

NEW ISSUE - BOOK-ENTRY

RATING

S&P: "BBB+"

(See "CONCLUDING INFORMATION - Rating on the Bonds" herein)

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the Series D Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the Series D Bonds is exempt from personal income taxes of the State of California. See "TAX MATTERS" herein.

SAN BERNARDINO COUNTY

STATE OF CALIFORNIA

\$8,470,000*

**CHINO HILLS FINANCING AUTHORITY
REVENUE REFUNDING BONDS
(COMMUNITY FACILITIES DISTRICT BOND PROGRAM), SERIES D**

Dated: Date of Delivery

Due: September 1, as shown on the Inside Front Cover

The cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Series D Bonds. Investment in the Series D Bonds involves risks. See "RISK FACTORS" herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Series D Bonds.

The Chino Hills Financing Authority Revenue Refunding Bonds (Community Facilities District Bond Program), Series D (the "Series D Bonds"), are being issued by the Chino Hills Financing Authority (the "Authority") pursuant to the Marks-Roos Local Bond Pooling Act of 1985 and an Indenture, dated as of February 1, 2004, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture dated as of August 1, 2006, a Second Supplemental Indenture dated as of October 1, 2015, a Third Supplemental Indenture dated as of September 1, 2018 and a Fourth Supplemental Indenture dated as of December 1, 2019, each by and between the Authority and the Trustee (collectively, the "Indenture"), and will be secured as described herein. In 2015, the Authority issued \$11,195,000 Chino Hills Financing Authority Revenue Bonds (Community Facilities District Bond Program), Series C (the "Series C Bonds") in order to purchase certain special tax bonds (collectively, the "Series 2015 CFD Bonds"). The Series D Bonds will be issued by the Authority on a parity with the Series C Bonds. The Series C Bonds, the Series D Bonds and any additional bonds are collectively referred to herein as the "Bonds."

The Series D Bonds are being issued to provide funds to purchase two separate series of special tax bonds described herein (collectively, the "Series 2019 CFD Bonds"). The Series 2019 CFD Bonds are being issued to refund the Series 2006 CFD Bonds, as defined herein, and simultaneously defease the Authority's Revenue Bonds (Community Facilities District Bond Program), Series B and pay the costs of issuing the Series D Bonds and the Series 2019 CFD Bonds. See "THE FINANCING PLAN - Estimated Uses of Funds" herein.

Interest on the Series D Bonds is payable semiannually on March 1 and September 1 of each year, commencing on March 1, 2020, until maturity. See "THE BONDS - General Provisions" and "No Optional Redemption" herein. The Series D Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The Series D Bonds, when delivered, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series D Bonds as described herein under "APPENDIX F - THE BOOK-ENTRY SYSTEM."

The Bonds are special obligations of the Authority, payable solely from (i) Revenues of the Authority, consisting primarily of debt service payments on the Series 2015 CFD Bonds and Series 2019 CFD Bonds, which are to be made from Special Taxes received by the community facilities districts described herein and (ii) any other amounts pledged therefor under the Indenture, all as more fully described herein. See "SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS - Repayment of the Bonds" herein.

The Series D Bonds are offered, when, as and if issued, subject to the approval as to their legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed on for the City and the Authority by Mark D. Hensley, as City Attorney, and by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California. It is anticipated that the Series D Bonds, in book-entry form, will be available for delivery on or about December 12, 2019 through the facilities of DTC.

The date of the Official Statement is _____, 2019.

PiperJaffray

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. 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 under the securities laws of such jurisdiction.

\$8,470,000*
CHINO HILLS FINANCING AUTHORITY
REVENUE REFUNDING BONDS
(COMMUNITY FACILITIES DISTRICT BOND PROGRAM), SERIES D

MATURITY SCHEDULE

(Base CUSIP®† 16957R)

Maturity Date	Principal	Interest	Reoffering	CUSIP®†
<u>September 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the 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. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the City, the Municipal Advisor or the Underwriter and are included solely for the convenience of the holders of the Series D Bonds. None of the Authority, the City, the Municipal Advisor or the Underwriter is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the Series D Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series D Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series D Bonds.

**CHINO HILLS FINANCING AUTHORITY
CHINO HILLS, CALIFORNIA**

CITY COUNCIL AND AUTHORITY BOARD MEMBERS

Cynthia Moran, *Mayor*
Art Bennett, *Vice Mayor*
Brian Johsz, *Council Member*
Ray Marquez, *Council Member*
Peter J. Rogers, *Council Member*

CITY STAFF

Benjamin Montgomery, *City Manager*
Christina Buhagiar, *Finance Director/City Treasurer*
Joann Lombardo, *Community Development Director*
Jonathan Marshall, *Community Services Director*
Daniel Bobadilla, *Public Works Director/City Engineer*
Mark D. Hensley, *City Attorney*
Cheryl Balz, *City Clerk*

PROFESSIONAL SERVICES

Bond Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Disclosure Counsel

Jones Hall,
A Professional Law Corporation
San Francisco, California

Municipal Advisor

Harrell & Company Advisors, LLC
Orange, California

Special Tax Consultant

Willdan Financial Services
Temecula, California

Trustee and Fiscal Agent

U.S. Bank National Association
Los Angeles, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the Authority and the City with respect to the Series D Bonds that has been deemed “final” by the Authority and the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Series D Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Series D Bonds.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Authority or the City in any press release and in any oral statement made with the approval of an authorized officer of the City or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Authority or the City to give any information or to make any representations in connection with the offer or sale of the Series D Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City, the Municipal Advisor 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 Series D Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

Information Subject to Change. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Series D Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series D Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

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OFFICIAL STATEMENT

\$8,470,000*

CHINO HILLS FINANCING AUTHORITY REVENUE REFUNDING BONDS

(COMMUNITY FACILITIES DISTRICT BOND PROGRAM), SERIES D

This Official Statement which includes the cover page, the inside front cover page, and appendices (the “Official Statement”), is provided to furnish certain information concerning the sale of the Chino Hills Financing Authority (the “Authority”) Revenue Refunding Bonds (Community Facilities District Bond Program), Series D (the “Series D Bonds”), in the aggregate principal amount of \$8,470,000*.

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. The Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the Series D Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision (see “RISK FACTORS” herein). For definitions of certain capitalized terms used herein and not otherwise defined, and the terms relating to the Bonds, see the summary included in “APPENDIX A - SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS” herein.

The City of Chino Hills

The City of Chino Hills (the “City” or “Chino Hills”) was incorporated in 1991. The City encompasses 45 square miles, located in southwestern San Bernardino County (the “County”). Neighboring communities include Chino and Diamond Bar. See “APPENDIX C - GENERAL INFORMATION ABOUT THE CITY OF CHINO HILLS” herein.

The Authority

The Authority is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Joint Powers Act”). The City, pursuant to Resolution No. 04R-16 adopted on January 13, 2004, and the Chino Hills Redevelopment Agency (the “Agency”) pursuant to Resolution No. CHRA 04-05 adopted on January 13, 2004, formed the Authority by the execution of a joint exercise of powers agreement (the “Joint Powers Agreement”). On September 8, 2015, the City and the Chino Hills Parking Authority (“Parking Authority”) amended the Joint Powers Agreement to include the Parking Authority as a member of the Authority and the Agency is no longer a member of the Authority.

Pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 (commencing with Section 6584), of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Bond Law”), the Authority is authorized, among other things, to issue revenue bonds to provide funds to finance or refinance the cost of public capital facilities.

The Authority is governed by a five-member Board which consists of all members of the City Council. The Mayor of the City is appointed the Chairperson of the Authority. The City Manager acts as the Executive Director of the Authority.

* Preliminary, subject to change.

The CFDs

The Mello-Roos Community Facilities Act of 1982, as amended, constituting Sections 53311 et seq. of the Government Code of the State of California (the “Act”), authorizes local governmental entities to establish community facilities districts as legally constituted governmental entities within defined boundaries, with the legislative body of the local applicable governmental entity acting on behalf of such community facilities district. Subject to approval by at least a two-thirds vote of the votes cast by qualified electors within such community facilities district and compliance with the provisions of the Act, the legislative body may issue bonds for such community facilities district and may levy and collect a special tax (the “Special Tax”) within such community facilities district to repay such bonds (see “SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS - Repayment of the CFD Bonds - Special Taxes” herein).

On January 7, 1985, the County formed the Chino Hills Rolling Ridge Community Facilities District No. 1 (“CFD No. 1”) and the Chino Hills Los Ranchos Community Facilities District No. 2 (“CFD No. 2”). On January 14, 1985, the County formed the Chino Hills The Oaks Area Community Facilities District No. 4 (“CFD No. 4”), the Chino Hills Soquel Canyon, Rincon and Woodview Community Facilities District No. 5 (“CFD No. 5”) and the Chino Hills Carbon Canyon Area Community Facilities District No. 6 (“CFD No. 6”). On October 5, 1987, the County formed the Chino Hills Butterfield Community Facilities District No. 8 (“CFD No. 8”, and together with CFD No. 1, CFD No. 2, CFD No. 4, CFD No. 5, and CFD No. 6, each a “CFD” and collectively, the “CFDs”). Upon incorporation on December 1, 1991, the City became the successor to the County as the legislative body of each CFD and the names of each CFD were changed to incorporate the name “City of Chino Hills.” See “THE COMMUNITY FACILITIES DISTRICTS” herein for a description of the individual CFDs.

Security and Sources of Repayment

The Series D Bonds. The Series D Bonds are being issued pursuant to the provisions of the Bond Law and an Indenture, dated as of February 1, 2004, by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), as supplemented by the First Supplemental Indenture dated as of August 1, 2006, the Second Supplemental Indenture dated October 1, 2015, the Third Supplemental Indenture, dated as of September 1, 2018 and a Fourth Supplemental Indenture dated as of December 1, 2019, each by and between the Authority and the Trustee (collectively, the “Indenture”). The Series D Bonds are being issued to provide funds to purchase two separate series of special tax bonds (collectively, the “Series 2019 CFD Bonds”), one series each to be issued by CFD No. 2 and CFD No. 5. Each series of Series 2019 CFD Bonds will be separately secured and payable only from Special Taxes levied within the applicable CFD.

In 2006, the Authority issued \$49,660,000 aggregate principal amount of Chino Hills Financing Authority Revenue Bonds (Community Facilities District Bond Program), Series B (the “Series B Bonds”) in order to purchase six series of special tax bonds (collectively, the “Series 2006 CFD Bonds”) and in 2015, the Authority issued \$11,195,000 aggregate principal amount of Chino Hills Financing Authority Revenue Bonds (Community Facilities District Bond Program), Series C (the “Series C Bonds”). The Series D Bonds will be issued to refund the Series B Bonds as described herein. The Series D Bonds are issued by the Authority on a parity with Series C Bonds. Additional bonds (“Additional Bonds”) may be issued by the Authority on a parity with the Series C Bonds and the Series D Bonds. The Series C Bonds, the Series D Bonds and any Additional Bonds are collectively referred to herein as the “Bonds.” (See “SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS - Additional Obligations” herein).

The Bonds are special obligations of the Authority, payable solely from (i) Revenues of the Authority, consisting primarily of debt service payments on the Series 2015 CFD Bonds and Series 2019 CFD Bonds, which are to be made from Special Taxes received by the CFDs and (ii) any other amounts pledged therefor under the Indenture, all as more fully described herein.

The Authority will not establish a debt service reserve for the Series D Bonds. However, each Series of CFD Bonds will be secured by a separate reserve fund. See “SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS - Reserve Funds.

THE SERIES D BONDS ARE NOT A DEBT OR LIABILITY OF THE CITY OF CHINO HILLS, THE CFDS, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY, AND THEN ONLY TO THE LIMITED EXTENT DESCRIBED IN THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF CHINO HILLS, THE CFDS, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES D BONDS. THE AUTHORITY HAS NO TAXING POWER.

The Series 2019 CFD Bonds. The Series D Bonds are being issued to provide funds to purchase the Series 2019 CFD Bonds, which are comprised of the City of Chino Hills Los Ranchos Community Facilities District No. 2 Special Tax Refunding Bonds, Series 2019 (the “Series 2019 CFD No. 2 Bonds”) and the City of Chino Hills Soquel Canyon, Rincon and Woodview Community Facilities District No. 5 Special Tax Refunding Bonds, Series 2019 (the “Series 2019 CFD No. 5 Bonds”). The Series 2019 CFD Bonds are being issued to provide funds to refund the Series 2006 CFD Bonds and simultaneously defease the Series B Bonds and pay the costs of issuing the Series D Bonds and the Series 2019 CFD Bonds. See “THE FINANCING PLAN.”

The Series 2019 CFD Bonds are each payable from Special Taxes and secured by a lien and charge upon the Special Taxes levied within the respective CFD, on a parity with the respective Series 2015 CFD Bonds. Collectively, the Series 2019 CFD Bonds and the Series 2015 CFD Bonds are referred to as “CFD Bonds.”

Each series of Series 2019 CFD Bonds are issued pursuant to a separate Fiscal Agent Agreement, dated as of January 1, 2004 (each an “Original Fiscal Agent Agreement”), a First Supplemental Fiscal Agent Agreement between the applicable CFD and the Fiscal Agent, dated as of August 1, 2006, a Second Supplemental Fiscal Agent Agreement, dated as of October 1, 2015 and a Third Supplemental Fiscal Agent Agreement, dated as of December 1, 2019, between the applicable CFD and U.S. Bank National Association (the “Fiscal Agent”) (each Original Fiscal Agent Agreement as supplemented is referred to herein as a “Fiscal Agent Agreement”). Collectively, the Fiscal Agent Agreement for CFD No. 2 and CFD No. 5 are referred to herein as the “Fiscal Agent Agreements.”

The CFD Bonds of a CFD are special obligations of the applicable CFD, payable solely from Net Special Tax Revenues (as defined herein) applicable to such CFD and the other funds pledged therefor under the related Fiscal Agent Agreement. Subject only to the provisions of each Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Net Special Tax Revenues applicable to a CFD and any other amounts (including proceeds of the sale of CFD Bonds of such CFD) held in the Bond Fund, the Reserve Fund and the Redemption Fund established under such Fiscal Agent Agreement are pledged to secure the payment of the principal of and interest on the CFD Bonds of the applicable CFD in accordance with their terms, the provisions of the related Fiscal Agent Agreement and the Act. Each such pledge constitutes a first lien on such assets.

Each Reserve Fund for each Series of CFD Bonds is available only for the series of CFD Bonds to which it relates and no series of CFD Bonds or the pledge of Special Taxes to pay such CFD Bonds is cross-collateralized to any other series.

The CFD Bonds, including the Series 2019 CFD Bonds, are special obligations of the respective CFDs. The CFD Bonds do not constitute a debt or liability of the City, the State of California or of any political subdivision thereof, other than the respective CFD. The respective CFD shall only be obligated to pay the principal of, premium if any and interest on its CFD Bonds from the funds described in the Fiscal Agent Agreements, and neither the faith and credit nor the taxing power of the CFDs (except to the limited extent set forth in the Fiscal Agent Agreements), the City, the State of

California or any of its political subdivisions is pledged to the payment of the principal of or the interest on the CFD Bonds. The CFDs have no *ad valorem* taxing power. See “SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS” and “RISK FACTORS” herein.

Legal Matters

All legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Norton Rose Fulbright US LLP, Los Angeles, California, as Bond Counsel (“Bond Counsel”). Such opinion, and certain tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, are described more fully under the heading “TAX MATTERS” herein. Certain legal matters will be passed on for the Successor Agency by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. Certain matters will be passed upon for the City and the Authority by Mark D. Hensley of the Hensley Law Group, City Attorney, and for the Underwriter by their Counsel, Kutak Rock LLP, Irvine, California.

Offering of the Bonds

Authority for Issuance and Delivery. The Series D Bonds are to be issued pursuant to the Bond Law, the Indenture and by Resolution No. CHFA2019R-01 of the Authority adopted on October 22, 2019.

Offering and Delivery of the Series D Bonds. The Series D Bonds are offered, when, as and if issued, subject to the approval as to their legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. It is anticipated that the Series D Bonds, in book-entry form, will be available for delivery in New York, New York on or about December 12, 2019 through the facilities of DTC. See “APPENDIX F - THE BOOK-ENTRY SYSTEM.”

Summary Not Definitive

The summaries and references contained herein with respect to the Indenture, the Fiscal Agent Agreements, the Bonds, the CFD Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Series D Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of these documents may be obtained after delivery of the Series D Bonds at the trust office of the Trustee, U.S. Bank National Association, Los Angeles, California 90071 or from the City of Chino Hills, 14000 City Center Drive, Chino Hills, California 91709.

THE BONDS

General Provisions

Payment of the Series D Bonds. Interest is payable on the Series D Bonds at the rates per annum set forth on the inside front cover page hereof and will be computed on the basis of a year consisting of 360 days and twelve 30-day months. Interest on the Series D Bonds is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2020, (each an “Interest Payment Date”) until maturity.

Each Series D Bond will be dated the date of delivery (the “Closing Date”), and interest with respect thereto will be payable from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated on or before an Interest Payment Date and after the close of business on the 15th day of the month preceding such Interest Payment Date (a “Record Date”), in which event interest with respect thereto will be payable from such Interest Payment Date; (b) it is authenticated on or before February 15, 2020, in which event interest with respect thereto will be payable from the date of original delivery of the Series D Bonds; or (c) interest with respect to any Outstanding Series D Bond is in default, in which event interest with respect thereto will be payable from the date to which interest has previously been paid or duly provided for. Principal of the Series D Bonds is payable upon presentation and surrender thereof, at the corporate trust office of the Trustee in Los Angeles, California, except as provided in “APPENDIX F - THE BOOK-ENTRY SYSTEM.”

Book-Entry System. DTC will act as securities depository for the Series D Bonds. The Series D 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. Interest on and principal of the Series D Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to DTC Participants (as defined herein), which will in turn remit such interest and principal to Beneficial Owners (as defined herein) of the Series D Bonds (see “APPENDIX F - THE BOOK-ENTRY SYSTEM” herein). As long as DTC is the registered owner of the Series D Bonds and DTC’s book-entry method is used for the Series D Bonds, the Trustee will send any notices to Bondowners only to DTC.

DTC may discontinue providing its services as securities depository with respect to the Series D Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series D Bonds are required to be printed and delivered as described in the Indenture. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Series D Bonds will be printed and delivered as described in the Indenture.

No Optional Redemption

The Series D Bonds are not subject to optional redemption prior to maturity.

Scheduled Debt Service on the Bonds

Annual debt service on the Series D Bonds, together with the Series C Bonds (assuming no early redemption of such Series C Bonds), is shown below.

Bond Year Ending	Series D Bonds			Series C Bonds	Total
	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>		
<u>September 1</u>					
2020				\$ 925,131.26	
2021				928,331.26	
2022				931,231.26	
2023				918,531.26	
2024				910,681.26	
2025				919,800.02	
2026				923,300.02	
2027				920,050.02	
2028				870,300.02	
2029				871,300.02	
2030				883,062.52	
2031				762,750.00	
2032				680,000.00	
2033				564,750.00	
2034				<u>393,750.00</u>	
Total				\$12,402,968.92	

Annual debt service on the Series 2019 CFD Bonds, together with the Series 2015 CFD Bonds, which comprise the Revenues available to pay the Bonds, is shown in Table No. 1 on the following page. Table No. 1 also assumes no early redemption of CFD Bonds.

TABLE NO. 1
REVENUES FROM CFD BONDS DEBT SERVICE PAYMENTS

Bond						
Year Ending	CFD No. 2	CFD No. 2	CFD No. 5	CFD No. 5	Total CFD	Bond Debt
<u>September 1</u>	<u>2015 Bonds</u>	<u>2019 Bonds*</u>	<u>2015 Bonds</u>	<u>2019 Bonds*</u>	<u>Bonds*</u>	<u>Service*</u>
2020	\$ 166,850	\$212,000	\$ 758,281	\$1,373,000	\$ 2,510,131	\$ 2,510,131
2021	156,850	162,000	771,481	1,381,000	2,471,331	2,471,331
2022	153,250	138,000	777,981	1,344,000	2,413,231	2,413,231
2023	124,650	83,000	793,881	1,206,000	2,207,531	2,207,531
2024	111,800	34,000	798,881	1,027,000	1,971,681	1,971,681
2025	109,569	33,000	810,231	970,000	1,922,800	1,922,800
2026	105,319	26,000	817,981	863,000	1,812,300	1,812,300
2027	106,069	-	813,981	489,000	1,409,050	1,409,050
2028	56,569	-	813,731	393,000	1,263,300	1,263,300
2029	49,319	-	821,981	245,000	1,116,300	1,116,300
2030	53,019	-	830,044	63,000	946,063	946,063
2031	46,500	-	716,250	-	762,750	762,750
2032	49,500	-	630,500	-	680,000	680,000
2033	47,250	-	517,500	-	564,750	564,750
2034	-	-	393,750	-	393,750	393,750
Total	\$1,336,514	\$688,000	\$11,066,454	\$9,354,000	\$22,444,968	\$22,444,968

* Preliminary, subject to change

THE FINANCING PLAN

The Refunding Plan

In 2006, the Authority issued \$49,660,000 aggregate principal amount of the Series B Bonds in order to purchase the “Series 2006 CFD Bonds”. As of the Closing Date, Series 2006 CFD Bonds are outstanding with respect to CFD No. 1 (“2006 CFD No. 1 Bonds”), CFD No. 2 (“2006 CFD No. 2 Bonds”), CFD No. 5 (“2006 CFD No. 5 Bonds”) and CFD No. 6 (“2006 CFD No. 6 Bonds”). There are no longer outstanding Series 2006 CFD Bonds with respect to CFD No. 4 or CFD No. 8.

On the Closing Date, a portion of the proceeds of the Series D Bonds will be used to purchase the Series 2019 CFD Bonds. These amounts will be transferred to the Fiscal Agent for the 2006 CFD No. 2 Bonds and the 2006 CFD No. 5 Bonds. Such funds will be used, together with funds transferred to the Fiscal Agent by the City for the 2006 CFD No. 1 Bonds and 2006 CFD No. 6 Bonds and certain existing funds on deposit with the Fiscal Agent related to the Series 2006 CFD Bonds, to provide for the defeasance and refunding of the \$11,775,000 outstanding Series B Bonds and the related Series 2006 CFD Bonds. Money will be deposited into an escrow fund (the “Refunding Fund”) which will be held under an Escrow Agreement, dated as of December 1, 2019, between the City and the Fiscal Agent, as Escrow Bank (the “Escrow Agreement”).

Moneys in the Refunding Fund will be invested in certain Federal Securities specified therein. The amount deposited in the Refunding Fund (together with interest earnings) will be sufficient to (1) pay the interest on the Series B Bonds due on March 1, 2020 and (2) redeem the Series B Bonds maturing on or after September 1, 2020 on March 1, 2020, without premium.

As a result of the deposit and application of funds as provided in the Escrow Agreement, the obligation to make payments of the principal of and interest on the Series B Bonds and the related Series 2006 CFD Bonds will be legally defeased on such date of deposit. Neither the moneys in the Refunding Fund nor the interest thereon will be available for the payment of the Series D Bonds.

Robert Thomas CPA, LLC will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Series D Bonds of (1) the computations contained in the provided schedules to determine that the amounts listed in the schedules prepared by the Municipal Advisor, to be held under the Escrow Agreement, will be sufficient to pay, when due, the principal, and interest and redemption price of the Series B Bonds and the Series 2006 CFD Bonds, and (2) the computation of yield on the Series D Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest with respect to the Series D Bonds is exempt from federal taxation.

Estimated Uses of Funds

Under the provisions of the Indenture, the Trustee will receive the proceeds from the sale of the Series D Bonds and will apply them as follows:

Principal Amount of Bonds
Net Original Issue Premium
Underwriter Discount
Deposit to Program Fund ⁽¹⁾

Program Fund ⁽¹⁾
 Series 2019 CFD No. 2 Bonds Purchase
 Series 2019 CFD No. 5 Bonds Purchase
Total

⁽¹⁾ To be used to acquire the Series 2019 CFD Bonds.

The proceeds from the Series 2019 CFD Bonds will be applied as follows:

	<u>CFD No. 2</u>	<u>CFD No. 5</u>
Principal Amount of Series 2019 CFD Bonds		
Purchase Premium		
Series 2019 CFD Bonds Purchase Price		
Transfer to Escrow Bank ⁽¹⁾		
Costs of Issuance ⁽²⁾		
Reserve Fund		
Total		

⁽¹⁾ In addition to proceeds of the Series 2019 CFD Bonds, funds on deposit with the Fiscal Agent for the Series 2006 CFD Bonds and certain other funds remitted by the City with respect to CFD No. 1 and CFD No. 6 will be deposited with the Escrow Bank.

⁽²⁾ Proceeds of each issue of Series 2019 CFD Bonds will be applied to payment of the Costs of Issuance of the Series D Bonds, which includes payment of printing expenses, rating agency fees, Fiscal Agent and Trustee expenses, Bond Counsel, Disclosure Counsel, Municipal Advisor and any other costs of issuing the Series D Bonds and the Series 2019 CFD Bonds.

SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS

Repayment of the Bonds

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues and any other amounts held in the Bond Fund and the Redemption Fund are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds, including the Series C Bonds and the Series D Bonds and any Additional Bonds, in accordance with their terms, the provisions of the Indenture and the Bond Law. The pledge constitutes a first lien on such assets.

Pursuant to the Indenture, the Authority has assigned to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the CFD Bonds, if any. The Indenture provides that the Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority and shall forthwith be paid by the Authority to the Trustee. The Indenture provides that the Trustee also shall be entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under and with respect to the CFD Bonds.

The Revenues are derived from 2 separate and distinct sources:

- (1) debt service on the Series 2015 CFD No. 2 Bonds, currently outstanding in the amount of \$1,065,000, together with debt service on the Series 2019 CFD No. 2 Bonds to be issued in the amount of \$650,000*; and
- (2) debt service on the Series 2015 CFD No. 5 Bonds, currently outstanding in the amount of \$8,130,000, together with debt service on the Series 2019 CFD No. 5 Bonds to be issued in the amount of \$7,820,000*.

There is no cross-collateralization of security or reserve funds between the CFDs. Neither series of CFD Bonds secures the payment of debt service on the other series of CFD Bonds, or is available to make up any shortfall in funds to pay debt service on the other series of CFD Bonds.

The Series D Bonds are not a debt or liability of the City, the CFDs, the State of California or any political subdivision thereof other than the Authority, and then only to the limited extent described in the Indenture. Neither the faith and credit nor the taxing power of the City, the CFDs, the state of California or any political subdivision thereof, is pledged to the payment of the principal of, premium, if any, and interest on the Series D Bonds. The Authority has no taxing power.

* Preliminary, subject to change.

Repayment of the CFD Bonds

General. The CFD Bonds of a CFD are special obligations of such CFD, payable solely from Net Special Tax Revenues applicable to such CFD and the other assets pledged therefor under the related Fiscal Agent Agreement. Subject only to the provisions of each Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Net Special Tax Revenues applicable to a CFD and any other amounts held in the Bond Fund, the Reserve Fund and the Redemption Fund established under such Fiscal Agent Agreement are pledged to secure the payment of the principal of, premium if any, and interest on the CFD Bonds of such CFD, including any Additional CFD Bonds, in accordance with their terms, the related Fiscal Agent Agreement and the Act. Each such pledge constitutes a first lien on such assets.

“Net Special Tax Revenues” are defined in each Fiscal Agent Agreement to mean Special Tax Revenues, less amounts required to pay Administrative Expenses (subject to the limitations contained in the Fiscal Agent Agreement for CFD No. 5 as to the amounts available to pay Administrative Expenses at any particular time).

“Special Tax Revenues” are defined in the Fiscal Agent Agreement relating to CFD No. 2 to mean the proceeds of the Special Taxes received by or on behalf of CFD No. 2, including any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes, which shall be limited to the amount of said lien and interest and penalties thereon. “Special Tax Revenues” are defined in the Fiscal Agent Agreement relating to CFD No. 5 to mean the proceeds of the Special Taxes received by or on behalf of the CFD No. 5, including any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes, which shall be limited to the amount of said lien and interest and penalties thereon. The CFD Bonds of each CFD are payable only from Net Special Tax Revenues received by or on behalf of such CFD.

The Special Tax levied in one CFD is not available to pay debt service on CFD Bonds of the other CFD.

All obligations of the CFDs under the respective Fiscal Agent Agreements are special obligations of the respective CFDs, payable solely from Net Special Tax Revenues and the other assets pledged therefor under the Fiscal Agent Agreements. Neither the faith and credit nor the taxing power of the CFDs (except to the limited extent set forth in each Fiscal Agent Agreement), the City, or the State of California, or any political subdivision thereof, is pledged to the payment of the CFD Bonds of the respective CFDs.

Special Taxes. The Special Taxes are excepted from the tax rate limitation of Article XIII A of the California Constitution pursuant to Section 4 thereof as a “special tax” authorized by at least two-thirds vote of the qualified electors as set forth in the Act. Consequently, the City Council of the City on behalf of each CFD has the power and is obligated by each Fiscal Agent Agreement to cause the levy and collection of the Special Taxes.

Each CFD’s rate and method of special tax apportionment (each a “Rate and Method”) was approved by the qualified electors of each respective CFD at the time of formation of the respective CFD (See “APPENDIX B - Rates and Methods of Special Tax Apportionment” herein). The Special Tax for each CFD is referred to in the Rate and Method as “Special Tax B” and is identical as to rate and method of apportionment for each CFD. The Special Tax obligation for each parcel subject to such taxation is due and payable for a period not exceeding 25 years. The Special Tax may be levied subsequent to occupancy. Each Rate and Method defines “occupancy” as connection to water service (see “APPENDIX B - Rates and Methods of Special Tax Apportionment” herein). The City has historically levied the maximum tax rate allowable pursuant to the Rate and Method for each CFD and applied any surplus tax revenue to pay-as-you-go facilities. The qualified electors within each CFD voted in favor of the incurrence of bonded

indebtedness and each CFD has separate bond authorizations, subject to an annual escalation of 5.5% on the unissued portion of such authorization (see Table No. 2 under the heading “THE COMMUNITY FACILITIES DISTRICTS” herein). The Special Taxes are to be levied and collected according to the Rate and Method for each respective CFD.

Pursuant to the applicable Fiscal Agent Agreement, each CFD shall fix and levy the amount of Special Taxes within such CFD in accordance with the Rate and Method of such CFD and, subject to the limitations in the Rate and Method as to the maximum Special Tax that may be levied, in an amount sufficient to yield the amount required for the payment of principal of and interest on any Outstanding CFD Bonds of such CFD becoming due and payable during the ensuing year, the amount required for any necessary replenishment of the Reserve Fund established under the applicable Fiscal Agent Agreement for such CFD and the amount estimated to be sufficient to pay the Administrative Expenses of such CFD during such year, taking into account the balances in the funds and accounts established under the applicable Fiscal Agent Agreement.

Although the Special Taxes will constitute a lien on parcels of real property within each CFD, they do not constitute a personal indebtedness of the owner(s) of real property within the respective CFDs. There is no assurance that the property owner(s), or any successors and/or assigns thereto or subsequent purchaser(s) of land within each of the CFDs, will be able to pay the annual Special Taxes or if able to pay the Special Taxes that they will do so (see “RISK FACTORS” and “THE COMMUNITY FACILITIES DISTRICTS” herein).

The Special Taxes initially are required to be collected by the County of San Bernardino Tax Collector in the same manner and at the same time as regular *ad valorem* property taxes are collected by the Tax Collector of the County. When received, such Special Taxes will be deposited in the Special Tax Fund for the respective CFDs to be held by each CFD and transferred to the Fiscal Agent as provided in each of the Fiscal Agent Agreements.

Covenant for Superior Court Foreclosure. Pursuant to Section 53356.1 of the Act, in the event of a delinquency in the payment of the Special Taxes levied on each CFD, the CFD may order the institution of a superior court action to foreclose the lien therefor, provided such action is brought not later than four years after the final maturity date of the applicable series of CFD Bonds. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale.

Each CFD has covenanted in the respective Fiscal Agent Agreement for the benefit of the owners of the CFD Bonds of such CFD that the CFD will determine or cause to be determined, no later than August 1 of each year, whether or not any owners of the property within such CFD are delinquent in the payment of Special Taxes and, if such delinquencies exist, such CFD will order and cause to be commenced not later than December 1, and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due, provided, however, that any such CFD shall not be required to order the commencement of foreclosure proceedings if (i) the total Special Tax delinquency in the respective CFD for such Fiscal Year is less than 5% of the total Special Tax levied in such Fiscal Year, and (ii) the amount then on deposit in the Reserve Fund held under the respective Fiscal Agent Agreement is equal to the Reserve Requirement. Notwithstanding the foregoing, if a CFD determines that any single property owner is delinquent in excess of \$25,000 in the payment of the Special Tax, then it will diligently institute, prosecute and pursue foreclosure proceedings against such property owner.

No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. Although the Act authorizes the CFDs to cause such an action to be commenced and diligently pursued to completion, the Act does not require the CFDs to purchase or otherwise acquire any lot or parcel of property sold at the execution sale pursuant to the judgment in any such action if there is no other purchaser at such sale, nor does the Act specify the priority relationship, if any, between the Special Taxes and other taxes and assessment liens.

As a result of the foregoing, in the event of a delinquency or nonpayment by the property owners in a CFD of one or more Special Tax installments, there can be no assurance that there would be available to the CFD sufficient funds to pay when due the principal of, interest on and premium, if any, on the applicable series of CFD Bonds of a CFD (see “RISK FACTORS - Land Values,” “- Bankruptcy and Foreclosure” and “- Enforcement of Special Taxes on Governmentally Owned Properties” herein).

Special Taxes Are Not Within Teeter Plan. The County has adopted a Teeter Plan as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. The Special Taxes are not included in the County’s Teeter Program.

Reserve Funds

Each Fiscal Agent Agreement provides that a Reserve Fund must be maintained for the related CFD Bonds in an amount equal to the Reserve Requirement for such CFD Bonds.

The Reserve Requirement for the CFD Bonds of each CFD is an amount calculated on the Closing Date that is the least of (a) 10% of the original aggregate principal amount of the CFD Bonds (b) Maximum Annual Debt Service or (c) 125% of Average Annual Debt Service, but in no event less than an amount which even if the owners of the two parcels upon which the greatest and the next to greatest amount of Special Taxes could be levied from the Closing Date through the maturity date of the outstanding CFD Bonds were to fail to make such payments each year through the final maturity of the outstanding CFD Bonds, the amount of Special Taxes payable by the other owners of property within the CFD, together with amounts anticipated to be available in the Reserve Fund (including reasonably anticipated earnings on amounts therein), would be sufficient to pay debt service on the outstanding CFD Bonds as and when payable through the maturity of the outstanding CFD Bonds.

Based on the calculation described above:

- the amount that will be on deposit in the Reserve Fund for the CFD No. 2 CFD Bonds upon issuance of the Series 2019 CFD Bonds will be \$_____; and
- the amount that will be on deposit in the Reserve Fund for the CFD No. 5 CFD Bonds upon issuance of the Series 2019 CFD Bonds will be \$_____.

Amounts in or credited to a Reserve Fund are to be used solely for the purpose of making transfers to the Bond Fund for the related CFD Bonds in the event of a deficiency of the amount then required for payment of the principal of and interest on such CFD Bonds. The Reserve Fund for each CFD only secures payment of the respective CFD Bonds and is not available to make up any shortfall in payment of debt service for CFD Bonds of another CFD.

Additional Obligations

The Authority. The Series C Bonds and the Series D Bonds are part of an overall program for the financing of public capital improvements. The Indenture authorizes the issuance of bonds in series, from time to time. Each series of Additional Bonds will be issued on a parity with the Bonds previously issued, including the Series C Bonds and the Series D Bonds. Additional Bonds may only be issued for the purpose of providing funds to acquire Additional CFD Bonds or providing funds to refund any Bonds issued under the Indenture, subject to certain conditions set forth in the Indenture.

The CFDs. Pursuant to the provisions of the respective Fiscal Agent Agreements, each CFD may at any time issue one or more series of Additional CFD Bonds (in addition to the Series 2015 CFD Bonds and the Series 2019 CFD Bonds issued by the applicable CFD) payable from Net Special Tax Revenues as provided

in the Fiscal Agent Agreement relating to such CFD on a parity with all other CFD Bonds of that CFD. The issuance by CFD No. 2 of one or more series of Additional CFD Bonds is subject to the following conditions:

- (i) the proceeds of the sale of such Additional CFD Bonds shall be applied only for the purpose of (A) providing funds to pay the costs of the facilities authorized to be financed by CFD No. 2, as more particularly described in the Resolution of Formation for CFD No. 2 (the “CFD 2 Facilities”), (B) providing funds to refund any CFD Bonds issued under the Fiscal Agent Agreement for the CFD No. 2 CFD Bonds (the “CFD No. 2 Fiscal Agent Agreement”), (C) providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional CFD Bonds, and (D) providing funds to make any deposit to the Reserve Fund required pursuant to the CFD No. 2 Fiscal Agent Agreement;
- (ii) if such Additional CFD Bonds are being issued to provide funds to pay costs of the CFD 2 Facilities, the applicable CFD shall have received a certificate from one or more Independent Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in such CFD as of the June 1 preceding the proposed issuance of such Additional CFD Bonds, the amount of payment of Special Taxes pursuant to the Act, the applicable ordinance and the Rate and Method in each Fiscal Year is at least equal to the sum of:
 - (a) 110% of the Annual Debt Service for the Bond Year commencing in such Fiscal Year on all CFD Bonds that will be Outstanding after the issuance of such Additional CFD Bonds;
 - (b) an amount sufficient to pay Administrative Expenses projected to be payable in the Bond Year commencing in such Fiscal Year, which projections shall be reasonably based on actual, historical payments for Administrative Expenses in prior Bond Years; and
- (iii) if such Additional CFD Bonds are being issued to provide funds to refund any CFD Bonds issued under the CFD No. 2 Fiscal Agent Agreement, Annual Debt Service in each Bond Year, calculated for all such CFD Bonds to be Outstanding after the issuance of such Additional CFD Bonds, shall be less than or equal to Annual Debt Service in such Bond Year, calculated for all CFD Bonds Outstanding relating to the CFD No. 2 immediately prior to the issuance of such Additional CFD Bonds.

Due to the development status of CFD No. 2 the City does not anticipate issuing Additional CFD Bonds secured by Special Taxes of CFD No. 2.

The issuance by CFD No. 5 of one or more series of Additional CFD Bonds is subject to the following conditions:

- (i) the proceeds of the sale of such Additional CFD Bonds shall be applied only for the purpose of (A) providing funds to pay the costs of the facilities authorized to be financed by CFD No. 5 (the “CFD 5 Facilities”), (B) providing funds to refund any CFD Bonds issued under the Fiscal Agent Agreement for CFD No. 5 CFD Bonds (the “CFD No. 5 Fiscal Agent Agreement”), (C) providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional CFD Bonds, and (D) providing funds to make any deposit to the Reserve Fund required pursuant to the CFD No. 5 Fiscal Agent Agreement;
- (ii) if such Additional CFD Bonds are being issued to provide funds to pay costs of the CFD 5 Facilities, the applicable CFD shall have received a certificate from one or more Independent Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in such CFD as of the June 1 preceding the proposed issuance of such Additional CFD Bonds;

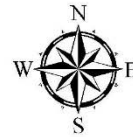
- (A) the amount of Special Tax Revenues generated from maximum Special Taxes that may be levied on parcels within such CFD not then delinquent in the payment of Special Taxes pursuant to the Act, the applicable ordinance and the Rate and Method in each Fiscal Year is at least equal to the sum of:
 - (a) 110% of Annual Debt Service for the Bond Year commencing in such Fiscal Year on all CFD Bonds that will be Outstanding after the issuance of such Additional CFD Bonds;
 - (b) an amount sufficient to pay Administrative Expenses projected to be payable in the Bond Year commencing in such Fiscal Year, which projections shall be reasonably based on actual, historical payments for Administrative Expenses in prior Bond Years;
- (B) the amount of maximum Special Taxes that may be levied on Dwelling Units (as defined in the Rate and Method) within the CFD not then delinquent in the payment of Special Taxes pursuant to the Act, the ordinance and the Rate and Method in each Fiscal Year is at least equal to 100% of Annual Debt Service for the Bond Year commencing in such Fiscal Year on all CFD Bonds that will be Outstanding after the issuance of such Additional CFD Bonds; and
- (iii) If such Additional CFD Bonds are being issued to provide funds to refund any CFD Bonds issued under the CFD No. 5 Fiscal Agent Agreement, Annual Debt Service in each Bond Year, calculated for all such CFD Bonds to be Outstanding after the issuance of such Additional CFD Bonds, shall be less than or equal to Annual Debt Service in such Bond Year, calculated for all CFD Bonds Outstanding relating to the applicable CFD immediately prior to the issuance of such Additional CFD Bonds.

The qualified electors within each CFD voted in favor of the incurrence of bonded indebtedness and each CFD has separate bond authorizations, subject to an annual escalation of five and one-half percent (5.5%) on the unissued portion of such authorization. Table No. 2 under the heading “THE COMMUNITY FACILITIES DISTRICTS - General” presents the current escalated unissued portion of such authorization. However, the increase in Special Taxes collected by the respective CFDs has not increased by an amount comparable to the increase in bond authorizations. The City does not expect that all such authorization could be supported by the remaining Special Taxes that could be levied on existing development.

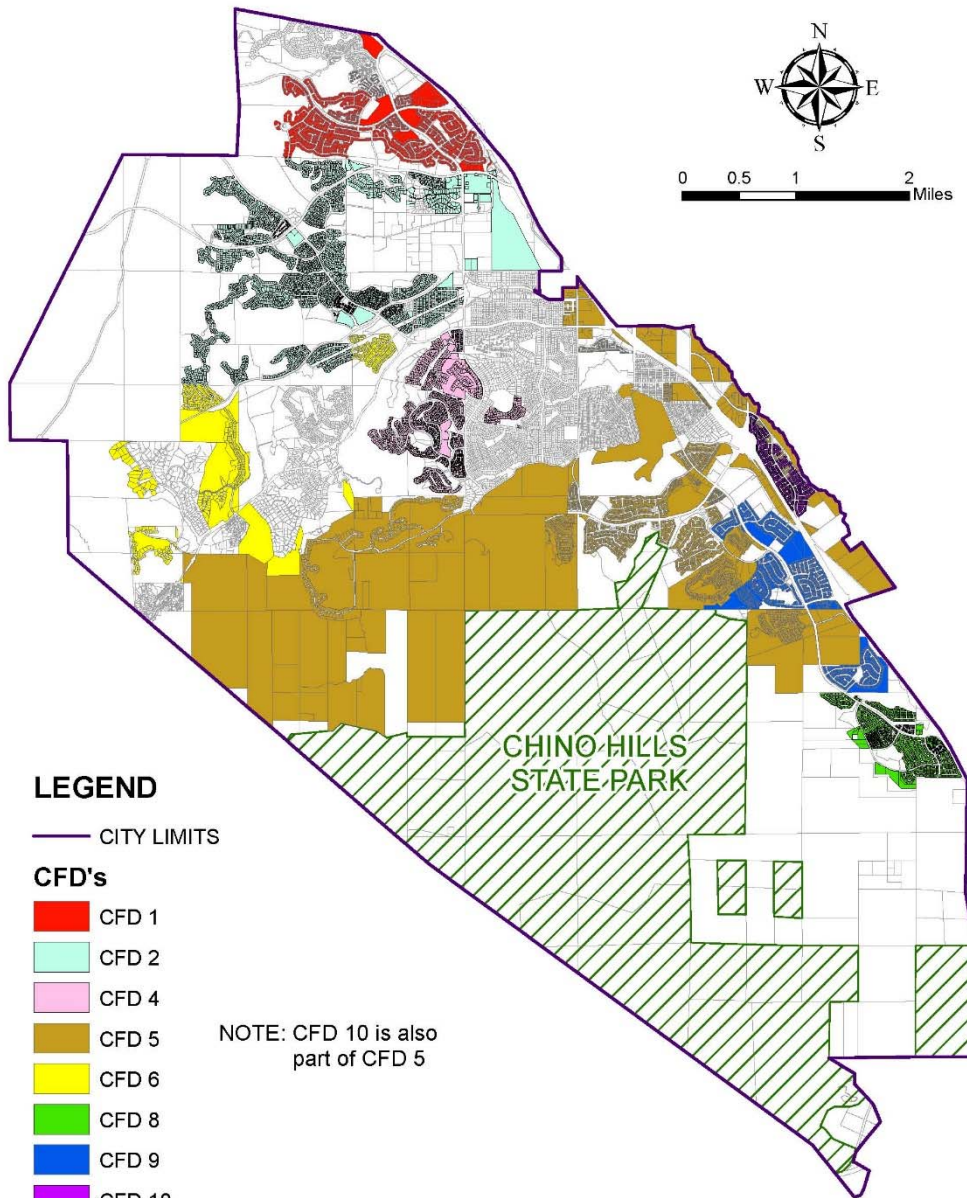
Due to the development status of CFD No. 5, it is likely that the City could issue Additional CFD Bonds secured by Special Taxes of CFD No. 5.



CITY OF CHINO HILLS



0 0.5 1 2 Miles



LEGEND

— CITY LIMITS

CFD's

CFD 1

CFD 2

CFD 4

CFD 5

CFD 6

CFD 8

CFD 9

CFD 10

STATE PARK

PARCEL MAP

NOTE: CFD 10 is also part of CFD 5

COMMUNITY FACILITIES DISTRICTS (C.F.D.)

I:\Maps\CFD Map\CFD Community Facilities Districts - 11x17.mxd

THE COMMUNITY FACILITIES DISTRICTS

General

The City experienced substantial growth between its incorporation in 1991 and 2005, and the CFDs largely comprise a part of the new home developments from that period and are within a primarily residential portion of the City, with neighborhood commercial uses. Land within CFD No. 2 is nearly built-out. The City estimates just over 240 residential units remain to be built in CFD No. 2 (mostly multifamily). CFD No. 5 has a large undeveloped area and the City estimates over 1,300 residential units are yet to be built, along with some additional freeway commercial and business park development.

At this time, there is no estimated time frame as to when the construction of additional development in CFD No. 2 or CFD No. 5 will take place.

The levy of Special Taxes on individual parcels in each CFD is limited to 25 years commencing subsequent to occupancy of any dwelling unit. Because the CFDs were formed in 1985, many parcels in the CFDs have already been taxed for 25 years and are no longer subject to Special Taxes. Over time, the number of parcels in all of the CFDs that are subject to the Special Tax will decline, absent new development. See “RISK FACTORS - Concentration of Ownership” herein. As noted, the City does not project significant new development in the CFD No. 2.

Table No. 2 below provides development and statistical information for the CFDs.

**TABLE NO. 2
CFD STATISTICAL DATA**

	<u>CFD No. 2</u>	<u>CFD No. 5</u>
Formation Date	1/7/1985	1/14/1985
Total Acres	906	4,537
Acres Currently Subject to Tax	294	722
Existing Parcels in CFD	4,486	4,571
Parcels Currently Subject to Tax	1,397	3,614
Current Equivalent Dwelling Units	1,744	5,202
Potential New Equivalent Dwelling Units ⁽¹⁾	244	1,790
Current Number of SFR Homes Subject to Tax	1,385	3,517
Current Number of Commercial/MFR Parcels Subject to Tax	12	97
Initial Maximum Bonded Indebtedness	\$20,000,000	\$ 51,000,000
Remaining Maximum Bonded Indebtedness with Inflation ⁽²⁾	61,988,080	255,815,238

⁽¹⁾ Estimated by the City, through buildout. Includes both residential and non-residential units.

⁽²⁾ Excludes refunding bonds such as the Series 2019 CFD Bonds.

Source: City of Chino Hills; Willdan Financial Services.

Because all of the outstanding CFD No. 1 and CFD No. 6 Series 2006 CFD Bonds will be defeased as of the closing date, no information has been presented for such CFDs.

There is no cross-collateralization of security or reserve funds among the CFDs. Neither series of CFD Bonds secures the payment of debt service on the other series of CFD Bonds, or is available to make up any shortfall in funds to pay debt service on the other series of CFD Bonds. See “SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS - Reserve Funds.”

The 2019-20 Special Tax levy in each CFD for each Equivalent Dwelling Unit (“EDU”) is \$611.73. Pursuant to the Rate and Method for each CFD, the Special Tax is subject to a 2% escalation per year for a period of 25 years. Commercial and Multifamily Residential property are assigned a number of EDUs based on a formula in each Rate and Method.

The difference between the number of existing parcels in each CFD and the parcels in each CFD subject to tax is the number of parcels that (1) have already been taxed for the full 25 years allowed under the Rate and Method and are no longer being taxed, (2) are undeveloped and not yet subject to the Special Tax or (3) are exempt from the Special Tax. Further, over time, the number of taxable parcels will be reduced (if no newly developed parcels are added) and the percentage of debt service on the Series C Bonds and Series D Bonds payable from each CFD will vary over time. For example, in the Bond Year ending September 1, 2021, 12.9%* of debt service (on the combined Series C Bonds and Series D Bonds) is paid from CFD No. 2 CFD Bonds revenue and 87.1%* is paid from CFD No. 5 CFD Bonds revenue, but by the Bond Year ending September 1, 2028, 100% of debt service (on the combined Series C Bonds and Series D Bonds) is paid from CFD No. 5 CFD Bonds revenue. See “TABLE NO. 1” herein for the distribution of CFD Bonds revenue by year.

Ownership of Property within the CFDs

Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the CFDs and the owners have made no commitment to pay the principal of or interest on the CFD Bonds or the Bonds or to support payment of the CFD Bonds or the Bonds in any manner. There is no assurance that the owners have the ability to pay the special taxes or that, even if they have the ability, they will choose to pay such taxes. An owner may elect to not pay the special taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondholder will have the ability at any time to seek payment from the owners of property within the CFDs of any special tax or any principal or interest due on the CFD Bonds or the Bonds, or the ability to control who becomes a subsequent owner of any property within the CFDs.

The property in the CFDs is comprised of homes occupied by homeowners, multifamily and commercial parcels, and land available for development. See “- Valuation of Property” below. Vacant land is not generally subject to the Special Tax, and the information provided in the tables herein relate only to parcels currently subject to the Special Tax (“Taxable Parcels”).

Top Taxpayers. The following tables show the ten largest payers of the Special Taxes of each of the CFDs based on the Fiscal Year 2019-20 Special Tax Levy.

In some cases, the Special Tax on an existing Taxable Parcel will cease prior to the maturity of the CFD Bonds, because the Special Tax will have been levied for 25 years. As shown in Table No. 12 and Table No. 13, the number of residential and commercial parcels is subject to the Special Tax declines over time resulting in changes in the largest taxpayers while the CFD Bonds are Outstanding, absent any new development.

* Preliminary, subject to change.

**TABLE NO. 3
COMMUNITY FACILITIES DISTRICT NO. 2 (LOS RANCHOS)
LARGEST PROPERTY OWNERS BY PERCENTAGE OF SPECIAL TAX ⁽¹⁾**

<u>Owner</u>	<u>Taxable Parcels</u>	<u>2019-20 Assessed Value ⁽²⁾</u>	<u>2019-20 Maximum Special Tax ⁽³⁾</u>	<u>% of 2019-20 Special Tax Levy</u>	<u>% of Future Total Tax Levy ⁽⁴⁾</u>	<u>Final Year of Special Tax</u>
Chino Dunhill LLC	8	\$ 156,218,435	\$ 144,582	13.55%	37.47%	2032-33/2033-34
Gde-Laband Village Center LP	1	19,000,000	40,296	3.78%	5.61%	2026-27
Good Shepherd Presbyterian Church	1	13,795,704	21,231	1.99%	5.50%	After 2032-33
Circle K Stores Inc.	1	2,963,592	8,442	0.79%	1.34%	2027-28
Roic California	1	1,829,568	5,065	0.47%	1.00%	2029-30
Chew, Myron W & Chew, Shelley S Corp Pres Bishop CH J C L D S	2	632,826	1,223	0.11%	0.11%	2022-23/2025-26
Kao, Weijui & Chou, Hsiufen	2	4,996,321	1,223	0.11%	0.08%	2022-23
Patel, Atul J & Rohini A Fam Ambama	2	866,893	1,223	0.11%	0.09%	2022-23/2023-24
Vizcarra Family Trust 1/31/15	2	1,880,336	1,223	0.11%	0.08%	2020-21/2024-25
All Others	<u>1,375</u>	<u>840,161,949</u>	<u>841,129</u>	<u>78.84%</u>	<u>48.66%</u>	N/A
Total	1,397	\$1,043,333,533	\$1,066,861	100.00%	100.00%	

⁽¹⁾ Source: Willdan Financial Services.

⁽²⁾ Source: County of San Bernardino Secured Property Tax Roll for Fiscal Year 2019-20.

⁽³⁾ Special Taxes were levied at the maximum rate in Fiscal Year 2019-20.

⁽⁴⁾ Calculated at the maximum Special Tax rate through Fiscal Year 2032-33, the final maturity of the CFD No. 2 Bonds, or through the end of the 25 year tax period for such parcel as shown in the column "Final Year of Special Tax."

Note: Slight variances in totals due to rounding.

TABLE NO. 4
COMMUNITY FACILITIES DISTRICT NO. 5 (SOQUEL CANYON, RINCON AND WOODVIEW)
LARGEST PROPERTY OWNERS BY PERCENTAGE OF SPECIAL TAX ⁽¹⁾

<u>Owner</u>	<u>Taxable Parcels</u>	<u>2019-20 Assessed Value ⁽²⁾</u>	<u>2019-20 Maximum Special Tax ⁽³⁾</u>	<u>% of 2019-20 Special Tax Levy</u>	<u>% of Future Total Tax Levy ⁽⁴⁾</u>	<u>Final Year of Special Tax</u>
Yah Investments LLC	8	\$ 53,139,865	\$ 169,119	5.31%	8.32%	2033-34
FHF I the Heights LLC	1	62,239,849	127,240	4.00%	3.96%	2028-29
Baps Chino Hills LLC	2	40,645,383	109,325	3.44%	5.36%	2033-34
Lowes Hiw Inc.	1	18,000,000	75,189	2.36%	3.70%	2033-34
Turner Chino Hills LLC	2	28,756,656	70,349	2.21%	3.46%	After 2033-34
Eaton Lane Associates LLC	1	15,451,500	58,097	1.83%	2.86%	After 20333-34
Chino Hills Corporate Park	4	31,657,709	57,461	1.81%	1.99%	2029-30
WGP Vellano LLC	2	2,831,543	44,985	1.41%	2.21%	After 2033-34
Abs Ca-O LLC	1	9,477,039	30,192	0.95%	0.64%	2025-26
Chino Hills Self Storage LLC	2	7,682,853	29,659	0.93%	1.13%	2030-31
All Others	<u>3,590</u>	<u>2,522,790,636</u>	<u>2,410,427</u>	<u>75.75%</u>	<u>66.38%</u>	N/A
Total	3,614	\$2,792,673,033	\$3,182,045	100.00%	100.00%	

⁽¹⁾ Source: Willdan Financial Services.

⁽²⁾ Source: County of San Bernardino Secured Property Tax Roll for Fiscal Year 2019-20.

⁽³⁾ Special Taxes were levied at the maximum rate in Fiscal Year 2019-20.

⁽⁴⁾ Calculated at the maximum Special Tax rate through Fiscal Year 2033-34, the final maturity of the CFD No. 5 Bonds, or through the end of the 25 year tax period for such parcel as shown in the column "Final Year of Special Tax."

Note: Slight variances in totals due to rounding.

Tax Collections and Delinquencies

Historical Collections and Delinquencies. The following tables summarize the delinquency status of property in the CFDs for 2014-15 through 2018-19, as of June 30 in each Fiscal Year and as of September 18, 2019.

**TABLE NO. 5
COMMUNITY FACILITIES DISTRICT NO. 2 (LOS RANCHOS)
DELINQUENCY SUMMARY**

<u>Fiscal Year</u>	<u>Annual Special Tax Levy</u>	<u>Number of Parcels Levied</u>	<u>Dollar Amount Delinquent as of June 30 of FY</u>	<u>Percentage of Dollars Delinquent as of June 30 of FY</u>	<u>Remaining Amount Delinquent ⁽¹⁾</u>	<u>Remaining Parcels Delinquent ⁽¹⁾</u>	<u>Remaining Percent of Dollars Delinquent ⁽¹⁾</u>
2014-15	\$2,632,354	4,172	\$40,169	1.53%	\$ 0	0	1.00%
2015-16	2,071,255	3,086	33,908	1.64%	0	0	0.00%
2016-17	1,991,043	2,875	34,213	1.72%	0	0	0.00%
2017-18	1,638,679	2,316	36,869	2.25%	294	1	0.02%
2018-19	1,335,604	1,880	14,393	1.08%	1,499	4	0.11%

⁽¹⁾ As of September 18, 2019.

Source: Source: San Bernardino County, as compiled by Willdan Financial Services.

**TABLE NO. 6
COMMUNITY FACILITIES DISTRICT NO. 5 (SOQUEL CANYON, RINCON AND WOODVIEW)
DELINQUENCY SUMMARY**

<u>Fiscal Year</u>	<u>Annual Special Tax Levy</u>	<u>Number of Parcels Levied</u>	<u>Dollar Amount Delinquent as of June 30 of FY</u>	<u>Percentage of Dollars Delinquent as of June 30 of FY</u>	<u>Remaining Amount Delinquent ⁽¹⁾</u>	<u>Remaining Parcels Delinquent ⁽¹⁾</u>	<u>Remaining Percent of Dollars Delinquent ⁽¹⁾</u>
2014-15	\$2,778,022	3,240	\$36,715	1.32%	\$ 554	1	0.02%
2015-16	2,538,695	3,167	33,538	1.32%	0	0	0.00%
2016-17	2,637,882	3,251	36,528	1.39%	576	1	0.02%
2017-18	2,716,514	3,296	34,620	1.28%	5,978	8	0.22%
2018-19	2,908,312	3,276	40,711	1.40%	8,996	20	0.31%

⁽¹⁾ As of September 18, 2019.

Source: San Bernardino County, as compiled by Willdan Financial Services.

Valuation of Property

The value of the land within the CFDs is a critical factor in determining the investment quality of the Series D Bonds. If a property owner defaults in the payment of a Special Tax, the City's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Taxes. See "SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS - Repayment of the CFD Bonds - Covenant for Superior Court Foreclosure" and "RISK FACTORS - Bankruptcy and Foreclosure." Reductions in CFD property values due to a downturn in the economy, natural disasters such as earthquakes, wildfires or floods or other events could have an adverse impact on the security for payment of the Special Taxes.

The Special Tax is levied on each Taxable Parcel within the CFDs (and only for a period of up to 25 years) and only the respective individual parcel is responsible for such Special Tax. In comparing the aggregate value of the real property within the CFDs and the principal amount of the Bonds, it should be noted that only the Assessor's parcel of real property upon which there is a delinquent Special Tax can be foreclosed upon. All of the real property within the CFDs cannot be foreclosed upon as a whole to pay delinquent Special Taxes unless all of the property is subject to delinquent Special Taxes. Individual parcels may be foreclosed upon to pay delinquent Special Taxes levied against such parcels only. See "SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS - Repayment of the CFD Bonds." It should also be noted that not every Taxable Parcel currently subject to the Special Tax will be subject to the Special Tax through the maturity of the CFD Bonds, since the Rate and Method limits the levy of the Special Tax for a particular parcel to 25 years.

The principal amount of the Bonds will not be allocated pro-rata among the Taxable Parcels within the CFDs; rather, the annual Special Taxes for the CFDs will be billed annually for each Taxable Parcel within the CFDs. Upon sale of developed parcels, the buyer typically acquires the property subject to the unpaid portion of any special taxes and special taxes levied against the parcel purchased. Special Taxes are not required to be removed from the property and are not required to be, but may be, paid off in full upon transfer of property or upon development of the property.

Assessed Valuations. In connection with valuing property in the CFDs, the Special Tax Consultant has obtained the 2019-20 County assessed valuation (the "Assessed Valuation") of the Taxable Parcels in the CFDs. As provided by Article XIII A of the California Constitution, county assessors' assessed values are to reflect market value as of the date the property was last assessed (or 1975, whichever is more recent), increased by a maximum of 2% per year. Properties may be reassessed by the County only upon a change of at least 51% ownership of existing property or upon new construction. The assessed values of Taxable Parcels in the CFDs thus reflect the estimate of the County Assessor (the "Assessor") of market value when acquired (or 1975, whichever is later), possibly increased by 2% per year, and for Taxable Parcels on which construction has occurred since their date of acquisition, the Assessor's estimate of market value as of the time of construction, possibly increased by 2% per year. The actual market value of Taxable Parcels in the CFDs, if sold at foreclosure, may be higher or lower than the Assessor's assessed values, depending upon the date of the Assessor's most recent assessment. The actual fair market value of any Taxable Parcels can often be more accurately established through an arms-length sale or an appraisal by an independent appraiser.

The 2019-20 Assessed Valuation for Taxable Parcels in each of the CFDs is summarized in the following tables.

TABLE NO. 7
COMMUNITY FACILITIES DISTRICT NO. 2 (LOS RANCHOS)
ASSESSED VALUATION BY CATEGORY ⁽¹⁾

<u>Development</u>	<u>Taxable Parcels</u>	<u>2019-20 Assessed Value ⁽²⁾</u>	<u>2019-20 Maximum Special Tax</u>	<u>% of 2019-20 Special Tax Levy</u>	<u>% of Future Total Tax Levy ⁽³⁾</u>
Single Family Residential	1,385	\$ 849,526,234	\$ 847,246	79.41%	49.08%
Commercial	<u>12</u>	<u>193,807,299</u>	<u>219,615</u>	<u>20.59%</u>	<u>50.92%</u>
	1,397	\$1,043,333,533	\$1,066,861	100.00%	100.00%

(1) Source: Willdan Financial Services.

(2) Source: County of San Bernardino Secured Property Tax Roll for Fiscal Year 2019-20.

(3) Calculated at the maximum Special Tax rate through Fiscal Year 2032-33, the final maturity of the CFD Bonds.

TABLE NO. 8
COMMUNITY FACILITIES DISTRICT NO. 5 (SOQUEL CANYON, RINCON AND WOODVIEW)
ASSESSED VALUATION BY CATEGORY ⁽¹⁾

<u>Development</u>	<u>Taxable Parcels</u>	<u>2019-20 Assessed Value ⁽²⁾</u>	<u>2019-20 Maximum Special Tax</u>	<u>% of 2019-20 Special Tax Levy</u>	<u>% of Future Total Tax Levy ⁽³⁾</u>
Single Family Residential	3,517	\$2,388,897,011	\$2,151,454	67.61%	55.56%
Multifamily Residential	1	62,239,849	127,240	4.00%	3.96%
Commercial	<u>96</u>	<u>341,536,173</u>	<u>903,350</u>	<u>28.39%</u>	<u>40.48%</u>
	3,614	\$2,792,673,033	\$3,182,045	100.00%	100.00%

(1) Source: Willdan Financial Services.

(2) Source: County of San Bernardino Secured Property Tax Roll for Fiscal Year 2019-20.

(3) Calculated at the maximum Special Tax rate through Fiscal Year 2033-34, the final maturity of the CFD Bonds.

Direct Debt Value to Lien Ratios. The aggregate Assessed Valuation of taxable property in CFD No. 2 is approximately \$1.043 billion, which is 608 times the \$1,715,000* aggregate principal amount of the Series 2015 CFD No. 2 Bonds (\$1,065,000) and Series 2019 CFD No. 2 Bonds (\$650,000*).

The aggregate Assessed Valuation of taxable property in CFD No. 5 is approximately \$2.792 billion. CFD No. 5 is overlapped in part by the City's previously formed Community Facilities District No. 10 and Reassessment District No. 10-1. The portion of the debt of Reassessment District No. 10-1 that is currently assessed on property within CFD No 5 as of September 2, 2019 is \$202,085. The debt of Community Facilities District No. 10 is \$8,240,000 as of September 1, 2019, all of which is allocable to the property within CFD No. 5. If the allocable portion of debt of Reassessment District No. 10-1 and Community Facilities District No. 10 is added to the \$15,950,000* aggregate principal amount of the Series 2015 CFD No. 5 Bonds (\$8,130,000) and Series 2019 CFD No. 5 Bonds (\$7,820,000*), for total direct debt of \$24,392,085, the combined aggregate value-to-lien ratio is 114.5 to 1.

* Preliminary, subject to change.

The following tables set forth the estimated assessed value-to-lien ratios for the Taxable Parcels in each CFD, based upon Fiscal Year 2019-20 Assessed Valuation and the actual or estimated principal amounts of the CFD Bonds. Due to the fact that the Special Tax on each parcel is only levied for 25 years, and some parcels may not be taxed for the full term of the CFD Bonds, the amount of bonded indebtedness allocated to a Taxable Parcel is based on its percentage of maximum special taxes that may be levied on such parcel through the maturity date of the CFD Bonds.

Taxable Parcels in the CFDs may have additional overlapping liens not shown below; all of the value to lien ratios shown below are based on direct debt issued by the City's community facilities district or assessments districts and do not include overlapping debt of other public agencies. See "Direct and Overlapping Governmental Liens."

TABLE NO. 9
COMMUNITY FACILITIES DISTRICT NO. 2 (LOS RANCHOS)
SUMMARY OF VALUES AND VALUE TO LIEN RATIO ⁽¹⁾
(Direct Debt)

<u>Assessed Value to Direct Bonded Indebtedness Ratio</u>	<u>Taxable Parcels</u>	<u>2019-20 Assessed Value ⁽²⁾</u>	<u>Future Total Tax Levy ⁽³⁾</u>	<u>Total CFD Bonds Debt* ⁽⁴⁾</u>	<u>Assessed Value to Direct Bonded Indebtedness* ⁽⁴⁾</u>
Greater than 120:1	1,396	\$1,041,503,965	\$6,102,335	\$1,697,851	613.42:1
Less than 120:1	<u>1</u>	<u>1,829,568</u>	<u>61,636</u>	<u>17,149</u>	106.69:1
	1,397	\$1,043,333,533	\$6,163,971	\$1,715,000	608.36:1

(1) Source: Willdan Financial Services.

(2) Source: County of San Bernardino Secured Property Tax Roll for Fiscal Year 2019-20.

(3) Per the Rate and Method of Apportionment of Special Tax, each parcel in the CFD is to be charged the Special Tax B for a maximum of 25 years from occupancy. The total Future Maximum Special Tax is the sum of the maximum special tax for each parcel from Fiscal Year 2019-20 to Fiscal Year 2032-33.

(4) The direct debt is comprised solely of the Series 2015 CFD Bonds and the Series 2019 CFD Bonds.

* Preliminary, subject to change.

TABLE NO. 10
COMMUNITY FACILITIES DISTRICT NO. 5 (SOQUEL CANYON, RINCON AND WOODVIEW)
SUMMARY OF VALUES AND VALUE TO LIEN RATIO ⁽¹⁾
(Direct Debt)

Assessed Value to Direct Bonded Indebtedness Ratio	Taxable Parcels	2019-20 Assessed Value ⁽²⁾	Future Total Tax Levy ⁽³⁾	Total CFD No. 5 Bonds Debt* ⁽⁴⁾	Total Bonded Debt* ⁽⁵⁾	Assessed Value to Direct Bonded Indebtedness* ⁽⁵⁾
Greater than 120:1	3,408	\$2,383,607,152	\$19,022,773	\$ 8,628,781	\$16,978,680	140.4:1
80:1 to 119.99:1	99	172,303,404	3,863,033	1,752,282	1,826,530	94.3:1
40:1 to 79.99:1	88	155,783,295	6,270,022	2,844,099	2,857,898	54.5:1
20:1 to 39.99:1	13	76,711,774	4,957,651	2,248,804	2,251,680	34.1:1
10:1 to 19.99:1	1	669,943	92,460	41,940	41,940	16.0:1
Less than 10:1	<u>5</u>	<u>3,597,465</u>	<u>956,994</u>	<u>434,095</u>	<u>435,357</u>	8.3:1
	3,614	\$2,792,673,033	\$35,162,931	\$15,950,000	\$24,392,085	114.5:1

⁽¹⁾ Source: Willdan Financial Services.

⁽²⁾ Source: County of San Bernardino Secured Property Tax Roll for Fiscal Year 2019-20.

⁽³⁾ Per the Rate and Method of Apportionment of Special Tax, each parcel in the CFD is to be charged the Special Tax B for a maximum of 25 years from occupancy. The total Future Maximum Special Tax is the sum of the maximum special tax for each parcel from Fiscal Year 2019-20 to Fiscal Year 2033-34.

⁽⁴⁾ The CFD No. 5 Bonds Debt is comprised solely of the Series 2015 CFD Bonds and the Series 2019 CFD Bonds.

⁽⁵⁾ The direct debt is comprised solely of the CFD No. 5 Bonds Debt, the Community Facilities District No. 10 Special Tax Bonds of \$8,240,000 and the Reassessment District No. 10-1 Limited Obligation Improvement Refunding Bonds of \$202,085.

Note: Slight variances in totals due to rounding.

* Preliminary, subject to change.

Direct and Overlapping Governmental Liens

Effective Tax Rates. Property in the CFDs is subject to annual charges and assessments (which are billed to property owners on a semi-annual basis). The following table sets forth the total effective tax rate for a typical parcel of Developed Property in each CFD based on Fiscal Year 2018-19 tax rates.

TABLE NO. 11
SAMPLE PROPERTY TAX BILLS AND EFFECTIVE PROPERTY TAX RATE ON TYPICAL PARCELS

	CFD No. 2		CFD No. 5	
	1000-381-02	1024-401-01	1017-425-21	1028-601-54
Latest Sale Date	1998	2011	2016	2015
First Tax Year	1997-98	2009-10	2009-10	2000-01
Last Tax Year	2022-23	2034-35	2034-35	2025-26
2019-20 Assessed Value	\$458,140.00	\$1,237,904.00	\$919,359.00	\$571,990.00
Homeowner Exemption	<u>-</u>	<u>(7,000.00)</u>	<u>(7,000.00)</u>	<u>-</u>
Taxable Value	\$458,140.00	\$1,230,904.00	\$912,359.00	\$571,990.00
<i>Ad Valorem</i> Tax Rate	1.1066%	1.1066%	1.1066%	1.1066%
1% General Levy	\$ 4,581.40	\$ 12,309.04	\$ 9,123.59	\$ 5,719.90
Chaffey College GO Bonds	110.41	296.64	219.87	137.84
Chino USD GO Bonds	361.93	972.41	720.76	451.87
Metro Water Mid Valley Debt	<u>16.03</u>	<u>43.08</u>	<u>31.93</u>	<u>20.01</u>
Total <i>Ad Valorem</i> Taxes	\$ 5,069.77	\$ 13,621.17	\$ 10,096.15	\$ 6,329.62
Chino Hills CAS SMA 1	\$ 12.10	\$ 2.34	\$ 2.34	\$ 2.34
Vector Control Assmt #1	21.52	21.52	35.67	21.52
Chino Hills CAS (LLMD)	489.00	73.34	-	-
Chino Hills CFD No. 2	611.73	611.73	-	-
Chino Hills CFD No. 5	-	-	611.73	611.73
Chino Hills CFD No. 10	-	-	-	1,457.20
Chino Hills RAD 10-1	-	-	-	40.88
Metro Water - Standby	<u>7.59</u>	<u>7.59</u>	<u>7.59</u>	<u>7.59</u>
Total Taxes and Assessments	\$ 6,211.71	\$ 14,337.69	\$ 10,753.48	\$ 8,470.88
Effective Tax Rate	1.3559%	1.1648%	1.1786%	1.4809%

Source: Harrell & Company Advisors, LLC.

Overlapping Public Debt. Contained within the boundaries of each CFD are certain overlapping local agencies providing public services and assessing property taxes, assessments, special taxes and other charges on the property in that CFD. Many of these local agencies have outstanding debt.

The current and estimated direct and overlapping obligations affecting the property in CFD No. 2 and CFD No. 5 are shown in the following tables. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the CFD divided by the CFD's total taxable assessed value. The tables were prepared by California Municipal Statistics, Inc., and are included for general information purposes only. The City has not reviewed these reports for completeness or accuracy and makes no representation in connection therewith.

**DIRECT AND OVERLAPPING BONDED DEBT
COMMUNITY FACILITIES DISTRICT NO. 2 (LOS RANCHOS)
As of September 1, 2019**

2019-20 Local Secured Assessed Valuation: \$1,043,333,533 Land and Improvements

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/19</u>
Metropolitan Water District General Obligation Bonds	0.033%	\$ 15,860
Chaffey Community College District General Obligation Bonds	0.847	2,845,057
Chino Unified School District General Obligation Bonds	3.449	10,660,911
City of Chino Hills Community Facilities District No. 2	100.000	<u>3,140,000</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$16,661,828
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Bernardino County General Fund Obligations	0.431%	\$1,029,886
San Bernardino County Pension Obligation Bonds	0.431	1,021,586
San Bernardino County Flood Control District General Fund Obligations	0.431	246,145
Chaffey Community College District Certificates of Participation	0.847	261,489
Chino Unified School District Certificates of Participation	3.449	180,550
West Valley Vector Control District Certificates of Participation	1.514	<u>33,644</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 2,773,300
 COMBINED TOTAL DEBT		 \$19,435,128 ⁽²⁾

⁽¹⁾ Excludes Series 2019 CFD Bonds to be sold. Includes Series 2006 CFD Bonds to be refunded.

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

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$3,140,000)	0.30%
Total Direct and Overlapping Tax and Assessment Debt....	1.60%
Combined Total Debt	1.86%

Source: California Municipal Statistics Inc.

DIRECT AND OVERLAPPING BONDED DEBT
COMMUNITY FACILITIES DISTRICT NO. 5 (SOQUEL CANYON, RINCON AND WOODVIEW)
As of September 1, 2019

2019-20 Local Secured Assessed Valuation: \$2,792,673,033 Land and Improvements

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/19</u>
Metropolitan Water District General Obligation Bonds	0.089%	\$ 42,757
Chaffey Community College District General Obligation Bonds	2.282	7,669,890
Chino Valley Unified School District General Obligation Bonds	9.298	28,740,375
City of Chino Hills Community Facilities District No. 5	100.000	16,775,000 ⁽¹⁾
City of Chino Hills Community Facilities District No. 10	100.000	8,240,000
City of Chino Hills Reassessment District No. 10-1	47.549	<u>202,085</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$61,670,107
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Bernardino County General Fund Obligations	1.161%	\$2,776,434
San Bernardino County Pension Obligation Bonds	1.161	2,754,058
San Bernardino County Flood Control District General Fund Obligations	1.161	663,574
Chaffey Community College District Certificates of Participation	2.282	704,939
Chino Valley Unified School District Certificates of Participation	9.298	486,739
West Valley Vector Control District Certificates of Participation	2.989	<u>66,392</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$ 7,452,136
 COMBINED TOTAL DEBT		 \$69,122,243 ⁽²⁾

⁽¹⁾ Excludes Series 2019 CFD Bonds to be sold. Includes Series 2006 CFD Bonds to be refunded.

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

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$16,775,000)	0.60%
Total Direct and Overlapping Tax and Assessment Debt....	2.21%
Combined Total Debt	2.48%

Source: California Municipal Statistics Inc.

Debt Service Coverage Analysis

The coverage of debt service on the Series 2015 CFD Bonds and Series 2019 CFD Bonds, as applicable, from Net Special Taxes is shown in the tables on the following pages.

TABLE NO. 12
COMMUNITY FACILITIES DISTRICT NO. 2 (LOS RANCHOS)
DEBT SERVICE COVERAGE ANALYSIS

Tax Year	No of SFR ⁽¹⁾	Maximum Special Tax ^{(1) (3)}		Admin Costs ⁽²⁾	Net Special Tax	2015 Bonds	2019 Bonds*	Total Debt Service*	Coverage
		SFR	Commercial						
2019-20	1,385	\$847,246	\$219,615	\$(63,000)	\$1,003,861	\$166,850	\$212,000	\$378,850	265%
2020-21	1,043	650,790	224,007	(64,300)	810,497	156,850	162,000	318,850	254%
2021-22	869	553,066	228,487	(65,600)	715,954	153,250	138,000	291,250	246%
2022-23	523	339,516	233,057	(66,900)	505,673	124,650	83,000	207,650	244%
2023-24	244	161,565	237,718	(68,200)	331,083	111,800	34,000	145,800	227%
2024-25	223	150,614	242,472	(69,600)	323,487	109,569	33,000	142,569	227%
2025-26	174	119,869	247,322	(71,000)	296,191	105,319	26,000	131,319	226%
2026-27	50	35,134	252,268	(72,400)	215,002	106,069	-	106,069	203%
2027-28	42	30,103	210,101	(73,800)	166,404	56,569	-	56,569	294%
2028-29	38	27,781	204,214	(75,300)	156,694	49,319	-	49,319	318%
2029-30	38	28,336	208,298	(76,800)	159,834	53,019	-	53,019	301%
2030-31	36	27,382	206,166	(78,300)	155,248	46,500	-	46,500	334%
2031-32	35	27,154	210,289	(79,900)	157,543	49,500	-	49,500	318%
2032-33	34	26,905	214,495	(81,500)	159,901	47,250	-	47,250	338%

⁽¹⁾ Source: Willdan Financial Services; based on existing Taxable Parcels.

⁽²⁾ Source: Harrell & Company Advisors, LLC. Administrative costs escalated at 2% annually from 2019-20 actual charges.

⁽³⁾ See "RISK FACTORS - Concentration of Ownership" herein.

* Preliminary, subject to change.

**TABLE NO. 13
COMMUNITY FACILITIES DISTRICT NO. 5 (SOQUEL CANYON, RINCON AND WOODVIEW)
DEBT SERVICE COVERAGE ANALYSIS**

Tax Year	No of SFR ⁽¹⁾	Maximum Special Tax ^{(1) (4)}		Priority Admin ⁽²⁾	Net Special Tax	2015 Bonds	2019 Bonds*	Total Debt Service*	Coverage
		SFR	Commercial ⁽³⁾						
2019-20	3,517	\$2,151,454	\$1,030,589	\$(64,680)	\$3,117,363	\$758,281	\$1,373,000	\$2,131,281	146%
2020-21	3,481	2,172,005	1,051,201	(66,000)	3,157,205	771,481	1,381,000	2,152,481	147%
2021-22	3,351	2,132,710	1,072,224	(67,300)	3,137,635	777,981	1,344,000	2,121,981	148%
2022-23	3,028	1,965,687	1,093,669	(68,600)	2,990,756	793,881	1,206,000	1,999,881	150%
2023-24	2,636	1,745,427	1,115,543	(70,000)	2,790,970	798,881	1,027,000	1,825,881	153%
2024-25	2,484	1,677,694	1,137,854	(71,400)	2,744,147	810,231	970,000	1,780,231	154%
2025-26	2,244	1,545,892	1,160,611	(72,800)	2,633,702	817,981	863,000	1,680,981	157%
2026-27	1,611	1,132,017	1,128,614	(74,300)	2,186,332	813,981	489,000	1,302,981	168%
2027-28	1,413	1,012,754	1,151,187	(75,800)	2,088,140	813,731	393,000	1,206,731	173%
2028-29	1,167	853,159	1,152,620	(77,300)	1,928,479	821,981	245,000	1,066,981	181%
2029-30	1,079	804,600	1,003,005	(78,800)	1,728,805	830,044	63,000	893,044	194%
2030-31	889	676,182	941,263	(80,400)	1,537,046	716,250	-	716,250	215%
2031-32	793	615,225	922,473	(82,000)	1,455,699	630,500	-	630,500	231%
2032-33	706	558,679	863,024	(83,600)	1,338,103	517,500	-	517,500	259%
2033-34	610	492,368	803,203	(85,300)	1,210,271	393,750	-	393,750	307%

(1) Source: Willdan Financial Services; based on existing Taxable Parcels.

(2) Source: Harrell & Company Advisors, LLC. Priority administrative costs escalated at 2% annually.

(3) Includes Special Tax levied on one multifamily residential parcel through Fiscal Year 2028-29.

(4) See "RISK FACTORS - Concentration of Ownership" herein.

* Preliminary, subject to change.

RISK FACTORS

The purchase of the Series D Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks that should be considered before making an investment decision.

Limited Obligation to Pay Debt Service

The Bonds. The Bonds are special obligations of the Authority payable solely from and secured solely by the Revenues and funds pledged therefor in the Indenture, consisting primarily of debt service on the CFD Bonds. See “SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS.”

The CFD Bonds. The City has no obligation to pay principal of or interest on the CFD Bonds if Special Tax collections are delinquent or insufficient, other than from amounts, if any, on deposit in the Reserve Funds established for the CFD Bonds or funds derived from the foreclosure and sale of parcels for Special Tax delinquencies. The City is not obligated to advance funds to pay debt service on the CFD Bonds.

Further, each Reserve Fund for the CFD Bonds is available only for the series of CFD Bonds to which it relates and no series of CFD Bonds or the pledge of Special Taxes to pay such CFD Bonds is cross-collateralized to any other series.

Levy and Collection of the Special Taxes

General. The principal source of payment of principal of and interest on the CFD Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the applicable District.

Limitation on Special Tax Rate. The annual levy of the Special Tax on any parcel is limited to the maximum Special Tax rate authorized in the applicable 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 CFD Bonds.

Even if the City does not levy the Special Tax at the maximum Special Tax rate in the future, pursuant to the Act, under no circumstances will the Special Taxes that are levied against any parcel of residential property within either CFD be increased as a consequence of delinquency or default by the owner of any other parcel by more than 10% above the amount that would have been levied in such Fiscal Year had there never been any such delinquency or default. As a result, there are circumstances where it may not be possible to levy Special Taxes at the maximum Special Tax rates under the applicable Rate and Method.

No Relationship Between Property Value and Special Tax Levy. Because the Special Tax Formula 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 Taxable Parcels 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 Taxable Parcels and their proportionate share of debt service on the CFD Bonds, and certainly not a direct relationship.

Factors that Could Lead to Special Tax Deficiencies. The following are some of the factors that might cause the levy of the Special Tax on any particular Taxable Parcel to vary from the Special Tax that might otherwise be expected:

Transfers to Governmental Entities. The number of Taxable Parcels could be reduced through the acquisition of Taxable Parcels by a governmental entity (by exercise of its rights as mortgage guarantor, or for other reasons) and failure of the government 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.

Property Tax Delinquencies. Failure of the owners of Taxable Parcels to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Taxes. For a summary of Special Tax collections in the CFDs, see “THE COMMUNITY FACILITIES DISTRICTS - Tax Collections and Delinquencies.”

The County of San Bernardino does not apply the Teeter Plan with respect to special tax levies and assessments, which would guarantee 100% of tax collections to each CFD. As a result, the CFDs bears the risk of delinquent tax payments. The CFDs do receive all interest and penalties levied and collected due to delinquencies but such amounts of interest and penalties on foreclosure of the lien of Special Taxes in excess of the rate of interest payable on the CFD Bonds are not pledged to the CFD Bonds.

Delays Following Delinquencies and Foreclosure Sales. The Fiscal Agent Agreements provide 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 “SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS - Repayment of the CFD Bonds” 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 subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to the Authority, as owner of the CFD Bonds, pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the Reserve Fund for the applicable CFD Bonds is depleted. See “SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS - Repayment of the CFD Bonds.”

Payment of Special Taxes is not a Personal Obligation of the Property Owners

The obligation to pay Special Taxes levied within the CFD does not constitute a personal obligation of the current or subsequent owners of the Developed Property in the CFD. Enforcement of Special Tax payment obligations by the District is limited to judicial foreclosure in the County Superior Court. See the caption “SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS - Repayment of the CFD Bonds - Covenant for Superior Court Foreclosure.” There is no assurance that any current or subsequent owner of a parcel subject to Special Taxes will be able to pay the Special Taxes, or that an owner will choose to pay such installments even if such owner is financially able to do so.

Land Values

The value of the Taxable Parcels within each CFD is a critical factor in determining the investment quality of the Series D Bonds. If a property owner is delinquent in the payment of Special Taxes, the City’s only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, natural disasters or military or terrorist activities, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See the caption “THE COMMUNITY FACILITIES DISTRICTS - Valuation of Property.”

The assessed values that are set forth in this Official Statement do not represent market values that were arrived at through an appraisal process. Rather, assessed values reflect the sales price of a parcel when the parcel is acquired by its current owner, adjusted annually by an amount that is determined by the County Assessor, generally not to exceed an increase of more than 2% per Fiscal Year, and value increases attributable to new construction. In some years such upward adjustment has been less than 2% annually. In years following the great recession, many counties in the State, including the County, reassessed certain

properties that were acquired in recent years at the peak of the real estate market. The City cannot predict whether the County will reduce assessed values within either CFD in future years. If the County did decide to broadly reassess assessed valuations in the County, it is possible that in future years the assessed values shown in this Official Statement would be lower than as described herein.

Prospective purchasers of the Series D Bonds should not assume that the Taxable Parcels within the CFD could be sold for the assessed values that are described in this Official Statement at a foreclosure sale for delinquent Special Taxes.

No assurance can be given that, should a parcel with delinquent Special Taxes be foreclosed upon and offered for sale for the amount of the delinquency, any bid will be received for such property or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See the caption "SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS - Covenant for Superior Court Foreclosure."

Value-to-Lien Ratios

The estimated value-to-lien ratios that are set forth under the caption "THE COMMUNITY FACILITIES DISTRICTS - Valuation of Property" are based on the assessed values of property in the applicable CFD and the direct and overlapping debt that is currently allocable to such property. Individual value-to-lien ratios may vary considerably from the average. No assurance can be given that such value-to-lien ratios will be maintained over time. As discussed in this Official Statement, many factors that are beyond the control of the City and the CFDs could adversely affect the property values within the CFDs. Neither the City nor the CFD has any control over the amount of additional indebtedness that may be issued by other public agencies, the payment of which, through the levy of a tax or an assessment, is on a parity with the Special Taxes. See the captions "- Other Possible Claims Upon the Property Values" and "THE COMMUNITY FACILITIES DISTRICTS - Direct and Overlapping Governmental Liens." A decrease in the property values in the applicable CFD or an increase in the parity liens on property in the applicable CFD, or both, could result in a lowering of the value-to-lien ratios of the property in the applicable CFD.

Issuance of Parity Bonds

The Fiscal Agent Agreements allow for the issuance of Parity Bonds secured by a pledge of Special Tax Revenues on a parity with the pledge of the Special Tax Revenues securing the Series 2015 CFD Bonds and the Series 2019 CFD Bonds within each respective CFD, subject to compliance with the applicable requirements of the Fiscal Agent Agreement. See "SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS - Additional Obligations."

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels of Taxable Parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Natural Disasters

The value of the parcels in the CFDs in the future can also be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements, private improvements on the parcels in the CFDs and the continued habitability and enjoyment of such private improvements. For example, the areas in and surrounding the CFDs, like those in much of California, may be subject to earthquakes or other unpredictable seismic activity.

According to the seismic safety element of the City's General Plan, the City is located in a seismically active region and could be impacted by a major earthquake originating from the numerous faults in the area. Active and potentially active faults within or proximate to Chino Hills include the Chino Fault and the Whittier Fault, plus other regional faults identified in the Safety Element of the Chino Hills General Plan.. A 5.4 magnitude earthquake occurred in July 2008 located between the Chino Fault and the Whittier Fault, in the western area of the City. Seismic events could result in hazards such as ground shaking, surface fault rupture and liquefaction. CFD No. 2 and portions of CFD No. 5 along the eastern border of the City are located in areas with high liquefaction potential. The City also contains a number of hillsides in excess of a 25% slope, and such steep topography makes landslides and other slope instabilities possible.

Other natural disasters could include, without limitation, floods, wildfires and drought.

Areas within and surrounding Chino Hills, and particularly the City's over 3,000 acres of publicly owned open space and the Chino Hills State Park, are covered with woodland, brush or grassland, which poses a wildfire risk depending on weather conditions. In recent years, wildfires have caused extensive damage throughout the State. Certain of these fires have burned thousands of acres and in some cases destroyed thousands of homes. In some instances entire neighborhoods have been destroyed. Portions of CFD No. 5 are located within the City of Chino Hills Fire Hazard Overlay District, which identifies areas in the City subject to wildland fires hazards. While the City's Fire Hazard Overlay District does not predict when or where a wildfire will occur, they do identify areas where wildfire hazards could be more severe and therefore have greater risk of occurring. In 2008, the Freeway Complex Fire, which ultimately burned over 30,000 acres throughout 3 counties, destroyed 2 structures in the southwestern section of the City. Within the City boundaries, this fire was limited primarily to the Chino Hills State Park and surrounding area. There can be no assurances that future wildfires will not affect the property located in either CFD. Property damage due to wildfire could result in a significant decrease in the market value of property in one or both of the CFDs and in the ability or willingness of property owners to pay Special Taxes when due.

Limited areas in CFD No. 5 are located in a 100-year flood plain. There are 2 dams in the City that could cause localized flooding if damaged: Los Serranos Lake and Chino Ranch Dam No. 1. Areas in the eastern portion of the City, including portions of CFD No. 5, are within the inundation area for the Prado Dam, which is located adjacent to the southeastern edge of the City.

The City has adopted a Natural Hazards Mitigation Plan. This plan includes a hazard analysis for earthquake, flood, landslide and fire risk and is required to comply with FEMA requirements for disaster relief funding. The plan was last updated in January 2011.

As described, 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 parcels may well depreciate.

Concentration of Ownership

Currently, there are a combined 5,011 parcels in CFD No. 2 and CFD No. 5 subject to the Special Tax. However, because the Special Tax is only levied on a given parcel for a period of 25 years, over time, the number of parcels being taxed is significantly reduced in later years. This has the effect of reducing the number of property owners who will be responsible for paying special taxes (assuming no new parcels are developed), so that in the final years of maturity, there are only 647 parcels subject to the Special Tax in CFD No. 5, and the five largest property owners will be responsible for 49% of the Special Tax.

If these or any other property owner is unwilling or unable to pay the Special Tax when due, a potential shortfall in the Bond Fund could occur, which would result in the depletion of the Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Reassessments and, consequently, a delay or failure in payments of the principal of or interest on the Bonds. No property owner is obligated in any manner to continue to own or develop any of the land it presently owns within the CFDs. The Special Taxes are not a personal obligation of any owner of the parcels, and the City and the Authority can offer no assurance that any current owner or any future owner will be financially able to pay such Special Taxes or that it will choose to pay even if financially able to do so.

See Table No. 12 and 13 for the number of single family homes subject to the Special Tax in each year, as well as the amount of Special Tax generated by residential parcels and commercial parcels each year through the maturity of the Series C Bonds and Series D Bonds.

Other Possible Claims Upon the Property Values

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

Tables listing the outstanding governmental obligations affecting each CFD are set forth under “THE COMMUNITY FACILITIES DISTRICTS - Direct and Overlapping Governmental Liens.”

The Special Taxes and any related penalties will constitute a lien against the Taxable Parcels on which they will be annually imposed until they are paid. Such lien is on parity with all special taxes and special assessments that are levied by other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property, except for liens or security interests held by the FDIC. See the captions “- Bankruptcy and Foreclosure” and “- Enforcement of Special Taxes on Governmentally Owned Properties.”

The City has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the Taxable Parcels within either CFD. In addition, the landowners within either CFD may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes or assessments, and any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes. The imposition of additional indebtedness could reduce the willingness and the ability of the owners of the Taxable Parcels within either CFD to pay the Special Taxes when due.

Enforcement of Special Taxes on Governmentally Owned Properties

General. The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “FDIC”), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

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.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the CFDs, but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“FNMA”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

Neither the City nor the Authority has undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the CFDs. No assurance can be given as to the likelihood that the risks described above will materialize while the CFD Bonds are outstanding.

FDIC. If any financial institution making any loan secured by real property within the CFDs is taken over by the FDIC, and prior thereto or thereafter the loan (or loans) goes into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC’s policy statement regarding the payment of state and local real property taxes (the “Policy Statement”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC’s consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC’s consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special taxes and assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos

Act and a special tax formula, which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001, in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The Authority and the City are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the CFDs, in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Fund established for each of the CFD Bonds and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the applicable CFD Bonds.

Exemptions Under Special Tax Formula and the Mello-Roos Act. Certain properties are exempt from the Special Tax in accordance with the Special Tax Formula and the Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the CFDs acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax.

In addition, 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 Funds

A Reserve Fund for each series of CFD Bonds has been established and may be used to pay principal of and interest on the related CFD Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Taxes against property within the applicable CFD. See "SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS - Repayment of the CFD Bonds - Reserve Funds."

If funds in a Reserve Fund for a series of CFD 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 Authority under the applicable Fiscal Agent Agreement. However, no replenishment from the proceeds of a Special Tax levy can occur so long as the proceeds that are collected from the levy of the Special Tax against property within a CFD at the maximum Special Tax rates, together with other available funds, remain insufficient to pay all such amounts. Thus, it is possible that a Reserve Fund for a series of CFD Bonds will be depleted and not be replenished by the levy of the Special Tax within such CFD.

Each Reserve Fund for the CFD Bonds is available only for the series of CFD Bonds to which it relates and no series of CFD Bonds or the pledge of Special Taxes to pay such CFD Bonds is cross-collateralized to any other series.

Bankruptcy and Foreclosure

The various legal opinions to be delivered concurrently with the issuance of the Series D Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws that affect the rights of creditors generally.

The payment of Special Taxes and the ability of the City to foreclose the lien of a delinquent Special Tax may be limited by bankruptcy, insolvency or other laws that affect creditors' rights or by the laws of the State relating to judicial foreclosure.

Bankruptcy, insolvency and other laws that affect creditors' rights could adversely impact the interests of owners of the Series D Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the City to foreclose the lien of delinquent unpaid Special Taxes pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws that affect creditors' rights (such as the Soldiers' and Sailors' Relief Act of 1940 discussed below) or by the laws of the State relating to judicial foreclosure. See the caption "SOURCES OF PAYMENT FOR THE BONDS AND THE CFD BONDS - Repayment of the CFD Bonds - Covenant for Superior Court Foreclosure." In addition, the prosecution of a foreclosure could be delayed for many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the United States Bankruptcy Code might prevent moneys that are on deposit in the Special Tax Fund from being applied to pay interest on the Series D Bonds and/or to redeem Series D Bonds if bankruptcy proceedings were brought by or against a landowner in either CFD and if the court found that any of such landowners had an interest in such moneys within the meaning of Section 541(a)(1) of the United States Bankruptcy Code.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, the amount and priority of any lien on property that secures the payment of delinquent Special Taxes could be reduced or modified 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 would then be treated as an unsecured claim by the court. Further, bankruptcy of a property owner could result in an unwillingness to pay Special Taxes, a stay or other delay in prosecuting Superior Court foreclosure proceedings. Such a delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Series D Bonds and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries* ("Glasply"). In that case, the court held that *ad valorem* property taxes that were levied by Snohomish County, Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes that were imposed before the bankruptcy petition, unpaid taxes that were imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the bankruptcy estate, payable after the payment of all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all of the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 included a provision which excepts from the United States Bankruptcy Code's automatic stay provisions, "the creation of a statutory lien for an *ad valorem* property tax imposed by ... a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court]." This amendment effectively makes the Glasply holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the Glasply ruling could still result in the treatment of postpetition special taxes as "administrative expenses," rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court's ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current *ad valorem* taxes.

The Act provides that the Special Taxes are secured by a continuing lien on taxable parcels which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy. Glasply is controlling precedent on bankruptcy courts in the State. If the Glasply precedent was applied to the levy of the Special Taxes, the amount of Special Taxes received from parcels whose owners declare bankruptcy could be reduced.

Other laws generally affecting creditors' rights or relating to judicial foreclosure may affect the ability to enforce payment of Special Taxes or the timing of enforcement of Special Taxes. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as: (i) a stay in enforcement of the foreclosure covenant; (ii) a six-month period after termination of military service to redeem property sold to enforce the collection of a tax or assessment; and (iii) a limitation on the interest rate on the delinquent tax or assessment to persons in military service if a court concludes that the ability to pay such taxes or assessments is materially affected by reason of such service.

Disclosure to Future Purchasers

The County recorded, in the Office of the County Recorder, a notice of the Special Tax lien with respect to the CFDs. 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 the obligations represented by the Special Taxes in the purchase of a parcel of land or a home in the CFDs, or the lending of money secured by property in the CFDs.

No Acceleration; Right to Pursue Remedies

Neither the Series D Bonds nor the CFD Bonds contain a provision allowing for acceleration if a payment default or other default occurs under the Indenture or the Fiscal Agent Agreements. See "APPENDIX A - SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS."

So long as the Series D Bonds are in book-entry form, DTC will be the sole Bond Owner and will be entitled to exercise all rights and remedies of Bond Owners under the Series D Bonds and the Indenture.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," interest on the Series D Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series D Bonds as a result of a failure of the City to comply with certain provisions of the Internal Revenue Code of 1986, as amended, or certain legislative changes that occur after the issuance of the Series D Bonds. Should such an event of taxability occur, the Series D Bonds are not subject to early redemption and will remain outstanding to maturity.

Cybersecurity

As a recipient and provider of personal, private and sensitive information, the City faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems.

Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Increasingly, government entities are being targeted by cyber-attacks seeking to obtain confidential data or disrupt critical services. A rapidly changing cyber risk landscape may introduce new vulnerabilities which hackers may exploit in attempts to effect breaches or service disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such

disruption, access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, operations and the services provided which could ultimately adversely affect the Special Taxes.

No assurance can be given that the security and operational control measures of the City will be successful in guarding against any and each cyber threat or breach, or that any such attack will not materially impact the operations or finances of the City or the CFDs, or the administration of the Series D Bonds. Although the City maintains insurance coverage for cyber security losses should a successful breach ever occur, the cost of any such disruption or remedying damage caused by future attacks could be substantial and in excess of such insurance coverage.

The City is also reliant on other entities and service providers in connection with the administration of the Series D Bonds, including without limitation the County tax collector for the levy and collection of Special Taxes, the Fiscal Agent, and the dissemination agent. No assurance can be given that the City, the CFDs and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Series D Bond owners.

Voter Initiatives

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, which was approved in the general election held on November 5, 1996, and Proposition 26, which was approved on November 2, 2010.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the CFD Bonds.

Proposition 218-Voter Approval for Local Government Taxes-Limitation on Fees, Assessments, and Charges-Initiative Constitutional Amendment, added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIIC and XIID of the State Constitution. The amendments to Article XIIC limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Article XIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes (“special taxes”) require a two-thirds vote.

The Special Taxes and the CFD Bonds were each authorized by not less than a two-thirds vote of the landowners within the CFD who constituted the qualified electors at the time of such voted authorization. The City believes, therefore, that issuance of the CFD Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 are likely to undergo both judicial and legislative scrutiny before the impact on the CFDs can be determined. Certain provisions of Proposition 218 and Proposition 26 may be examined by the courts for their constitutionality under both State and federal constitutional law, the outcome of which cannot be predicted.

Secondary Market for Series D Bonds

There can be no guarantee that there will be a secondary market for the Series D Bonds or, if a secondary market exists, that any Series D Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

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

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Series D Bonds upon an event of default under the Indenture or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. In the case of any bankruptcy proceeding involving the City, the rights of the Owners could be modified at the direction of the court. The various legal opinions to be delivered concurrently with the delivery of the Series D Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Indenture and other pertinent documents is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Approval of Legal Proceedings

The validity of the Series D Bonds and certain other legal matters are subject to the approving opinion of Norton Rose Fulbright US LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is contained in "APPENDIX E" hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

The Authority and the City have no knowledge of any fact or other information which would indicate that the Indenture or the Bonds are not so enforceable against the Authority except to the extent such enforcement is limited by principles of equity, by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally and by limitations on legal remedies against municipalities in the State.

Certain legal matters will be passed on by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel and by Mark D. Hensley of the Hensley Law Group, City Attorney. Fees payable to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed on for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California. Fees payable to Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Series D Bonds.

TAX MATTERS

General

The delivery of the Series D Bonds is subject to delivery of the opinions of Bond Counsel, to the effect that interest on the Series D Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Series D Bonds (the "Code"), of the owners thereof pursuant to section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The delivery of the Series D Bonds is also subject to the delivery of the opinions of Bond Counsel, based upon existing provisions of the laws of the State that interest on the Series D Bonds is exempt from personal income taxes of the State. The form of Bond Counsel's anticipated opinion is included as Appendix E. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Authority and the City made in certificates of even date with the initial delivery of the Series D Bonds (the "Tax Certificate") pertaining to the use, expenditure and investment of the proceeds of the Series D

Bonds and will assume continuing compliance with the provisions of the Indenture and the Fiscal Agent Agreements by the Authority and the City subsequent to the issuance of the Series D Bonds. The Indenture, the Fiscal Agent Agreements and the Tax Certificate contain covenants by the Authority and the City with respect to, among other matters, the use of the proceeds of the Series D Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Series D Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any “arbitrage profits” and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Series D Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Series D Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Series D Bonds. Prospective purchasers of the Series D Bonds should be aware that the ownership of tax-exempt obligations such as the Series D Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (“FASIT”), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel’s opinions are not a guarantee of a result, but represent its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority and the City described above. No ruling has been sought from the Internal Revenue Service (the “Service”) or the State with respect to the matters addressed in the opinions of Bond Counsel, and Bond Counsel’s opinions are not binding on the Service or the State. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series D Bonds is commenced, under current procedures, the Service is likely to treat the Authority as the “taxpayer,” and the owners of the Series D Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series D Bonds, the Authority may have different or conflicting interests from the owners of the Series D Bonds. Public awareness of any future audit of the Series D Bonds could adversely affect the value and liquidity of the Series D Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to owners of the Series D Bonds of the exclusion of interest on the Series D Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Series D Bonds. Prospective purchasers of the Series D Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Series D Bonds

The initial public offering of certain of the Series D Bonds (the “Discount Bonds”) may be less than the amount payable on such Series D Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Series D Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross

income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Series D Bonds described above. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, “S” corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued original issue discount on Discount Bonds and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Series D Bonds (the “Premium Bonds”) may be greater than the amount payable on such bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Series D Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

No Litigation

The Authority will furnish a certificate dated the date of delivery of the Series D Bonds to the effect that there is no litigation pending or, to the knowledge of the duly authorized officer of the Authority executing the certificate, threatened, seeking to restrain or enjoin the execution, sale or delivery of the Series D Bonds, in any way contesting or affecting the authority for the execution, sale or delivery of the Series D Bonds, or the execution and delivery of the Indenture or the Continuing Disclosure Certificate, or in any way contesting the existence or powers of the Authority.

CONCLUDING INFORMATION

Rating on the Bonds

Standard & Poor's has assigned their rating of "BBB+" to the Series D Bonds. Such rating reflects only the views of the rating agency and any desired explanation of the significance of such rating, or any outlook associated with such rating, should be obtained from the rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series D Bonds.

Underwriting

The Series D Bonds were sold to Piper Jaffray & Co. (the "Underwriter") pursuant to a Bond Purchase Agreement by and between the Underwriter and the Authority. The Underwriter purchased the Series D Bonds at a price equal to \$_____, which represents the principal amount of the Series D Bonds plus a net original issue premium of \$_____, less an Underwriter's discount of \$_____. The Underwriter will pay certain of its expenses relating to the offering from the Underwriter's discount.

The Underwriter is offering the Series D Bonds at the prices set forth on the inside front cover page hereof. The Underwriter may offer and sell the Series D Bonds to certain dealers and others at prices lower than the offering prices stated on the inside front cover page hereof. The offering prices may be changed from time to time by the Underwriter.

The Underwriter has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

The Municipal Advisor

The material contained in this Official Statement was prepared by the Authority and the City with the assistance of the Municipal Advisor who advised the Authority and the City as to the financial structure and certain other financial matters relating to the Series D Bonds. The information set forth herein received from sources other than the City has been obtained by the Authority from sources which are believed to be reliable, but such information is not guaranteed by Municipal Advisor as to accuracy or completeness, nor has it been independently verified. Fees payable to the Municipal Advisor are not contingent upon the sale and delivery of the Series D Bonds.

Bond Counsel acts as compliance counsel to the Municipal Advisor in connection with their general regulatory obligations as a municipal advisor; however, such representation does not include representation with respect to the Series D Bonds or any evaluation or opinion as to whether the Municipal Advisor is satisfying or has satisfied any fiduciary duty, fair dealing obligation or suitability analysis with respect to individual transactions or clients.

Continuing Disclosure

The Authority will covenant to provide certain annual financial information (the "Annual Reports") no later than April 1 of each year, commencing with the report due April 1, 2020, and notices of the occurrence of certain significant events in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934 as amended (the "Rule"). The Annual Reports and the notices will be filed by the Authority on the Electronic

Municipal Market Access Website (“EMMA”) operated by the Municipal Securities Rulemaking Board (www.emma.msrb.org). The required content of the Annual Reports and the specific nature of the notices of significant events and certain other terms of the continuing disclosure obligation are included in “APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants will be made in order to assist the Underwriter in complying with the Rule. Failure of the Authority to provide the required ongoing information may have a negative impact on the value of the Series D Bonds in the secondary market.

The City has a continuing disclosure obligation related to the Series B Bonds, the Series C Bonds and other outstanding indebtedness. A review of the City’s compliance with its previous continuing disclosure undertakings was conducted and it was found that in the last 5 years, the City has not failed to comply in all material respects with their prior continuing disclosure undertaking.

Additional Information

The summaries and references contained herein with respect to the Indenture, the Fiscal Agent Agreements, the Series D Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the Series D Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the Indenture and the Fiscal Agent Agreements may be obtained after delivery of the Series D Bonds from the City of Chino Hills, 14000 City Center Drive, Chino Hills, California 91709.

References

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or Owners of any of the Series D Bonds.

Execution

The execution of this Official Statement has been duly authorized by the Board of Directors of the Chino Hills Financing Authority.

CHINO HILLS FINANCING AUTHORITY

By: _____
Treasurer

APPENDIX A

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Indenture not previously discussed in this Official Statement. Such summary is not intended to be definitive, and this summary is qualified in its entirety by reference to the full terms of the Indenture. Copies of the Indenture are available from the Trustee or the Authority.

THE INDENTURE

Definitions

“Additional Bonds” means Bonds other than the Series A Bonds issued under the Indenture in accordance with the provisions thereof.

“Additional CFD Bonds Fiscal Agent Agreement” means the fiscal agent agreement, indenture, trust agreement or other instrument pursuant to which Additional CFD Bonds acquired pursuant to the Indenture are issued.

“Additional CFD Bonds” means bonds of any CFD issued pursuant to the Mello-Roos Act, including the Series 2006 CFD Bonds, the Series 2015 CFD Bonds and the 2019 CFD Bonds.

“Authority” means the Chino Hills Financing Authority, a joint exercise of powers authority organized and existing under the laws of the State of California, and any successor thereto.

“Authorized Representative” means, with respect to the Authority, the Executive Director of the Authority, the Treasurer of the Authority and the Secretary of the Authority, and any other Person designated as an Authorized Representative of the Authority in a Written Certificate of the Authority filed with the Trustee.

“Bond Counsel” means a firm of nationally recognized bond counsel selected by the Authority.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Sections 6584 *et seq.* of the California Government Code.

“Bond Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Bond Year” means each twelve-month period beginning on September 2 in each year and extending to the next succeeding September 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2004.

“Bonds” means the Chino Hills Financing Authority Revenue Bonds (Community Facilities District Bond Program) issued under the Indenture, and includes the Series A Bonds and any Additional Bonds.

“Book-Entry Bonds” means the Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday in the State of California, (b) a day on which banking institutions in the State of California, or in any state in which the Office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

“CFD” means any or all of CFD No. 1, CFD No. 2, CFD No. 5 and CFD No. 6, each being a community facilities district established under the Mello-Roos Act of which the City Council, pursuant to the Mello-Roos Act, is the legislative body.

“CFD Bonds” means the Series 2004 CFD Bonds and any Additional CFD Bonds acquired pursuant to the Indenture.

“CFD No. 1” means City of Chino Hills Rolling Ridge Community Facilities District No. 1, a community facilities district organized and existing under the laws of the State of California, and any successor thereto.

“CFD No. 2” means City of Chino Hills Los Ranchos Community Facilities District No. 2, a community facilities district organized and existing under the laws of the State of California, and any successor thereto.

“CFD No. 5” means City of Chino Hills Soquel Canyon, Rincon and Woodview Community Facilities District No. 5, a community facilities district organized and existing under the laws of the State of California, and any successor thereto.

“CFD No. 6” means City of Chino Hills Carbon Canyon Area Community Facilities District No. 6, a community facilities district organized and existing under the laws of the State of California, and any successor thereto.

“CFD No. 2 Fiscal Agent” means U.S. Bank National Association, as fiscal agent under the CFD No. 2 Fiscal Agent Agreement, or any successor thereto as fiscal agent thereunder.

“CFD No. 5 Fiscal Agent” means U.S. Bank National Association, as fiscal agent under the CFD No. 5 Fiscal Agent Agreement, or any successor thereto as fiscal agent thereunder.

“CFD No. 2 Fiscal Agent Agreement” means the Fiscal Agent Agreement, dated as of February 1, 2004, by and between CFD No. 2 and CFD No. 2 Fiscal Agent, as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof.

“CFD No. 5 Fiscal Agent Agreement” means the Fiscal Agent Agreement, dated as February 1, 2004, by and between CFD No. 5 and CFD No. 5 Fiscal Agent, as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof.

“City” means the City of Chino Hills, a municipal corporation and general law city organized and existing under the laws of the State of California, and any successor thereto.

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

“Code” means the Internal Revenue Code of 1986.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority relating to the authorization, issuance, sale and delivery of the Bonds and the CFD Bonds, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of any Fiscal Agent and its counsel, including such Fiscal Agent’s first annual administrative fee, initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and the CFD Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds and the CFD Bonds, including any premium for a municipal bond insurance policy securing payment of Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Federal Securities” means (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America.

“First Supplemental Indenture” means the First Supplemental Indenture, dated as of August 1, 2006, by and between the Authority and the Trustee.

“Fiscal Agent” means the entity acting as the CFD No. 2 Fiscal Agent and the CFD No. 5 Fiscal Agent and the Additional CFD Bonds Fiscal Agents.

“Fiscal Agent Agreements” means, collectively, the CFD No. 2 Fiscal Agent Agreement and the CFD No. 5 Fiscal Agent Agreement and all Additional CFD Bonds Fiscal Agent Agreements.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official fiscal year period of the Authority designated in a Written Certificate of the Authority delivered to the Trustee.

“Fourth Supplemental Indenture” means the Fourth Supplemental Indenture, dated as of December 1, 2019, by and between the Authority and the Trustee.

“Indenture” means the Indenture, as originally executed and as it may be amended or supplemented from time to time by any Supplemental Indenture.

“Independent Consultant” means any consultant or firm of such consultants selected by the Authority and who, or each of whom (a) is generally recognized to be qualified in the financial consulting field, (b) is in fact independent and not under the domination of the Authority or the City, (c) does not have any substantial interest, direct or indirect, with or in the Authority or the City, and (d) is not connected with the Authority or the City as an officer or employee thereof, but who may be regularly retained to make reports to the Authority or the City.

“Interest Payment Dates” means March 1 and September 1 of each year, so long as any Bonds remain Outstanding.

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

“Moody’s” means Moody’s Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority by the Trustee in writing.

“Outstanding” means, when used as of any particular time with reference to Bonds, subject to certain provisions of the Indenture relating to disqualified Bonds, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation, (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the defeasance provisions of the Indenture, including Bonds (or portions of Bonds) disqualified under the Indenture, and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Owner” means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

“Participant” means any entity which is recognized as a participant by DTC in the book-entry system of maintaining records with respect to Book-Entry Bonds.

“Permitted Investments” means the following, to the extent that such securities are otherwise eligible legal investments of the Authority:

- (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 (collectively “United States Obligations”). These include, but are not necessarily limited to:

- U.S. Treasury obligations
All direct or fully guaranteed obligations
 - Farmers Home Administration
Certificates of beneficial ownership
 - General Services Administration
Participation certificates
 - U.S. Maritime Administration
Guaranteed Title XI financing
 - Small Business Administration
Guaranteed participation certificates
 - Guaranteed pool certificates
 - Government National Mortgage Association (GNMA) GNMA-guaranteed mortgage-backed securities GNMA-guaranteed participation certificates
 - U.S. Department of Housing & Urban Development
Local authority bonds
 - Washington Metropolitan Area Transit Authority
Guaranteed transit bonds
- (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 mortgages securities which are purchased at prices exceeding their principal amounts)
 - Student Loan Marketing Association (SLMA)
Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
 - Financing Corporation (FICO) Debt obligations
 - Resolution Funding Corporation (REFCORP) Debt obligations
- (4) Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank 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), in banks which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days) rated “A-1+” by S&P and “Prime-1” by Moody’s.

(7) Money market funds rated “Aam” or “Aam-G” by S&P, or better and, subject to the prior written consent of the S&P and Moody’s, the investment pool maintained by the county in which the Authority is located or other investment pools, in either case so long as such pool is rated in one of the two highest rating categories by S&P and Moody’s.

(8) Repurchase agreements:

A. With (i) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “AA” by S&P and “Aa” by Moody’s; (ii) 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 Corp. (SIPC); or (iii) any other entity rated “AA” or better by S&P and “Aa” or better by 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 “AA” and “Aa”, respectively, rating in an “AA” and “Aa,” respectively, rated structured financing (with a market value approach);

b. The Trustee or a third party acting solely as agent therefor or for the Authority (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 is 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.

e. The repurchase agreement shall provide that if during its term 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 Authority 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 Authority or Trustee.

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.

(9) State Obligations, which means

(a) Direct general obligations of any state of the United States 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 described in (a) above and rated “A-1+” by S&P and “Prime-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.

(10) 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 and “Aa” 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 Series A 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 Trustee and the Authority hereby 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 it 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 Trustee or the Authority receive the opinion of domestic counsel (which opinion shall be addressed to the Authority) that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable);

(e) the investment agreement shall provide that if during its term (i) the provider’s rating by either Moody’s or S&P falls below “AA-” or “Aa3”, respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (A) 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 Trustee, the Authority or a 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 (B) repay the principal of and accrued but unpaid interest, on the investment, and (ii) the provider’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A3” or “A,” respectively, the provider must, at the direction of the Authority 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 Authority or Trustee;

(f) the investment agreement shall state, and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of 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 Collateral is in possession); and

(g) the investment agreement must provide that if during its term (i) the provider shall default in its payment obligations, the provider’s obligations under the investment agreement shall, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate, and (ii) 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 Authority or Trustee, as appropriate.

(11) Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) 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 the United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

“Person” means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Prepayments” means any amounts received by the Trustee representing a redemption (other than a mandatory sinking fund redemption) of the CFD Bonds pursuant to a Fiscal Agent Agreement, consisting of the principal amount of the CFD Bonds being redeemed and the premium paid upon such redemption; but excluding the amount of regularly scheduled payments (including mandatory sinking fund payments) of principal of and interest on the CFD Bonds paid concurrent therewith.

“Program Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Record Date” means the 15th calendar day of the month preceding each Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Redemption Price” means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant to the Indenture.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

“Revenue Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Revenues” means all amounts derived from or with respect to the CFD Bonds, including all payments of principal thereof, premium, if any, and interest thereon (including Principal Prepayments).

“S&P” means S&P Global Ratings of New York, New York, and its successors,, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Second Supplemental Indenture” means the Second Supplemental Indenture, dated as of October 1, 2015, by and between the Authority and the Trustee.

“Series” means the initial series of Bonds executed, authenticated and delivered on the date of initial issuance of the Bonds and identified pursuant to the Indenture as the Series A Bonds, and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

“Series 2006 CFD Bonds” means, collectively, the Series 2006 CFD No. 1 Bonds, the Series 2006 CFD No. 2 Bonds, the Series 2006 CFD No. 5 Bonds and the Series 2006 CFD No. 6 Bonds.

“Series 2006 CFD No. 1 Bonds” means City of Chino Hills Rolling Ridge Community Facilities District No. 1 Special Tax Bonds, Series 2006.

“Series 2006 CFD No. 2 Bonds” means City of Chino Hills Los Ranchos Community Facilities District No. 2 Special Tax Bonds, Series 2006.

“Series 2006 CFD No. 5 Bonds” means City of Chino Hills Soquel Canyon, Rincon and Woodview Community Facilities District No. 5 Special Tax Bonds, Series 2006.

“Series 2006 CFD No. 6 Bonds” means City of Chino Hills Carbon Canyon Area Community Facilities District No. 6 Special Tax Bonds, Series 2006.

“Series 2015 CFD Bonds” means, collectively, the Series 2015 CFD No. 2 Bonds, and the Series 2015 CFD No. 5 Bonds.

“Series 2015 CFD No. 2 Bonds” means City of Chino Hills Los Ranchos Community Facilities District No. 2 Special Tax Bonds, Series 2015.

“Series 2015 CFD No. 5 Bonds” means City of Chino Hills Soquel Canyon, Rincon and Woodview Community Facilities District No. 5 Special Tax Bonds, Series 2015.

“Series 2019 CFD No. 2 Bonds” means City of Chino Hills Los Ranchos Community Facilities District No. 2 Special Tax Refunding Bonds, Series 2019.

“Series 2019 CFD No. 5 Bonds” means City of Chino Hills Soquel Canyon, Rincon and Woodview Community Facilities District No. 5 Special Tax Refunding Bonds, Series 2019.

“Series A Bonds” means the Chino Hills Financing Authority Revenue Bonds (Community Facilities District Bond Program), Series A, issued under the Indenture.

“Series B Bonds” means the Chino Hills Financing Authority Revenue Bonds (Community Facilities District Bond Program), Series B, issued under the Indenture.

“Series C Bonds” means the Chino Hills Financing Authority Revenue Bonds (Community Facilities District Bond Program), Series C, issued under the Indenture.

“Series C Rebate Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Series C Rebate Requirement” has the meaning ascribed to Rebate Requirement in the Series C Tax Certificate.

“Series C Tax Certificate” means the Tax Certificate executed by the Authority, CFD No. 2 and CFD No. 5 at the time of issuance of the Series C Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Series D Bonds” means the Chino Hills Financing Authority Revenue Refunding Bonds (Community Facilities District Bond Program), Series D, issued under the Indenture.

“Series D Closing Date” means the date upon which the Series D Bonds are delivered to the Series D Original Purchaser, being December 12, 2019.

“Series D Continuing Disclosure Certificate” means the Continuing Disclosure Certificate, dated as of the Series D Closing Date, executed and delivered by the Authority.

“Series D Original Purchaser” means the original purchaser of the Series D Bonds from the Authority.

“Series D Participating Underwriter” has the meaning ascribed thereto in the Series D Continuing Disclosure Certificate.

“Series D Rebate Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Series D Rebate Requirement” has the meaning ascribed to Rebate Requirement in the Series D Tax Certificate.

“Series D Tax Certificate” means the Tax Certificate executed by the Authority, CFD No. 2 and CFD No. 5 at the time of issuance of the Series D Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Supplemental Indenture” means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Third Supplemental Indenture” means the Third Supplemental Indenture, dated as of September 1, 2018, by and between the Authority and the Trustee.

“Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or any successor thereto as Trustee under the Indenture, appointed as provided in the Indenture.

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

Certain Provisions of the Indenture

Transfer and Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred upon the Registration Books by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds of the same Series and maturity in a like aggregate principal amount, in any authorized denomination. The Trustee shall require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same Series and maturity of other authorized denominations. The Trustee shall require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be obligated to make any transfer or exchange of Bonds of a Series during the period established by the Trustee for the selection of Bonds of such Series for redemption, or with respect to any Bonds of such Series selected for redemption.

Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall be open to inspection during regular business hours and upon reasonable notice by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as provided in the Indenture.

Program Fund. The Trustee shall establish and maintain a separate fund designated the “Program Fund.” The Trustee shall credit all CFD Bonds to the Program Fund and shall hold and administer the Program Fund so long as the Trustee is the Owner of any CFD Bond.

On the Series D Closing Date there shall be deposited in the Program Fund the amount specified in the Indenture. Additionally, in connection with the issuance of each Series of Additional Bonds, there shall be deposited in the Program Fund an amount sufficient to acquire the Additional CFD Bonds being acquired in connection with the issuance of such Additional Bonds, as specified in the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Costs of Issuance Fund. The Trustee has established a separate fund designated the “Costs of Issuance Fund.” The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Authority stating (a) the Person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder.

If the Costs of Issuance Fund has been closed in accordance with the provisions of the Indenture, such Fund shall be reopened and reestablished by the Trustee in connection with the issuance of any Additional Bonds, if so provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued. There shall be deposited in the Cost of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

On the Series D Closing Date, the Trustee shall reopen and reestablish and maintain the Costs of Issuance Fund and there shall be deposited in the Costs of Issuance Fund the amounts specified in the Fourth Supplemental Indenture. On April 1, 2020, all amounts, if any, remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and a portion of such amounts shall be transferred to each Fiscal Agent for Series 2019 CFD Bonds, for deposit in the Bond Fund held by such Fiscal Agent, which portion shall be a pro rata share of such remaining amount, based on the principal amount of Series 2019 CFD Bonds outstanding. Upon such transfer, the Costs of Issuance Fund shall be closed.

Conditions for the Issuance of Additional Bonds. The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series C Bonds and Series D Bonds) payable from Revenues as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture, but only subject to the following conditions, which are made conditions precedent to the issuance of such Additional Bonds:

(a) The issuance of such Additional Bonds shall have been authorized under and pursuant to the Bond Law and under and pursuant to the Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) The purpose for which such Additional Bonds are to be issued; provided, that the proceeds of the sale of such Additional Bonds shall be applied only for the purpose of (A) providing funds to acquire Additional CFD Bonds pursuant to a purchase agreement, or (B) providing funds to refund any Bonds issued under the Indenture;

(ii) The principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds;

(iii) The date, the maturity date or dates, the interest payment dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds;

provided, that (A) the serial Bonds of such Series of Additional Bonds shall be payable as to principal annually on September 1 of each year in which principal falls due, and the term Bonds of such Series of Additional Bonds shall have annual mandatory sinking fund redemptions on September 1, (B) the Additional Bonds shall be payable as to interest semiannually on March 1 and September 1 of each year, except that the first installment of interest may be payable on either March 1 or September 1 and shall be for a period of not longer than twelve months and the interest shall be payable thereafter semiannually on March 1 and September 1, (C) all Additional Bonds of a Series of like maturity shall be identical in all respects, except as to number or denomination, and (D) serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(iv) The redemption premiums and terms, if any, for such Additional Bonds; provided, however, that such Additional Bonds of such additional Series shall be subject to mandatory redemption from Principal Prepayments received with respect to the Additional CFD Bonds being acquired with the proceeds of such Additional Bonds, or with respect to the Additional CFD Bonds theretofore acquired with the proceeds of Outstanding Bonds being refunded with the proceeds of such Additional Bonds, as applicable, on the dates on which and at the redemption prices at which such Additional CFD Bonds may be optionally redeemed or mandatorily redeemed from the prepayment of special taxes under the Fiscal Agent Agreement pursuant to which such Additional CFD Bonds are issued;

(v) The form of such Additional Bonds; and

(vi) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture;

(b) Upon the issuance of such Additional Bonds, no default shall have occurred and be continuing under the Indenture;

(c) Upon the issuance of such Additional Bonds, no default shall have occurred and be continuing under any Fiscal Agent Agreement;

(d) The Authority shall have received a certificate from one or more Independent Consultants which, when taken together, certify that (i) the Revenues attributable to the Additional CFD Bonds being acquired with the proceeds of such Additional Bonds, or attributable to the CFD Bonds theretofore acquired with the proceeds of Outstanding Bonds being refunded with the proceeds of such Additional Bonds, as applicable, will be sufficient in time and amount to pay when due the principal of and interest and premium, if any, on such Additional Bonds, and (ii) upon the issuance of such Additional Bonds, the Revenues will be sufficient in time and amount to pay when due the principal of and interest and premium, if any, on all Outstanding Bonds; and

(e) If Additional CFD Bonds are being acquired with the proceeds of such Additional Bonds, the entity acting as Fiscal Agent for such Additional CFD Bonds shall be the entity acting as Trustee.

Nothing contained in the Indenture shall limit the issuance of any bonds payable from Revenues if, after the issuance and delivery of such special tax bonds, none of the Bonds theretofore issued under the Indenture will be Outstanding.

Procedure for the Issuance of Additional Bonds. At any time after the sale of any Additional Bonds in accordance with the Bond Law, such Additional Bonds shall be executed by the Authority for issuance under the Indenture and shall be delivered to the Trustee and thereupon shall be authenticated and delivered by the Trustee, but only upon receipt by the Trustee of the following:

(a) A certified copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;

(b) A Written Request of the Authority as to the delivery of such Additional Bonds;

(c) An opinion of Bond Counsel substantially to the effect that (i) the Indenture and all Supplemental Indentures have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Authority, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California), (ii) such Additional Bonds constitute valid and binding special obligations of the Authority payable solely from Revenues as provided in the Indenture and are enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California), and (iii) the issuance of such Additional Bonds, in and of itself, will not adversely affect the exclusion of interest on the Bonds Outstanding prior to the issuance of such Additional Bonds from gross income for federal income tax purposes;

(d) The proceeds of the sale of such Additional Bonds; and

(e) Such further documents or money as are required by the provisions of the Indenture or by the provisions of the Supplemental Indenture authorizing the issuance of such Additional Bonds.

Additional Bonds. So long as any of the Bonds remain Outstanding, the Authority shall not issue any Additional Bonds or obligations payable from Revenues, except pursuant to the Indenture.

Pledge and Assignment. 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, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in the Bond Fund and the Redemption Fund are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Bond Law. Said pledge shall constitute a first lien on such assets.

The Authority assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the CFD Bonds, if any. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under and with respect to the CFD Bonds.

Revenue Fund. The Trustee has established and maintains a separate fund designated the "Revenue Fund." Upon the receipt by the Trustee of any Revenues, the Trustee shall deposit such Revenues in the Revenue Fund; provided, however, that any portion of any such Revenues that represents Principal Prepayments shall be deposited in the Redemption Fund.

On each Interest Payment Date, the Trustee shall withdraw from the Revenue Fund and transfer to the Bond Fund, Revenues in the amount, if any, necessary to cause the amount on deposit in the Bond Fund to be equal to the principal and interest due on the Bonds on such Interest Payment Date.

Bond Fund. The Trustee has established and maintains a separate fund designated the "Bond Fund." There shall be deposited in the Bond Fund the amounts required to be deposited therein pursuant to the Indenture. There shall additionally be deposited in the Bond Fund the portion, if any, of the proceeds of the sale of Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

On each Interest Payment Date, the Trustee shall withdraw from the Bond Fund for payment to the Owners of the Bonds the principal, if any, of and interest on the Bonds then due and payable, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds.

Redemption Fund. The Trustee has established and maintains a special fund designated the “Redemption Fund.” Upon the receipt by the Trustee of any Principal Prepayments, the Trustee shall deposit such Principal Prepayments in the Redemption Fund. Additionally, the Trustee shall deposit in the Redemption Fund any amounts required to be deposited therein pursuant to any Supplemental Indenture.

Amounts in the Redemption Fund shall be disbursed therefrom to pay the Redemption Price of Additional Bonds redeemed under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Investment of Moneys. Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture and held by the Trustee shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the Authority two Business Days prior to the making of such investment. Moneys in all funds and accounts held by the Trustee shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture. Absent timely written direction from the Authority, the Trustee shall invest any funds held by it in Permitted Investments described in clause (7) of the definition thereof.

Subject to the provisions of the Indenture relating to any Rebate Fund, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture shall be retained therein.

Permitted Investments acquired as an investment of moneys in any fund or account established under the Indenture shall be credited to such fund or account. For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund shall be valued by the Trustee at the market value thereof, such valuation to be performed not less frequently than semiannually on or before each February 15 and August 15.

The Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Authority, the Trustee shall sell or present for redemption any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture.

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture and received by the Authority or the Trustee.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged under the Indenture while any of the Bonds are Outstanding, except as permitted by the Indenture.

Power to Issue Bonds and Make Pledge. The Authority is duly authorized pursuant to the Bond Law to issue the Bonds and to enter into the Indenture and to pledge the Revenues and other assets pledged under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge of Revenues and other assets and all the rights of the Owners under the Indenture against all claims and demands of all Persons whomsoever.

Collection of Revenues. The Trustee shall collect and cause to be paid to it all Revenues promptly as such Revenues become due and payable, and shall vigorously enforce and cause to be enforced all rights of the Trustee under and with respect to the CFD Bonds.

Disposition of CFD Bonds. The Trustee shall not sell or otherwise dispose of the CFD Bonds, or any interest therein, unless either (a) there shall have occurred and be continuing an Event of Default under the Indenture, or (b) the proceeds derived by the Trustee from such sale or other disposition are sufficient to enable the Trustee to redeem or defease all of the Outstanding Bonds in accordance with the terms of the Indenture.

State Reporting. If at any time the Trustee fails to pay principal or interest due on any scheduled payment date for the Bonds, the Trustee shall notify the Authority in writing of such failure, and the Authority shall notify the California Debt and Investment Advisory Commission of such failure within 10 days of the failure to make such payment or the date of such withdrawal.

Annual Reports to the California Debt and Investment Advisory Commission. Not later than October 30 of each year, and until the October 30 following the final maturity of the Bonds, the Trustee, on behalf of the Authority, shall supply to the California Debt and Investment Advisory Commission the information required to be provided thereto pursuant to Section 6599.1 of the Bond Law.

Further Assurances. The Authority shall make, execute and deliver any and all such further agreements, 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 of the rights and benefits provided in the Indenture.

Events of Default. The following events shall be Events of Default:

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

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

(c) Failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such 30 day period and the Authority shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The Authority shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Remedies Under CFD Bonds. If any Event of Default shall occur clauses (a) or (b) under the preceding caption then, and in each and every such case during the continuance of such Event of Default, the Trustee may, or at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, and upon being indemnified to its satisfaction therefor, shall, exercise any and all rights and pursue any and all remedies available pursuant to law or granted with respect to the CFD Bonds.

Other Remedies. If an Event of Default shall have occurred under the Indenture, the Trustee shall have the right:

(a) by mandamus, suit, action or proceeding, to compel the Authority and its officers, agents or employees to perform each and every term, provision and covenant contained in the Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Authority and the fulfillment of all duties imposed upon it by the Indenture and the Bond Law;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Trustee's or Bond Owner's rights; or

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

Application of Revenues After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

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

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

Second: To the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

(c) Any remaining funds shall be transferred by the Trustee to the Revenue Fund.

Power of Trustee to Enforce. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Limitation on Bond Owners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Bond Law or any other applicable law with respect to such Bonds, unless (a) such Owner shall have 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 the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Trustee indemnity 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 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 declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Bond Law or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner therein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation. Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues and other assets pledged in the Indenture therefor and received by the Authority or the Trustee, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Duties and Liabilities of Trustee. (a) *Duties of Trustee Generally.* The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such persons own affairs.

(b) *Removal of Trustee.* The Authority may upon 30 days prior written notice to the Trustee, remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) *Resignation of Trustee.* The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the Authority, and to the Bond Owners at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(d) *Appointment of Successor Trustee.* Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that under any circumstances the successor Trustee shall be qualified as provided in subsection (e) below. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bond Owner (on behalf of himself and all other Bond Owners) 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. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, then such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall mail or cause the successor Trustee to mail, by first class mail postage

Prepaid, a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which then maintains a rating on the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) *Qualifications of Trustee.* The Trustee shall be a trust company or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, having (or if such bank or trust company is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state agency. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

In case at any time the Trustee shall cease to be eligible in accordance with these provisions, the Trustee shall resign immediately in the manner and with the effect in the Indenture.

(f) *Trustee to Act as Fiscal Agent.* Notwithstanding anything to the contrary contained in the Indenture, so long as the Trustee shall be the owner of any CFD Bonds, no entity shall be qualified to act as the Trustee (or to act as any successor Trustee) except the Fiscal Agent. Upon any resignation or removal of the Fiscal Agent in accordance with the Fiscal Agent Agreements, such event shall automatically cause the resignation or removal of the Trustee under the Indenture; and upon the appointment of a successor Fiscal Agent in accordance with the Fiscal Agent Agreements, such appointment shall automatically constitute the appointment of a successor Trustee under the Indenture. Under no circumstances shall the Trustee be removed or resign under the Indenture unless the Fiscal Agent shall be removed or resign as such under and pursuant to the Fiscal Agent Agreements.

Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee. (a) The recitals of facts in the Indenture and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or of the Bonds or shall incur any responsibility in respect

thereof, other than as expressly stated in the Indenture in connection with the respective duties or obligations therein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee makes no representations as to the validity or sufficiency of the Indenture or of any Bonds, or in respect of the security afforded by the Indenture and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to the issuance of the Bonds for value, the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee, or the application of any moneys paid to the Authority or others in accordance with the Indenture. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(e) No provision of the Indenture shall require the Trustee to risk or advance its own funds. The immunities and protections extended to the Trustee also extend to its directors, officers, employees and agents. The Trustee may execute any of its powers or duties under the Indenture through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

(f) Before taking action under the Indenture with respect to Events of Default or upon the direction of the Owners, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur.

(g) The Trustee shall not be deemed to have knowledge of an Event of Default under the Indenture unless it has actual knowledge thereof.

Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

Whenever in the administration of the duties imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Written Certificate of the Authority, and such Written Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Amendments Permitted. (a) The Indenture and the rights and obligations of the Authority, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which shall have been filed with the Trustee. No such modification or

amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or the rate of interest thereon, or extend the time of payment, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, without the consent of the Owners of all of the Bonds then Outstanding, or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(b) The Indenture and the rights and obligations of the Authority, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(iv) 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 in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(v) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and

(vi) in any other respect whatsoever as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners under the Indenture.

(c) Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Amendment of Particular Bonds. Nothing shall prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

Discharge of Indenture. If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated therein, then the Owners of such Bonds shall cease to be entitled to the pledge of the Revenues and

the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority to the Owners of such Bonds under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of and interest and premium, if any, on such Bonds.

Subject to the provisions of the above paragraph, when any of the Bonds shall have been paid and if, at the time of such payment, the Authority shall have kept, performed and observed all of the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by the Authority or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Authority.

Bonds Deemed To Have Been Paid. If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bonds and the interest thereon at the maturity or redemption date thereof, such Bonds shall be deemed to have been paid within the meaning and with the effect provided in the Indenture. Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the provisions thereof, (b) there shall have been deposited with the Trustee either (i) money in an amount which shall be sufficient, or (ii) Federal Securities that are not subject to redemption other than at the option of the holder thereof, the interest on and principal of which when paid will provide money which, together with the money, if any deposited with the Trustee at the same time, shall, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bonds, which sufficiency shall be verified in a report (a "Verification") of an independent firm of nationally recognized certified public accountants, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the owners of such Bonds that the deposit required by clause (b) above has been made with the Trustee and that such Bonds, are deemed to have been paid and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bonds. The Authority shall also cause to be delivered an escrow agreement and an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Indenture. Each Verification and defeasance opinion shall be acceptable in form and substance to the Authority, and shall be addressed to the Authority and the Trustee.

Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, to the extent permitted by law, any moneys held by the Trustee in trust for the payment of the principal of, or premium or interest on, any Bonds and remaining unclaimed for two years after the date of deposit of such moneys, shall be repaid to the Authority free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be

deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

Special Obligations. All obligations of the Authority under the Bonds shall be special obligations of the Authority, payable solely from Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City, or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds.

Limitation of Rights. Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Trustee, the Authority, and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Trustee, the Authority, and the Owners of the Bonds.

Evidence of Rights of Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in Person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any Person of Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in the Indenture.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of the Indenture relating to defeasance but without any liability for interest thereon.

Payment on Non-Business Days. In the event any payment is required to be made on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such non-Business Day.

Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing in the Indenture shall relieve any such officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

Governing Laws. The Indenture shall be governed by and construed in accordance with the laws of the State of California.

Series C Bonds. Series C Tax Covenants. (a) The Authority shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series C Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority shall comply with the requirements of the Series C Tax Certificate. This covenant shall survive payment in full or defeasance of the Series C Bonds.

(b) In the event that at any time the Authority is of the opinion that for purposes of these tax covenants it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established under the Indenture, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of the Indenture, if the Authority shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under the Indenture is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series C Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of these tax covenants and of the Series C Tax Certificate, and these tax covenants shall be deemed to be modified to that extent.

Series C Rebate Fund. (a) The Trustee shall establish and maintain a special fund designated the “Series C Rebate Fund.” There shall be deposited in the Series C Rebate Fund such amounts as are required to be deposited therein pursuant to the Series C Tax Certificate, as specified in a Written Request of the Authority. All money at any time deposited in the Series C Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Series C Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to the Indenture or anything to the contrary contained herein, all amounts required to be deposited into or on deposit in the Series C Rebate Fund shall be governed exclusively by the provisions under this caption and by the Series C Tax Certificate (which is incorporated in the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Series C Tax Certificate. The Trustee may conclusively rely upon the Authority’s determinations, calculations and certifications required by the Series C Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority’s calculations.

(b) Any funds remaining in the Series C Rebate Fund after payment in full of all of the Series C Bonds and after payment of any amounts described in the provisions under this caption, shall, upon receipt by the Trustee of a Written Request of the Authority, be withdrawn by the Trustee and remitted to the Authority.

Continuing Disclosure to Owners of Series C Bonds. The Authority and the Trustee shall comply with and carry out all of the provisions of the Series C Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Authority or the Trustee to comply with the Series C Continuing Disclosure Certificate shall not be considered an Event of Default; provided, however, that the Trustee, at the written direction of any Series C Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Series C Bonds, and upon indemnification of the Trustee to its reasonable satisfaction, shall, or any holder or beneficial owner of the Series C Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Series D Bonds. Series D Tax Covenants. (a) The Authority shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series D Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Authority shall comply with the requirements of the Series D Tax Certificate. This covenant shall survive payment in full or defeasance of the Series D Bonds.

(b) In the event that at any time the Authority is of the opinion that for purposes of these tax covenants it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established under the Indenture, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of the Indenture, if the Authority shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under the Indenture is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series D Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of these tax covenants and of the Series D Tax Certificate, and these tax covenants shall be deemed to be modified to that extent.

Series D Rebate Fund. (a) The Trustee shall establish and maintain a special fund designated the “Series D Rebate Fund.” There shall be deposited in the Series D Rebate Fund such amounts as are required to be deposited therein pursuant to the Series D Tax Certificate, as specified in a Written Request of the Authority. All money at any time deposited in the Series D Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Series D Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to the Indenture or anything to the contrary contained herein, all amounts required to be deposited into or on deposit in the Series D Rebate Fund shall be governed exclusively by the provisions under this caption and by the Series D Tax Certificate (which is incorporated in the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Series D Tax Certificate. The Trustee may conclusively rely upon the Authority’s determinations, calculations and certifications required by the Series D Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority’s calculations.

(b) Any funds remaining in the Series D Rebate Fund after payment in full of all of the Series D Bonds and after payment of any amounts described in the provisions under this caption, shall, upon receipt by the Trustee of a Written Request of the Authority, be withdrawn by the Trustee and remitted to the Authority.

Continuing Disclosure to Owners of Series D Bonds. The Authority and the Trustee shall comply with and carry out all of the provisions of the Series D Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Authority or the Trustee to comply with the Series D Continuing Disclosure Certificate shall not be considered an Event of Default; provided, however, that the Trustee, at the written direction of any Series D Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Series D Bonds, and upon indemnification of the Trustee to its reasonable satisfaction, shall, or any holder or beneficial owner of the Series D Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

The following is a brief summary of certain provisions of the Fiscal Agent Agreements not previously discussed in this Official Statement. Such summary is not intended to be definitive, and this summary is qualified in its entirety by reference to the full terms of each Fiscal Agent Agreement. Capitalized terms used under the caption “THE FISCAL AGENT AGREEMENTS” but not defined under the caption “THE FISCAL AGENT AGREEMENTS—Definitions,” shall have the meanings set forth under the caption “THE INDENTURE—Definitions.” Copies of each Fiscal Agent Agreement are available from the Fiscal Agent or the Authority.

THE FISCAL AGENT AGREEMENTS

Each Community Facilities District will execute a Fiscal Agent Agreement applicable solely to such Community Facilities District. Each Fiscal Agent Agreement is substantially similar to the other Fiscal Agent Agreements, and, as such, one Fiscal Agent Agreement is summarized below and is representative of each other Fiscal Agent Agreement. References to “the Fiscal Agent Agreement,” “the Community Facilities District,” “the Bonds,” the “Series 2015 Bonds” and the “Series 2019 Bonds” in this summary should be read accordingly. For example, the Fiscal Agent Agreement,” should be read to mean either the CFD No. 2 Fiscal Agent Agreement or the CFD No. 5 Fiscal Agent Agreement, but not all Fiscal Agent Agreements collectively. Similarly, references to “the “Community Facilities District” should be read to mean either CFD No. 2 or CFD No. 5, but not all Community Facilities Districts collectively. Differences between each Fiscal Agent Agreement are expressly noted below.

Definitions

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

“Additional Bonds” means Bonds other than Series 2004 Bonds, the Series 2006 Bonds, Series 2015 Bonds and Series 2019 Bonds issued under the Fiscal Agent Agreement in accordance with the provisions thereof.

“Administrative Expense Fund” means, with respect to CFD No. 5, the fund by that name established and held by the Community Facilities District pursuant to the Fiscal Agent Agreement. There is no Administrative Expense Fund established with respect to CFD No. 2.

“Administrative Expenses” means costs directly related to the administration of the Community Facilities District, consisting of the costs of computing the Special Taxes and preparing the annual Special Tax schedules and the costs of collecting the Special Taxes, the costs of remitting the Special Taxes to the Fiscal Agent, the fees and costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties required of it under the Fiscal Agent Agreement, an allocable share of the costs of the Authority (including the fees and costs of the Authority Trustee and its counsel) incurred by the Authority in connection with bonds of the Authority (including the Authority Bonds) issued to purchase Bonds (including the Series 2015 Bonds and the Series 2019 Bonds), the costs incurred by the Community Facilities District in complying with the disclosure provisions of any continuing disclosure undertaking and the Fiscal Agent Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Owners, the costs of the Community Facilities District related to an appeal of the Special Tax, any amounts required to be rebated to the federal government in order for the Community Facilities District to comply with the tax covenants contained in the Fiscal Agent Agreement, an allocable share of the salaries of the staff of the City providing services on behalf of the Community Facilities District directly related to the foregoing and a proportionate amount of general administrative overhead of the City related thereto, the costs of foreclosure of delinquent Special Taxes.

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

“Auditor” means the auditor of the County.

“Authorized Representative” means, with respect to the Community Facilities District, the City Manager and the Finance Director of the City, and any other Person designated as an Authorized Representative of the Community Facilities District in a Written Certificate of the Community Facilities District filed with the Fiscal Agent.

“Authority Bonds” means the Series A Authority Bonds and any additional bonds issued under the Authority Indenture, any portion of the proceeds of which are applied to the purchase of Additional Bonds.

“Authority Indenture” means the Indenture, dated as of February 1, 2004, by and between the Authority and U.S. Bank National Association, as trustee, as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof.

“Authority Trustee” means U.S. Bank National Association, as trustee under the Authority Indenture, or any successor thereto as trustee thereunder.

“Average Annual Debt Service” means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

“Bond Fund” means the fund by that name established and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Bonds” means the City of Chino Hills Los Ranchos Community Facilities District No. 2 Special Tax Bonds issued under the CFD No. 2 Fiscal Agent Agreement, and includes the Series 2015 Bonds, the Series 2019 Bonds and any Additional Bonds issued thereunder, and the City of Chino Hills Soquel Canyon, Rincon and Woodview Community Facilities District No. 5 Special Tax Bonds issued under the CFD No. 5 Fiscal Agent Agreement, and includes the Series 2015 Bonds, the Series 2019 Bonds and any Additional Bonds issued thereunder.

“Book-Entry Bonds” means the Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and

provisions of the Fiscal Agent Agreement.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday in the State of California, (b) a day on which banking institutions in the State of California, or in any state in which the Office of the Fiscal Agent is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

“Community Facilities District” means City of Chino Hills Los Ranchos Community Facilities District No. 2, a community facilities district organized and existing under the laws of the State of California, and any successor thereto, or City of Chino Hills Soquel Canyon, Rincon and Woodview Community Facilities District No. 5, a community facilities district organized and existing under the laws of the State of California, and any successor thereto.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Community Facilities District relating to the authorization, issuance, sale and delivery of the Bonds and the Authority Bonds, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Fiscal Agent and its counsel, including the Fiscal Agent’s first annual administrative fee, initial fees, expenses and charges of the Authority Trustee and its counsel, including the Authority Trustee’s first annual administrative fee, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and the Authority Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds and the Authority Bonds, including any premium for a municipal bond insurance policy securing payment of Authority Bonds.

“Costs of Issuance Fund” means the fund by that name to be established and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“County” means the County of San Bernardino, a political subdivision of the State of California, organized and existing under the laws of the State of California, and any successor thereto.

“Fiscal Agent” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or any successor thereto as Fiscal Agent under the Fiscal Agent Agreement, appointed as provided therein.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official fiscal year period of the Community Facilities District designated in a Written Certificate of the Community Facilities District delivered to the Fiscal Agent.

“Independent Consultant” means any consultant or firm of such consultants selected by the Community Facilities District and who, or each of whom (a) is generally recognized to be qualified in the financial consulting field, (b) is in fact independent and not under the control of the Community Facilities District or the City, (c) does not have any substantial interest, direct or indirect, with or in the Community Facilities District or the City, or any owner of real property in the Community Facilities District, or any real property in the Community Facilities District, and (d) is not connected with the Community Facilities District or the City as an officer or employee thereof, but who may be regularly retained to make reports to the Community Facilities District or the City.

“Interest Payment Dates” means, with respect to CFD No. 2 and CFD No. 5, March 1 and September 1 of each year so long as any Bonds remain Outstanding.

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

“Net Special Tax Revenues” means Special Tax Revenues, less amounts required to pay Administrative Expenses (subject, with respect to CFD No. 5, to the limitations contained in the Fiscal Agent Agreement as to the amounts available to pay Administrative Expenses at any particular time).

“Office of the Fiscal Agent” means the principal corporate trust office of the Fiscal Agent in Los Angeles, California, or such other office as may be specified to the Community Facilities District by the Fiscal Agent in writing.

“Ordinance” means any ordinance adopted by the City Council levying the Special Taxes.

“Original Purchaser” means the Authority, as the original purchaser of the Bonds.

“Outstanding” means, when used as of any particular time with reference to Bonds, subject to the provisions of the Fiscal Agent Agreement relating to disqualified Bonds, all Bonds theretofore, or thereupon being, authenticated and delivered by the Fiscal Agent under the Fiscal Agent Agreement except (a) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation, (b) Bonds with respect to which all liability of the Community Facilities District shall have been discharged in accordance with the defeasance provisions of the Fiscal Agent Agreement, including Bonds (or portions of Bonds) disqualified under the Fiscal Agent Agreement, and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Owner” means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

“Permitted Investments” means the following, to the extent that such securities are otherwise eligible legal investments of the Community Facilities District:

(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 (collectively “United States Obligations”). These include, but are not necessarily limited to:

- U.S. Treasury obligations
All direct or fully guaranteed obligations
- Farmers Home Administration
Certificates of beneficial ownership
- General Services Administration
Participation certificates
- U.S. Maritime Administration
Guaranteed Title XI financing
- Small Business Administration
Guaranteed participation certificates
- Guaranteed pool certificates
- Government National Mortgage Association (GNMA) GNMA-guaranteed mortgage-backed securities GNMA-guaranteed participation certificates
- U.S. Department of Housing & Urban Development
Local authority bonds
- Washington Metropolitan Area Transit Authority
Guaranteed transit bonds

(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 mortgages securities which are purchased at prices exceeding their principal amounts)
- Student Loan Marketing Association (SLMA)
Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
- Financing Corporation (FICO) Debt obligations
- Resolution Funding Corporation (REFCORP) Debt obligations

(4) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank 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), in banks which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

(7) Money market funds rated "Aam" or "Aam-G" by S&P, or better and, subject to the prior written consent of S&P and Moody's, the investment pool maintained by the county in which the Community Facilities District is located or other investment pools, in either case so long as such pool is rated in one of the two highest rating categories by S&P and Moody's.

(8) Repurchase agreements:

A. With (i) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "AA" by S&P and "Aa" by Moody's; (ii) 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 Corp. (SIPC); or (iii) any other entity rated "AA" or better by S&P and "Aa" or better by 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 "AA" and "Aa", respectively, rating in an "AA" and "Aa," respectively, rated structured financing (with a market value approach);

b. The Fiscal Agent or a third party acting solely as agent therefor or for the Community Facilities 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 is 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;

e. The repurchase agreement shall provide that if during its term 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 Community Facilities District or the Fiscal Agent, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Community Facilities District or Fiscal Agent.

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.

(9) State Obligations, which means (a) Direct general obligations of any state of the United States 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 described in (a) above and rated "A-1+" by S&P and "Prime-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.

(10) 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 and "Aa" by Moody's; provided, that, by the terms of the investment agreement:

(a) interest payments are to be made to the Fiscal Agent at times and in amounts as necessary to pay debt service on the Series A 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 Fiscal Agent and the Community Facilities District hereby 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 it 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 Fiscal Agent or the Community Facilities District receive the opinion of domestic counsel (which opinion shall be addressed to the Community Facilities District) that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable;

(e) the investment agreement shall provide that if during its term (i) the provider's rating by either Moody's or S&P falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (A) 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 Fiscal Agent, the Community

Facilities District or a 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 (B) repay the principal of and accrued but unpaid interest, on the investment, and (ii) the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A3" or "A," respectively, the provider must, at the direction of the Community Facilities District or the Fiscal Agent, 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 Community Facilities District or Fiscal Agent;

(f) the investment agreement shall state, and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of 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 Collateral is in possession); and

(g) the investment agreement must provide that if during its term (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Community Facilities District or the Fiscal Agent, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Community Facilities District or Fiscal Agent, as appropriate, and (ii) 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 Community Facilities District or Fiscal Agent, as appropriate.

(11) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) 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 the United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

"Priority Administrative Expense Amount" means, with respect to CFD No. 5 only, (a) for Fiscal Year 2006-07, \$50,000 with respect to CFD No. 5, and (b) for any subsequent Fiscal Year, the amount resulting from increasing the Priority Administrative Expense Amount on each July 1, from and including July 1, 2007 to and including the July 1 in such Fiscal Year by 2% of the amount in effect for the previous Fiscal Year.

"Rate and Method" means the rate and method of apportionment of the Special Taxes approved by the

qualified electors of the Community Facilities District.

“Rebate Fund” means the fund by that name established and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Record Date” means the 15th calendar day of the month preceding each Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Redemption Price” means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant to the Fiscal Agent Agreement.

“Registration Books” means the records maintained by the Fiscal Agent for the registration of ownership and registration of transfer of the Bonds pursuant to the Fiscal Agent Agreement.

“Reserve Fund” means the fund by that name established and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Reserve Requirement” under each Fiscal Agent Agreement relating to CFD No. 2 and to CFD No. 5 is defined to mean, (a) prior to the issuance of any Series of Additional Bonds after the Series 2006 Closing Date, an amount specified in each such Fiscal Agent Agreement, (b) prior to the issuance of any Series of Additional Bonds after the Series 2015 Closing Date, an amount specified in each such Fiscal Agent Agreement, and (c) upon the issuance of each Series of Additional Bonds after the Series 2015 Closing Date, an amount that is (i) calculated on the applicable closing date to provide security comparable to that provided for the Series 2004 Bonds and the Series 2006 Bonds pursuant to clause (a), above, and for the Series 2006 Bonds and the Series 2015 Bonds pursuant to clause (b), which security is the least of (x) 10% of the original principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (y) Maximum Annual Debt Service, and (z) 125% of Average Annual Debt Service, provided that such Reserve Requirement shall not be less than an amount so that even if the owners of the two parcels upon which the greatest and the next to greatest amount of Special Taxes could be levied from the Series 2006 Closing Date through the maturity date of the Outstanding Bonds were to fail to make such payments each year through the final maturity of the Outstanding Bonds, the amount of Special Taxes payable by the other owners of property within the Community Facilities District, together with amounts anticipated to be available in the Reserve Fund (including reasonably anticipated earnings on amounts therein), would be sufficient to pay debt service on the Outstanding Bonds as and when payable through the maturity of the Outstanding Bonds, and (ii) specified in the Supplemental Indenture pursuant to which such Series of Additional Bonds are issued.

“Revenue Account” means the account by that name within the Improvement Fund established and held by the Community Facilities District pursuant to the Fiscal Agent Agreement.

“Series” means the initial series of Bonds executed, authenticated and delivered on the date of initial issuance of the Bonds and identified pursuant to the Fiscal Agent Agreement as the Series 2004 Bonds, and any Additional Bonds issued pursuant to a Supplemental Fiscal Agent Agreement and identified as a separate Series of Bonds.

“Series A Authority Bonds” means the Chino Hills Financing Authority Revenue Bonds (Community Facilities District Bond Program), Series A, issued under the Authority Indenture.

“Series B Authority Bonds” means the Chino Hills Financing Authority Revenue Bonds (Community Facilities District Bond Program), Series B, issued under the Authority Indenture.

“Series C Authority Bonds” means the Chino Hills Financing Authority Revenue Bonds (Community Facilities District Bond Program), Series C, issued under the Authority Indenture.

“Series C Authority Continuing Disclosure Certificate” means the Continuing Disclosure Certificate, dated the Series C Closing Date, executed and delivered by the Authority.

“Series D Authority Bonds” means the Chino Hills Financing Authority Revenue Refunding Bonds (Community Facilities District Bond Program), Series D, issued under the Authority Indenture.

“Series D Authority Continuing Disclosure Certificate” means the Continuing Disclosure Certificate, dated the Series D Closing Date, executed and delivered by the Authority.

“Series 2006 Bonds” the City of Chino Hills Rolling Ridge Community Facilities District No. 1 Special Tax Bonds, Series 2006, issued under the CFD No. 1 Fiscal Agent Agreement, the City of Chino Hills Los Ranchos Community Facilities District No. 2 Special Tax Bonds, Series 2006, issued under the CFD No. 2 Fiscal Agent Agreement, the City of Chino Hills Soquel Canyon, Rincon and Woodview Community Facilities District No. 5 Special Tax Bonds, Series 2006, issued under the CFD No. 5 Fiscal Agent Agreement, or the City of Chino Hills Carbon Canyon Area Community Facilities District No. 6 Special Tax Bonds, Series 2006, issued under the CFD No. 6 Fiscal Agent Agreement.

“Series 2015 Bonds” the City of Chino Hills Los Ranchos Community Facilities District No. 2 Special Tax Bonds, Series 2015, issued under the CFD No. 2 Fiscal Agent Agreement, and the City of Chino Hills Soquel Canyon, Rincon and Woodview Community Facilities District No. 5 Special Tax Bonds, Series 2015, issued under the CFD No. 5 Fiscal Agent Agreement.

“Series 2015 Rebate Fund” means the fund by that name established and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Series 2015 Rebate Requirement” has the meaning ascribed to Rebate Requirement in the Series 2015 Tax Certificate.

“Series 2015 Tax Certificate” means the Tax Certificate executed by the Authority, City of Chino Hills Los Ranchos Community Facilities District No. 2, and City of Chino Hills Soquel Canyon, Rincon and Woodview Community Facilities District No. 5, at the time of issuance of the Series 2015 Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Series 2019 Bonds” the City of Chino Hills Los Ranchos Community Facilities District No. 2 Special Tax Refunding Bonds, Series 2019, issued under the CFD No. 2 Fiscal Agent Agreement, and the City of Chino Hills Soquel Canyon, Rincon and Woodview Community Facilities District No. 5 Special Tax Refunding Bonds, Series 2019, issued under the CFD No. 5 Fiscal Agent Agreement.

“Series 2019 Closing Date” means the date upon which the Series 2019 Bonds are delivered to the Series 2019 Original Purchaser, being December __, 2019.

“Series 2019 Escrow Agreement” means the Escrow Deposit Agreement dated as of December 1, 2019, by and between the City and the Series 2019 Escrow Bank.

“Series 2019 Escrow Bank” means U.S. Bank National Association, as escrow bank under the Series 2019 Escrow Agreement.

“Series 2019 Escrow Fund” means the fund established under the Series 2015 Escrow Agreement.

“Series 2019 Original Purchaser” means the Authority, as the original purchaser of the Series 2019 Bonds from the Community Facilities District.

“Series 2019 Rebate Fund” means the fund by that name established and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

“Series 2019 Rebate Requirement” has the meaning ascribed to Rebate Requirement in the Series 2019 Tax Certificate.

“Series 2019 Tax Certificate” means the Tax Certificate executed by the Authority, City of Chino Hills Los Ranchos Community Facilities District No. 2, and City of Chino Hills Soquel Canyon, Rincon and Woodview Community Facilities District No. 5, at the time of issuance of the Series 2019 Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Special Tax Fund” means the fund by that name established and held by the Community Facilities District

pursuant to the Fiscal Agent Agreement.

“Special Tax Revenues” means the proceeds of the Special Taxes received by or on behalf of the Community Facilities District, including any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes, which shall be limited to the amount of said lien and interest and penalties thereon.

“Special Taxes” means the special taxes identified as Special Tax B in the Rate and Method levied within the Community Facilities District pursuant to the Act, the Ordinance and the Fiscal Agent Agreement.

“Supplemental Fiscal Agent Agreement” means any supplemental agreement amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such Supplemental Fiscal Agent Agreement is specifically authorized under the Fiscal Agent Agreement.

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

Certain Provisions of each Fiscal Agent Agreement

Costs of Issuance Fund. If so provided in the Supplemental Fiscal Agent Agreement pursuant to which Additional Bonds are issued, the Fiscal Agent shall establish and maintain a separate fund designated the “Costs of Issuance Fund.” There shall be deposited in the Cost of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Fiscal Agent Agreement pursuant to which such Additional Bonds are issued.

The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Fiscal Agent from time to time to pay the Costs of Issuance upon submission of a Written Request of the Community Facilities District stating (a) the Person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder.

Conditions for the Issuance of Additional Bonds. The Community Facilities District may at any time issue one or more Series of Additional Bonds (in addition to the Series 2015 Bonds and Series 2019 Bonds) payable from Net Special Tax Revenues as provided in the Fiscal Agent Agreement on a parity with all other Bonds theretofore issued thereunder, but only subject to the following conditions, which are made conditions precedent to the issuance of such Additional Bonds:

(a) The issuance of such Additional Bonds shall have been authorized under and pursuant to the Act and under and pursuant to the Fiscal Agent Agreement and shall have been provided for by a Supplemental Fiscal Agent Agreement which shall specify the following:

(i) The purpose for which such Additional Bonds are to be issued; provided, that the proceeds of the sale of such Additional Bonds shall be applied only for the purpose of (A) providing funds to pay the costs of the Facilities, (B) providing funds to refund any Bonds issued under the Fiscal Agent Agreement, (C) providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional Bonds, and (D) providing funds to make any deposit to the Reserve Fund required pursuant to paragraph (vi) below;

(ii) The principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds;

(iii) The date, the maturity date or dates, the interest payment dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, that (A) the serial Bonds of such Series of Additional Bonds shall be payable as to principal

annually on September 1 of each year in which principal falls due, and the term Bonds of such Series of Additional Bonds shall have annual mandatory sinking fund redemptions on September 1, (B) the Additional Bonds shall be payable as to interest semiannually on March 1 and September 1 of each year, except that the first installment of interest may be payable on either March 1 or September 1 and shall be for a period of not longer than twelve months and the interest shall be payable thereafter semiannually on March 1 and September 1, (C) all Additional Bonds of a Series of like maturity shall be identical in all respects, except as to number or denomination, and (D) serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(iv) The redemption premiums and terms, if any, for such Additional Bonds;

(v) The form of such Additional Bonds;

(vi) The amount to be deposited from the proceeds of sale of such Additional Bonds in the Reserve Fund; provided, that the Reserve Fund shall be increased at the time that such Additional Bonds become Outstanding to an amount at least equal to the Reserve Requirement, and an amount at least equal to the Reserve Requirement shall thereafter be maintained in the Reserve Fund; and

(vii) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Fiscal Agent Agreement;

(b) Upon the issuance of such Additional Bonds, no default shall have occurred and be continuing under the Fiscal Agent Agreement; and

(c) If such Additional Bonds are being issued to provide funds to pay costs of the Facilities, the Community Facilities District shall have received a certificate from one or more Independent Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the Community Facilities District as of the June 1 preceding the proposed issuance of such Additional Bonds, the amount of maximum Special Taxes that may be levied on parcels within the Community Facilities District not then delinquent in the payment of Special Taxes pursuant to the Act, the Ordinance and the Rate and Method in each Fiscal Year is at least equal to the sum of (i) 110% of Annual Debt Service for the Bond Year commencing in such Fiscal Year on all Bonds that will be Outstanding after the issuance of such Additional Bonds, and (ii) an amount sufficient to pay Administrative Expenses projected to be payable in the Bond Year commencing in such Fiscal Year, which projections shall be reasonably based on actual, historical payments for Administrative Expenses in prior Bond Years. For purposes of making the certifications required by this paragraph (c), the Independent Consultants may rely on reports or certificates of such other persons as may be acceptable to the Community Facilities District.

With respect to CFD No. 5 only, the immediately preceding paragraph (c) reads as follows in such Fiscal Agent Agreement:

If such Additional Bonds are being issued to provide funds to pay costs of the Facilities, the Community Facilities District shall have received a certificate from one or more Independent Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the Community Facilities District as of the June 1 preceding the proposed issuance of such Additional Bonds, (A) the amount of Special Tax Revenues generated from maximum Special Taxes that may be levied on parcels within the Community Facilities District not then delinquent in the payment of Special Taxes pursuant to the Act, the Ordinance and the Rate and Method in each Fiscal Year is at least equal to the sum of (1) 110% of Annual Debt Service for the Bond Year commencing in such Fiscal Year on all Bonds that will be Outstanding after the issuance of such Additional Bonds, and (2) an amount sufficient to pay Administrative Expenses projected to be payable in the Bond Year commencing in such Fiscal Year, which projections shall be reasonably based on actual, historical payments for Administrative Expenses in prior Bond Years and (B) the amount of maximum Special Taxes that may be levied on Dwelling Units within the Community Facilities District not then delinquent in the payment of Special Taxes pursuant to the Act, the Ordinance and the Rate and such Fiscal Year on all Bonds that will be Outstanding after the issuance of such Additional Bonds. For purposes of making the certifications

required by this paragraph (c), the Independent Consultants may rely on reports or certificates of such other persons as may be acceptable to the Community Facilities District. "Dwelling Unit" shall have the meaning ascribed thereto in the Rate and Method.

(d) If such Additional Bonds are being issued to provide funds to refund any Bonds issued under the Fiscal Agent Agreement, Annual Debt Service in each Bond Year, calculated for all Bonds to be Outstanding after the issuance of such Additional Bonds, shall be less than or equal to Annual Debt Service in such Bond Year, calculated for all Bonds Outstanding immediately prior to the issuance of such Additional Bonds.

Nothing contained in the Fiscal Agent Agreement shall limit the issuance of any special tax bonds payable from Special Taxes if, after the issuance and delivery of such special tax bonds, none of the Bonds theretofore issued thereunder will be Outstanding.

Procedure for the Issuance of Additional Bonds. At any time after the sale of any Additional Bonds in accordance with the Act, such Additional Bonds shall be executed by the Community Facilities District for issuance under the Fiscal Agent Agreement and shall be delivered to the Fiscal Agent and thereupon shall be authenticated and delivered by the Fiscal Agent, but only upon receipt by the Fiscal Agent of the following:

(a) A certified copy of the Supplemental Fiscal Agent Agreement authorizing the issuance of such Additional Bonds;

(b) A Written Request of the Community Facilities District as to the delivery of such Additional Bonds;

(c) An opinion of Bond Counsel substantially to the effect that (i) the Fiscal Agent Agreement and all Supplemental Fiscal Agent Agreements have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Community Facilities District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California), (ii) such Additional Bonds constitute valid and binding special obligations of the Community Facilities District payable solely from Net Special Tax Revenues as provided in the Fiscal Agent Agreement and are enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California), and (iii) the issuance of such Additional Bonds, in and of itself, will not adversely affect the exclusion of interest on the Bonds Outstanding prior to the issuance of such Additional Bonds from gross income for federal income tax purposes;

(d) The proceeds of the sale of such Additional Bonds; and

(e) Such further documents or money as are required by the provisions of the Fiscal Agent Agreement or by the provisions of the Supplemental Fiscal Agent Agreement authorizing the issuance of such Additional Bonds.

Additional Bonds. So long as any of the Bonds remain Outstanding, the Community Facilities District shall not issue any Additional Bonds or obligations payable from Net Special Tax Revenues on a parity with the Bonds, except pursuant to the Fiscal Agent Agreement. So long as any of the Bonds remain Outstanding, the Community Facilities District shall not issue any obligations payable from Net Special Tax Revenues on a basis senior to the Bonds. The Community Facilities District may issue obligations payable from Net Special Tax Revenues on a basis subordinate to the Bonds, without complying with the Fiscal Agent Agreement.

Pledge. Subject only to the provisions of the Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Net Special Tax Revenues and any other amounts (including proceeds of the sale of the Bonds) held in the Bond Fund, the Reserve Fund and the Redemption Fund are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Fiscal Agent Agreement and the Act. Said pledge shall constitute a first lien on such assets.

Special Tax Fund. (a) The Community Facilities District has established and maintains a separate fund designated the “Special Tax Fund”. Upon receipt by the Community Facilities District of any Special Tax Revenues, the Community Facilities District shall deposit such Special Tax Revenues in the Special Tax Fund.

(b) The moneys in the Special Tax Fund may be used and withdrawn by the Community Facilities District from time to time to pay Administrative Expenses as and when the same shall become due.

(c) No later than five Business Days before each Interest Payment Date, after having made any withdrawals from the Special Tax Fund in accordance with subsection (b), the Community Facilities District shall withdraw from the Special Tax Fund and transfer to the Fiscal Agent Net Special Tax Revenues in an amount sufficient to enable the Fiscal Agent to transfer, first, to the Bond Fund, Net Special Tax Revenues in the amount, if any, necessary to cause the amount on deposit in the Bond Fund to be equal to the principal and interest due on the Bonds on such Interest Payment Date, and, second, to the Reserve Fund, Net Special Tax Revenues in the amount, if any, necessary to cause the amount on deposit in the Reserve Fund to be equal to the Reserve Requirement. Upon the receipt of such amounts from the Community Facilities District, the Fiscal Agent shall make said transfers.

(d) On September 2 of each year, the Community Facilities District shall transfer any amounts remaining in the Special Tax Fund to the Revenue Account of the Improvement Fund.

With respect to CFD No. 5 only, the immediately preceding provisions read as follows in such Fiscal Agent Agreement:

(a) The Community Facilities District shall establish and maintain a separate fund designated the “Special Tax Fund.” Upon receipt by the Community Facilities District of any Special Tax Revenues, the Community Facilities District shall deposit such Special Tax Revenues in the Special Tax Fund.

(b) No later than five Business Days before each Interest Payment Date, the Community Facilities District shall make the following transfers in the following priority:

(i) The Community Facilities District shall withdraw from the Special Tax Fund and transfer to the Administrative Expense Fund an amount equal to one-half of the Priority Administrative Expense Amount for the Fiscal Year in which such Interest Payment Date occurs; provided, however, that the Community Facilities District may transfer less than such amount if the Community Facilities District determines that such lesser amount will be sufficient to pay Administrative Expenses.

(ii) The Community Facilities District shall withdraw from the Special Tax Fund and transfer to the Fiscal Agent Net Special Tax Revenues in an amount sufficient to enable the Fiscal Agent to transfer to the Bond Fund, Net Special Tax Revenues in the amount, if any, necessary to cause the amount on deposit in the Bond Fund to be equal to the principal and interest due on the Bonds on such Interest Payment Date. Upon the receipt of such amount from the Community Facilities District, the Fiscal Agent shall make said transfer.

(iii) The Community Facilities District shall withdraw from the Special Tax Fund and transfer to the Fiscal Agent Net Special Tax Revenues in an amount sufficient to enable the Fiscal Agent to transfer to the Reserve Fund, Net Special Tax Revenues in the amount, if any, necessary to cause the amount on deposit in the Reserve Fund to be equal to the Reserve Requirement. Upon the receipt of such amount from the Community Facilities District, the Fiscal Agent shall make said transfer.

(c) On September 2 of each year, the Community Facilities District shall transfer from the Special Tax Fund, first, to the Administrative Expense Fund the amount necessary to be transferred thereto in order to have sufficient amounts available therein to pay Administrative Expenses, and, second, to the Revenue Account of the Improvement Fund any amounts remaining in the Special Tax Fund.

Bond Fund. The Fiscal Agent has established and maintains a separate fund designated the “Bond Fund.” There shall be deposited in the Bond Fund the amounts required to be deposited therein pursuant to the Fiscal Agent Agreement. There shall additionally be deposited in the Bond Fund the portion, if any, of the proceeds of the sale of Additional Bonds required to be deposited therein under the Supplemental Fiscal Agent Agreement pursuant to which such Additional Bonds are issued.

In the event that, on the Business Day prior to an Interest Payment Date, amounts in the Bond Fund are insufficient to pay the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds, the Fiscal Agent shall withdraw from the Reserve Fund, to the extent of any funds therein, the amount of such insufficiency, and shall transfer any amounts so withdrawn to the Bond Fund.

On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund for payment to the Owners of the Bonds the principal, if any, of and interest on the Bonds then due and payable, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds.

Administrative Expense Fund. With respect to CFD No. 5 only, such Fiscal Agent Agreement provides that the Community Facilities District shall establish and maintain a special fund designated the “Administrative Expense Fund.” There shall additionally be deposited in the Administrative Expense Fund the amounts transferred from the Special Tax Fund and required to be deposited therein pursuant to the Fiscal Agent Agreement. The moneys in the Administrative Expense Fund shall be used and withdrawn by the Community Facilities District from time to time to pay Administrative Expenses as and when the same shall become due.

Redemption Fund. The Fiscal Agent has established and maintains a special fund designated the “Redemption Fund.” The Fiscal Agent shall deposit in the Redemption Fund any amounts required to be deposited therein pursuant to any Supplemental Fiscal Agent Agreement.

Amounts in the Redemption Fund shall be disbursed therefrom to pay the Redemption Price of Additional Bonds redeemed under the Supplemental Fiscal Agent Agreement pursuant to which such Additional Bonds are issued.

Reserve Fund. The Fiscal Agent has established and maintains a special fund designated the “Reserve Fund.” The Fiscal Agent shall deposit in the Reserve Fund the amount specified in the Fiscal Agent Agreement. There shall additionally be deposited in the Reserve Fund, in connection with the issuance of Additional Bonds (including the 2019 Bonds), the amount required to be deposited therein under the Supplemental Fiscal Agent Agreement pursuant to which such Additional Bonds are issued.

Except as otherwise provided, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of and interest on the Bonds or, in accordance with these provisions, for the purpose of redeeming Bonds. Transfers shall be made from the Reserve Fund to the Bond Fund in the event of a deficiency in the Bond Fund.

So long as no Event of Default shall have occurred and be continuing, any amount in the Reserve Fund in excess of the Reserve Requirement on September 15 of each year shall be withdrawn from the Reserve Fund by the Fiscal Agent and shall be deposited in the Bond Fund.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon receipt of a Written Request of the Community Facilities District, transfer the amount in the Reserve Fund to the Bond Fund or Redemption Fund, as applicable, to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding Bonds.

Whenever Bonds are to be optionally redeemed, a proportionate share, determined as provided below, of the amount on deposit in the Reserve Fund shall, on the Business Day prior to the date on which such Bonds are to be redeemed, be transferred by the Fiscal Agent from the Reserve Fund to the Redemption Fund and shall be applied to the redemption of said Bonds; provided, however, that such amount shall be so transferred only if and to the extent that the amount remaining on deposit in the Reserve Fund will be at least equal to the Reserve Requirement (excluding from the calculation thereof said Bonds to be redeemed). Such proportionate share shall be equal to the largest integral multiple of \$5,000 that is not larger than the amount equal to the product of (a) the amount on deposit in the Reserve Fund on the date five Business Days prior to the date notice of redemption of such Bonds is required to be given pursuant to the provisions of the Fiscal Agent Agreement, times (b) a fraction, the numerator of which is the principal amount of Bonds to be so redeemed and the denominator of which is the principal amount of Bonds to be Outstanding on the day prior to the date on which such Bonds are to be so redeemed.

Rebate Fund. The Fiscal Agent shall establish and maintain a special fund designated the “Rebate Fund.” There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate, as specified in a Written Request of the Community Facilities District. All money at any time deposited in the Rebate Fund shall be held by the Fiscal Agent in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds or anything to the contrary contained in the Fiscal Agent Agreement, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by the provisions under this caption and by the Tax Certificate (which is incorporated by reference). The Fiscal Agent shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Community Facilities District, and shall have no liability or responsibility to enforce compliance by the Community Facilities District with the terms of the Tax Certificate. The Fiscal Agent may conclusively rely upon the Community Facilities District’s determinations, calculations and certifications required by the Tax Certificate. The Fiscal Agent shall have no responsibility to independently make any calculation or determination or to review the Community Facilities District’s calculations.

Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described above, shall, upon receipt by the Fiscal Agent of a Written Request of the Community Facilities District, be withdrawn by the Fiscal Agent and remitted to the Community Facilities District.

Investment of Moneys. Except as otherwise provided in the Fiscal Agent Agreement, all moneys in any of the funds or accounts established pursuant to the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent solely in Permitted Investments, as directed in writing by the Community Facilities District two Business Days prior to the making of such investment. Moneys in all funds and accounts held by the Fiscal Agent shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Fiscal Agent Agreement; provided, however, that Permitted Investments in which moneys in the Reserve Fund are so invested shall mature no later than the earlier of five years from the date of investment or the final maturity date of the Bonds; provided, further, that if such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date, any amount in the Reserve Fund may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final maturity date of the Bonds. Absent timely written direction from the Community Facilities District, the Fiscal Agent shall invest any funds held by it in Permitted Investments described in clause (7) of the definition thereof.

Subject to the provisions of the Fiscal Agent Agreement relating to rebate, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture (other than the Reserve Fund) shall be retained therein. Any interest or profits or other income received with respect to investments held in the Reserve Fund shall, prior to the date the Written Certificate of the Community Facilities District is received by the Trustee, be transferred by the Trustee to the Community Facilities District for deposit in the Proceeds Account and, thereafter, be transferred by the Trustee to the Bond Fund; provided, however, that, notwithstanding the foregoing, any such transfer shall be made from the Reserve Fund only if and to the extent that, after such transfer, the amount on deposit in the Reserve Fund is at least equal to the Reserve Requirement.

Permitted Investments acquired as an investment of moneys in any fund or account established under the Fiscal Agent Agreement shall be credited to such fund or account. For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund shall be valued by the Fiscal Agent at the market value thereof, such valuation to be performed not less frequently than semiannually on or before each February 15 and August 15.

The Fiscal Agent may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Community Facilities District, the Fiscal Agent shall sell or present for redemption any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Fiscal Agent shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Fiscal Agent Agreement. For purposes of investment, the Fiscal Agent may commingle moneys in any of the funds and accounts established under the Fiscal Agent Agreement.

Collection of Special Tax Revenues. The Community Facilities District shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

Prior to August 1 of each year, the Community Facilities District shall ascertain from the County Assessor the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year. The Community Facilities District shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 10 that the Bonds are Outstanding, or otherwise such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the Community Facilities District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Community Facilities District shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

The Community Facilities District shall fix and levy the amount of Special Taxes within the Community Facilities District in accordance with the Rate and Method and, subject to the limitations in the Rate and Method as to the maximum Special Tax that may be levied, in an amount sufficient to yield Special Tax Revenues in the amount required for the payment of principal of and interest on any Outstanding Bonds becoming due and payable during the ensuing year, the amount required for any necessary replenishment of the Reserve Fund and the amount estimated to be sufficient to pay the Administrative Expenses during such year, taking into account the balances in the funds and accounts established under the Fiscal Agent Agreement.

The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

Foreclosure. Pursuant to Section 53356.1 of the Act, the Community Facilities District covenants with and for the benefit of the Owners of the Bonds that it will determine or cause to be determined, no later than August 1 of each year, whether or not any owners of property within the Community Facilities District are delinquent in the payment of Special Taxes and, if such delinquencies exist, the Community Facilities District will order and cause to be commenced no later than December 1, and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due; provided, however, that the Community Facilities District shall not be required to order the commencement of foreclosure proceedings if (a) the total Special Tax delinquency in the Community Facilities District for such Fiscal Year is less than 5% of the total Special Tax levied in such Fiscal Year, and (b) the amount then on deposit in the Reserve Fund is equal to the Reserve Requirement. Notwithstanding the foregoing, if the Community Facilities District determines that any single property owner in the Community Facilities District is delinquent in excess of \$25,000 in the payment of the Special Tax, then the Community Facilities District will diligently institute, prosecute and pursue foreclosure proceedings against such property owner.

Punctual Payment. The Community Facilities District shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Fiscal Agent Agreement, according to the true intent and meaning thereof, but only out of Net Special Tax Revenues and other assets pledged for such payment as provided in the Fiscal Agent Agreement and received by the Community Facilities District or the Fiscal Agent.

Extension of Payment of Bonds. The Community Facilities District shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Fiscal Agent Agreement, to the benefits of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing shall be deemed to limit the right of the Community Facilities District to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Community Facilities District shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Special Tax Revenues and other assets pledged under the Fiscal Agent Agreement while any of the Bonds are Outstanding, except as permitted by the Fiscal Agent Agreement.

Power to Issue Bonds and Make Pledge. The Community Facilities District is duly authorized pursuant to the Act to issue the Bonds and to enter into the Fiscal Agent Agreement and to pledge the Net Special Tax Revenues and other assets pledged under the Fiscal Agent Agreement in the manner and to the extent provided in the Fiscal Agent Agreement. The Bonds and the provisions of the Fiscal Agent Agreement are and will be the legal, valid and binding special obligations of the Community Facilities District in accordance with their terms, and the Community Facilities District and the Fiscal Agent shall at all times, to the extent permitted by law, defend, preserve and protect said pledge of Net Special Tax Revenues and other assets and all the rights of the Bond Owners under the Fiscal Agent Agreement against all claims and demands of all Persons whomsoever.

Compliance with Act. The Community Facilities District shall comply with all applicable provisions of the Act.

Reduction in Special Taxes. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the Community Facilities District shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

Authority Costs. The Community Facilities District shall pay to the Authority from time to time as requested by the Authority an allocable share of the costs of the Authority (including the fees and costs of the Authority Trustee and its counsel) incurred by the Authority in connection with bonds of the Authority (including the Authority Bonds) issued to purchase Bonds.

Further Assurances. The Community Facilities District shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Fiscal Agent Agreement and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Fiscal Agent Agreement.

Events of Default. The following events shall be Events of Default:

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

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

(c) Failure by the Community Facilities District to observe and perform any of the other covenants, agreements or conditions on its part in the Fiscal Agent Agreement or in the Bonds contained, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Community Facilities District by the Fiscal Agent or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, if in the reasonable opinion of the Community Facilities District the failure stated in the notice can be corrected, but not within such 60 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Community Facilities District within such 60 day period and the Community Facilities District shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The Community Facilities District or the City shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Foreclosure. If any Event of Default shall occur under clauses (a) or (b) under the above caption then, and in each and every such case during the continuance of such Event of Default, the Fiscal Agent may, or at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, and upon being indemnified to its satisfaction therefor, shall, commence foreclosure against any parcels of land in the Community Facilities District with delinquent Special Taxes, as provided in Section 53356.1 of the Act.

Other Remedies. If an Event of Default shall have occurred, the Fiscal Agent shall have the right:

(a) by mandamus, suit, action or proceeding, to compel the Community Facilities District and its officers, agents or employees to perform each and every term, provision and covenant contained in the Fiscal Agent Agreement and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Community Facilities District and the fulfillment of all duties imposed upon it by the Fiscal Agent Agreement and the Act;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Fiscal Agent's or Bond Owner's rights; or

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

Application of Net Special Tax Revenues After Default. If an Event of Default shall occur and be continuing, all Net Special Tax Revenues and any other funds thereafter received by the Fiscal Agent under any of the provisions of the Fiscal Agent Agreement shall be applied by the Fiscal Agent as follows and in the following order:

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

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

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

Second: To the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

(c) Any remaining funds shall be transferred by the Fiscal Agent to the Special Tax Fund.

Power of Fiscal Agent to Enforce. All rights of action under the Fiscal Agent Agreement or the Bonds or otherwise may be prosecuted and enforced by the Fiscal Agent without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Fiscal Agent shall be brought in the name of the Fiscal Agent for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Fiscal Agent Agreement.

Bond Owners Direction of Proceedings. Anything in the Fiscal Agent Agreement to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Fiscal Agent, and upon indemnification of the Fiscal Agent to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Fiscal Agent under the Fiscal Agent Agreement, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Fiscal Agent Agreement, and that the Fiscal Agent shall have the right to decline to follow any such direction which in the opinion of the Fiscal Agent would be unjustly prejudicial to Bond Owners not parties to such direction.

Limitation on Bond Owners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Fiscal Agent Agreement, the Act or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Fiscal Agent written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Fiscal Agent to exercise the powers granted or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Fiscal Agent indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Fiscal Agent shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Fiscal Agent.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Fiscal Agent Agreement or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Fiscal Agent Agreement or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Fiscal Agent Agreement, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Fiscal Agent Agreement, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Fiscal Agent Agreement.

Absolute Obligation. Nothing in the Fiscal Agent Agreement or in the Bonds contained shall affect or impair the obligation of the Community Facilities District, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as provided in the Fiscal Agent Agreement, but only out of the Net Special Tax Revenues and other assets pledged therefor and received by the Community Facilities District or the Fiscal Agent, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Fiscal Agent or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Fiscal Agent or the Bond Owners, then in every such case the Community Facilities District, the Fiscal Agent and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Fiscal Agent Agreement, severally and respectively, and all rights, remedies, powers and duties of the Community Facilities District, the Fiscal Agent and the Bond Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Fiscal Agent or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Fiscal Agent Agreement or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Fiscal Agent or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by the Fiscal Agent Agreement to the Fiscal Agent or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Duties and Liabilities of Fiscal Agent. (a) *Duties of Fiscal Agent Generally.* The Fiscal Agent shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Fiscal Agent Agreement. The Fiscal Agent shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Fiscal Agent Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) *Removal of Fiscal Agent.* The Community Facilities District may upon 30 days prior written notice remove the Fiscal Agent at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Fiscal Agent if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys

duly authorized in writing) or if at any time the Fiscal Agent shall cease to be eligible in accordance with subsection (e), or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Fiscal Agent or its property shall be appointed, or any public officer shall take control or charge of the Fiscal Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Fiscal Agent and thereupon shall appoint a successor Fiscal Agent by an instrument in writing.

(c) *Resignation of Fiscal Agent.* The Fiscal Agent may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the Community Facilities District, and to the Bond Owners at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Community Facilities District shall promptly appoint a successor Fiscal Agent by an instrument in writing. The Fiscal Agent shall not be relieved of its duties until such successor Fiscal Agent has accepted appointment.

(d) *Appointment of Successor Fiscal Agent.* Any removal or resignation of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent; provided, however, that under any circumstances the successor Fiscal Agent shall be qualified as provided in subsection (e) below. If no qualified successor Fiscal Agent shall have been appointed and have accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Fiscal Agent or any Bond Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Fiscal Agent. Any successor Fiscal Agent appointed under the Fiscal Agent Agreement shall signify its acceptance of such appointment by executing and delivering to the Community Facilities District and to its predecessor Fiscal Agent a written acceptance thereof, and after payment by the Community Facilities District of all unpaid fees and expenses of the predecessor Fiscal Agent, then such successor Fiscal Agent, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Fiscal Agent, with like effect as if originally named Fiscal Agent; but, nevertheless at the Written Request of the Community Facilities District or the request of the successor Fiscal Agent, such predecessor Fiscal Agent shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Fiscal Agent all the right, title and interest of such predecessor Fiscal Agent in and to any property held by it under the Fiscal Agent Agreement and shall pay over, transfer, assign and deliver to the successor Fiscal Agent any money or other property subject to the trusts and conditions set forth in the Fiscal Agent Agreement. Upon request of the successor Fiscal Agent, the Community Facilities District shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Fiscal Agent all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Fiscal Agent as provided in this subsection, the Community Facilities District shall mail or cause the successor Fiscal Agent to mail, by first class mail postage prepaid, a notice of the succession of such Fiscal Agent to the trusts under the Fiscal Agent Agreement to each rating agency which then maintains a rating on the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Community Facilities District fails to mail such notice within 15 days after acceptance of appointment by the successor Fiscal Agent, the successor Fiscal Agent shall cause such notice to be mailed at the expense of the Community Facilities District.

(e) *Qualifications of Fiscal Agent.* The Fiscal Agent shall be a trust company or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, having (or if such bank or trust company is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state agency. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

In case at any time the Fiscal Agent shall cease to be eligible, the Fiscal Agent shall resign immediately in the manner and with the effect specified in the Fiscal Agent Agreement.

(f) *Authority Trustee to Act as Fiscal Agent.* Notwithstanding anything to the contrary contained in the Fiscal Agent Agreement, so long as the Authority Trustee shall be the owner of any Bonds, no entity shall be qualified to act as the Fiscal Agent (or to act as any successor Fiscal Agent) except the Authority Trustee. Upon any resignation or removal of the Authority Trustee in accordance with the Authority Indenture, such event shall automatically cause the

resignation or removal of the Fiscal Agent; and upon the appointment of a successor Authority Trustee in accordance with the Authority Indenture, such appointment shall automatically constitute the appointment of a successor Fiscal Agent under the Fiscal Agent Agreement. Under no circumstances shall the Fiscal Agent be removed or resign unless the Authority Trustee shall be removed or resign as such under and pursuant to the Authority Indenture.

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

Liability of Fiscal Agent. (a) The recitals of facts in the Fiscal Agent Agreement and in the Bonds contained shall be taken as statements of the Community Facilities District, and the Fiscal Agent shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Fiscal Agent Agreement or of the Bonds or shall incur any responsibility in respect thereof, other than as expressly stated in the Fiscal Agent Agreement in connection with the respective duties or obligations therein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Fiscal Agent makes no representations as to the validity or sufficiency of the Fiscal Agent Agreement or of any Bonds, or in respect of the security afforded by the Fiscal Agent Agreement and the Fiscal Agent shall incur no responsibility in respect thereof. The Fiscal Agent shall be under no responsibility or duty with respect to the issuance of the Bonds for value, the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Fiscal Agent, or the application of any moneys paid to the Community Facilities District or others in accordance with the Fiscal Agent Agreement. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful misconduct. The Fiscal Agent shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Fiscal Agent Agreement. The Fiscal Agent may become the Owner of Bonds with the same rights it would have if it were not Fiscal Agent, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

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

(c) The Fiscal Agent shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Fiscal Agent, or exercising any trust or power conferred upon the Fiscal Agent under the Fiscal Agent Agreement.

(d) The Fiscal Agent shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(e) No provision of the Fiscal Agent Agreement shall require the Fiscal Agent to risk or advance its own funds. The immunities and protections extended to the Fiscal Agent also extend to its directors, officers, employees and agents. The Fiscal Agent may execute any of its powers or duties under the Fiscal Agent Agreement through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

(f) Before taking action under the Fiscal Agent Agreement or upon the direction of the Owners, the Fiscal Agent may require indemnity satisfactory to the Fiscal Agent be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur.

(g) The Fiscal Agent shall not be deemed to have knowledge of an Event of Default unless it has actual knowledge thereof.

Right to Rely on Documents. The Fiscal Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent may consult with counsel, who may be counsel of or to the Community Facilities District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Fiscal Agent Agreement in good faith and in accordance therewith.

Whenever in the administration of the duties imposed upon it by the Fiscal Agent Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Community Facilities District, and such Written Certificate shall be full warrant to the Fiscal Agent for any action taken or suffered in good faith under the provisions of the Fiscal Agent Agreement in reliance upon such Written Certificate, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Preservation and Inspection of Documents. All documents received by the Fiscal Agent under the provisions of the Fiscal Agent Agreement shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of the Community Facilities District, the Owners and their agents and representatives duly authorized in writing.

Amendments Permitted. (a) The Fiscal Agent Agreement and the rights and obligations of the Community Facilities District, the Owners of the Bonds and the Fiscal Agent may be modified or amended from time to time and at any time by a Supplemental Fiscal Agent Agreement, which the Community Facilities District and the Fiscal Agent may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which shall have been filed with the Fiscal Agent. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or the rate of interest thereon, or extend the time of payment, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, without the consent of the Owners of all of the Bonds then Outstanding, or (iii) permit the creation of any lien on the Net Special Tax Revenues and other assets pledged under the Fiscal Agent Agreement prior to or on a parity with the lien created by the Fiscal Agent Agreement or deprive the Owners of the Bonds of the lien created by the Fiscal Agent Agreement on such Net Special Tax Revenues and other assets (except as expressly provided in the Fiscal Agent Agreement), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Fiscal Agent Agreement, but it shall be sufficient if such consent shall approve the substance thereof.

(b) The Fiscal Agent Agreement and the rights and obligations of the Community Facilities District, the Fiscal Agent and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Fiscal Agent Agreement, which the Community Facilities District and the Fiscal Agent may enter into without the consent of any Bond Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Community Facilities District in the Fiscal Agent Agreement contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Community Facilities District;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Fiscal Agent Agreement;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Fiscal Agent Agreement;

(iv) to modify, amend or supplement the Fiscal Agent Agreement in such manner as to permit the qualification of the Fiscal Agent Agreement under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(v) to modify, amend or supplement the Fiscal Agent Agreement in such manner as to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and

(vi) in any other respect whatsoever as the Community Facilities District may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners under the Fiscal Agent Agreement.

(c) Promptly after the execution by the Community Facilities District and the Fiscal Agent of any Supplemental Fiscal Agent Agreement, the Fiscal Agent shall mail a notice (the form of which shall be furnished to the Fiscal Agent by the Community Facilities District), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Fiscal Agent Agreement, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Fiscal Agent Agreement.

Effect of Supplemental Fiscal Agent Agreement. Upon the execution of any Supplemental Fiscal Agent Agreement, the Fiscal Agent Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Fiscal Agent Agreement of the Community Facilities District, the Fiscal Agent and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Fiscal Agent Agreement subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Fiscal Agent Agreement shall be deemed to be part of the terms and conditions of the Fiscal Agent Agreement for any and all purposes.

Amendment of Particular Bonds. Any Bond Owner may accept any amendment as to the particular Bonds held by such Owner.

Discharge of Fiscal Agent Agreement. If the Community Facilities District shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated therein, then the Owners of such Bonds shall cease to be entitled to the pledge of the Net Special Tax Revenues and the other assets as provided in the Fiscal Agent Agreement, and all agreements, covenants and other obligations of the Community Facilities District to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Fiscal Agent shall execute and deliver to the Community Facilities District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over or deliver to the Community Facilities District all money or securities held by it pursuant to the Fiscal Agent Agreement which are not required for the payment of the principal of and interest and premium, if any, on such Bonds.

Subject to the provisions of the above paragraph, when any of the Bonds shall have been paid and if, at the time of such payment, the Community Facilities District shall have kept, performed and observed all of the covenants and promises in such Bonds and in the Fiscal Agent Agreement required or contemplated to be kept, performed and observed by the Community Facilities District or on its part on or prior to that time, then the Fiscal Agent Agreement shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of the Fiscal Agent Agreement and such lien and all covenants, agreements and other obligations of the Community Facilities District thereunder shall cease, terminate become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Fiscal Agent Agreement or the discharge of the Fiscal Agent Agreement in respect of any Bonds, those provisions of the Fiscal Agent Agreement relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Fiscal Agent in connection with all of the foregoing, shall remain in effect and shall be binding upon the Fiscal Agent and the Owners of the Bonds and the Fiscal Agent shall continue to be obligated to hold in trust any moneys or investments then held by the Fiscal Agent for the payment of the principal of and interest and premium, if any, on the Bonds, to pay to the Owners of Bonds the funds so held by the Fiscal Agent as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Fiscal Agent Agreement or the discharge of the Fiscal Agent Agreement in respect of any Bonds, those provisions of the Fiscal Agent Agreement relating to the compensation of the Fiscal Agent shall remain in effect and shall be binding upon the Fiscal Agent and the Community Facilities District.

Bonds Deemed To Have Been Paid. If moneys shall have been set aside and held by the Fiscal Agent for the payment or redemption of any Bonds and the interest thereon at the maturity or redemption date thereof, such Bonds shall be deemed to have been paid within the meaning and with the effect provided in the Fiscal Agent Agreement. Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Fiscal Agent Agreement if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Community Facilities District shall have given to the Fiscal Agent in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Fiscal Agent Agreement, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the Fiscal Agent Agreement, (b) there shall have been deposited with the Fiscal Agent either (i) money in an amount which shall be sufficient, or (ii) Federal Securities that are not subject to redemption other than at the option of the holder thereof, the interest on and principal of which when paid will provide money which, together with the money, if any deposited with the Fiscal Agent at the same time, shall, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bonds, which sufficiency shall be verified in a report (a "Verification") of an independent firm of nationally recognized certified public accountants, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Community Facilities District shall have given the Fiscal Agent in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the owners of such Bonds that the deposit required by clause (b) above has been made with the Fiscal Agent and that such Bonds, are deemed to have been paid and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bonds. The Community Facilities District shall also cause to be delivered an escrow agreement and an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Fiscal Agent Agreement. Each Verification and defeasance opinion shall be acceptable in form and substance to the Community Facilities District, and shall be addressed to the Community Facilities District, the Fiscal Agent.

Special Obligations. All obligations of the Community Facilities District under the Fiscal Agent Agreement shall be special obligations of the Community Facilities District, payable solely from Special Tax Revenues and the other assets pledged therefor under the Fiscal Agent Agreement; provided, however, that all obligations of the Community Facilities District under the Bonds shall be special obligations of the Community Facilities District, payable solely from Net Special Tax Revenues and the other assets pledged therefor thereunder. Neither the faith and credit nor the taxing power of the Community Facilities District (except to the limited extent set forth in the Fiscal Agent Agreement), the City, or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds.

Limitation of Rights. Nothing in the Fiscal Agent Agreement or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Fiscal Agent, the Community Facilities District, and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Fiscal Agent Agreement or any covenant, condition or provision therein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Fiscal Agent, the Community Facilities District, and the Owners of the Bonds.

Waiver of Personal Liability. No member, officer, agent or employee of the Community Facilities District or the City shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Fiscal Agent Agreement shall relieve any such officer, agent or employee from the performance of any official duty provided by law or by the Fiscal Agent Agreement.

Conflict with Act. In the event of any conflict between any provision of the Fiscal Agent Agreement and any provision of the Act, the provision of the Act shall prevail over the provision of the Fiscal Agent Agreement.

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

Governing Laws. The Fiscal Agent Agreement shall be governed by and construed in accordance with the laws of the State of California.

Series 2015 Bonds. Series 2015 Tax Covenants. (a) The Community Facilities District shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from

gross income of interest on the Series C Authority Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Community Facilities District shall comply with the requirements of the Series 2015 Tax Certificate, which is incorporated herein as if fully set forth herein. This covenant shall survive payment in full or defeasance of the Series 2015 Bonds and the Series C Authority Bonds.

(b) In the event that at any time the Community Facilities District is of the opinion that for purposes of these tax covenants it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Fiscal Agent in any of the funds or accounts established hereunder, the Community Facilities District shall so instruct the Fiscal Agent in writing, and the Fiscal Agent shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions under this caption, if the Community Facilities District shall provide to the Fiscal Agent an opinion of Bond Counsel to the effect that any specified action required under the provisions under this caption is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series C Authority Bonds, the Fiscal Agent may conclusively rely on such opinion in complying with the requirements of the provisions under this caption and of the Series 2015 Tax Certificate, and the covenants under the Fiscal Agent Agreement shall be deemed to be modified to that extent.

Series 2015 Rebate Fund. (a) The Fiscal Agent shall establish and maintain a special fund designated the “Series 2015 Rebate Fund.” There shall be deposited in the Series 2015 Rebate Fund such amounts as are required to be deposited therein pursuant to the Series 2015 Tax Certificate, as specified in a Written Request of the Community Facilities District. All money at any time deposited in the Series 2015 Rebate Fund shall be held by the Fiscal Agent in trust, to the extent required to satisfy the Series 2015 Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to the Fiscal Agent Agreement or anything to the contrary contained in the Fiscal Agent Agreement, all amounts required to be deposited into or on deposit in the Series 2015 Rebate Fund shall be governed exclusively by the provisions under this caption and by the Series 2015 Tax Certificate (which is incorporated herein by reference). The Fiscal Agent shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Community Facilities District, and shall have no liability or responsibility to enforce compliance by the Community Facilities District with the terms of the Series 2015 Tax Certificate. The Fiscal Agent may conclusively rely upon the Community Facilities District’s determinations, calculations and certifications required by the Series 2015 Tax Certificate. The Fiscal Agent shall have no responsibility to independently make any calculation or determination or to review the Community Facilities District’s calculations.

(b) Any funds remaining in the Series 2015 Rebate Fund after payment in full of all of the Series 2015 Bonds and after payment of any amounts described in the provisions under this caption, shall, upon receipt by the Fiscal Agent of a Written Request of the Community Facilities District, be withdrawn by the Fiscal Agent and remitted to the Community Facilities District.

Series C Authority Continuing Disclosure Certificate. The Community Facilities District shall, in a timely manner, provide the Authority with such information and data concerning the Community Facilities District as is necessary to enable the Authority to comply with and carry out all of the provisions of the Series C Authority Continuing Disclosure Certificate.

Series 2019 Bonds. *Series 2019 Tax Covenants.* (a) The Community Facilities District shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series C Authority Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Community Facilities District shall comply with the requirements of the Series 2019 Tax Certificate, which is incorporated herein as if fully set forth herein. This covenant shall survive payment in full or defeasance of the Series 2019 Bonds and the Series C Authority Bonds.

(b) In the event that at any time the Community Facilities District is of the opinion that for purposes of these tax covenants it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Fiscal Agent in any of the funds or accounts established hereunder, the Community Facilities District shall so instruct the Fiscal Agent in writing, and the Fiscal Agent shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions under this caption, if the Community Facilities District shall provide to the Fiscal Agent an opinion of Bond Counsel to the effect that any specified action required under the provisions under this caption is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series C Authority Bonds, the Fiscal Agent may conclusively rely on such opinion in complying with the requirements of the provisions under this caption and of the Series 2019 Tax Certificate, and the covenants under the Fiscal Agent Agreement shall be deemed to be modified to that extent.

Series 2019 Rebate Fund. (a) The Fiscal Agent shall establish and maintain a special fund designated the “Series 2019 Rebate Fund.” There shall be deposited in the Series 2019 Rebate Fund such amounts as are required to be deposited therein pursuant to the Series 2019 Tax Certificate, as specified in a Written Request of the Community Facilities District. All money at any time deposited in the Series 2019 Rebate Fund shall be held by the Fiscal Agent in trust, to the extent required to satisfy the Series 2019 Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to the Fiscal Agent Agreement or anything to the contrary contained in the Fiscal Agent Agreement, all amounts required to be deposited into or on deposit in the Series 2019 Rebate Fund shall be governed exclusively by the provisions under this caption and by the Series 2019 Tax Certificate (which is incorporated herein by reference). The Fiscal Agent shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Community Facilities District, and shall have no liability or responsibility to enforce compliance by the Community Facilities District with the terms of the Series 2019 Tax Certificate. The Fiscal Agent may conclusively rely upon the Community Facilities District’s determinations, calculations and certifications required by the Series 2019 Tax Certificate. The Fiscal Agent shall have no responsibility to independently make any calculation or determination or to review the Community Facilities District’s calculations.

(b) Any funds remaining in the Series 2019 Rebate Fund after payment in full of all of the Series 2019 Bonds and after payment of any amounts described in the provisions under this caption, shall, upon receipt by the Fiscal Agent of a Written Request of the Community Facilities District, be withdrawn by the Fiscal Agent and remitted to the Community Facilities District.

Series D Authority Continuing Disclosure Certificate. The Community Facilities District shall, in a timely manner, provide the Authority with such information and data concerning the Community Facilities District as is necessary to enable the Authority to comply with and carry out all of the provisions of the Series D Authority Continuing Disclosure Certificate.

APPENDIX B
RATES AND METHODS OF SPECIAL TAX APPORTIONMENT

**APPORTIONMENT FOR
CITY OF CHINO HILLS
LOS RANCHOS
COMMUNITY FACILITIES DISTRICT NO. 2**

The following summarizes the Rate and Method of Apportionment for the levy and collection of Special Taxes of the City of Chino Hills Community Facilities District No. 2 (the “District”).

RATE OF SPECIAL TAX

The District is considered as a single zone, and the special tax or charge to be levied and collected is of two types:

1. Special Tax “A”

A special one time development tax to pay for the cost of making certain regional and local public facilities available, and to benefit parcels within the District, said tax to initially be in the amount of \$1,919.00 per residential dwelling unit, subject to 3% escalation per year, effective January 1 of each year, said tax due and payable prior to the granting of any building permit.

2. Special Tax “B”

A special annual use tax to pay for the cost of making certain regional and local public facilities available, and to benefit parcels within the District, said tax to initially be in the amount of \$312.00 per residential dwelling unit or equivalent dwelling unit per year, subject to 2% escalation per year, effective January 1 of each year, said tax due and payable for a period of years not to exceed twenty-five (25), commencing subsequent to occupancy of any dwelling unit or residential dwelling unit.

A dwelling unit is defined as follows:

Any residential single-family dwelling unit, including without limitation, a house, apartment unit, condominium or stock cooperative unit, mobilehome, or any other equivalent single family living unit.

An equivalent dwelling unit is defined as follows:

Any unit other than a residential single family dwelling unit, including but not limited to, commercial, industrial, recreational or other use, subject to a building permit, requiring service equal to that of a dwelling unit.

The above units are only applicable to land with building permits, and not applicable to unsubdivided land or land not requesting a building permit.

Occupancy is defined as follows:

Occupancy is defined as the period of time following the move in of a new structure measured by the connection to water service.

**APPORTIONMENT FOR
CITY OF CHINO HILLS
SOQUEL CANYON, RINCON AND WOODVIEW
COMMUNITY FACILITIES DISTRICT NO. 5**

The following summarizes the Rate and Method of Apportionment for the levy and collection of Special Taxes of the City of Chino Hills Community Facilities District No. 5 (the “District”).

Definitions

Dwelling Unit is a residential single-family dwelling unit, including without limitation, a house, apartment, unit, condominium or stock cooperative unit, mobile home, or any other equivalent single family living unit.

Equivalent Dwelling Unit: Any unit other than a residential single family dwelling unit, including but not limited to, commercial, industrial, recreational or other use, subject to a building permit, requiring service equal to that of a dwelling unit.

The above units are only applicable to land with building permits, and not applicable to un-subdivided land or land not requesting a building permit.

Occupancy: The period of time following the move in of a new structure measured by the connection to water service.

Special Tax A: One time development tax to pay for the cost of making certain regional and local public facilities available, and to benefit parcels within the District, said tax due and payable prior to the granting of any building permit.

Special Tax B: A special annual use tax to pay for the cost of making certain regional and local public facilities available, and to benefit parcels within the District, said tax due and payable for a period of years not to exceed twenty-five (25), commencing subsequent to occupancy of any dwelling unit or residential dwelling unit.

Rate of Special Tax

The following table shows the initial Maximum Special Tax Rates for the CFD for Fiscal Year 1985-86.

LAND USE	EDU’S PER ACRE	MAXIMUM SPECIAL TAX RATE
Special Tax A	N/A	\$1,919.00 per dwelling unit
Special Tax B Dwelling Unit	N/A	\$312.00 per dwelling unit
Mixed Use (non-residential)	5.92	\$1,847.04 per acre
Village Core	9.20	\$2,870.40 per acre
Neighborhood Commercial	8.72	\$2,720.64 per acre

This Special Tax A is subject to 3% escalation per year, Special Tax B is subject to 2% escalation per year.

Method of Apportionment

The Special Tax shall be levied to all Dwelling Units and EDU's on a *pro rata* basis.

Term

The Special Tax shall be levied for period not to exceed 25 years commencing subsequent to occupancy of the respective dwelling unit or EDU.

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APPENDIX C

GENERAL INFORMATION ABOUT THE CITY OF CHINO HILLS

The following information concerning the City of Chino Hills is presented as general background data. The Bonds are payable solely from Revenues as described in the Official Statement. The Bonds are not an obligation of the City, and the taxing power of the City is not pledged to the payment of the Bonds.

General Information

The City was incorporated on December 1, 1991 as a general law city. Prior to incorporation, the area comprising the City was managed first by the County of San Bernardino, and later by the Chino Hills Manager's Office, a special district of the County. In mid-1979, when faced with increasing demand for development, the County initiated the drafting of the Chino Hills Specific Plan (the "Specific Plan"). The Specific Plan was adopted on August 2, 1982 and set the character of Chino Hills through zoning and land use policies. It represented one of the largest master-planned developments in California at the time. The Specific Plan sought to guide development into the most suitable locations, preserve environmentally sensitive areas, reduce pressures on a nearby dairy preserve and design an effective implementation system that would result in the efficient provision of services and facilities. The Specific Plan primarily addressed the northern portion of the City and covered 26 of the City's 45 square miles and sought to cluster development around several "village" commercial cores, with residential density decreasing away from the core. The Specific Plan included a financial plan that identified a variety of funding sources to construct infrastructure in coordination with residential and commercial development.

After incorporation, the City developed its first General Plan (the "General Plan"), based upon the precepts of the Specific Plan, but on a broader scale that incorporated the City's entire 45 square miles. The City's General Plan was adopted on September 13, 1994. The General Plan continued earlier efforts to preserve the City's rural character through protection of ridgelines, the use of sensitive grading techniques, and abundant landscaping. The community currently has 3,188 acres (5 square miles) of City-owned open space, 42 parks, and 39 miles of scenic trails. The City adopted an updated General Plan in February 2015 to guide development through buildout of the City.

Government Organization

The City operates under the council/manager form of government. The City is governed by a five-member council, each elected at large for four-year alternating terms. Positions of City Manager and City Attorney are filled by appointments of the City Council. The City currently employs 145 full-time staff members.

Governmental Services

Chino Hills is a full service City. The Community Development Department serves Chino Hills' residents and businesses by assisting, regulating, and preserving residential and commercial development within the City. The Community Services Department provides a wide range of programs, services, and educational and recreational opportunities, as well as a variety of human services programs that assist individuals, youth and families. The Public Works Department has responsibility for the operation and maintenance of water and sewer service, water quality, and maintenance of vehicles, streets, facilities, parks and open space. The City contracts with the San Bernardino County Sheriff's Department for law enforcement services. The Chino Valley Fire District ("CVFD") is headquartered in Chino Hills and serves the Chino Valley, which includes the City. CVFD provides emergency services including emergency medical and paramedic, hazardous materials response and urban search and rescue services.

Community Information

There are ten public elementary schools, two middle schools, two high schools and one alternate education center in the City of Chino Hills. There are also three private schools in Chino Hills.

Recreation is a priority in Chino Hills. Big League Dreams Chino Hills Sports Park is a 33-acre multi-use sports facility that attracts tournaments and visitors. The City is also home to the McCoy Equestrian & Recreation Center. This 20-acre facility includes two lighted arenas, covered bleachers, a gazebo, a community building, and trail connections. In addition to the Chino Hills State Park, the City also has 42 parks and 39 miles of scenic trails.

Transportation

Regional access to the City from the Greater Los Angeles, Orange and San Bernardino Metropolitan Areas is provided by the Pomona Freeway (State Route 60), Chino Valley Freeway (State Highway 71), Carbon Canyon Road (State Route 142) and Grand Avenue.

Carbon Canyon Road bisects the City in an easterly-westerly direction, linking the Chino Valley Freeway with Imperial Highway and the Orange Freeway (State Highway 57) in Orange County. Grand Avenue connects with the Chino Valley Freeway with the Pomona Freeway, the Orange Freeway and Interstate 210. This network of roads provides very direct freeway access to San Bernardino, Los Angeles, Riverside, and Orange Counties. Under the General Plan, a substantial backbone network of streets and highways has been constructed within the City. The system is designed to provide safe, efficient circulation within each village.

Population

The following table provides a comparison of population growth for Chino Hills and San Bernardino County between 2015 and 2019.

**TABLE NO. C-1
CHANGE IN POPULATION
CHINO HILLS AND SAN BERNARDINO COUNTY
2015 - 2019**

January 1 <u>Year</u>	<u>CHINO HILLS</u>		<u>SAN BERNARDINO COUNTY</u>	
	<u>Population</u>	<u>Percentage Change</u>	<u>Population</u>	<u>Percentage Change</u>
2015	77,859		2,123,562	
2016	78,225	0.5%	2,136,242	0.6%
2017	79,892	2.1%	2,156,115	0.9%
2018	83,379	4.4%	2,171,517	0.7%
2019	84,364	1.2%	2,192,203	1.0%
%				
Increase Between				
2015 - 2019				
		8.4%		3.2%

Source: State of California, Department of Finance, "E-4 Population Estimates for Cities, Counties and the State, 2011-2019, with 2010 Census Benchmark," Sacramento, California, May 1, 2019.

Per Capita Personal Income

Per capita personal income information for the City, San Bernardino County, the State of California and the United States are summarized in the following table.

**TABLE NO. C-2
PER CAPITA PERSONAL INCOME
CITY OF CHINO HILLS, SAN BERNARDINO COUNTY, STATE OF CALIFORNIA AND UNITED
STATES
2013 - 2017**

<u>Year</u>	<u>City of Chino Hills</u> ⁽¹⁾	<u>San Bernardino County</u> ⁽²⁾	<u>State of California</u> ⁽²⁾	<u>United States</u> ⁽²⁾
2013	\$34,418	\$32,404	\$49,173	\$44,826
2014	34,723	34,218	52,237	47,025
2015	34,322	36,245	55,679	48,940
2016	33,926	37,514	57,497	49,831
2017	34,617	38,816	59,796	51,640

⁽¹⁾ Source: HdL Coren & Cone.

⁽²⁾ Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2013-2017 reflect county population estimates available as of March 2018.

Note: All dollar estimates are in thousands of current dollars (not adjusted for inflation).

Last updated: March 6, 2019.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

As of July 2019 the civilian labor force for the City was approximately 44,000 of whom 42,800 were employed. The unadjusted unemployment rate as of July 2019 was 2.9% for the City as compared to 4.5% for the County. Civilian labor force, employment and unemployment statistics for the City, County, the State and the nation, for the years 2014 through 2018 are shown in the following table:

**TABLE NO. C-3
CITY OF CHINO HILLS
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES**

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<u>2014</u>				
City of Chino Hills	40,200	37,800	2,400	5.9%
San Bernardino County	905,400	833,000	72,500	8.0%
California	18,714,700	17,310,900	1,403,800	7.5%
United States	155,922,000	146,305,000	9,617,000	6.2%
<u>2015</u>				
City of Chino Hills	41,400	39,400	2,000	4.7%
San Bernardino County	920,000	860,800	59,200	6.4%
California	18,851,100	17,681,800	1,169,200	6.2%
United States	157,130,000	148,834,000	8,296,000	5.3%
<u>2016</u>				
City of Chino Hills	41,900	40,200	1,700	3.9%
San Bernardino County	930,900	877,200	53,700	5.8%
California	19,044,500	18,002,800	1,041,700	5.5%
United States	159,187,000	151,436,000	7,751,000	4.9%
<u>2017</u>				
City of Chino Hills	43,100	41,600	1,400	3.3%
San Bernardino County	944,300	897,800	46,500	4.9%
California	19,205,300	18,285,500	919,800	4.8%
United States	160,320,000	153,337,000	6,982,000	4.4%
<u>2018</u>				
City of Chino Hills	44,000	42,800	1,200	2.7%
San Bernardino County	961,000	922,300	38,800	4.0%
California	19,398,200	18,582,800	815,400	4.2%
United States	162,075,000	155,761,000	6,314,000	3.9%

Note: The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: California State Employment Development Department and United States Bureau of Labor Statistics.

Industry

Chino Hills is located in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA). The distribution of employment in the Riverside-San Bernardino-Ontario MSA is presented in the following table.

TABLE NO. C-4
RIVERSIDE-SAN BERNARDINO-ONTARIO MSA
WAGE AND SALARY WORKERS BY INDUSTRY ⁽¹⁾
(in thousands)

Industry	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Government	219.4	231.4	239.4	245.1	250.8
Other Services	44.4	44.4	45.7	45.7	44.6
Leisure and Hospitality	149.7	159.3	164.3	167.9	173.1
Educational and Health Services	204.8	212.8	223.3	239.0	251.3
Professional and Business Services	144.1	143.2	144.6	149.5	155.1
Financial Activities	44.1	44.8	44.1	43.5	44.1
Information	11.4	11.7	11.6	11.2	11.3
Transportation, Warehousing and Utilities	97.5	105.0	120.3	131.3	136.4
Service Producing					
Retail Trade	172.6	176.2	178.6	178.7	180.1
Wholesale Trade	60.9	62.0	62.5	65.2	65.1
Manufacturing					
Nondurable Goods	33.0	34.8	35.2	36.4	37.3
Durable Goods	63.8	64.8	64.2	65.1	65.0
Goods Producing					
Construction	88.2	93.8	100.0	107.6	107.3
Mining and Logging	<u>1.4</u>	<u>0.9</u>	<u>0.9</u>	<u>1.2</u>	<u>1.2</u>
Total Nonfarm	1,335.3	1,385.1	1,434.7	1,487.4	1,522.7
Farm	<u>14.4</u>	<u>14.3</u>	<u>15.8</u>	<u>16.8</u>	<u>15.2</u>
Total (all industries)	<u>1,349.7</u>	<u>1,399.4</u>	<u>1,450.5</u>	<u>1,504.2</u>	<u>1,537.9</u>

⁽¹⁾ Annually, as of July.

Source: State of California Employment Development Department, Labor Market Information Division, "Industry Employment & Labor Force - by month, March 2018 Benchmark."

Principal Employers

The principal employers operating within the City as of June 30, 2018 are as follows:

**TABLE NO. C-5
CITY OF CHINO HILLS
PRINCIPAL EMPLOYERS**

<u>Name of Company</u>	<u>Number of Employees</u>	<u>Product/Service</u>
Chino Valley Unified School District	2,674	Education
Costco	324	Membership Warehouse
City of Chino Hills	268	Government
Boys Republic	242	Private Education
Lowe's Homes Improvement	231	Home Improvement Store
BJ's Brewery	192	Restaurant
Albertson's	178	Grocery Store
Harkins Theatre	173	Movie Theater
Chino Valley Independent Fire District	139	Fire Protection
Lucille's Smokehouse BBQ	129	Restaurant

Source: City of Chino Hills.

Commercial Activity

The following table summarizes the volume of retail sales and taxable transactions for the City of Chino Hills for 2014 through 2018 (the most recent year for which statistics are available).

**TABLE NO. C-6
CITY OF CHINO HILLS
TOTAL TAXABLE TRANSACTIONS
(in \$ thousands)
2014 - 2018**

<u>Year</u>	<u>Retail and Food Services</u>		<u>Retail and Food Services</u>		<u>Total Taxable Transactions</u>		<u>Issued Sales</u>	
	<u>(\$000's)</u>	<u>% Change</u>	<u>Permits</u>	<u>(\$000's)</u>	<u>% Change</u>	<u>Permits</u>		
2014	\$569,694		884	\$661,708		1,232		
2015	576,124	1.1%	941	678,913	2.6%	1,457		
2016	580,917	0.8%	957	680,581	0.3%	1,508		
2017	591,158	1.8%	987	703,114	3.3%	1,567		
2018	597,581	1.1%	1,010	724,456	3.0%	1,688		

Source: California Department of Tax and Fee Administration, "Taxable Sales in California Cities, by Type of Business."

Taxable transactions by type of business for the City of Chino Hills are summarized below for 2014 through 2018 (the most recent year for which statistics are available).

TABLE NO. C-7
CITY OF CHINO HILLS
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(in \$ thousands)
2014 – 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<i>Retail and Food Services</i>					
Clothing and Clothing					
Accessories Stores	\$ 38,520	\$ 38,064	\$ 39,275	\$ 40,935	\$ 39,955
General Merchandise Stores	#	130,277	124,863	132,858	132,601
Food and Beverage Stores	52,834	39,591	40,219	40,490	40,851
Food Services and Drinking Places	131,363	146,673	157,633	163,713	166,366
Home Furnishings and					
Appliance Stores	15,663	16,515	16,626	16,277	17,168
Building Materials and Garden					
Equipment and Supplies	#	30,978	30,679	29,962	31,172
Motor Vehicles and Parts Dealers	15,794	16,042	18,061	12,792	12,175
Gasoline Stations	98,245	97,709	85,007	90,921	99,623
Other Retail Group	<u>217,275#</u>	<u>60,275</u>	<u>68,554</u>	<u>63,210</u>	<u>57,670</u>
Total Retail and Food Services	569,694	576,124	580,917	591,158	597,581
<i>All Other Outlets</i>					
	<u>92,014</u>	<u>102,789</u>	<u>99,664</u>	<u>111,956</u>	<u>126,875</u>
Totals All Outlets	<u>\$661,708</u>	<u>\$678,913</u>	<u>\$680,581</u>	<u>\$703,114</u>	<u>\$724,456</u>

Sales for General Merchandise Stores and Building Materials omitted are included with “Other Retail Group” when possible, because their publication would result in the disclosure of confidential information.

Note: Detail may not compute to total due to rounding.

Source: California Department of Tax and Fee Administration, “Taxable Sales in California Cities, by Type of Business.”

Building Activity

The following table summarizes building activity for the City of Chino Hills for the five-year period from Fiscal Year 2014-15 through 2018-19.

TABLE NO. C-8
CITY OF CHINO HILLS
BUILDING ACTIVITY AND VALUATION
2014-15 – 2019-20

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Total Residential & Non-Residential Valuation	\$45,647,562	\$183,839,199	\$201,966,625	\$193,922,229	\$64,227,060
Single-Family	46	129	106	219	29
Multi-Family	<u>4</u>	<u>331</u>	<u>658</u>	<u>263</u>	<u>40</u>
Total New Units	50	460	764	482	63

Source: City of Chino Hills.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”), is executed and delivered by the Chino Hills Financing Authority (the “Issuer”) in connection with the issuance of its \$8,470,000* Chino Hills Financing Authority Revenue Refunding Bonds (Community Facilities District Bond Program), Series D (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2019, by and between the Issuer and U.S. Bank National Association (the “Trustee”) (the “Indenture”). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12.

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 have the following meanings:

“*Annual Report*” means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means April 1 in each year, beginning April 1, 2020.

“*City*” means the City of Chino Hills, California, a municipal corporation and general law city organized and existing under the laws of the State of California.

“*Disclosure Representative*” means the Finance Director of the City, or such other officer or employee of the City as the City shall designate in writing to the Trustee from time to time.

“*Dissemination Agent*” means Harrell & Company Advisors, LLC, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) or 5(b).

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“*Official Statement*” means the Official Statement dated _____, 2019 relating to the Bonds.

“*Participating Underwriter*” means Piper Jaffray & Co., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

* Preliminary, subject to change.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2020 with the report for the 2018-19 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4. Not later than 5 days prior to the Annual Report Date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). 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; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Dissemination Agent (if other than the Issuer) shall have no duty or obligation to review such Annual Report.

(b) If the Issuer does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Issuer shall provide a notice (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements 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 Issuer's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following information with respect to the Series D Bonds and the Series 2019 CFD Bonds:

(i) The principal amount of Series D Bonds Outstanding as of the December 31 next preceding the Annual Report Date;

(ii) The principal amount of Bonds Outstanding as of the December 31 next preceding the Annual Report Date;

(iii) The principal amount of Series 2019 CFD Bonds of such CFD outstanding as of the December 31 next preceding the Annual Report Date;

(iv) The principal amount of CFD Bonds of such CFD outstanding as of the December 31 next preceding the Annual Report Date;

(v) The balance in the Reserve Fund established under the Fiscal Agent Agreement pursuant to which such CFD Bonds were issued, and a statement of the Reserve Requirement (as defined in such Fiscal Agent Agreement), as of the December 31 next preceding the Annual Report Date.

(c) The following information for each CFD:

(i) The special tax delinquency rate for such CFD as of December 31 of the prior calendar year; the number of parcels within such CFD delinquent in payment of special taxes as of the December 31 next preceding the Annual Report Date; the amount of each delinquency; the length of time delinquent and the date on which foreclosure was commenced, or similar information pertaining to delinquencies deemed appropriate by the City; provided, however, that parcels with delinquencies of \$1,000 or less may be grouped together and such information may be provided by category;

(ii) The status of foreclosure proceedings and a summary of the results of any foreclosure sales as of the December 31 next preceding the Annual Report Date;

(iii) The identity of any property owner, representing more than 5% of the special tax levy, delinquent in payment of special taxes as of the December 31 next preceding the Annual Report Date; and

(iv) Table No. 3, Table No. 4, Table No. 9 and Table No. 10 of the Official Statement (such tables may be consolidated for each CFD and not need be presented as individual tables for a CFD).

(d) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the Issuer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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 Issuer or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (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 City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an 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.
- (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 Issuer, shall, or shall cause the Dissemination Agent (if not the Issuer) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The Issuer acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The Issuer shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S.

federal securities law. Whenever the Issuer obtains knowledge of the occurrence of any of these Listed Events, the Issuer will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the Issuer will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(e) The term financial obligation means a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (e)(1) or (e)(2). 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.

(f) *Time to Disclose.* Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall, or shall cause the Dissemination Agent (if not the Issuer) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Series D Bonds under the Indenture.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Series D Bonds.

Section 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Harrell & Company Advisors, LLC. The Dissemination Agent may resign by providing thirty days prior written notice to the Issuer.

Section 9. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of such party, and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Issuer to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate 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 Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent (if other than the Issuer), 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 obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Issuer 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 may conclusively rely upon the Annual Report provided to it by the Issuer as constituting the Annual Report required of the Issuer in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Issuer in a timely manner in a form suitable for filing with the MSRB. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the Holders or Beneficial Owners of the Certificates, the Issuer, the Participating Underwriters or any other party or person. No provision of this Disclosure Certificate shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. Any company succeeding to all or substantially all of the Dissemination Agent's business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

Section 13. Beneficiaries. This Disclosure Certificate inures solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and creates no rights in any other person or entity.

Date: _____, 2019

CHINO HILLS FINANCING AUTHORITY

By: _____
Treasurer

DISSEMINATION AGENT
Harrell & Company Advisors, LLC

By: _____

Its: _____

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APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Delivery Date]

\$[principal amount]
CHINO HILLS FINANCING AUTHORITY
REVENUE REFUNDING BONDS
(COMMUNITY FACILITIES DISTRICT BOND PROGRAM)
SERIES D

Ladies and Gentlemen:

We have acted as bond counsel to the Chino Hills Financing Authority (the "Authority") in connection with the issuance of its Revenue Refunding Bonds (Community Facilities District Bond Program) Series D (the "Series D Bonds") in the aggregate principal amount of \$[principal amount]. The Series D Bonds are being issued pursuant to the provisions of the Constitution and the laws of the State of California, including the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 (commencing with Section 6584), of Division 7 of Title 1 of the Government Code of the State of California, as in existence on the Closing Date or as thereafter amended from time to time (the "Bond Law"). The Series D Bonds shall be issued and secured pursuant to an Indenture, dated as of February 1, 2004 (the "Original Indenture"), as supplemented by the First Supplemental Indenture, dated as of August 1, 2006, the Second Supplemental Indenture, dated as of October 1, 2015, the Third Supplemental Indenture, dated as of September 1, 2018, and as further supplemented by the Fourth Supplemental Indenture, dated as of December 1, 2019 (the "Fourth Supplemental Indenture") (collectively, the "Indenture"), each by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Indenture.

The Series D Bonds are being issued for the purpose of financing the acquisition of separate series of bonds being issued contemporaneously herewith (the "Local Obligations") consisting of the \$_____ City of Chino Hills Los Ranchos Community Facilities District No. 2 Special Tax Refunding Bonds, Series 2019 (the "CFD No. 2 Bonds") issued pursuant to a Fiscal Agent Agreement, dated as of February 1, 2004, as supplemented and amended by the First Supplemental Fiscal Agent Agreement, dated as of August 1, 2006, and the Second Supplemental Fiscal Agent Agreement, dated as of October 1, 2015, and as further supplemented and amended by a Third Supplemental Fiscal Agent Agreement, dated as of December 1, 2019, each by and between the City of Chino Hills Los Ranchos Community Facilities District No. 2 ("CFD No. 2") and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"), and \$_____ City of Chino Hills Soquel Canyon, Rincon and Woodview Community Facilities District No. 5 Special Tax Refunding Bonds, Series 2019 (the "CFD No. 5 Bonds") issued pursuant to a Fiscal Agent Agreement, dated as of February 1, 2004, as supplemented and amended by the First Supplemental Fiscal Agent Agreement, dated as of August 1, 2006, and the Second Supplemental Fiscal Agent Agreement, dated as of October 1, 2015, and as further supplemented and amended by a Third Supplemental Fiscal Agent Agreement, dated as of December 1, 2019, each by and between the City of Chino Hills Soquel

Canyon, Rincon and Woodview Community Facilities District No. 5 (“CFD No. 5” and together with CFD No. 2, the “Districts”) and the Fiscal Agent, to refund the outstanding Special Tax Bonds, Series 2006 relating to CFD No. 2 and CFD No. 5, and simultaneously defease the Chino Hills Financing Authority Revenue Bonds (Community Facilities District Bond Program) Series B.

As bond counsel, we have examined applicable provisions of the Bond Law and copies certified to us as being true and complete copies of the proceedings of the Authority and the Districts for the authorization and issuance of the Bonds, including the Indenture and the Tax Certificate (as defined below). Our services as bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection we have also examined such certificates of public officials and officers of the Authority and the Districts as we have considered necessary for the purposes of this opinion.

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 the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate. In addition, we call attention to the fact that the rights and obligations under the Series D Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws affecting creditors’ rights, to the application of equitable principles, to the possible unavailability of specific performance or injunctive relief, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California with the full power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Series D Bonds.
2. The Series D Bonds constitute valid and binding obligations of the Authority as provided in the Indenture, and are entitled to the benefits of the Indenture. The Series D Bonds are payable from Revenues (as such term is defined in the Indenture).
3. The Indenture has been duly and validly authorized, executed and delivered by the Authority and, assuming the Indenture constitutes the legally valid and binding obligation of the Trustee, constitutes the legally valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Series D Bonds, of the Revenues and other amounts held by the Trustee in the funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for other purposes and on the terms and conditions set forth therein.
4. Under existing statutes, regulations, rulings and court decisions, interest on the Series D Bonds is exempt from personal income taxes of the State of California and, assuming continuing compliance with the covenants mentioned herein, interest on

the Series D Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes. It is our further opinion under existing statutes, regulations, rulings and court decisions, that the Series D Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the Series D Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Series D Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Series D Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Series D Bonds. Pursuant to the Indenture and the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* (the "Tax Certificate") being delivered by the Authority and the Districts in connection with the issuance of the Series D Bonds, the Authority and the Districts are making representations relevant to the determination of, and are making certain covenants regarding or affecting, the exclusion of interest on the Series D Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the Authority and the Districts with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Series D Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequence with respect to the Series D Bonds, or the interest thereon, if any action is taken or not taken based upon the advice or approval of other counsel.

The opinions expressed in paragraphs 2 and 3 above are qualified to the extent the enforceability of the Series D Bonds and the Indenture may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the Series D Bonds and the Indenture is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series D Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

This opinion is limited to the laws of the State of California and the federal laws of the United States.

Respectfully submitted,

APPENDIX F

THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given 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.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Securities”). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. 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 a Standard & Poor’s rating of

AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on such Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds and distributions on the Securities 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject

to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.