurring on or prior to the Escrow Redemption Date (i.e., June 1, 2022), the Trustee shall make the following transfers:

(1) On the fifth (5th) Business Day immediately preceding each Interest Payment Date occurring on or prior to the Escrow Redemption Date (i.e., June 1, 2022), if the moneys then collectively on deposit in the Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund and the Escrow Reserve Account of the Escrow Fund exceed the Reserve Requirement for the then Outstanding Series 2019A Bonds, the Trustee shall transfer from the Escrow Reserve Account of the Escrow Fund to the Interest Account of the Special Tax Fund an amount equal to the pro rata portion of such excess over the Reserve Requirement for the then Outstanding Series 2019A Bonds allocable to the then Outstanding Deemed Escrow Bonds, based on the ratio of (x) the principal amount of then Outstanding Deemed Escrow Bonds, divided by (y) the principal amount of all then Outstanding Series 2019A Bonds.

(2) On the fourth (4th) Business Day immediately preceding each Interest Payment Date occurring on or prior to the Escrow Redemption Date (i.e., June 1, 2022), the Trustee shall transfer from the Escrow Interest Account of the Escrow Fund to the Interest Account of the Special Tax Fund an amount equal to the interest payable on the Deemed Escrow Bonds on such Interest Payment Date.

(3) After making the transfers required under the Indenture to the Administrative Expenses Account of the Special Tax Fund, the Interest Account of the Special Tax Fund, the Principal Account of the Special Tax Fund and the Redemption Account of the Special Tax Fund and the transfers required by subparagraphs (1) and (2) above, if any amount is required to be transferred from the Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund due to an insufficiency for interest, principal, and sinking fund payments next coming due on the then Outstanding Series 2019A Bonds, the Trustee shall transfer from the Escrow Reserve Account of the Escrow Fund to the applicable Account of the Special Tax Fund the pro rata portion of such total amount to be so transferred that is allocable to the Escrow Reserve Account, based on the ratio of (x) the principal amount of then Outstanding Deemed Escrow Bonds, divided by (y) the principal amount of all then Outstanding Series 2019A Bonds.

(c) Disbursements to Series 2019A Account of Improvement Fund Prior to Escrow Closing Date. On or prior to the Escrow Closing Date (i.e., April 15, 2022), the Trustee shall make disbursements (each such date of disbursement being an “Escrow Disbursement Date”) from the Escrow Fund to the Series 2019A Account of the Improvement Fund, as directed in writing by a Certificate of an Authorized Representative of the District (which certificate shall include a representation that the District has received all certificates required by the Indenture), on any date other than an Interest Payment Date

(providing that no Escrow Disbursement Date shall occur in the five (5) Business Days preceding an Interest Payment Date), (i) if at least ninety (90) days (or such shorter period as is consented to by the District) prior to a proposed Escrow Disbursement Date, the Developer causes a payment to be made to the City for escrow release costs in the amount equal to the District's and/or City's estimated professionals' costs as provided to the Developer by the District or the City (unexpended amounts, if any, to be refunded to the Developer within thirty (30) days following the Escrow Disbursement Date); and (ii) if at least ten (10) Business Days prior to such proposed Escrow Disbursement Date the District receives the following:

(1) A certificate of the Developer satisfying all requirements of either subparagraph (i) or (ii) below:

(i) A certificate of the Developer certifying that (A) neither the Developer nor any Affiliate thereof owns any property within Improvement Area No. 1; and (B) the Developer has completed all development activities within or with respect to Improvement Area No. 1 for which it is responsible and as planned; or

(ii) If the Developer or any Affiliate thereof then owns property within Improvement Area No. 1, a certificate of the Developer certifying that (A) there has been no bankruptcy filing by the Developer or its partners, members or Affiliates since the delivery date of the Bonds, except that, if there has been a bankruptcy of an Affiliate, the Developer may instead deliver a certificate of an Independent Financial Consultant stating that the bankruptcy of such Affiliate will not have any material adverse effect on the ability of the Developer to pay its Special Taxes when due; (B) the Developer has completed all development activities within or with respect to Improvement Area No. 1 for which it is responsible and as planned; and (C) the Developer or its partners and members have sufficient liquidity on its most recent balance sheets to meet the Developer's existing and projected Special Tax obligations and/or a line of credit from a financial institution adequate to pay such Special Taxes.

(2) A certificate of the Builder satisfying all requirements of subparagraph (i) below, or if the Builder or any Affiliate thereof then no longer owns taxable property within Improvement Area No. 1, a Certificate of an Authorized Representative of the City satisfying all requirements of subparagraph (ii) below:

(i) A certificate of the Builder (A) certifying that there has been no bankruptcy filing by the Builder or its partners, members or Affiliates since the delivery date of the Bonds, except that, if there has been a bankruptcy of an Affiliate, the Builder may instead deliver a certificate of an Independent Financial Consultant stating that the bankruptcy of such Affiliate will not have any material adverse effect on the ability of the Builder to pay its Special Taxes when due; (B) certifying that the Builder or its partners and members have sufficient liquidity on its most recent balance sheets to meet the Builder's existing and projected Special Tax obligations and/or a line of credit from a financial institution adequate to pay such Special Taxes; (C) certifying the total number of residential units completed and certificates of occupancy issued with respect to residential units within Improvement Area No. 1 at such time, and with respect to any units for which certificates of occupancy have not yet been issued, certifying the total number of residential units within Improvement Area No. 1 for which building permits have been issued and vertical construction consisting of framing has commenced; and (D) attaching thereto copies of all building permits issued for the residential units certified in the foregoing clause (C) (and, if building square footage is not stated in such attachments, certifying the building square footage for each such residential unit); or

(ii) If the Builder or any Affiliate thereof then no longer owns taxable property within Improvement Area No. 1, a Certificate of an Authorized Representative of the City (A)

certifying the total number of building permits and the total number of certificates of occupancy that have been issued with respect to residential units within Improvement Area No. 1 at such time, and (B) attaching thereto copies of all building permits issued for the residential units certified in the foregoing clause (A), or otherwise certifying the building square footage for each such residential unit.

(3) A Certificate of the Special Tax Administrator certifying the following:

(i) there are no delinquencies in the payment of any ad valorem real property taxes, Special Taxes or assessments levied on parcels of taxable property within Improvement Area No. 1 owned by the Developer or its Affiliates, or by the Builder or its Affiliates, as reasonably determined from the records of the Treasurer-Tax Collector of the County of San Bernardino, or such other records as the District determines are reliable;

(ii) the respective principal amounts and maturities of Deemed Escrow Bonds that will remain Outstanding immediately following the subject Escrow Disbursement Date (in each instance as determined with respect to an Escrow Disbursement Date, the “Remaining Deemed Escrow Bonds”), which principal amounts shall be in integral multiples of \$5,000 and shall be selected in a manner to facilitate the coverage certification set forth in the following subparagraph (iii); and

(iii) based on issued building permits relating only to residential units for which certificates of occupancy have been issued or for which vertical construction consisting of framing has commenced (as provided in the certificate of the Builder described in subparagraph (ii) of paragraph (c)(2) above) (the “Eligible Building Permits”) but assuming that no levy will be made on any property within Improvement Area No. 1 then classified as Provisional Property (as defined in the Rate and Method), the sum of (A) 100% of the applicable Assigned Special Tax on all such residential units in Improvement Area No. 1 with Eligible Building Permits that will be classified as “Developed Property” for purposes of the next annual Special Tax levy immediately following the date of such certificate, and (B) 100% of the applicable Maximum Special Tax for all property in Improvement Area No. 1 that will be classified as “Undeveloped Property” (assuming that only parcels with Eligible Building Permits will be classified as Developed Property) for purposes of the next annual Special Tax levy immediately following the date of such certificate, is at least the sum of (x) 110% of Maximum Annual Debt Service, calculated with respect to all Bonds expected to be Outstanding immediately following the applicable Escrow Disbursement Date (but excluding from such calculation the debt service on the Remaining Deemed Escrow Bonds, as described in the certification set forth in the foregoing subparagraph (ii)), plus (y) the Administrative Expenses Priority Amount; provided, if a Certificate of an Authorized Representative of the City is utilized pursuant to subparagraph (ii) of paragraph (c)(2) above, and the number of certificates of occupancy described therein is fewer than the number of building permits described therein, the Special Tax Administrator shall use the number of certificates of occupancy, together with the parcel information associated with such issued certificates of occupancy, in lieu of the number of building permits and the parcel information associated with such building permits in determining “Developed Property” under the Rate and Method for the sole purpose of the foregoing calculation and certification in this subparagraph (iii).

(4) A certificate of an Independent Financial Consultant certifying the following:

(i) the “Transferred Principal Amount,” which shall be in an integral multiple of \$5,000 and which amount is equal to the difference between (x) the aggregate principal amount of Deemed Escrow Bonds Outstanding immediately prior to the proposed Escrow Disbursement Date, and (y) the aggregate principal amount of Remaining Deemed Escrow Bonds set forth in subparagraph (ii) of the Certificate of the Special Tax Administrator required by paragraph (c)(3) above;

(ii) the amount to be transferred on the subject Escrow Disbursement Date from the Escrow Reserve Account to the Series 2019A Reserve Subaccount of the Reserve Account of the Special Tax Fund, which shall be an amount equal to the following: (A) the Transferred Principal Amount (as defined in subparagraph (i) above), divided by (B) the principal amount of all then Outstanding Series 2019A Bonds, multiplied by (C) the Series 2019A Initial Reserve Requirement;

(iii) the amount to be transferred on the subject Escrow Disbursement Date from the Escrow Interest Account to the Interest Account of the Special Tax Fund, which shall be an amount sufficient to pay interest on the portion of the Series 2019A Bonds that immediately prior to such Escrow Disbursement Date were classified as Deemed Escrow Bonds and, after transfer of the Transferred Principal Amount on such Escrow Disbursement Date pursuant to subparagraphs (v) and (vi) below, will no longer be Deemed Escrow Bonds (in each instance as determined with respect to an Escrow Disbursement Date, the “Released 2019A Bonds”) (the aggregate principal amount of such Released 2019A Bonds being equal in principal amount to the Transferred Principal Amount) on each Interest Payment Date that will occur before Special Taxes can be levied and collected in an amount to pay interest on such Released 2019A Bonds;

(iv) with respect to the final Escrow Disbursement Date, if any of the then Outstanding Deemed Escrow Bonds must be redeemed on the Escrow Redemption Date pursuant to special mandatory redemption provisions of the Indenture in order to facilitate the coverage certification of the Special Tax Administrator set forth in subparagraph (iii) of paragraph (c)(3) above, (A) the respective principal amounts and maturities of such Deemed Escrow Bonds to be so redeemed (which shall consist of the Remaining Deemed Escrow Bonds determined by the Special Tax Administrator pursuant to subparagraph (ii) of paragraph (c)(3) above), and (B) the respective amounts to be transferred on the Escrow Redemption Date pursuant to paragraph (d) below to the Redemption Account of the Special Tax Fund from the Escrow Fund and the Escrow Interest Account to pay, respectively, the principal of such Remaining Deemed Escrow Bonds to be so redeemed and accrued interest thereon to the Escrow Redemption Date in accordance with the special mandatory redemption provisions of the Indenture;

(v) with respect to the final Escrow Disbursement Date, the portion, if any, of the Transferred Principal Amount to be transferred on such final Escrow Disbursement Date to the Interest Account of the Special Tax Fund, which portion shall be in an amount that is sufficient, to the extent not already provided for in subparagraph (iii) above, to pay interest on the Released 2019A Bonds to and including September 1, 2022 unless Special Taxes can levied and collected in sufficient time and amount to pay such interest in which case no such transfer is required pursuant to this subparagraph (v); provided, however, that cash deposits of the Developer, its Affiliates or other third parties received by the Trustee and deposited into the Interest Account may be included in such calculation, and the District shall under no circumstances be obligated to deposit funds of the District to meet the foregoing requirement;

(vi) the amount to be transferred on the subject Escrow Disbursement Date from the Escrow Fund (excluding the Escrow Reserve Account and the Escrow Interest Account therein), to the Series 2019A Account of the Improvement Fund, which amount is equal to the corresponding Transferred Principal Amount or, with respect to the final Escrow Disbursement Date, equal to the remainder of the corresponding Transferred Principal Amount after the transfer described in the preceding paragraph (v); and

(vii) with respect to the final Escrow Disbursement Date, the amount (if any) to be transferred on such final Escrow Disbursement Date, from the Escrow Interest Account to the Series 2019A Account of the Improvement Fund, which amount shall be any remaining amount in the Escrow



Interest Account after taking into account deductions for all other transfers required to be made from the Escrow Interest Account described in the foregoing subparagraphs (i) through (vi).

(d) Disbursement for Special Mandatory Redemption from Escrow Fund Transfer; Closing of Escrow Fund.

(1) The District shall not direct the Trustee to disburse any funds from the Escrow Fund pursuant to section (c) above after the Escrow Closing Date (i.e., April 15, 2022) except that, if the certificate of the Independent Financial Consultant specifies pursuant to subparagraph (iv) of paragraph (c)(4) amounts to be transferred on the Escrow Redemption Date (i.e., June 1, 2022), the Trustee shall transfer all such amounts to the respective Accounts and Subaccounts as specified in writing by an Authorized Representative of the District.

(2) After the Escrow Redemption Date, the Trustee shall transfer amounts, if any, remaining on deposit in the Escrow Fund, or in the Escrow Interest Account or the Escrow Reserve Account therein, to the Interest Account of the Special Tax Fund to be applied to pay debt service next coming due on the Series 2019A Bonds, whereupon the Escrow Fund shall be closed.

The District may, in its sole discretion, from time to time deliver to the Trustee money derived from any legally available source for deposit in the Interest Account or the Principal Account with respect to payment of debt service on the Deemed Escrow Bonds, and the Trustee shall so deposit any such money as received.

(e) Investment. The Trustee shall invest the moneys in the Escrow Fund in such Authorized Investments, which shall be rated in one of the highest two rating categories offered by each Rating Agency (without regard to gradations of plus or minus, or numerical gradations, within such category), as the District shall direct in a Certificate of the Authorized Representative of the District which shall be delivered to the Trustee on the Delivery Date for the Bonds and thereafter at least two (2) Business Days prior to the maturity date of any such Authorized Investment; provided, that if the District does not deliver such certificate, the Trustee shall invest such funds in Authorized Investments, which shall be rated in one of the highest two rating categories offered by each Rating Agency, (without regard to gradations of plus or minus, or numerical gradations, within such category) of the type specified in clause (7) of the definition of Authorized Investments.

Moneys in the Escrow Interest Account of the Escrow Fund shall be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of interest on the Deemed Escrow Bonds as the same becomes due on or prior to the Escrow Redemption Date.

Moneys in the Escrow Reserve Account of the Escrow Fund may be invested only in Authorized Investments which will by their terms mature on or prior to the Escrow Redemption Date, and if invested in an Investment Agreement only so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with the provisions of the Indenture governing the Reserve Account of the Special Tax Fund.

Investment earnings on all amounts deposited in the Escrow Fund and each Account therein shall be deposited in those respective Funds and Accounts and shall be retained in the Escrow Fund or respective Accounts therein, as applicable, until disbursed in accordance with the provisions of the Indenture governing the Escrow Fund.

**Investments.** Moneys held in any of the Funds, Accounts and Subaccounts under the Indenture shall be invested at the written direction of the District in accordance with the limitations set forth below only in Authorized Investments which shall be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Authorized Investments shall be credited or charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on a Fund, Account or Subaccount shall be applied as follows: (i) investment earnings on all amounts deposited in the Costs of Issuance Fund, the Improvement Fund, the Special Tax Fund, the Escrow Fund, the Surplus Fund and the Rebate Fund and each Account and Subaccount therein shall be deposited in those respective Funds, Accounts, and Subaccounts, and (ii) investment earnings on all amounts deposited in the Reserve Account shall be deposited therein to be applied as set forth in the Indenture. Moneys in the Funds, Accounts and Subaccounts held under the Indenture may be invested by the Trustee as directed in writing by the District, from time to time, in Authorized Investments subject to the following restrictions:

(a) Moneys in the Costs of Issuance Fund shall be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Costs of Issuance Fund.

(b) Moneys in the Improvement Fund shall be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Improvement Fund. Notwithstanding anything in the Indenture to the contrary, amounts in the Improvement Fund or in the Escrow Fund, if any, three (3) years after the Delivery Date for the Bonds and the proceeds of each issue of Parity Bonds issued on a Tax-exempt basis which are remaining on deposit in the Improvement Fund on the date which is three (3) years following the date of issuance of such issue of Parity Bonds shall be invested only in Authorized Investments the interest on which is excluded from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds from which such proceeds were derived, unless in the opinion of Bond Counsel such restriction is not necessary to prevent interest on the Bonds or any Parity Bonds which were issued on a Tax-exempt basis for federal income tax purposes from being included in gross income for federal income tax purposes.

(c) Moneys in the Interest Account, the Principal Account and the Redemption Account of the Special Tax Fund shall be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds and any Parity Bonds as the same become due.

(d) Moneys in the Reserve Account (and Subaccounts therein) of the Special Tax Fund may be invested only in Authorized Investments which, taken together, have a weighted average maturity not in excess of five years; provided that such amounts may be invested in an Investment Agreement to the later of the final maturity of the Bonds or any Parity Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with the Indenture; and provided that no such Authorized Investment of amounts in the Reserve Account allocable to the Bonds or an issue of Parity Bonds shall mature later than the respective final maturity date of the Bonds or the issue of Parity Bonds, as applicable.

(e) Moneys in the Rebate Fund shall be invested only in Authorized Investments of the type described in clause (1) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government or in Authorized Investments of the type described in clause (7) of the definition thereof.

(f) Moneys in the Escrow Fund and the Accounts therein shall be invested as required pursuant to the provisions of the Indenture governing the Escrow Fund.

(g) In the absence of written investment directions from the District, the Trustee shall hold all monies uninvested.

## COVENANTS AND WARRANTY

**Warranty.** The District shall preserve and protect the security pledged under the Indenture to the Bonds and any Parity Bonds against all claims and demands of all persons.

**Covenants.** So long as any of the Bonds or Parity Bonds issued under the Indenture are Outstanding and unpaid, the District has made the following covenants with the Bondowners under the provisions of the Act and the Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and Parity Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

Punctual Payment; Against Encumbrances. The District has covenanted that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued under the Indenture, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and the Parity Bonds and in accordance with the Indenture to the extent that Net Taxes and other amounts pledged under the Indenture are available therefor, and that the payments into the Funds and Accounts created under the Indenture will be made, all in strict conformity with the terms of the Bonds, any Parity Bonds, and the Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds and any Parity Bonds issued under the Indenture.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in the Indenture, and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the Bonds, other than Parity Bonds issued in accordance with the Indenture. Nothing in the Indenture shall prevent the District from issuing or incurring indebtedness which is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds and the Parity Bonds.

Levy of Special Tax. Beginning in Fiscal Year 2019-20 and so long as any Bonds or Parity Bonds issued under the Indenture are Outstanding, but subject to the Rate and Method, the legislative body of the District covenants to levy the Special Tax in an amount equal to the Special Tax Requirement (as defined in the Rate and Method) for Improvement Area No. 1, which includes, but is not limited to, amounts sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay (1) the principal of and interest on the Bonds and any Parity Bonds when due, (2) the Administrative Expenses, and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement. The District further covenants that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Bonds and any Parity Bonds that it (i) will commence judicial foreclosure proceedings against any parcel with either (A) at least four (4) consecutive installments of delinquent Special Taxes or (B) delinquent Special Taxes in excess of \$10,000 on any one parcel, in each instance by the December 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the December 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied for such Fiscal Year, and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided, however, that the District may elect to defer foreclosure proceedings on any parcel so long as the amount on deposit in the Reserve Account is at least equal to the Reserve Requirement and such delinquencies will not cause moneys in the Reserve Account to be withdrawn on the next succeeding Interest Payment Date. In no event shall such foreclosure actions exceed the time periods specified in Section 53356.1 of the Act. The District has covenanted that it will deposit the net proceeds of any foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal and interest on the Bonds and any Parity Bonds, to bring the amount on deposit in the Reserve Account up to the Reserve Requirement and to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds.

Notwithstanding the foregoing, the District may elect (but is not obligated) to advance the amount of any particular delinquency (excluding penalties and interest) and deposit such amount to the Special Tax Fund. Upon a deposit of such money in the Special Tax Fund, the District will not need to initiate a foreclosure action as provided above; provided, however, the District may reimburse itself for such advance when the Special Tax on such property is paid in the amount of such advance plus interest on such amount at a rate equal to the yield on the Outstanding Bonds. Interest and penalties paid in excess of the amount advanced by the District shall be deposited in the Special Tax Fund.

Notwithstanding the foregoing, if at any time, the County's Teeter Plan (adopted pursuant to Sections 4701 through 4717 of the California Revenue and Taxation Code) is in effect and is made applicable to the District and the Special Taxes being levied in connection with the Bonds, the District may, in its discretion, elect not to commence any judicial foreclosure proceeding pursuant to this covenant or defer the commencement of such proceedings until such time as the District deems appropriate.

Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the Project, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts shall at all times during business hours be subject to the inspection of the Trustee or of the Owners of not less than 10% of the principal amount of the Bonds or the Owners of not less than 10% of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

Federal Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Bonds and any Parity Bonds issued on a Tax-exempt basis for federal income tax purposes will not be adversely affected for federal income tax purposes, the District has covenanted to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(1) The District will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the Tax-exempt status of interest on the Bonds or any

Parity Bonds under Section 103(a) of the Code or cause interest on the Bonds or any Parity Bonds to be an item of tax preference for purposes of the alternative minimum tax under the Code; and

(2) In furtherance of the foregoing tax covenant, the District will comply with the provisions of the Tax Certificate, which is incorporated into the Indenture as if fully set forth therein. These covenants shall survive payment in full or defeasance of the Bonds and any Parity Bonds.

Against Reduction of Maximum Special Taxes. The District has covenanted, to the maximum extent that the law permits it to do so, that it shall not initiate proceedings to reduce the maximum Special Tax rates for the District.

Covenants to Defend. The District covenants that, in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the maximum Special Tax below the levels specified in the Indenture or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

Limitation on Right to Tender Bonds. The District has covenanted that it will not adopt any policy pursuant to the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due.

## AMENDMENTS TO INDENTURE

**Supplemental Indentures or Orders Not Requiring Bondowner Consent.** The District may from time to time, without notice to or consent of any of the Bondowners, adopt Supplemental Indentures for any of the following purposes (provided that no such Supplemental Indenture shall modify any of the rights or obligations of the Trustee without its written consent thereto):

(a) to cure any ambiguity, to correct or supplement any provisions in the Indenture which may be inconsistent with any other provision in the Indenture, or to make any other provision with respect to matters or questions arising under the Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to comply with the Code or regulations issued under the Indenture, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding;

(e) to modify, alter or amend the Rate and Method in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is below the levels provided in the covenant in the Indenture against reduction of maximum Special Taxes, and in any event not less than the sum of the estimated Administrative Expenses and 110% of the principal and interest due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such amendment; or

(f) to the extent necessary to obtain a municipal bond insurance policy or to obtain a rating on the Bonds, or in connection with satisfying all or a portion of the Reserve Requirement by crediting a Reserve Policy to the Reserve Account; provided that such amendments which shall not materially adversely affect the interests of the Owners of the then Outstanding Bonds; or

(g) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Bondowners.

**Supplemental Indentures or Orders Requiring Bondowner Consent.** Exclusive of the Supplemental Indentures described in the preceding paragraph, the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond, (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon, (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond, or (d) a reduction in the aggregate principal amount of the Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds and Parity Bonds then Outstanding; provided, further, that no such Supplemental Indenture shall modify any of the rights or obligations of the Trustee without its written consent thereto.

If at any time the District shall desire to adopt a Supplemental Indenture, which pursuant to the terms of this Section shall require the consent of the Bondowners, the District shall so notify the Trustee and shall deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the Principal Office of the Trustee for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding as required by the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee shall receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to and approve the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, shall thereafter become a part of the proceedings for the issuance of the Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, Bonds or Parity Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the

direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds in instances where such consent is required pursuant to the provisions of this section, the Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Outstanding Bonds and Parity Bonds shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

## **TRUSTEE**

**Trustee.** U.S. Bank National Association, a national banking association, has been appointed the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District under the Indenture. The District may, at any time, appoint a successor Trustee satisfying certain requirements under the Indenture for the purpose of receiving all money which the District is required to deposit with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture.

**Removal of Trustee.** The District may at any time in its sole discretion remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor shall be a bank national banking association, or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000, and subject to supervision or examination by federal or state authority. Any removal shall become effective only upon acceptance of appointment by the successor Trustee. Any removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee and notice being sent by the successor Trustee to the Bondowners of the successor Trustee's identity and address.

**Resignation of Trustee.** The Trustee may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice shall be mailed to the Owners at their addresses appearing in the registration books in the Principal Office of the Trustee. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee satisfying the criteria in the Indenture by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of itself and all other Owners of the Bonds) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

## **EVENTS OF DEFAULT; REMEDIES**

**Events of Default.** Any one or more of the following events shall constitute an "event of default" (each, an "Event of Default"):

(a) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond or Parity Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) default in the due and punctual payment of the interest on any Bond or Parity Bond when and as the same shall become due and payable; or

(c) except as described in (a) or (b), default shall be made by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, the Bonds or any Parity Bonds, and such default shall have continued for a period of sixty (60) days after the District shall have been given notice in writing of such default by the Trustee or the Owners of twenty-five percent (25%), in aggregate principal amount of the Outstanding Bonds and Parity Bonds; provided, that if such default (other than a default arising from nonpayment of the Trustee's fees and expenses) be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected.

The Trustee agrees to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under (a) or (b) above and within sixty (60) days of the Trustee's knowledge of an Event of Default under (c) above.

**Remedies of Owners.** Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds and Parity Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture, including:

(a) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture;

(b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) By a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least 25% in aggregate principal amount of Outstanding Bonds and Parity Bonds and if indemnified to its satisfaction, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners of the Bonds and Parity Bonds.

No remedy conferred in the Indenture upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law; provided, under no circumstance will the Bonds, or the obligation of the District to pay installments of principal thereof and interest thereon, be accelerated.



**Application of Revenues and Other Funds After Default.** Following the declaration by the Trustee of an Event of Default, all amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture relating to the Bonds and Parity Bonds shall be applied by the Trustee in the following order upon presentation of the several Bonds and Parity Bonds:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Bonds and Parity Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds and Parity Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) first to the payment of all installments of interest on the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing,

(b) second, to the payment of all installments of principal, including Sinking Fund Payments, of the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing, and

(c) third, to the payment of interest on overdue installments of principal and interest on the Bonds and Parity Bonds on a pro rata basis based on the total amount then due and owing.

Third, to deposit such amounts in the Reserve Account to restore the balance therein to the Reserve Requirement.

After payment or deposit of such amounts, the Trustee may apply any remaining amounts received toward the payment of any rebate amounts pursuant to the Indenture or to the payment of the fees, costs and expenses of the District in connection with such Event of Default.

**Power of Trustee to Control Proceedings.** In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of 25% in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds and Parity Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other such litigation. Any suit, action or proceeding which any Owner of Bonds or Parity Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds and Parity Bonds similarly situated and the Trustee has been appointed (and the successive respective Owners of the Bonds and Parity Bonds issued under the Indenture, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds and Parity Bonds for the purposes of bringing any

such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds and Parity Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

**Appointment of Receivers.** Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds and Parity Bonds under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net Taxes and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making appointment(s) shall confer.

**Non-Waiver.** Nothing in the Indenture, or in the Bonds or the Parity Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds and Parity Bonds to the respective Owners of the Bonds and Parity Bonds at the respective dates of maturity, as provided in the Indenture, out of the Net Taxes and other moneys pledged in the Indenture for such payment.

**Limitations on Rights and Remedies of Owners.** No Owner of any Bond or Parity Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds and Parity Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers in the Indenture before granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are, in every case, to be conditions precedent to the exercise by any Owner of Bonds and Parity Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds and Parity Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds and Parity Bonds.

The right of any Owner of any Bond and Parity Bond to receive payment of the principal of and interest and premium (if any) on such Bond and Parity Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding any other provision of the Indenture.

**Termination of Proceedings.** In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the District, the Trustee and the Owners shall be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

## DEFEASANCE AND PARITY BONDS

**Defeasance.** If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond shall cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond or Parity Bond under the Indenture and any Supplemental Indenture relating to such Parity Bond shall thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds and Parity Bonds pursuant to the defeasance provisions of the Indenture, the Trustee shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the District's general fund all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds and Parity Bonds.

Any Outstanding Bond or Parity Bond shall be deemed to have been paid within the meaning expressed in the preceding paragraph if such Bond or Parity Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expenses Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable; or

(c) by depositing with the Trustee or another escrow bank appointed by the District, in trust, Federal Securities, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expenses Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable.

If paid as provided above, then, at the election of the District, and notwithstanding that any Outstanding Bonds and Parity Bonds shall not have been surrendered for payment, all obligations of the District under the Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond shall cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid, all sums due thereon and except for the federal tax covenants of the District contained in the Indenture or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of such election shall be filed with the Trustee not less than ten (10) days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee in the sole discretion of the Trustee. In connection with a defeasance under (c) above, there shall be provided to the District and the Trustee a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds and Parity Bonds to be defeased in accordance with this Section, as and when the same shall become due and payable. In connection with a defeasance under (b) or (c) above, there also shall be provided to the District and the Trustee an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds or Parity

Bonds being defeased have been legally defeased in accordance with the Indenture and any applicable Supplemental Indenture.

**Conditions for the Issuance of Parity Refunding Bonds.** For the sole purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding, the District may at any time after the issuance and delivery of the Bonds under the Indenture issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expenses Account in the Indenture and any Subaccounts of the Reserve Account not designated in the Indenture for the benefit of such Bonds or Parity Bonds) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture. Parity Bonds may be issued subject to the following additional specific conditions, which are made conditions precedent to the issuance of any such Parity Bonds:

(a) The District shall be in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect shall have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly adopted by the District which shall specify the following:

(1) that such Parity Bonds are to be issued for the purpose of refunding all or a portion of the Bonds or Parity Bonds then Outstanding, as applicable, and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding any Outstanding Bonds or Parity Bonds, including payment of all costs and the funding of all reserves incidental to or connected with such refunding;

(2) the authorized principal amount of such Parity Bonds;

(3) the date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date shall fall on a September 1, (ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) the description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) the denominations and method of numbering of such Parity Bonds;

(6) the amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(7) the amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account of the Special Tax Fund to increase the amount in the Indenture to the Reserve Requirement;

- (8) the form of such Parity Bonds; and
- (9) such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The District shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee shall accept any of such documents bearing a prior date):

- (1) a certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;
- (2) a written request of the District as to the delivery of such Parity Bonds;
- (3) an opinion of Bond Counsel and/or general counsel to the District to the effect that (a) the District has the right and power under the Act to adopt the Indenture and the Supplemental Indentures relating to such Parity Bonds, and the Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) the Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and all Supplemental Indentures thereto and entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a Tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued;
- (4) a certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of the Indenture;
- (5) a certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds; and
- (6) such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

## MISCELLANEOUS

**Cancellation of Bonds and Parity Bonds.** All Bonds and Parity Bonds surrendered to the Trustee for payment upon maturity or for redemption shall be upon payment therefor, and any Bond or Parity Bond purchased by the District as authorized in the Indenture and delivered to the Trustee for such purpose shall be, cancelled forthwith and shall not be reissued.

**Unclaimed Moneys.** Any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds and Parity Bonds which remain unclaimed for two (2) years after the date when such Outstanding Bonds or Parity Bonds have become due and payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds or Parity Bonds become due and payable, shall be repaid by the Trustee to the District, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such Outstanding Bonds or Parity Bonds; provided, however, that, before being required to make any such payment to the District, the Trustee at the expense of the District, shall cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds or Parity Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

**Provisions Constitute Contract.** The provisions of the Indenture shall constitute a contract between the District and the Bondowners, and the provisions thereof shall be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or the Trustee, then the District, the Trustee and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds the Indenture shall be irrevocable, but shall be subject to modifications to the extent and in the manner provided in the Indenture, but to no greater extent and in no other manner.

**Future Contracts.** Nothing contained in the Indenture shall be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Taxes which is subordinate to the pledge under the Indenture, or which is payable from the general fund of the District or from taxes or any source other than the Net Taxes and other amounts pledged under the Indenture.

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

**Severability.** If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and the Indenture, the Bonds and any Parity Bonds issued pursuant to the Indenture shall remain valid and the Bondowners shall retain all valid rights and benefits accorded to them under the laws of the State of California.

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Authority takes no responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company (“DTC”), New York, NY, 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with 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 3.5 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 an S&P Global Ratings 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 certificates 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 redemptions, 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 redeemed, 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 Authority 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).

Principal, premium (if any), and interest 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 Authority 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 Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority 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.

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



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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

[THIS PAGE INTENTIONALLY LEFT BLANK]

## APPENDIX G

### FORM OF CONTINUING DISCLOSURE AGREEMENT (ISSUER)

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of July 1, 2019 is executed and delivered by the Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland, County of San Bernardino, State of California (the “District”) and Willdan Financial Services, as dissemination agent (the “Dissemination Agent”) in connection with the issuance by the District of its \$[tax-exempt principal amount] aggregate principal amount of Special Tax Bonds, Series 2019A (Improvement Area No. 1) (the “Tax-Exempt Bonds”) and \$[taxable principal amount] aggregate principal amount of Special Tax Bonds, Taxable Series 2019B (Improvement Area No. 1) (the “Taxable Bonds” and together with the Tax-Exempt Bonds, the “Bonds”). The Bonds are being issued pursuant to a Bond Indenture, dated as of July 1, 2019 (the “Indenture”), by and between the District and U.S. Bank National Association, as trustee (the “Trustee”). The District and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District and the Dissemination Agent for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

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

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

“Dissemination Agent” shall mean Willdan Financial Services, or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Trustee a written acceptance of such designation.

“EMMA” shall mean the Electronic Municipal Market Access system located at <http://www.emma.msrb.org>, which is the centralized on-line repository for municipal disclosure documents to be filed with the MSRB pursuant to the Rule, or such other successor repository site as prescribed by the MSRB.

“Financial Obligation” shall mean a: (A) Debt obligation; (B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) Guarantee of any financial obligation outlined in the foregoing (A) or (B). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Obligated Person” shall mean any person, including an issuer of municipal securities, who is either generally or through an enterprise, fund, or account of such person committed by contract or

other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

“Official Statement” shall mean the final Official Statement, dated \_\_\_ 2019, relating to the Bonds.

“Participating Underwriter” shall mean Hilltop Securities, Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provisions of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than March 31 of each year, commencing March 31, 2020 with the report for the 2018-19 fiscal year, provide to the MSRB, via EMMA, in an electronic format accompanied by identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City for the Fiscal Year may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) business days prior to the applicable date specified in subsection (a) above for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the first sentence of this subsection (b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in such form as prescribed by, or acceptable to, the MSRB.

(d) The Dissemination Agent (if other than the District) shall, if and to the extent, the District has provided an Annual Report in final form to the Dissemination Agent for dissemination, file a report with the District certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement, and stating the date it was provided.

Section 4. Content of Annual Reports. The District’s Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the City prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Such financial statements shall be accompanied by a statement substantially as follows:

THE CITY'S ANNUAL FINANCIAL STATEMENTS ARE PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15c2-12. EXCEPT FOR THE REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE RELATING TO THE BONDS, NO FUNDS OR ASSETS OF THE CITY ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS. THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding subsection (a) by the date required by Section 3 hereof, the following information:

1) The principal amount of Bonds outstanding as of October 1 preceding the filing of the Annual Report.

2) The current balance in the Reserve Account of the Special Tax Fund held under the Indenture and the Reserve Requirement, as of the October 1 preceding the filing of the Annual Report.

(c) To the extent not contained in the audited financial statements filed pursuant to the preceding subsection (a) by the date required by Section 3 hereof, other financial information and operating data relating to the Improvement Area No. 1 of the District, contained in the Official Statement for the Bonds as follows:

1) For the more recent ended Fiscal Year preceding the filing of the Annual Report, an update to the development status of the parcels within Improvement Area No. 1, classified as "Developed Property" and "Undeveloped Property" within Improvement Area No. 1 of the District, in substantially the form set forth in table entitled "Appraised Values and Value to Lien Ratio" contained in the Official Statement under "THE DISTRICT -- Appraised Value to Lien Ratio."

2) The Special Tax delinquency rate for all parcels within Improvement Area No. 1 of the District on which the Special Taxes are levied, as shown on the assessment roll of the San Bernardino County Assessor last equalized prior to October 1 preceding the filing of the Annual Report and other related information.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds, which notice shall be given in a timely manner, not in excess of ten (10) business days after the occurrence of such Listed Event:

- 1) Principal and interest payment delinquencies;
- 2) Non-payment related defaults, if material;
- 3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- 4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- 5) Substitution of credit or liquidity providers, or their failure to perform;
- 6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- 7) Modifications to rights of security holders, if material;
- 8) Bond calls, if material, and tender offers;
- 9) Defeasances;
- 10) Release, substitution, or sale of property securing repayment of the securities, if material;
- 11) Rating changes;
- 12) Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
- 13) The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- 14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- 15) Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and
- 16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

(b) The Dissemination Agent shall, within one (1) business day after obtaining knowledge of the occurrence of any of the events listed in Section 5(a) (1), (3), (4), (5), (6), (9), (11), (12) or (16) inform the District of the occurrence of such event. As soon as reasonably practicable after

obtaining knowledge of the occurrence of such event, the District shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

(c) The Dissemination Agent shall, within one (1) business day after obtaining knowledge of the occurrence of any of any of the events listed in Section 5(a) (2), (7), (8), (10), (13), (14), or (15) inform the District of the occurrence of such event and request that the District promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (d).

(d) Whenever the District obtains knowledge of the occurrence of any event specified in Section 5(a) (2), (7), (8), (10), (13), (14) or (15), the District shall as soon as possible, in order to meet the ten (10) business day deadline to file notices required under the Rule and pursuant to the following sentence, determine if such event would be material under applicable Federal securities law. If the District determines that knowledge of the occurrence of such event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

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

Section 7. Dissemination Agent.

(a) The District hereby appoints and engages Willdan Financial Services as the Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Agreement. The District may replace the Dissemination Agent with or without cause. If at the time there is no designated Dissemination Agent appointed by the District, the District shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act. The Dissemination Agent may resign its duties hereunder by giving 30-days written notice to the District.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees agreed to between the Dissemination Agent and the District from time to time and for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, holders or beneficial owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the District or an opinion of bond counsel.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. For purposes of this paragraph, “impact” has the meaning as that word is used in the letter from the staff of the Securities and Exchange Commission to the National Association of Bond Lawyers dated June 23, 1995.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB in the same manner as for a Listed Event under Section 5(b).

No amendment to this Agreement which modifies the duties or rights of the Dissemination Agent shall be made without the prior written consent of the Dissemination Agent.

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



Section 10. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. All of the immunities, indemnities, and exceptions from liability in Article VI of the Indenture insofar as they relate to the Trustee shall apply to the Dissemination Agent in this Disclosure Agreement. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the District or an opinion of bond counsel. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach of this Agreement.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the District: Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland, County of San Bernardino, State of California  
460 North Euclid Avenue  
P.O. Box 460  
Upland, California 91785-0460  
Attention: Finance Officer  
Email: lhelms@ci.upland.ca.us

To the Dissemination Agent: Willdan Financial Services  
27368 Via Industria, Suite 200  
Temecula, California 92590  
Attention: Chris Fisher, Vice President  
Email: cfisher@willdan.com

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first written above.

COMMUNITY FACILITIES DISTRICT NO. 2015-1  
(SYCAMORE HILLS) OF THE CITY OF UPLAND,  
COUNTY OF SAN BERNARDINO, STATE OF  
CALIFORNIA

---

Mayor of the City of Upland

WILLDAN FINANCIAL SERVICES  
as Dissemination Agent

---

Authorized Representative

## APPENDIX H

### FORM OF CONTINUING DISCLOSURE CERTIFICATE (MAJOR PROPERTY OWNER)

This Continuing Disclosure Certificate (Major Property Owner) (this “Disclosure Certificate”), dated as of July 1, 2019, is executed and delivered by Taylor Morrison of California, LLC, a California limited liability company (the “Landowner”) in connection with the issuance by the Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland, County of San Bernardino, State of California (the “District”) of its \$\_\_\_ aggregate principal amount of Special Tax Bonds, Series 2019A (Improvement Area No. 1) (the “Tax-Exempt Bonds”) and \$\_\_\_ aggregate principal amount of Special Tax Bonds, Taxable Series 2019B (Improvement Area No. 1) (the “Taxable Bonds” and together with the Tax-Exempt Bonds, the “Bonds”). The Bonds are being issued pursuant to a Bond Indenture, dated as of July 1, 2019 (the “Indenture”), between the District and U.S. Bank National Association, as trustee (the “Trustee”).

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Landowner for the benefit of the holders and Beneficial Owners. Pursuant to this Disclosure Certificate, the Landowner agrees to provide the information required to be provided by the Landowner hereunder at the time and in the manner required hereunder.

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

“Affiliate” shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, 25 percent or more of any class of Equity Securities of such Person, (b) each Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person or (c) each of such Person’s executive officers, directors, joint venturers and general partners; provided, however, that in no case shall the District be deemed to be an Affiliate of the Landowner for purposes of this Disclosure Certificate, nor shall any Person be deemed to be an Affiliate of the Landowner for purposes of this Disclosure Certificate solely by reason of such Person’s ownership of a home within Improvement Area No. 1 of the District. For the purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

“Assumption Agreement” shall mean a certificate of a Transferee containing terms substantially similar to this Disclosure Certificate, whereby such Transferee agrees to provide Semiannual Reports and notices of significant events with respect to the property located in the District and owned by such Transferee.

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

“Dissemination Agent” shall mean initially, the Landowner, or any successor Dissemination Agent designated in writing by the Landowner.

“EMMA” shall mean the Electronic Municipal Market Access system located at <http://www.emma.msrb.org>, which is the centralized on-line repository for municipal disclosure documents to be filed with the MSRB, or such other successor repository site as prescribed by the MSRB.

“Equity Securities” of any Person shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“Fiscal Year” shall mean the period beginning on January 1 of each year and ending on the next succeeding December 31, or any other twelve-month period selected and designated by the Landowner as its official fiscal year period.

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

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the final Official Statement, dated \_\_\_\_, 2019, relating to the Bonds.

“Participating Underwriter” shall mean Hilltop Securities Inc., the original Underwriter of the Bonds in connection with the offering of the Bonds.

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

“Semiannual Report” shall mean any report to be provided by the Landowner on or prior to March 31 and September 30 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Transferee” shall have the meaning designated in Section 6 of this Disclosure Certificate.

### SECTION 3. Provision of Semiannual Reports.

(a) Until the obligations under this Disclosure Certificate are terminated pursuant to Section 6, the Landowner shall, or upon its receipt of the Semiannual Report, the

Dissemination Agent shall, not later than March 31 and September 30 of each year, commencing March 31, 2020, provide to the MSRB, via EMMA, in an electronic format accompanied by identifying information as prescribed by the MSRB, the Participating Underwriter and the District a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) Not later than 15 calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the MSRB, the Landowner shall provide the Semiannual Report to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Landowner is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be available. The Landowner shall provide a written certification with each Semiannual Report furnished to the Dissemination Agent to the effect that such Semiannual Report constitutes the Semiannual Report required to be furnished by the Landowner hereunder. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall contact the Landowner to determine if the Landowner is in compliance with the requirements of this subsection (b).

(c) If the Dissemination Agent is unable to provide a Semiannual Report to the MSRB by the date required in subsection (a) or to verify that a Semiannual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in such form as is prescribed by or acceptable to the MSRB.

(d) The Landowner, or the Dissemination Agent if the Landowner does not file the Semiannual Report, shall file a report with the Landowner and the District certifying that the Semiannual Report has been provided to the MSRB pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) Each Semiannual Report shall contain or include by reference the information which is available as of the date of the filing of the Semiannual Report relating to the following:

(i) An update to the information and Tables 8, 9 and 10 contained in the Official Statement under the section "PROPERTY OWNERSHIP AND PROPOSED DEVELOPMENT," including a discussion of any material changes in the sources of funds to finance development of property owned by the Landowner and its Affiliates within Improvement Area No. 1 of the District, and whether any material defaults exist under any loan arrangement related to such financing.

(ii) As to property owned by the Landowner and its Affiliates within Improvement Area No. 1 of the District, a summary of development activity within Improvement Area No. 1 of the District, including the number of parcels for which building permits have been issued, the number of parcels for which land sales have closed and the amount of land in each

such transaction, and in the case of a purchase of multiple parcels by a single buyer, the name of the purchaser of the parcels and the amount of land in each such transaction.

(iii) Status of any major governmentally-imposed preconditions for commencement or continuation of development of the parcels owned by the Landowner and its Affiliates within Improvement Area No. 1 of the District.

(iv) Status of completion of the development being undertaken by the Landowner and its Affiliates in Improvement Area No. 1 of the District and any major legislative, administrative and judicial challenges known to the Landowner to or affecting the construction of such development or the time for construction of any public or private improvements to be made by the Landowner or any Affiliate within Improvement Area No. 1 of the District (the “Landowner Improvements”).

(v) Any significant amendments to land use entitlements with respect to parcels owned by the Landowner and its Affiliates within Improvement Area No. 1 of the District that are known to the Landowner.

(vi) Status of Special Tax payments on all parcels in Improvement Area No. 1 of the District owned by the Landowner and its Affiliates.

(b) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues which have been submitted to the MSRB or filed with the Securities and Exchange Commission. The Landowner shall clearly identify each such other document so included by reference.

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

(a) Until the obligations under this Disclosure Certificate are terminated pursuant to Section 6, the Landowner shall give, or cause to be given, notice of the occurrence of any of the following events, if material, under paragraphs (b) and (c) with respect to the Bonds:

(i) Failure to pay any real property taxes, special taxes or assessments levied within Improvement Area No. 1 of the District on a parcel owned by the Landowner or any Affiliate;

(ii) Damage to or destruction of any of the Landowner Improvements which has a material adverse effect on the value of the parcels owned by the Landowner or any Affiliate within Improvement Area No. 1 of the District;

(iii) Material default by the Landowner or any Affiliate on any loan with respect to the construction or permanent financing of the Landowner Improvements;

(iv) Material default by the Landowner or any Affiliate on any loan secured by property within Improvement Area No. 1 of the District owned by the Landowner or any Affiliate;

(v) Material payment default by the Landowner or any Affiliate located in the United States and owning land within Improvement Area No. 1 of the District on any loan of the Landowner or such Affiliate (whether or not such loan is secured by property within Improvement Area No. 1 of the District) which is beyond any applicable cure period in such loan if such default has a material adverse effect on the completion by the Landowner of the Landowner Improvements or the development of parcels owned by the Landowner or its Affiliates within Improvement Area No. 1 of the District;

(vi) The filing of any proceedings with respect to the Landowner or any Affiliate owning land within Improvement Area No. 1 of the District, in which the Landowner or such Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts;

(vii) The filing of any lawsuit against the Landowner or any of its Affiliates located in the United States which, in the reasonable judgment of the Landowner, will have a material adverse effect on the completion of the Landowner Improvements or the development of parcels owned by the Landowner or its Affiliates within Improvement Area No. 1 of the District, or litigation which if decided against the Landowner, or any of its Affiliates, in the reasonable judgment of the Landowner, would materially adversely affect the financial condition of the Landowner or its Affiliates owning land within Improvement Area No. 1 of the District; and

(viii) A sale or transfer of all or substantially all of the Landowner's assets or a sale of a majority of the membership interests, partnership interests, or outstanding stock (as applicable) of the Landowner.

(b) Whenever the Landowner obtains actual knowledge of the occurrence of a Listed Event, the Landowner shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Landowner determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Landowner shall promptly file a notice of such occurrence with the MSRB via EMMA or provide such notice to the Dissemination Agent who shall then distribute such notice to the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB, with a copy to the District.

#### SECTION 6. Termination of Reporting Obligations; Assumption Agreement.

(a) The Landowner's obligations under this Disclosure Certificate shall terminate upon the earliest to occur of the following:

(i) the legal defeasance, prior redemption or payment in full of all of the Bonds;

(ii) subject to Section 6(c), the date on which the Landowner and its Affiliates, collectively own (A) less than 25 taxable lots within Improvement Area No. 1 of the

District; or (B) property that is responsible for less than twenty percent (20%) of the Special Tax levied on property within Improvement Area No. 1 of the District in the Fiscal Year;

(iii) the date on which all of the Special Tax attributable to the property then owned by Landowner and its Affiliates in Improvement Area No. 1 of the District have been prepaid in full, or

(iv) upon the delivery by the Landowner to the District of an opinion of bond counsel to the effect that the information required by this Disclosure Certificate is no longer required; provided, that such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Landowner or a private letter ruling obtained by a similar entity to the Landowner.

The Landowner shall give a prompt written notice to the District and the Dissemination Agent of the termination of its obligation under this Disclosure Certificate.

(b) The Landowner shall, in connection with any sale or transfer of ownership of land within Improvement Area No. 1 of the District to a person or entity other than a Landowner Affiliate (together with any Affiliates of such transferee, a "Transferee") which will result in the Transferee (which term shall include any successors and assigns of the Landowner) owning 25 or more taxable lots within Improvement Area No. 1 of the District following such transfer, cause such Transferee to enter into an Assumption Agreement assuming in full the obligations of the Landowner under this Disclosure Certificate. From and after the date on which such Assumption Agreement becomes effective, the Landowner shall no longer be required to take the property so conveyed to the Transferee into account in connection with its report to be delivered under Section 3(b).

(c) Notwithstanding any of the foregoing, if following a sale or transfer of property described in Section 6(b), the Landowner and its Affiliates shall collectively own 25 or more taxable lots within Improvement Area No. 1 of the District, the Landowner's reporting obligations hereunder shall not terminate pursuant to clause (ii) of Section 6(a) unless and until the Assumption Agreement required by Section 6(b), if any, has been duly executed and delivered by the Transferee.

(d) Except as expressly provided in this Section 6, the Landowner may not assign its obligations hereunder without the prior written consent of the District.

SECTION 7. Dissemination Agent. The Landowner may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Landowner, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Landowner pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing 30 days' prior written notice to the Landowner and the Dissemination Agent. The Landowner shall notify the District in writing within five days of any substitution of Dissemination Agent pursuant to this Section 7. The initial Dissemination Agent shall be the Landowner.



SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Landowner shall not amend this Disclosure Certificate, or waive any provision of this Disclosure Certificate without the prior written consent of the District and the Participating Underwriter.

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

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

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

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and the Landowner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. If the Dissemination Agent is other than the Landowner, the Dissemination Agent shall receive reasonable compensation for its services rendered hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Landowner, the Participating Underwriter, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Landowner or an opinion of bond counsel. The obligations of the Landowner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination

Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate.

The Dissemination Agent will not, without the Landowner's prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification may be sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Landowner and its controlling persons from all liability arising out of such claim, action or proceedings. If a claim, action or proceeding is settled with the consent of the Landowner or if there is a final judgment (other than a stipulated final judgment without the approval of the Landowner) for the plaintiff in any such claim, action or proceeding, with or without the consent of the Landowner, the Landowner agrees to indemnify and hold harmless the Dissemination Agent to the extent described herein.

SECTION 12. Landowner as Independent Contractor. In performing under this Disclosure Certificate, it is understood that the Landowner is not an agent of the District.

SECTION 13. Notices. Notices required by this Disclosure Certificate should be sent in writing by electronic, overnight, or regular mail to the following addresses. The following information may be conclusively relied upon until changed in writing.

Participating Underwriter: Hilltop Securities Inc.  
2533 South Coast Highway, Suite 250  
Cardiff, California 92007  
Phone: (760) 632-1152  
Fax: (760) 632-8621  
E-mail: robin.thomas@hilltopsecurities.com  
Attention: Robin Thomas

Landowner: Taylor Morrison of California, LLC  
100 Spectrum Center Drive, Suite 1450  
Irvine, California 92618  
Attention: Nicolle Murray  
Phone: (949) 341-1200  
E-mail: nmurray@taylormorrison.com  
ybenschop@taylormorrison.com

SECTION 14. Severability. In case any one or more of the provisions contained herein shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

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

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

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute and deliver this Disclosure Certificate on the date first written above.

**TAYLOR MORRISON OF CALIFORNIA, LLC,**  
a California limited liability company

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

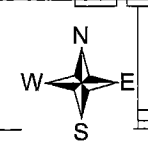
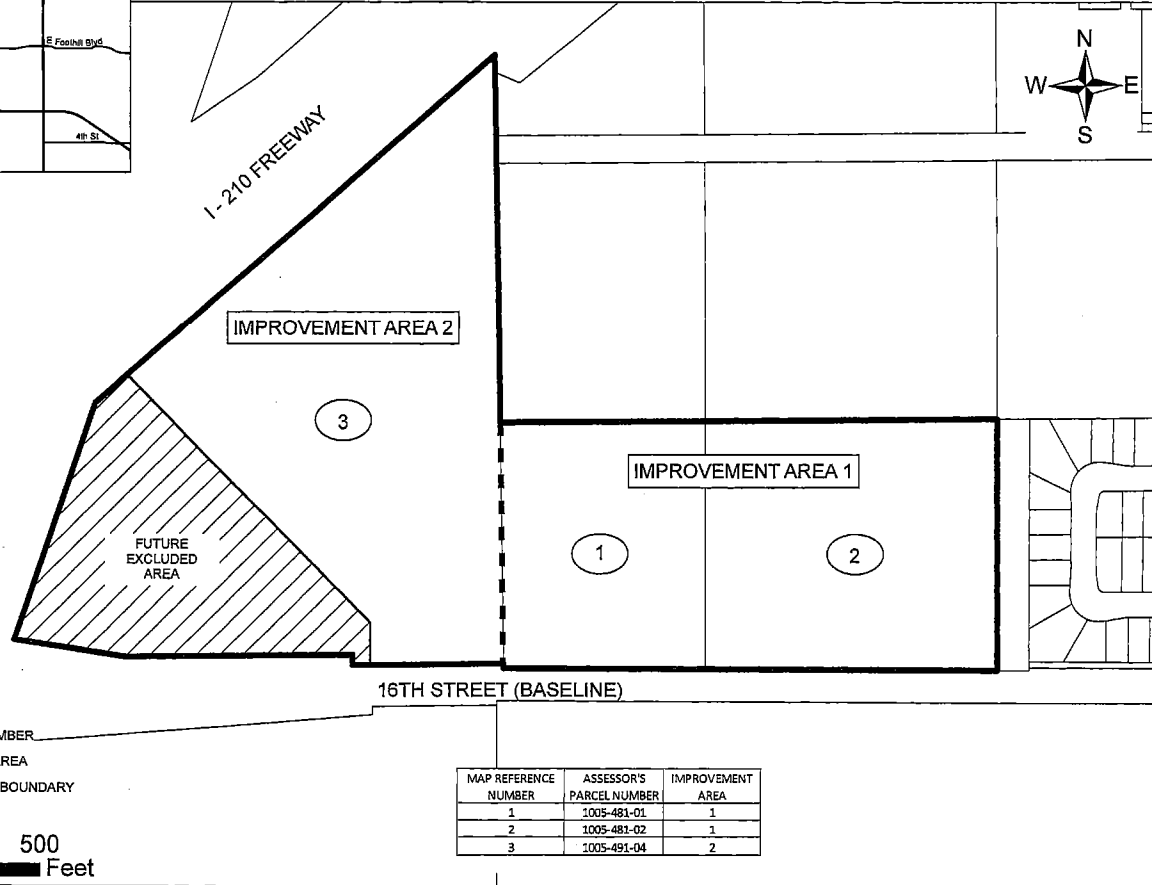
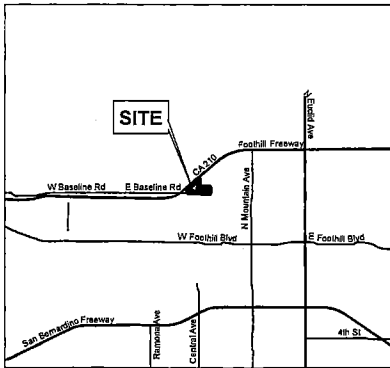
**APPENDIX I**  
**DISTRICT BOUNDARY MAP**

[THIS PAGE INTENTIONALLY LEFT BLANK]

# PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2015-1 (SYCAMORE HILLS)

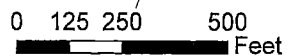
CITY OF UPLAND  
COUNTY OF SAN BERNARDINO  
STATE OF CALIFORNIA

VICINITY MAP



**Legend**

- DISTRICT BOUNDARY
- MAP REFERENCE NUMBER
- FUTURE EXCLUDED AREA
- IMPROVEMENT AREA BOUNDARY



MAP REFERENCE NUMBER	ASSESSOR'S PARCEL NUMBER	IMPROVEMENT AREA
1	1005-481-01	1
2	1005-481-02	1
3	1005-491-04	2

Filed in the office of the City Clerk of City of Upland this 12 day of October, 2015

*[Signature]*  
City Clerk  
City of Upland

I hereby certify that the within map showing the proposed boundaries of Community Facilities District No. 2015-1 (Sycamore Hills) of the City of Upland, County of San Bernardino, State of California, was approved by the City Council of City of Upland at a regular meeting thereof, held on this 12 day of October, 2015, by its Resolution No. 6301

*[Signature]*  
City Clerk  
City of Upland

Reference is hereby made to the Assessor Maps of the County of San Bernardino for an exact description of the lines and dimensions of each lot and parcel,

**San Bernardino County Recorder's Certificate**

This map has been filed under Document Number 2015-0465103 this 27<sup>th</sup> day of OCTOBER, 2015, at 4:01 P.M., in Book 87 of Assessment Maps at page 2, at the request of CITY OF UPLAND in the amount of \$ 10,600.

Bob Dutton  
Assessor-Recorder-Clerk  
County of San Bernardino

By: *[Signature]*  
Deputy Recorder

Recorded in Official Records  
County of San Bernardino  
Book: 2015-0465103  
10/27/2015 4:01 PM

