

CITY OF CORONA

DEBT POLICY AND PROCEDURES



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DEBT POLICY

GENERAL POLICY GUIDELINES

INTRODUCTION

The following policies and procedures are enacted in an effort to standardize the issuance and management of debt by the City of Corona and its component units. The primary objective is to establish conditions for the use of debt, to minimize the City's Debt Service requirements and cost of issuance, to retain the highest practical credit rating, to maintain full and complete financial disclosure and reporting and to maintain financial flexibility for the City. The policies apply to all debt issued by the City and its component units.

Regularly updated debt policies and procedures are an important tool to insure the use of the City's resources to meet its commitments, to meet the needs of the citizens of Corona and to maintain sound financial management practices. These guidelines are for general use and allow for exceptions in extraordinary conditions.

These policies and procedures have been recommended by the Public Services Committee and adopted by resolution of the City Council. They will be updated and resubmitted to the City Council periodically. The policies can be adjusted at any time by resolution of the City Council.

LONG RANGE FINANCIAL PLANNING

The City of Corona Five-Year Capital Improvement Program, or CIP, is a multi-year financial planning and management tool that identifies public facility and equipment requirements. It identifies a full range of capital needs, provides for the ranking of the importance of such needs, and identifies the funding sources that are available to cover the costs of the projects. When the CIP identifies project funding through the use of debt financing, financial analyses and projections will have already been completed which demonstrate the feasibility of issuing the debt. The City Manager will evaluate capital project requests and recommend the CIP to the City Council for approval.

The City may consider financing the capital needs of its revenue-producing enterprise activities through the issuance of revenue-secured debt obligations. Prior to issuing such debt, the City will develop financial plans and projections showing the feasibility of the financing, including an analysis of the required rates and charges needed to support the financing and the impact on ratepayers, property owners and other affected parties.

Debt financing will not be considered appropriate for any recurring purpose such as current operating and maintenance expenditures. The issuance of short-term cash-flow instruments is excluded from this limitation.

The City will use the following criteria to evaluate pay-as-you-go financing:

1. Current revenues and adequate fund balances are available so project phasing can be accomplished.
2. Existing debt levels adversely affect the City's credit rating.
3. Market conditions are unstable or present difficulties in marketing debt instruments.

The City will use the following criteria to evaluate long-term financing:

1. Revenues designated as security for Debt Service are deemed to be sufficient and reliable so that long-term financing can be marketed with investment grade credit ratings.
2. The project securing the financing is of the type that will support an investment grade credit rating, excepting Conduit Financing and Land Based Financing which have unique minimum credit criteria described in their respective sections below.
3. Market conditions present favorable interest rates and demand for City financing.
4. The project is mandated by State and/or Federal requirements and current resources are insufficient or unavailable.
5. The project is immediately required to meet or relieve capacity needs and current resources are insufficient or unavailable.
6. The life of the project or asset to be financed will exceed the term of the Bonds.

DEBT LIMITS

The City will keep outstanding debt within the limits prescribed by State of California statutes and at levels consistent with credit objectives.

DEBT CALENDAR AND FINANCING PRIORITIES

It will be the responsibility of the Finance Director, within the context of the Capital Improvement Program, to oversee and coordinate the timing, process of issuance and marketing of the City's borrowing and capital funding activities required in support of the CIP. In this capacity, the Finance Director will make recommendations to the City Council regarding necessary and desirable actions and will keep it informed through regular and special reports as to the progress and results of current-year activities.

Additionally, the Finance Director is responsible for making recommendations to the City Council regarding any transactions having an impact to existing City debt.

DEBT STRUCTURE

The City will normally issue debt with an average term of 25-30 years or less. The structure should approximate level Debt Service for the term where it is practical. Debt will be structured in such a way as to avoid increasing Debt Service payments in subsequent years, with the first and second year of a debt payoff schedule the exception. Variable rate debt may be considered for utility debt when determined to be in the best interest of the City. There will always be at least interest paid in the first fiscal year after debt issuance and principal starting no later than the second fiscal year after the debt issue. Capitalized Interest will not be for a period of more than one year except for a City initiated project where the construction period exceeds one year.

CREDIT OBJECTIVES

The City of Corona seeks to maintain the highest possible credit ratings for all categories of long-term debt that can be achieved without compromising delivery of basic City services and achievement of City policy objectives. Accordingly, the City requires a rating no lower than investment grade and, for obligations of the City or its component units, the target optimal rating is A from the nationally recognized rating agencies.

The City recognizes that external economic, natural, or other events may from time to time affect the creditworthiness of its debt. Nevertheless, the City is committed to ensuring that actions within its control are prudent and well planned.

REFUNDING DEBT

Periodic reviews of all outstanding debt will be undertaken by the Finance Director and the City's Financial Advisor to determine Refunding (refinancing) opportunities.

The purpose of the refinancing may be to:

1. Achieve or monetize Debt Service savings.
2. Update or revise covenants on outstanding debt issue.
3. Restructure Debt Service associated with an issue.
4. Alter Bond characteristics such as call provisions or payment dates.

In cases where an Advance Refunding is intended to provide interest rate savings, the City will strive to achieve a minimum of three percent net Present Value savings of the refunded Bonds, net of Issuance Costs and any cash contributions. The three percent savings target may be waived, however, if

sufficient justification for lowering the savings target can be provided by other achievements in the debt's structure.

COSTS AND FEES

All costs and fees related to the issuance of debt will be paid out of debt proceeds. An amount will be determined at the time of the sale of Bonds to reimburse the City for costs incurred based on the time factors and complexity of issue. Where applicable, the annual, recurring costs to the City of administering a Bond issue are charged to the appropriate Debt Service or enterprise fund.

For any conduit financing, the City may collect a fee to cover costs of issuance and any administrative costs incurred by the City associated with financing. The amount of the fee will be determined based on the estimated staff time and/or consultants required for the particular financing.

DETERMINATION OF TARGETED AUDIENCE FOR DEBT OFFERINGS

The best interests of the City are generally served when the targeted audience for its debt offerings includes investors with adequate knowledge and information about the terms, conditions, features and benefits of the particular offering, and that those investors represent the broadest possible cross-section of the market. Accordingly, the City will structure its debt offerings so as to attract the maximum number of competitive investors for the debt issue both through the design of the issue and the selection of the method of sale. Offerings designed to be sold to a deliberately limited number of investors, or to sponsors of a particular project, are specifically discouraged.

In certain instances the City may determine to utilize private placements, limited offerings, or specific negotiations of non-standard debt, but will only do so in the absence of other avenues for acquiring the required capital in a more cost effective manner or in instances where the purpose is determined to be of significant strategic importance to the City. The City will consider such requests in the same manner that it uses for consideration of Conduit Financings, and will apply similar criteria. (See "Conduit Financing" herein.) If the City elects to use non-standard debt instruments as an exception to this policy, the decision to do so will be made by the City Council upon the recommendation of the Finance Director.

TYPES OF DEBT FINANCING

GENERAL OBLIGATION BONDS

The City may issue general obligation Bonds for essential projects where there is no other funding source available to meet project costs. The following criteria will be used to evaluate the financing:

1. The likelihood of obtaining voter approval of the debt has been researched and determined to be optimistic.
2. The project has been presented to City Council either through the CIP or through regular council reports.
3. The project is essential to meet or relieve capacity needs and no other resources are available to finance it.
4. The life of the project or asset to be financed is at least equal to the term of the Bonds to be issued.

MUNICIPAL NOTES

The City Council may authorize the issuance of municipal Notes as an interim financing mechanism in anticipation of future revenues at the recommendation of the Finance Director. Types of such Notes could include, but are not limited to, Tax Anticipation Notes, Revenue Anticipation Notes, Bond Anticipation Notes, or Grant Anticipation Notes.

REVENUE BONDS

The City Council may authorize the issuance of Revenue Bonds as a means of financing capital facilities. The following criteria will be used to evaluate the financing:

1. Revenues available for Debt Service are deemed to be sufficient and reliable so that the Bonds can be marketed with investment grade credit ratings. Where appropriate, revenues for the term of the bonds shall be projected or confirmed by an independent revenue consultant selected in the sole discretion of the City.
2. The project securing the financing is of the type that will support an investment grade credit rating.
3. Market conditions present favorable interest rates and demand for City financing.
4. The project has been presented to City Council either through the CIP or through regular council reports.
5. The project is essential to meet or relieve capacity needs and current resources are insufficient or unavailable.
6. The life of the project or asset to be financed is at least equal to the term of the Bonds to be issued.

These types of obligations are often structured as Lease Revenue Bonds or Certificates of Participation (COP's). If so structured, debt service shall not exceed the fair rental value of the leased asset for the term of the lease.

REDEVELOPMENT AGENCY DEBT

The Redevelopment Agency may authorize the issuance of Bonds that are secured by tax increment revenue, which is governed by Health and Safety Code section 33000. Criteria to be considered when issuing such debt is as follows:

1. The project to be financed has been presented to City Council either through the CIP or through regular council reports.
2. A fiscal analysis of the tax increment projections for the project area, generally prepared by an independent redevelopment consultant, which demonstrates sufficient revenue to meet Debt Service requirements and the ability to support an investment grade credit rating.
3. Market conditions present favorable interest rates and demand for such financing.
4. The project is an essential component of the Redevelopment Plan for the project area.

For redevelopment projects where a developer may be reimbursed for public improvements from Bond proceeds, the reimbursement is limited to all reasonable costs and expenses incident to the construction and acquisition of the public facilities as provided by law. The developer will not be entitled to reimbursement for any expenses specified as follows:

1. In-house administrative, legal and overhead expenses incurred by the developer; or
2. Interest expense or “carrying costs” incurred by the developer on moneys advanced or expended during the construction of public facilities.
3. Any other costs deemed not reimbursable by the City Council.

INTERFUND LOANS AND CASH ADVANCES

From time to time, interfund borrowings may be appropriate; however, these are subject to the following criteria for ensuring that the fiduciary purpose of the fund is met:

1. The Finance Director is authorized to approve temporary interfund borrowing for cash flow purposes whenever the cash shortfall is expected to be resolved within a reasonable period of time. The most common use of interfund borrowing under this circumstance is for grant programs like the Community Development Block Grant, where costs are incurred before draw downs are initiated and received. However, funds are typically received shortly after the request for funds has been made.
2. Any other interfund borrowings for cash flow purposes require case-by-case approval by the City Council.

3. Redevelopment Agency loans between project areas as governed by Health & Safety Code section 33000 and as approved by the Agency Board/City Council.

These interfund loans typically have an approved repayment schedule; however, earlier repayment of the debt may occur based on available monies in the borrowing fund and approval of the Finance Director.

LAND-SECURED BONDS

Land-secured Bonds may be issued under the provisions of the Mello Roos Community Facilities Districts Act of 1982 (Commencing with Section 53311 of the Government Code), the Improvement Act of 1911, the Municipal Improvement Act of 1913 for special assessment districts and the Improvement Bond Act of 1915 Act for the issuance of Bonds. These Bonds become an obligation of the special district and are not an obligation of the City or any of its component units.

JOINT COMMUNITY FACILITIES DISTRICTS

On a case by case basis, the City will consider participation in joint community facilities districts for the purpose of consolidating items to be financed. Bonds are issued by another agency acting as the lead agency and the debt is not an obligation of the City. For example, the local school district may form a Community Facilities District. The City could participate in that district through a Joint Community Facilities Agreement, which outlines the provisions for reimbursement of project costs to a developer.

Items eligible for inclusion in such a financing will be limited to public facilities or certain developer impact fees established by the City. In each and every circumstance, the decision as to whether the City will participate is a decision that will be made solely by the City. Nothing contained herein shall be construed as obligating the City to participate or as granting to any person any right to have the City participate in any circumstance.

CONDUIT FINANCING

The City may sponsor Conduit Financing for those activities (i.e., economic development, housing, health facilities, etc.) that have a general public purpose and are consistent with the City's overall service and policy objectives. All Conduit Financing must insulate the City completely from any credit risk or exposure. The City will consider requests for Conduit Financing on a case-by-case basis using the following criteria:

1. The City's Bond Counsel will review the terms of the financing, and render an opinion that there will be no liability to the City in issuing the Bonds on behalf of the applicant.
2. There is a clearly articulated public purpose in providing the Conduit Financing.
3. The proposed financing meets the City's minimum credit standards for Conduit Financings.
4. The applicant is capable of achieving this public purpose.

The review of a request for Conduit Financing will generally be a four-step process. The first step is to determine if the City Council is interested in considering the request and establishing the ground rules for evaluating it. The second step is to evaluate the request based on the four aforementioned criteria. The third step is for the prospective borrower to provide evidence that the borrowing can meet the City's minimum credit standards for Conduit Financings. The fourth step is to provide the City Council with the results of the evaluation and the appropriate recommendation. This four-step approach ensures that the issues are clear for both the City and the applicant, and that key policy questions are answered.

The minimum credit standards are as follows:

1. Borrower shall be an entity with a stand alone credit rating of not less than A by Standard and Poor's Corporation or A2 by Moody's Investors Service, or can secure credit enhancement for the full amount of the borrowing in the form of a letter of credit from a commercial bank with a credit rating of not less than A by Standard and Poor's Corporation or A2 by Moody's Investors Service.
2. By arranging for the private placement of the bonds to a single buyer that is a "Qualified Institutional Buyer" under federal securities law. Such a purchaser will sign a "sophisticated investor letter" prepared by the City's bond counsel which will represent that they are one of the above, are able and qualified to purchase without an official statement, and that they can transfer the placement only in whole, and only to a purchaser willing and able to sign a similar sophisticated investor letter. This requirement would "travel" throughout the life of the placement.

The City may, at its sole discretion, require additional protections including but not limited to asset appraisals, financial audits of the non-City participants or additional security.

An initial deposit amount and issuer fee will be required. The deposit is set at \$15,000, but may be increased if additional costs are anticipated to adequately evaluate the proposal. The issuer fee is set at one-eighth of one percent (0.125%) of the initial par amount, payable each year in advance for as long as

the bonds remain outstanding.

The City Council may elect to participate in other conduit-type financings that are administered by county or statewide financing authorities if it is determined to be in the best interest of the City. As stated above, there must be no liability or risk to the City to participate in these programs. Any deposits or fees will be determined by the Finance Director based on the specifics of the financing.

CREDIT ENHANCEMENTS

The City will seek to use Credit Enhancement (letters of credit, Bond Insurance, Surety Bonds, etc.) when it proves cost-effective or provides additional security for the payment of Debt Service. Selection of Credit Enhancement providers will be subject to a competitive process developed by the Finance Director. Credit Enhancement may be used to improve or establish a credit rating on a City debt obligation or to provide supplemental security for Debt Service on non-City debt such as Mello-Roos Bonds if the use of such Credit Enhancement meets the City's debt financing goals and objectives.

SELECTION OF THE FINANCING TEAM

The Finance Director will be responsible for establishing and maintaining a solicitation and selection process for securing professional services related to individual debt issues. Goals of the solicitation and selection process will include encouraging participation from qualified service providers, both local and national, and securing services at competitive prices.

While the City's preference is to issue debt via competitive bid, there are many circumstances when a negotiated issue is in the best interests of the City. For example, Competitive Sales offer issuers some advantages in terms of objectivity in the selection of the underwriter. However, Negotiated Sales are preferable if the security features are particularly complex or market conditions are volatile. The Finance Director will decide whether the method of sale is competitive or negotiated based on the type of issue and other market conditions. In the case of Negotiated Sales, the Finance Director will choose an underwriter based on a formal RFP process, where practical, in an effort to select the firm with the most relevant experience with the type of debt being issued. In the case of Competitive Sales, the City will select a firm on the basis of low bid and delivery of good faith deposits.

DISCLOSURE

The City acknowledges the responsibilities of the underwriting community and pledges to make all reasonable efforts to assist underwriters in their efforts to comply with Security Exchange Commission or SEC Rule 15c2-12 and MSRB Rule G-36. The City will file Continuing Disclosure reports and/or certificates with nationally recognized municipal securities information repositories. The City will also provide a copy of its comprehensive financial reports upon request and will disseminate other information that it deems pertinent to the market in a timely manner. While initial Bond disclosure requirements pertain to bond offering statements, the City will provide financial information and notices of material events on an ongoing basis throughout the life of the issue. Material events are defined as those events, which are considered likely to reflect on the credit supporting the securities. The events considered material according to the SEC are:

- a. Rating changes.
- b. Non-payment related Defaults.
- c. Adverse tax opinions or events affecting the tax exempt status.
- d. Unscheduled draws on Debt Service reserves or Credit Enhancements reflecting financial difficulties.
- e. Modifications to the rights of securities holders.
- f. Defeasance.
- g. Bond calls.
- h. Release, substitution, or sale of property securing repayment of the securities.
- i. Substitution of credit or liquidity providers, or their failure to perform.
- j. Principal and interest payment delinquencies.

With respect to conduit debt, Continuing Disclosure requirements will be provided by the City only if the City is contractually obligated to make Debt Service payments on the debt or has other specific obligations.

LAND BASED FINANCING

The City will consider property owner initiated applications requesting the formation of community facilities or assessment districts and the issuance of Bonds to finance eligible public facilities necessary to serve newly developing commercial, industrial, and/or residential projects. Generally, only regional or community serving public facilities such as major streets, highway improvements, flood or drainage improvements, water and wastewater improvements, libraries and fire stations may be eligible for this financing program. Facilities will be financed in accordance with the provisions of the Municipal Improvement Act of

1913 and the Improvement Bond Act of 1915, or the Mello-Roos Community Facilities Act of 1982.

Exceptions to the preceding reference to the financing of regional public facilities will be considered on a case-by-case basis. Smaller, in-fill housing projects may be considered in situations where the local school district does not initiate community facilities districts. Generally, the City will not form a CFD for the issuance of Bonds for a project less than 100 units.

Section 53312.7(a) of the California Government Code requires that the City consider and adopt local goals and policies concerning the use of the Mello-Roos Community Facilities Act prior to the initiation of proceedings on or after January 1, 1994 to establish a new community facilities district under the Act. The Policies are applicable to financings under the Act and are intended to comply with Section 53312.7 (a) of the Government Code. In each and every circumstance, the decision as to whether or not the City will make use of the Act is a decision that will be made solely by the City. Nothing contained herein shall be construed as obligating the City to make use of the Act in any circumstance or as granting to any person any right to have the City make use of the Act in any circumstance. The City may confer with other consultants and the applicant to learn of any unique district requirements such as regional serving facilities or long-term development phasing, prior to making any final determination.

APPLICATION PROCESS

Early communication with the City is encouraged to assist applicants in evaluating the feasibility of available financing programs and to discuss program procedures. The following represents a typical district application review and approval process:

1. **Pre-application Conference:** Applicant meets with staff from the City Manager's office, the Finance Director, the Public Works Director and/or other staff to initially discuss the proposed project and application procedures.
2. **Pre-application Submission:** Applicant submits a pre-application form including the filing deposit of \$15,000 (Appendix B) and a Project Eligibility Review Form (Appendix C).
3. **Project Review:** City staff and/or consultants will meet to discuss the Project Eligibility Review Form to determine if further information or clarification is required. If necessary, the applicant will submit a revised form. If the proposed financing is denied, a letter will be sent advising the applicant of the denial and the reasons therefore. If the proposed financing is to be considered, the applicant must provide a processing deposit in an amount to be determined which is, at a minimum, \$100,000 or .5% of the anticipated Bond issue amount, whichever is greater. Additional amounts may be required as outlined below.

4. **Application Processing:** The Finance Department staff will prepare a report for presentation to the appropriate Council Committee summarizing the proposed project and application for financing. At any point in the process, if the City determines that the proposed project does not meet the community's needs, the application and/or processing deposits, minus expenses incurred, will be refunded to the applicant.
5. **Council Committee Consideration:** Upon committee recommendation, the City Manager, or designee, will engage additional consultants to perform the analysis required for the formation of a special district and the issuance of related debt. Such consultants may include an appraiser, Financial Advisor, underwriter, Bond Counsel, fiscal agent and/or special tax consultant and assessment engineer. This includes negotiation of necessary contracts and the collection of additional developer deposits, as necessary.
6. **Project Initiation:** City Staff will submit contracts, reimbursement agreements, Bond documents, and other pertinent items for consideration to the City Council as required.
7. **Project Implementation:** Applicant, City staff, and consultants meet to determine preliminary project schedule and begin the work necessary to complete the district formation and financing.

GENERAL REQUIREMENTS

District Costs, Deposits and Reimbursements

All City and consultant costs incurred in the evaluation of district applications and the establishment of districts will be paid by the applicant through advance deposits. Expenses not chargeable to the district shall be directly borne by the applicant.

The deposits will be used by the City to pay costs and expenses incurred by the City incident to the proceedings such as legal, engineering, appraisal, special tax consultant and Financial Advisory expenses, administrative costs and expenses, required notifications and printing and publication of legal matters. At any point in the process, including after the City has hired consultants, if the City determines that the project does not meet the community's needs, the application and/or processing deposit, minus expenses incurred, will be refunded to the applicant. The City may refund any unexpended portion of the deposits upon the following conditions:

1. The district is not formed;
2. The proceedings for formation of the district or issuance of Bonds is disapproved by the City; or
3. The proceedings for formation of the district or issuance of Bonds are abandoned in writing by the applicant.

Pursuant to Council approval of a funding agreement, the applicant may be entitled to reimbursement from Bond proceeds for all reasonable costs and expenses incident to the proceedings and construction and acquisition of the public facilities as provided by law. All such invoices will be verified by the City as a condition of reimbursement. The applicant or property owner will not be entitled to reimbursement from Bond proceeds for any of the expenses specified as follows:

1. In-house administrative, legal and overhead expenses incurred by the applicant; or
2. Interest expense or “carrying costs” incurred by the applicant on moneys advanced or expended during the proceedings and construction of public facilities; and
3. Any other costs and expenses incurred by the applicant, which are not otherwise authorized for reimbursement under the Mello-Roos Act, the 1911 Act or the 1913 Act.

Neither the City nor the district will be required to reimburse the applicant or property owner from any funds other than the proceeds of Bonds issued by the district.

Use of Consultants

The City will select all consultants necessary for the formation of the district and the issuance of Bonds, including the underwriter(s), Bond Counsel, Financial Advisor, assessment engineer, appraiser, market absorption study consultant, and the special tax consultant. The need for consultants and the scope of their services will be determined by the City on a case-by-case basis with consideration given to market conditions and the nature of the district and financing(s).

Eligible Public Facilities

Facilities to be financed must be public facilities for which the City, or a public agency as determined appropriate by the City, will be the owner or will have normal operating and maintenance responsibility, and must have a useful life of at least five years, except that up to five percent of the proceeds of an issue may be used for facilities owned and operated by a privately-owned public utility, if applicable. The City has final determination as to any facility's eligibility for financing, as well as the prioritization of public facilities to be included within a district financing. A funding and acquisition agreement will be required and approved by the City Council as part of the formation of the district.

In certain cases, developer impact fees established by the City may be eligible for inclusion in such a financing in the City's sole determination. However,

financing construction of and acquisition of eligible public facilities are of greater priority than financing of developer impact fees.

The list of eligible public facilities include, but are not limited to, the following:

- Cultural facilities
- Flood control facilities
- Governmental facilities
- Landscaping on public property or in public easements
- Libraries
- Parks and recreational facilities
- Police and fire protection facilities
- Potable and reclaimed water facilities
- Public utilities
- Sanitary sewer facilities
- Storm drain facilities
- Streets and street lighting
- Traffic signals and safety lighting
- Utility relocations
- Other facilities as may be permitted pursuant to the Act as it may be amended from time to time.

Eligible Public Services

From time to time, the City may require services to be paid from a CFD for which an applicant has requested public facilities financing. In such a case, the City's services funding requirement shall be prioritized over facilities financing.

In general, the services eligible to be financed by a CFD are those identified in the Act which are provided by the City, including:

- Fire protection and suppression services and ambulance and paramedic services
- Flood and storm protection including operation and maintenance of storm drainage systems and sandstorm protection systems
- Library services
- Maintenance and lighting of streets and roads
- Maintenance and lighting of parks, parkways and open space
- Operation and maintenance of museums and cultural facilities
- Police protection services
- Recreation program services
- Services related to removal or remedial action for the cleanup of hazardous substance released or threatened to be released in the environment

- Other services as may be permitted pursuant to the Act as it may be amended from time to time.

Eligible Prior Debt

A CFD may also be formed for the purpose of refinancing any fixed special assessment or other governmental lien on property, to the extent permitted under the Act, as applicable.

Property Owner Support

Formation of a district with multiple property owners will require proof of overwhelming support to be included in the proposed district, unless there is an overriding need for the public facilities, or the applicant is willing to separately fund the public facilities on the non-participating property.

Land Use Approvals

The City will accept applications for the formation of AD's and/or CFD's only when properties to be included within a proposed district have City site plan and other applicable zoning approval. An AD or CFD shall not vest any rights to future land use on any properties, including those which are responsible for paying assessments or special taxes.

Value-To-Lien Ratio

The overall district (or improvement area) property value-to-lien ratio shall be at least:

- (Type A): For properties developed or to be developed as single-family owner occupied housing, 4 to 1 on a weighted average basis; and
- (Type B): For all other land uses, 4 to 1 on a parcel-by-parcel basis, or 5 to 1 on an aggregate weighted average basis for all Type B property; whichever results in a stricter standard.

Property values shall be determined by an appraisal which includes the value of the public facilities to be financed and any prior or pending special taxes or improvement liens.

Security

For new development, the applicant or property owner must demonstrate its financial plan and ability to pay all assessments and/or special taxes before full build-out has taken place. The City may require additional security such as some form of Credit Enhancement. A Letter of Credit or other security may be required

to secure Debt Service until such time that responsibility for special taxes or assessment installments are less than 20% for any single tax payer in the district.

If the City requires the Credit Enhancement, it shall be issued by an institution in a form and upon terms and conditions satisfactory to the City. All fees payable on the Letter of Credit or other security will be the sole responsibility of the applicant or developer, not the City or the district.

Throughout the district formation process, any property owner that will be responsible for more than 10 percent of the aggregate special taxes or assessment installments within the district will, at City staff's request, provide detailed information as identified in Appendix C.

Disclosure

The City will determine, in its sole judgment using recommendations of consultants, what financial and development information provided by the developer will be disclosed in the Official Statement for the Bonds. The City intends to generally follow the procedures and recommendations set forth in the California Debt and Investment Advisory Commission's publication *Disclosure Guidelines for Land-Based Securities*. The developer will be required to review such disclosure, and to sign a certificate that the disclosure is complete and accurate, and that it does not fail to include material facts.

The City will also determine, in its sole judgment using recommendations of consultants, what financial and development information provided by the developer will be included in annual Secondary Market disclosure materials required by Securities and Exchange Commission Rule 15c2-12(b)(5). The developer will execute an agreement undertaking to provide the required information according to a given schedule. Generally, the developer's obligation to provide Continuing Disclosure information will terminate when the developer's share of total Debt Service revenues falls below a threshold of 10%.

Terms and Conditions of Bonds

The City will establish all terms and conditions of the Bonds, taking into consideration the recommendations of its advisors and consultants.

The special taxes or annual assessments will be levied for the first fiscal year following the sale of the Bonds for which they may be levied. Interest will not be funded (capitalized) beyond the earliest interest payment date for which sufficient special tax revenues or annual assessment installments will be available for payment of interest.

The repayment of principal will begin on the earliest date for which sufficient special tax revenues or annual assessment will be made available.

The maximum special tax will be established to ensure that the annual revenue produced by the levy of the maximum special tax less expected administrative expenses shall be equal to at least 110% of average annual Debt Service on the Bonds.

In order to enhance the credit quality of CFD bond issues, the City generally will require that each such bond issue be secured by a reserve fund. Generally, each such reserve fund will be required to be funded with cash in an amount no less than the least of (a) 10% of the initial principal amount of the bonds of such issue, (b) maximum annual debt service on the bonds of such issue, or (c) 125% of the average annual debt service on the bonds of such issue.

In instances where multiple series of Bonds are to be issued, the City will make a final determination as to which public facilities are of the highest priority and those public facilities will be financed first and will be subject to the earliest or most senior lien.

The City may require that each new district Bond financing refund any prior liens, if they exist, on properties included in the district in order to avoid subordinated liens. Instances where prior liens may not require Refunding are: (1) where refunding prior liens will result in higher interest cost, (2) where there can be assurance that prior liens may pose no marketing problems for the new district Bonds, or (3) where refunding prior liens may present future administrative difficulties to the City or other affected public entities.

Generally, debt service for Bonds shall be substantially level for all land district financings.

All statements and material related to the sale of bonds shall emphasize and state that neither the faith, credit nor the taxing power of the City is pledged to security or repayment of the Bonds. The sole source of pledged revenues to repay CFD bonds are special taxes, bond proceeds and reserve funds held under the bond document, and the proceeds of foreclosure proceedings and additional security instruments provided at the time of bond issuance.

Market Absorption Study and Special Tax Analysis

An absorption study of the proposed development project will be conducted by the City and is required for land secured financing on undeveloped property. The absorption study will be used as a basis for verification that sufficient revenues can be produced and to determine if the financing of the public facilities is appropriate given the timing of the development. Additionally, the projected absorption rates will be provided to the appraiser for use in the appraisal and to verify special tax projections.

The City will retain a special tax consultant to prepare a report or other analysis which: (a) recommends a special tax for the proposed CFD, and (b) evaluates the special tax proposed to determine its ability to adequately fund identified public facilities, City administrative costs, services (if applicable) and other related expenditures. Such analysis shall also address the resulting aggregate tax burden of all proposed special taxes plus existing special taxes, ad valorem taxes and assessments on the properties within the CFD.

Limitation on Special Taxes and Overlapping Debt

The special tax formula shall be reasonable in allocating the CFD's payment obligations to parcels within the CFD. Exemptions from the special tax may be given to parcels which are publicly owned, are held by a property owners' association, are used for a public purpose such as open space or wetlands, are affected by public utility easements making impractical their utilization for other than the purposes set forth in the easements, or have insufficient value to support bonded indebtedness. Generally, special taxes shall not be imposed on properties developed as or to be developed solely for parking purposes.

It is the City's intent that the maximum amount of special taxes to be levied on any parcel of property developed as or to be developed as owner-occupied residential property within a community facilities district, in any given fiscal year to pay Debt Service on Bonds, together with the general property taxes and other special taxes and assessments levied on such parcel, shall not exceed an amount equal to 1.75% based on the weighted average of the estimated full cash value of the parcel at the anticipated time of CFD bond sale and consistent with the market absorption study for all homes. Special tax rates for non-residential property shall be reasonable as determined by the City and considered on a case-by-case basis.

The special tax formula shall include a provision for the prepayment of the special tax and will include a back-up tax so that changes in development within a CFD would result in the ability to levy special taxes that would produce special tax revenues no less than produced prior to such land use change.

It should be noted that the 1.75% is a guideline for the maximum rate. Economic conditions at the time of the formation of the district may result in a lower percent when determined to be in the best interest of the future property owners in the district. In no event will the maximum rate exceed 2%.

The Rate and Method of Apportionment of Special Tax (RMA) specifies the maximum amounts of special tax for all categories of taxable property within a district. Facilities special taxes shall not be permitted to escalate, while services special taxes may escalate at a rate to be determined appropriate by the City, if applicable.

Special taxes will only be levied on an entire county assessor's parcel, and any allocation of special tax liability of a county assessor's parcel to leasehold or possessory interest in the fee ownership of such county assessor's parcel shall be the responsibility of the fee owner of such parcel and the City shall have no responsibility therefor and has no interest therein. Failure of the owner of any county assessor's parcel to pay or cause to be paid any special taxes in full when due, shall subject the entire parcel to foreclosure in accordance with the Act.

Disclosure to Purchasers

The applicant or property owner will be required to disclose to existing and further owners of property within the district the specific special taxes of the district and any other special tax, assessment or liens on property within the district in substantially the form set forth in Appendix D. In addition to all requirements of law, the City shall require the applicant to provide disclosure of such information to the purchasers of property within the district and the terms and conditions of Bonds issued on behalf of the district.

CRITERIA FOR APPRAISALS

Standards of Appraisal

The format and level of documentation for an appraisal depends on the complexity of the appraisal problem. A detailed appraisal will reflect nationally recognized appraisal standards, including, to the extent appropriate, the Uniform Appraisal Standards for Land Acquisition and the CDIAC Appraisal Guidelines (as revised from time to time). An appraisal must contain sufficient documentation, including valuation data and the appraiser's analysis of the data, to support his or her opinion of value. At a minimum, the appraisal shall contain the following:

1. The purpose and/or function of the appraisal, a description of the property being appraised, and a statement of the assumptions and limiting conditions affecting the appraisal.
2. An adequate description of the physical characteristics of the property being appraised, location, zoning, present use, and an analysis of the highest and best use.
3. All relevant and reliable approaches to arrive at the value consistent with commonly accepted professional appraisal practices. If a discounted cash flow analysis is used, it should be supported with at least one other valuation method such as a market approach using sales that are at the same stage of land development. If more than one approach is utilized, there must be an analysis and reconciliation of approaches to value that is sufficient to support the appraiser's opinion of value.
4. A description of comparable sales, including a description of all relevant physical, legal, and economic factors such as parties to the transaction,

source, and method of financing, and verification by a party involved in the transaction.

5. A statement of the value of the real property.
6. The date of appraisal, signature, and certification of the appraiser.

The appraisal must be dated within three months of the date the bonds are priced, unless the City Council determines a longer time is appropriate.

Conflict of Interest

No appraiser or review appraiser will have any interest, direct or indirect, in the real property being appraised for the City that would in any way conflict with the preparation or review of the appraisal. Compensation for making an appraisal will not be based on the amount of the valuation.

Community Facilities District or Assessment District Appraisal Premises

The valuation of proposed residential CFD's or AD's is typically based on three premises:

1. **Raw Land Value:** The total land within the project is valued "as is".
 - a. With any existing infrastructure.
 - b. Without proposed infrastructure being financed.
 - c. With existing parcel configuration.
 - d. Considering planned densities allowed by the specific site plan of the project.
2. **Project Build-out Value:** The total land within the project is valued under projected market conditions.
 - a. With proposed infrastructure being financed completed.
 - b. At the planned densities allowed by the specific plan.
 - c. Land development is at the stage of being marketed to merchant builders or tentative tract maps ready to be filed.
3. **Bulk Land Value:** The total land within the project is valued under conditions of a discounted or "quick sale" valuation.
 - a. With proposed infrastructure being financed completed.
 - b. With existing parcel configurations.
 - c. Considering planned densities allowed by the specific plan of the project.

The valuation methods used for commercial, office or other land uses in an AD or CFD might include:

1. **Sales Comparison Approach:** An estimate of value based on a comparison of property within the district to that of newer, larger projects that have sold in the same or competing area.
2. **Income Capitalization Approach:** Reflects the relationship between the net income a property can generate and its value.

3. Cost Comparison Approach: A comparison of the property in the district with a newly improved property of optimal utility.

PREPAYMENT OF SPECIAL TAX OBLIGATIONS

The City will allow for the prepayment of special tax obligations for property within community facilities districts of the City of Corona in accordance with its policy and procedures, included herein as Appendix E.

CHURCHES, SCHOOLS AND OTHER NON-PROFIT ORGANIZATIONS

It is the intent of the City to promote a well-balanced community and as such it encourages developers to provide for that balance in proposed special districts. Provisions should be made in designs to accommodate adequate acreage for churches, schools and other non-profit organizations along with residential, commercial, or industrial property recognizing that these categories are subject to inclusion in the Rate and Method of Apportionment of Special Tax. Additionally, if such uses occur after formation of the CFD and after bonds are sold, such uses may be subject to the Special Tax.

EXISTING RESOLUTIONS AND/OR ORDINANCES

Any existing City resolutions and/or ordinances, which may be in conflict with procedures or policies contained in this document, will be given higher priority until such time that either the ordinance or this document can be amended to provide greater consistency.

POST ISSUANCE COMPLIANCE

Tax-exempt bonds issued by the City retain their tax-exempt status throughout the life of the issue if all applicable federal tax laws are satisfied while the bonds are outstanding. Various requirements apply under the Internal Revenue Code and Income Tax Regulations including information filing and other requirements related to issuance, the proper and timely use of bond-financed property, and arbitrage yield restriction and rebate requirements.

The Finance Director is responsible for ensuring that the rules are met at the time the bonds are issued and throughout the term of the bonds. This requires coordination and accountability on the part of other City departments, particularly Public Works, Redevelopment, and Department of Water and Power, with respect to the expenditure of bond proceeds and the continued proper use and operation of the facilities financed. It also requires continued maintenance of records sufficient to establish compliance with all applicable federal tax requirements until three years after the final maturity of the bonds.

Specific written procedures are on file in the Finance Department for the ongoing administration and maintenance of the City's bond issues.

APPENDIX A

GLOSSARY OF TERMS

ADVANCE REFUNDING

A procedure whereby outstanding Bonds are refinanced by the proceeds of a new Bond issue prior to the date on which outstanding Bonds become due or are callable. Generally, either the entire outstanding issue is refunded (full Refunding) or only the callable Bonds are refunded (partial Refunding). Typically an Advance Refunding is performed to take advantage of interest rates that are significantly lower than those associated with the original Bond issue. At times, however, an Advance Refunding is performed to remove restrictive language or Debt Service reserve requirements required by the original issue. In an Advance Refunding, the refunded Bonds are called or mature 90 days after the issuance of the Refunding Bonds. (See also Current Refunding).

ARBITRAGE

The gain which may be obtained by borrowing funds at a lower (often tax-exempt) rate and investing the proceeds at higher (often taxable) rates. The ability to earn Arbitrage by issuing tax-exempt securities has been severely curtailed by the Tax Reform Act of 1986, as amended.

BOND

A security that represents an obligation to pay a specified amount of money on a specific date in the future, typically with periodic interest payments.

BOND ANTICIPATION NOTE (BAN)

Short-term interest-bearing security issued in anticipation of a long-term Bond issue. The investors typically rely upon the sale of a subsequent issue of securities at maturity.

BOND COUNSEL

An attorney (or firm of attorneys) retained by the issuer to give a legal opinion concerning the validity of the securities. The Bond Counsel's opinion usually addresses the subject of tax exemption. Bond Counsel may prepare, or review and advise the issuer regarding authorizing resolutions or ordinances, trust indentures, Official Statements, validation proceedings and litigation.

BOND INSURANCE

Bond Insurance is a type of Credit Enhancement whereby an insurance company indemnifies an investor against a Default by the issuer. In the event of a failure by the issuer to pay principal and interest in-full and on-time, investors may call upon the insurance company to do so. Once assigned, the municipal Bond Insurance policy generally is irrevocable. The insurance company receives an up-front fee, or Premium, when the policy is issued.

CAPITAL LEASE

The acquisition of a capital asset over time rather than merely paying a rental fee for temporary use. A Lease-purchase agreement, in which provision is made for transfer of ownership of the property for a nominal price at the scheduled termination of the Lease, is referred to as a Capital Lease.

CAPITALIZED INTEREST

Bond proceeds which are reserved to pay interest on a Bond issue for a period of time early in the term of the issue; also called funded interest. This also refers to the interest to be so paid.

CERTIFICATE OF PARTICIPATION

A financial instrument representing a proportionate interest in payments such as Lease payments by one party (such as a City acting as a Lessee) to another party (often a trustee).

COMPETITIVE SALE

A sale of securities in which the securities are awarded to the bidder who offers to purchase the issue at the best price or lowest cost.

CONDUIT FINANCING

The issuance of securities by a governmental entity to finance a project that will primarily benefit a third party, typically a private corporation. The security for this type of financing is usually the credit of the private entity, rather than the governmental unit. Usually such securities do not constitute an obligation of the issuer since the private entity is liable for generating the pledged revenues for repayment. Industrial development, mortgage revenue, hospital development, assessment districts, and community facilities districts are common types of Conduit Financing.

CONTINUING DISCLOSURE

The requirement by the Securities and Exchange Commission for most issuers of municipal debt to provide current financial information to the informational repositories for access by the general marketplace.

CREDIT ENHANCEMENT

A guarantee by a third party in a debt financing that strengthens the credit quality behind the obligation.

CURRENT REFUNDING

A Refunding in which the refunded Bonds are called or mature within 90 days of the issuance of the Refunding Bonds. (See also Advance Refunding).

DEBT SERVICE

The amount necessary to pay principal and interest requirements on outstanding Bonds for a given year or series of years.

DEFAULT

The failure to pay principal or interest in full or on time. An actual Default should be distinguished from technical Default. The latter refers to a failure by an issuer to abide by certain covenants but does not necessarily result in a failure to pay principal or interest when due.

DEFESANCE

Providing for payment of principal, interest, and Premium, if any, on debt through the first call date or scheduled principal maturity in accordance with the terms and requirements of the instrument pursuant to which the debt was issued. A legal Defeasance usually involves establishing an irrevocable escrow funded with only cash and US. government obligations.

DISCOUNT

The difference between a Bond's Par Value and the price for which it is sold when the latter is less than par.

FINANCIAL ADVISOR

A consultant who advises an issuer on matters pertinent to a debt issue, such as structure, sizing, timing, marketing, pricing, terms, and Bond ratings.

GENERAL OBLIGATION DEBT

Debt that is secured by a pledge of the ad valorem taxing power of the issuer. Also known as a full faith and credit obligation.

GRANT ANTICIPATION NOTE (GAN)

An interim financing mechanism issued in anticipation of award of a federal or state grant.

ISSUANCE COSTS

The costs incurred by the Bond issuer during the planning and sale of securities. These costs include but are not limited to Financial Advisory and Bond Counsel fees, printing and advertising costs, rating agency fees, and other expenses incurred in the marketing of an issue or the preparation of disclosure documents.

LEASE

An obligation wherein a Lessee agrees to make payments to a Lessor in exchange for the use of certain property. The term may refer to a Capital Lease or to an Operating Lease.

LESSEE

The party to a Lease agreement that obtains use of a facility or piece of equipment on exchange for rental payments.

LESSOR

The owner of the property being Leased.

LETTER OF CREDIT

Bank credit facility whereby a bank will honor the payment of an issuer's debt, in the event that an issuer is unable to do so, thereby providing an additional source of security for bondholders for a predetermined period of time. A Letter of Credit often is referred to as an L/C or an LOC. Letter of Credit can be issued on a "stand-by" or "direct pay" basis.

MATURITY DATE

The date on which a given security is scheduled for redemption.

MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB)

A self-regulating organization established on September 5, 1975 upon the appointment of a 15-member Board by the Securities and Exchange Agreement. The MSRB, comprised of representatives from investment banking firms, dealer bank representatives, and public representatives, is entrusted with the responsibility of writing rules of conduct for the municipal securities market. New Board members are selected by the MSRB pursuant to the method set forth in Board rules.

NATIONALLY RECOGNIZED BOND COUNSEL

Firms that have experience providing legal opinions related to the issuance of municipal Bond issues. The market generally considers firms listed in *The Bond Buyer's Municipal Marketplace* to be nationally recognized.

NEGOTIATED SALE

A sale of securities in which the terms of sale are determined through negotiation between the issuer and the purchaser, typically an underwriter, without competitive bidding.

NOTE

A written promise to pay a certain amount of money on a specific date, with interest. By convention, the maturity of a Note is one year or less, making it short-term debt. However, financial instruments with a longer stated maturity sometimes are called Notes. For example, a Bond Anticipation Note can have maturities of two years or longer.

OFFICIAL STATEMENT (OS)

A document published by the issuer which generally discloses material information on a new issue of municipal securities including the purposes of the issue, how the securities will be repaid, and the financial, economic and social characteristics of the issuing government. Investors may use this information to evaluate the credit quality of the securities.

OPERATING LEASE

A Lease that enables the Lessee to acquire the use of an asset only, not its ownership as in a Capital Lease. The Lease term typically runs for only a portion of the asset's useful life.

OVERLAPPING DEBT

The legal jurisdictions of local governments often overlap one another. In some cases, one unit of government is located entirely within the boundaries of another. Overlapping Debt represents the proportionate share of debt that must be borne by one unit of government because another government with overlapping or underlying taxing authority issued its own Bonds.

PAR VALUE

The face value or principal amount of a security.

PREMIUM

The excess of the price at which a Bond is sold over its face value.

PRESENT VALUE

The value of a future amount or stream of revenues or expenditures in current dollars.

REFUNDING

A procedure whereby an issuer refinances an outstanding Bond issue by issuing new Bonds.

RESERVE FUND

A fund established by the indenture of a Bond issue into which money is deposited for payment of Debt Service in case of a shortfall in current revenues.

REVENUE ANTICIPATION NOTE (RAN)

An interim financing mechanism issued to offset the timing issues of revenue collection other than taxes.

REVENUE BOND

A Bond which is payable from a specific source of revenue and to which the full faith and credit of an issuer with taxing power is not pledged. Revenue Bonds are payable from identified sources of revenue, and do not permit the bondholders to compel a jurisdiction to pay Debt Service from any other source. Pledged revenues often are derived from the operation of an enterprise. Generally, no voter approval is required prior to issuance of such obligations.

RULE 15C2-12

A rule promulgated by the Securities and Exchange Commission that requires underwriters of municipal obligations to obtain and review certain disclosure materials prior to making a commitment to purchase securities.

SECONDARY MARKET

The market in which Bonds are sold after their initial sale in the new issue market.

SURETY

A Surety policy is a form of insurance provided by a Bond insurer to satisfy a Reserve Fund requirement for a Bond issue. Under this arrangement, instead of depositing cash in a Reserve Fund, the issuer buys a Surety policy by paying a one-time Premium equal to some percentage of the face amount of the policy. If the Reserve Fund is needed to make a Debt Service payment, the trustee notifies the Surety provider and the provider makes the payment, up to the face amount of the policy. The issuer then has an obligation to reimburse the provider for the payment, plus interest.

TAX ANTICIPATION NOTE (TAN)

An interim financing mechanism issued to offset the timing issues of receipt of tax revenues.

UNDERWRITER

The Underwriter serving as head of the syndicate. The lead Manager generally handles negotiations in a negotiated underwriting of a new issue of municipal securities or directs the process by which a bid is determined for a competitive underwriting. The lead Manager also is charged with allocating securities among the members of the syndicate in accordance with the terms of the syndicate agreement or agreement among Underwriters.

APPENDIX B

CITY OF CORONA PRE-APPLICATION FOR LAND BASED FINANCING DISTRICTS

Company Name _____

Mailing Address _____

Telephone _____ Fax: _____

Project Location: _____
(Must be within City limits)

Types of Public Improvement(s):

Type of Financing: Assessment District _____ or _____

Community Facilities District (Mello Roos) _____

Amount of Financing Requested: \$ _____

Anticipated Construction Date: _____

Will 3 Years of Financial Statements be Provided? Yes _____ No _____

Contact Person: _____ Title: _____

Telephone: _____ Fax _____

Filing Deposit: \$15,000 (Must be submitted with this Pre-Application Form)

FOR OFFICE USE ONLY

Application No. _____

Date Received _____

APPENDIX C

CITY OF CORONA LAND BASED FINANCING PROJECT ELIGIBILITY REVIEW

Please check one:

ASSESSMENT DISTRICT _____ **or** **COMMUNITY FACILITIES DISTRICT** _____

The information requested on this form is necessary to process a request for financial assistance from the City of Corona Assessment District and Mello Roos Program. Answer all questions, using "NONE" or "NOT APPLICABLE" if necessary. For any estimated amounts, identify them with "est." after the amount. If additional space is needed for any specific answer to a question, use a separate sheet. The information submitted in this form will not be made public without prior notice to the applicant. Please enclose the last three (3) fiscal year-end audited financial statements plus any interim statements available. Return two signed copies of this application to:

City of Corona
Finance Department
400 South Vicentia Avenue
Corona, California 92882-2187

I. PETITIONER/PROPOSED OWNER OF THE PROJECT

A. Official Company Name: _____

Any DBA's: _____

Official Mailing Address: _____

Telephone: _____ Fax: _____

Email: _____

Company Headquarters and address of each operating location in

California: _____

B. Business Organization: Corporation _____
 Partnership _____ Sole Proprietorship _____
 Other (describe) _____

Is the proposed owner a subsidiary or affiliated directly or indirectly with any other organization? _____. If so, indicate relationship and name of related organization: _____

If corporation, indicate state of incorporation: _____ and date qualified to do business in California (if incorporated elsewhere): _____

<u>Officers</u>	<u>Name & Home Address</u>	<u>Business Affiliations</u>
President:	_____	_____
Vice President:	_____	_____
Finance:	_____	_____
Secretary:	_____	_____
Directors:	_____	_____

D. List name and home address of equity owners of 10% or more. If publicly held, indicate stock exchange traded on. If partnership, list General and Limited Partners and interest owned by each. If trust, list beneficiaries.

<u>Name</u>	<u>Home Address</u>	<u>\$ of Equity Interest Owned</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

E. Name, business address, and phone number of officer to whom all notices and communications concerning the project should be sent:

F. Counsel to Applicant:

Name: _____

Address: _____

Telephone: _____ Fax: _____

G. Principal Bank(s) of Account with name and phone of contact person:

Name: _____ Contact: _____

Address: _____

Telephone: _____

Name: _____ Contact: _____

Address: _____

Telephone: _____

H. Company History:

1. Name/Description of Development Projects Completed, both locally and statewide

2. List all tax exempt financing projects with other agencies

Have any of these projects ever been in Default? ____ Yes ____ No

If yes, please provide project name and location

-
-
- I. Is the firm or any of its principals currently or in the past 10 years been engaged in any litigation involving public land based financing? ____ Yes ____ No
If yes, please provide the names of the principals and details of the litigation. Use additional pages if necessary.

-
-
- J. Attach copies of the year-end audited financial statements for each of the last three (3) years. For public corporations, attach Form 10K's plus most recent form 10Q.

II. PROPOSED PROJECT

- A. Development concept: (Narrative Description, including renderings if available).

-
-
- B. Proposed facilities (off-site) to be constructed with Bond proceeds (describe).

-
-
- C. Does applicant now own the site of the proposed facility? _____ If not, has applicant entered into an option, commitment or other agreement to purchase the land? _____ If so, please attach a copy of such agreement.

D. If project is located within the City, please identify prior contact with City Officials regarding the facility (certification of prior contact required).

E. Does the proposed project involve, in whole or in part, any of the following: residential real property, sports facilities, commercial property, or industrial land development activities? Yes____ No____ If yes, please explain.

G. Estimated date on which facilities will:

Start construction:_____ Estimated completion date:_____

H. Attach an initial study for purposes of environmental impact. Will the facilities meet zoning requirements at the proposed location? _____. Has a Specific Plan or Tract Map received approval by the City Council?_____.

I. List the date, purpose and amount of any of the costs proposed to be financed in connection with the proposed project which have been incurred prior to the date of this application:

<u>Date</u>	<u>Purpose</u>	<u>Amount</u>
-------------	----------------	---------------

J. Please summarize any capital expenses paid or incurred in the City of Corona within the last three years.

III. COST OF THE PROJECT

State the costs reasonably necessary for the acquisition of the site and/or construction of the proposed project together with any machinery and equipment necessary or convenient in connection therewith, including any utilities, access roads, or apportionment facilities:

A.	Land and Facilities	
1.	Contract Price	\$ _____
2.	Legal, Filing, Misc.	\$ _____
3.	Fees, Permits, and/or Taxes	\$ _____
	Subtotal	\$ _____
B.	Architectural and Engineering	\$ _____
C.	Construction Costs:	
1.	Site Preparation	\$ _____
2.	Materials	\$ _____
3.	Construction Contracts	\$ _____
	Subtotal	\$ _____
D.	Legal	\$ _____
E.	Contingency (if appropriate)	\$ _____
	TOTAL	\$ _____

NOTE: Project costs may not include working capital, other than construction loans. Generally, only costs paid or incurred after the application is accepted can be reimbursed out of Bond proceeds.

IV. PLEASE OUTLINE YOUR DETERMINATION OF VALUE OF THE PROPOSED PROJECT TO BE FINANCED. (Attach recent appraisals if available).

V. PUBLIC BENEFITS OF PROJECT

Include a description of the public benefits which would occur from undertaking the project. (If applicable, information in this section is to be given for both the applicant and all other entities that will be principal users of the facilities).

A. Resource Conservation

1. Explanation and documentation of estimated conservation of energy, mineral or natural, cultivated resources arising out of the project.
2. Explanation and documentation of the reduction of waste, improvement of recovery or intensification of utilization of resources that otherwise would be less intensively utilized, wasted or not recovered.

B. Other Benefits

1. Will project contribute to the improvement of detrimental environmental factors?
2. Will project contribute to the revitalization of a deteriorated area, or will it increase economic usefulness of an area?
3. Estimate of increased local and state taxes, fees and other revenues due to the completion of the project. (Attach proposed Special Tax Spread, if available).
4. Estimate of decreases of public service costs by virtue of completion of the project (such as decreased welfare or unemployment costs).

VI. PUBLIC DETRIMENT

Include a description of any public detriment from issuance of Bonds in the maximum amount proposed in the application.

- A. Employment displacement - will the completion of the project contribute to job displacements.
- B. Energy, mineral or natural or cultivated resource conservation - will the completion of the project lead to increased utilization of resources?

1. Estimate of increased utilization of resources.
 2. Estimate of increases in cost to the public due to increased utilization.
- C. Does construction of the project, or completion of the project, have any adverse environmental impacts, including additional waste disposal?
1. Estimate of the environmental impacts.
 2. Include copies of any required Environmental Impact Reports.

PUBLICLY HELD COMPANIES

Copies of the annual report to stockholders for each of the last three (3) years. If applicable, include copies of any registration statements, prospectuses, and 10-K's filed with the Securities and Exchange Commission within each of the last three (3) years, and copies of the applicant's last 10-Q and most recent 8-K.

IMPORTANT NOTICE TO APPLICANT

Approval for financial assistance by the City of Corona is determined by the information presented in this application. Any changes in the status of the proposed project from the facts presented herein and the Exhibits attached hereto, could disqualify the project and cause it to be ineligible for financial assistance. In general, commencement of construction or any award of contract for the final acquisition of the proposed project, prior to formal approval by the City where such construction or acquisition is to be financed by a tax-exempt issue, is likely to result in the application being considered ineligible for approval.

The following information and schedules must be attached as Exhibits to the application:

SCHEDULE A
Housing Classification and Characteristics

SCHEDULE B
Proposed Debt Service by Housing Types

SCHEDULE C

Types of Public Facilities to be Constructed

APPLICANT NAME AND SIGNATURE:

Print Name (First, Middle, Last)

Title

Signature

Date

APPENDIX D

NOTICE OF SPECIAL TAX

Community Facilities District (CFD) No. _____
CITY OF CORONA
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

TO: THE PROSPECTIVE PURCHASER OF THE REAL PROPERTY KNOWN AS:

Assessor's Parcel Number: _____
Street Address: _____

THIS IS A NOTIFICATION TO YOU PRIOR TO YOUR PURCHASING THIS PROPERTY.

(1) This property is subject to a special tax, which is in addition to the regular property taxes and any other charges and benefit assessments on the parcel. This special tax may not be imposed on all parcels within the City or county where the property is located. If you fail to pay this tax when due each year, the property may be foreclosed upon and sold. The tax is used to provide public facilities or services that are likely to particularly benefit the property. **YOU SHOULD TAKE THIS TAX AND THE BENEFITS FROM THE PUBLIC FACILITIES AND SERVICES FOR WHICH IT PAYS INTO ACCOUNT IN DECIDING WHETHER TO BUY THIS PROPERTY.**

(2) The maximum special tax, which may be levied against this parcel to pay for public facilities, is \$_____. The special tax will be levied each year until all of the authorized facilities are built and all special tax Bonds are repaid, but in any case not after the _____ tax year.

(3) The authorized facilities, which are being paid for by the special taxes, and by the money received from the sale of Bonds, which are being repaid by the special taxes, are:

Water, wastewater, street, drainage and/or park improvements.

These facilities may not yet have all been constructed or acquired and it is possible that some may never be constructed or acquired.

YOU MAY OBTAIN A COPY OF THE RESOLUTION OF FORMATION WHICH AUTHORIZED CREATION OF THE COMMUNITY FACILITIES DISTRICT, AND WHICH SPECIFIES MORE PRECISELY HOW THE SPECIAL TAX IS APPORTIONED AND HOW THE PROCEEDS OF THE TAX WILL BE USED, FROM THE CITY CLERK OF THE CITY OF CORONA BY CALLING (951) 736-2426. THERE MAY BE A CHARGE FOR THIS DOCUMENT NOT TO EXCEED THE ESTIMATED REASONABLE COST OF PROVIDING THE DOCUMENT.

I (WE) ACKNOWLEDGE THAT I (WE) HAVE RECEIVED A COPY OF THIS NOTICE. I (WE) UNDERSTAND THAT I (WE) MAY TERMINATE THE CONTRACT TO PURCHASE OR DEPOSIT RECEIPT AFTER RECEIVING THIS NOTICE FROM THE OWNER OR AGENT SELLING THE PROPERTY. THE CONTRACT MAY BE TERMINATED WITHIN THREE DAYS IF THE NOTICE WAS RECEIVED IN PERSON OR WITHIN FIVE DAYS AFTER IT WAS DEPOSITED IN THE MAIL BY GIVING WRITTEN NOTICE OF THAT TERMINATION TO THE OWNER OR AGENT SELLING THE PROPERTY.

City of Corona Debt Policy and Procedures
Adopted by City Council May 4, 2011

DATE: _____ Buyer _____

DATE: _____ Buyer _____

APPENDIX E

POLICY AND PROCEDURES OF THE CITY OF CORONA REGARDING THE PAYMENT AND SATISFACTION IN FULL OF SPECIAL TAX OBLIGATIONS OF PARCELS OF PROPERTY WITHIN COMMUNITY FACILITIES DISTRICTS

In order to accommodate property owner requests, the following sets forth the policies of the City and the procedures to be followed with respect to the prepayment of special tax obligations for property within community facilities districts (“districts”) formed pursuant to the Mello-Roos Community Facilities Act of 1982. This policy applies to all community facilities districts of the City of Corona. The City may allow an owner of a parcel within a district (“Parcel”) to prepay and satisfy the special tax obligation of the Parcel if the City Council determines that such prepayment will not jeopardize the City’s ability to levy and collect sufficient special taxes in any fiscal year to pay required Debt Service on the outstanding Bonds of the district.

1. **Final Map Required:** Prepayments of special tax obligations will be allowed only for Parcels which are classified as developed property pursuant to the Rate and Method of Apportionment for the district.
2. **Full Payment Required:** Only prepayments that satisfy the entire remaining special tax obligation of the Parcel will be allowed. Partial payments will not be accepted.
3. **Written Request and Deposit:** The owner of the Parcel requesting determination of the prepayment amount necessary to fully satisfy the special tax obligation for the Parcel must submit a written request to the Finance Department of the City that includes the Assessor Parcel Number of the Parcel. Such written requests must be accompanied by a deposit in an amount determined by the Finance Department based on estimated costs which will be incurred by the City, including City Staff time and fees and costs of the City’s special tax consultant, in making such determination.
4. **Determination of Prepayment Amount:** The amount required to prepay the special tax obligation of a Parcel (the “Prepayment Amount”) shall be determined as follows:
 - a. The Prepayment Amount shall be determined on the basis of the total of the amounts of the special taxes that would be levied on the Parcel at the applicable maximum annual special tax rate or amount for the Parcel, in accordance with the methodology for levying and apportioning the special

taxes which is applicable to the district (the "Maximum Annual Tax"), in all remaining fiscal years, beginning with the fiscal year in which the determination is made and ending with the fiscal year in which the last payment of Debt Service on the outstanding Bonds are to occur.

- b. If the determination is made prior to the September 1st preceding the first optional redemption date for the outstanding Bonds of the district, the Prepayment Amount shall be calculated on the basis of the total amount of the special taxes that would be levied, based on the Maximum Annual Tax, in the fiscal years, beginning with the fiscal year in which the determination is made, which end prior to the first optional redemption date at a rate of interest equal to the rate on 90-day Treasury Bills in effect at the time of the calculation. The amount determined pursuant to this paragraph (the "Pre-Redemption Amount") shall be used to pay Debt Service on the Bonds through the first optional redemption date.
- c. There shall be added to the Pre-Redemption Amount an amount equal to the Present Value of the total amount of the special taxes which would be levied, based on the Maximum Annual Tax, in the fiscal years beginning with the fiscal year in which the first optional redemption date occurs and ending with the fiscal year in which the last payment of Debt Service on the Bonds is to occur (the "Redemption Amount"). The Redemption Amount shall be used for the call and redemption of outstanding Bonds on the first optional redemption date.
- d. There shall also be added to the Pre-Redemption Amount and the Redemption Amount an amount determined by multiplying the Redemption Amount by the applicable redemption Premium for the outstanding Bonds of the district (the "Premium Amount").
- e. There shall be deducted from the Pre-Redemption Amount, the Redemption Amount, and the Premium Amount an amount transferred from the District's Bond Reserve Fund (the "Bond Reserve Amount"). The Bond Reserve Amount to be deducted shall be determined by multiplying the District's Reserve Fund Requirement by the percentage which the Redemption Amount is of the total amount of Bonds outstanding at the time the determination is made. The Bond Reserve Amount may be reduced by a proportionate share of the amount necessary to maintain the District's Reserve Fund Requirement. The Reserve Fund Requirement is the least of (i) 10% of the original proceeds of the Bonds, (ii) Maximum Annual Debt Service for the remaining Bond obligation, or (iii) 125% percent of the average annual Debt Service on the remaining Bond obligation.

- f. The net redemption amount shall be the total of the Redemption Amount and the Premium Amount, less the Bond Reserve Amount plus interest thereon at the rate of interest on 90-day Treasury Bills in effect at the time of the calculation (the “Net Redemption Amount”).
- g. If the determination is made before the September 1st of any fiscal year preceding the first optional redemption date for the Bonds, the Prepayment Amount shall be the total of the Pre-Redemption Amount and the Net Redemption Amount.
- h. If the determination is made after September 1st of any fiscal year, there shall be deducted from the Prepayment Amount the amount of the special taxes that have been levied on the Parcel and which may have been paid with respect to the payment of Debt Service on the Bonds in the then current fiscal year.

The calculations to be utilized for the determination of the Prepayment Amount, and an example thereof, are included in Exhibit “C” attached hereto.

After a district has reached build-out with no remaining property classified as “undeveloped” for a period of five years, the Maximum Annual Tax shall be replaced in the calculation for the “Prepayment Amount” with an average of the percent of Maximum Annual Tax levied for the most recent five year period.

- 5. No Refunds: Property owners who prepay and satisfy in full the special tax obligations for their Parcels shall not be entitled to any refund of any amount from the City or the district, regardless of the interest which the City or district may earn on the investment of the Prepayment Amount.
 - a. The interest which the City or district may earn on the investment of the Prepayment Amount.
 - b. The interest savings to the district from early redemption of the Redemption Amount.
 - c. The actual portion of the yearly amount of the Maximum Annual Tax levied on parcels remaining in the district with Bond obligations.
- 6. Modifications: The City may modify or revoke the Policy and Procedures contained herein at any time.

Exhibit "A"

Optional Redemption Dates

Community Facilities District (CFD)	Optional Bond Redemption Date	Redemption Premium
CFD 86-2, Series 1999 A (Woodlake)	09/01/10 to 09/01/19	0.0%
CFD 89-1, Series 1999 A (District-Wide LOB's)	09/01/10 and 03/01/11 09/01/11 to 09/01/20	1.0% 0.0%
CFD 89-1, Series 1999 B (Imp. Area 1 LOB's)	09/01/10 to 09/01/20	0.0%
CFD 90-1, Series 1998 A (South Corona)	09/01/10 to 09/01/20	0.0%
CFD 97-2, Series 1998 A (Eagle Glen I)	09/01/10 to 09/01/23	0.0%
CFD 2000-1, Series 2001 A (Eagle Glen II)	09/01/10 and 03/01/11 09/01/11 and 03/01/12 09/01/12 to 09/01/31	2.0% 1.0% 0.0%
CFD 2000-1, Series 2002 B (Eagle Glen II)	09/01/10 and 03/01/11 09/01/11 and 03/01/12 09/01/12 to 09/01/31	2.0% 1.0% 0.0%
CFD 2001-2, Series 2002 A (Cresta-Grande)	09/01/10 and 03/01/11 09/01/11 to 09/01/32	1.0% 0.0%
CFD 2002-4, Series 2004 A (Corona Crossings)	09/01/10 to 03/01/13 09/01/13 and 03/01/14 09/01/14 to 03/01/34	2.0% 1.0% 0.0%
CFD 2003-2, Series 2005 (Highlands Collection)	09/01/10 to 03/01/13 09/01/13 and 03/01/14 09/01/14 and 03/01/15 09/01/15 to 09/01/34	3.0% 2.0% 1.0% 0.0%
CFD 2003-2, Series 2006 (Highlands Collection)	09/01/10 to 03/01/13 09/01/13 and 03/01/14 09/01/14 and 03/01/15 09/01/15 to 09/01/34	3.0% 2.0% 1.0% 0.0%

Exhibit "A" (continued)

Optional Redemption Dates

CFD 2004-1, Series 2006 (Buchanan Street)	09/01/10 to 03/01/14 09/01/14 and 03/01/15 09/01/15 and 03/01/16 09/01/16 to 09/01/36	3.0% 2.0% 1.0% 0.0%
CFD 2002-1, 2005 Series A (Dos Lagos)	03/01/10 to 03/01/13 09/01/13 and 03/01/14 09/01/14 and 03/01/15 09/01/15 to 09/01/34	3.0% 2.0% 1.0% 0.0%
CFD 2002-1, Improvement Area No. 1 2007 Bonds (Dos Lagos)	03/01/10 to 03/01/15 09/01/15 and 03/01/16 09/01/16 and 03/01/17 09/01/17 to 09/01/37	3.0% 2.0% 1.0% 0.0%

Exhibit “B”

Sample Determination of Bond Reserve Requirement

Year	Original Principal	Interest Rate	Bond Year Interest	Bond Year Total	Proposed Bond Principal Call	Remaining Principal	Bond Year Interest	Bond Year Total
2014	80,000	4.600%	167,449	247,449		80,000	167,449	247,449
2015	85,000	4.625%	163,769	248,769		85,000	160,936	245,936
2016	90,000	4.650%	159,838	249,838		90,000	157,005	247,005
2017	95,000	4.700%	155,653	250,653		95,000	152,820	247,820
2018	95,000	4.850%	151,188	246,188		95,000	148,355	243,335
2019	100,000	4.800%	146,580	246,580		100,000	143,748	243,748
2020	105,000	4.950%	141,780	246,780		105,000	138,948	243,948
2021	110,000	5.000%	136,583	246,583		110,000	133,750	243,750
2022	115,000	5.000%	131,083	246,083		115,000	128,250	243,250
2023	125,000	5.000%	125,333	250,333		125,000	122,500	247,500
2024	130,000	5.000%	119,083	249,083		130,000	116,250	246,250
2025	135,000	5.000%	112,583	247,583	5,000	130,000	109,750	244,750
2026	145,000	5.150%	105,833	250,833	5,000	140,000	103,000	243,000
2027	150,000	5.150%	98,365	248,365	5,000	145,000	95,750	240,790
2028	160,000	5.150%	90,640	250,640	5,000	155,000	88,323	243,323
2029	165,000	5.150%	<u>82,400</u>	<u>247,400</u>	5,000	160,000	<u>80,340</u>	<u>240,340</u>
2030	175,000	5.150%	<u>73,903</u>	<u>248,903</u>	5,000	170,000	<u>72,100</u>	<u>242,100</u>
2031	185,000	5.150%	<u>64,890</u>	<u>249,890</u>	5,000	180,000	<u>63,345</u>	<u>243,345</u>
2032	195,000	5.150%	<u>55,363</u>	<u>250,363</u>	5,000	190,000	<u>54,075</u>	<u>244,075</u>
2033	205,000	5.150%	<u>45,320</u>	<u>250,320</u>	5,000	200,000	<u>44,290</u>	<u>244,920</u>
2034	215,000	5.150%	<u>34,763</u>	<u>249,763</u>	5,000	210,000	<u>33,990</u>	<u>243,990</u>
2035	225,000	5.150%	<u>23,690</u>	<u>248,690</u>	5,000	220,000	<u>23,175</u>	<u>243,175</u>
2036	<u>235,000</u>	5.150%	<u>12,103</u>	<u>247,103</u>	5,000	<u>230,000</u>	<u>11,845</u>	<u>241,845</u>
Totals	3,320,000		2,398,185	5,718,185	60,000	3,260,000	2,350,033	5,615,033

- Bond Reserve Requirement Before Proposed Bond Call = \$250,833
- Bond Reserve Requirement After Proposed Bond Call = \$247,820
- The decrease in the Bond Reserve Requirement = \$3,013

Exhibit "C"

**Sample Calculation of Prepayment Amount
 of a Special Tax Obligation**

1. Pre-Redemption Amount = A $\left[\frac{[(1 + i) \text{ to the } n\text{th}] - 1}{i [(1 + i) \text{ to the } n\text{th}]} \right]$

A = Maximum Annual Tax

i = a rate of interest equal to the rate on 90-day Treasury Bills in effect at the time of the calculation

n = number of years, beginning with the fiscal year in which the determination is made and ending with the fiscal year of the first optional redemption date

2. Redemption Amount = A $\left[\frac{1}{(1 + i) \text{ to the } n\text{th}} \right]$

A = Maximum Annual Tax

i = the rate of interest on the Bonds maturing

n = number of years remaining from the first optional redemption date to the maturity of the Bond

3. Premium Amount = (Redemption Amount)(Redemption Premium)

4. Bond Reserve Amount = $\frac{\text{(Redemption Amount/Bonds Outstanding)}}{\text{(Bond Reserve Fund Requirement)}}$ x's

5. Net Redemption Amount = A $\left[\frac{1}{(1 + i) \text{ to the } n\text{th}} \right]$

A = Redemption Amount plus Premium Amount less Bond Reserve Amount

i = a rate of interest equal to the rate on 90-day Treasury Bills in effect at the time of the calculation

n = number of years, beginning with the fiscal year in which the determination is made and ending with the fiscal year of the first optional redemption date

6. Example for CFD 2004-1

Assumptions:

Payment Date:	June 1, 2014
Maximum Annual Tax:	\$4,675
First Optional Redemption Date:	September 1, 2014
Bond Maturity Schedule Remaining:	

Maturity Date	Principal Amount	Interest Rate
September 1, 2014	\$ 80,000	4.600
September 1, 2015	85,000	4.625
September 1, 2016	90,000	4.650
September 1, 2017	95,000	4.700
September 1, 2018	95,000	4.850
September 1, 2019	100,000	4.800
September 1, 2020	105,000	4.950
September 1, 2021	110,000	5.000
September 1, 2022	115,000	5.000
September 1, 2023	125,000	5.000
September 1, 2024	130,000	5.000
September 1, 2025	135,000	5.000
September 1, 2026	145,000	5.150
September 1, 2027	150,000	5.150
September 1, 2028	160,000	5.150
September 1, 2029	165,000	5.150
September 1, 2030	175,000	5.150
September 1, 2031	185,000	5.150
September 1, 2032	195,000	5.150
September 1, 2033	205,000	5.150
September 1, 2034	215,000	5.150
September 1, 2035	225,000	5.150
September 1, 2036	235,000	5.150

Interest on 90-day Treasury Bills:	3%
Bond Reserve Requirement:	\$250,833
September 2, 2014 Bonds Outstanding :	\$3,240,000

Calculations:

$$\begin{aligned}
 \text{a. Pre-Redemption Amount} &= 4,675 \left[\frac{[(1 + 0.03 \text{ to the } 2^{\text{nd}} \text{ power}] - 1}{0.03 [(1 + 0.03) \text{ to the } 2^{\text{nd}} \text{ power}]} \right] \\
 &= (4,675) (0.0609/0.031827) \\
 &= 8,945.47
 \end{aligned}$$

$$\begin{aligned}
 \text{b. Redemption Amount} &= (4,675) [1/(1 +.04625) \text{ to the } 1^{\text{st}} \text{ power}] + (4,675) [1 / (1 +.0465) \text{ to the } 2^{\text{nd}} \text{ power}] + \dots\dots(4,675) [1 / (1 +.0515) \text{ to the } 22^{\text{nd}} \text{ power}] \\
 &= 4,468.34 + 4,268.77 + 4,073.25 + 3,868.19 + 3,698.07 + 3,498.54 + 3,322.44 + 3,164.22 + 3,013.55 + 2,870.04 + 2,733.38 + 2,559.00 + 2,433.67 + 2,314.47 + 2,201.11 + 2,093.31 + 1,990.78 + 1,893.28 + 1,800.55 + 1,712.36 + 1,628.50 + 1,548.74 \\
 &= \underline{61,154.56}
 \end{aligned}$$

$$\text{c. Premium Amount} = (61,154.56) (0.02) = \underline{1,223.09}$$

$$\begin{aligned}
 \text{d. Bond Reserve Amount} &= (61,154.56/3,240,000) (250,833) \\
 &= \underline{4,734.44}
 \end{aligned}$$

The Bond Reserve Amount credited at the time of prepayment may be reduced by an amount necessary to maintain the District's Reserve Fund requirement. An analysis was done to determine what the new reserve requirement would be after Bonds are called, and it was determined that only \$3,013 would be allowable for this prepayment calculation. (See Exhibit B)

$$\begin{aligned}
 \text{e. Net Redemption Amount} &= (61,154.56 + 1,223.09 - 3,013.00) [1 / (1 +.030) \text{ to the } 2^{\text{nd}} \text{ power}] \\
 &= (59,364.65) (0.9426) \\
 &= \underline{55,957.12}
 \end{aligned}$$

$$\begin{aligned}
 \text{f. Prepayment Amount} &= 8,945.47 + 55,957.12 \\
 &= \underline{64,902.59}
 \end{aligned}$$

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY (SAMPLE)

This Continuing Disclosure Certificate dated as of September 1, 2005 (the "Disclosure Certificate") is executed and delivered by the City of Corona (the "Issuer") for and on behalf of Community Facilities District No. _____ in connection with the issuance and delivery by the Issuer of its \$_____ 2010 Special Tax Bonds (the "Bonds"). The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of September 1, 2010 (the "Fiscal Agent Agreement"), by and between the Issuer and _____, as the Fiscal Agent (the "Fiscal Agent"). The Issuer covenants 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 Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income purposes.

"Disclosure Representative" shall mean the City Manager of the City of Corona or the Finance Director, or their designee, or such other officer or employee as the Issuer shall designate in writing from time to time.

"Dissemination Agent" shall mean, initially, the City acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the then current Dissemination Agent a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Official Statement" shall mean the Official Statement dated September 1, 2005 relating to the Bonds.

“Participating Underwriter” shall mean the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds, which is _____.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, provide not later than March 1 after the end of the Issuer’s fiscal year (which currently ends on June 30), commencing with the report due on March 1, _____, provide to each Repository, the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent) and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify each Repository or the Municipal Securities Rulemaking Board and the Fiscal Agent of a change in the fiscal year dates.

(b) If the Issuer is unable to provide to each Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice to each Repository, in substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Report. The Issuer’s Annual Report shall contain or include by reference:

(a) Financial Statements. The audited financial statements of the Issuer for the most recent fiscal year of the Issuer then ended. If the Issuer prepares audited financial statements

and if the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the Issuer in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the Issuer shall be audited by such auditor as shall then be required or permitted by State law or the Fiscal Agent Agreement. Audited financial statements, if prepared by the Issuer, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide the information referenced in Section 8(d) below.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following information.

(i) the principal amount of Bonds outstanding as of the September 2 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Fiscal Agent Agreement as of the September 2 preceding the filing of the Annual Report;

(iii) a list of the public improvements in Table ___ in the Official Statement which have been acquired by the City with proceeds of the Bonds;

(iv) any changes to the Rates and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors for approval prior to the filing of the Annual Report and a summary of the facts related to the collection of any Backup Special Tax and a description of any parcels for which the Special Taxes have been prepaid, including the amount prepaid, since the date of the last Annual Report;

(v) an update to Table ___ setting forth the estimated assessed value to lien ratios for Developed Property as a group and for each owner of Undeveloped Property based upon the most recent special tax levy preceding the date of the Annual Report, the most recent assessed values of the property and the principal amount of the Bonds and any other land secured debt allocable to parcels within the District by property owner and a statement as to whether any of such taxpayers is delinquent in the payment of Special Taxes;

(vi) any event known to the Issuer which reduces the taxable acreage or which results in a moratorium on future building within the District;

(vii) a table setting forth for the five most recent fiscal years in which Special Taxes were levied, the amount of Special Taxes levied in each fiscal year and the percentage delinquent as of June 30 of such fiscal year and as of the date of the Annual Report, and a description of the status of any foreclosure actions being pursued by the Issuer with respect to delinquent Special Taxes;

(viii) any information not already included under (i) through (viii) above that the Issuer is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) principal and interest payment delinquencies;
- (ii) an event of default under the Fiscal Agent Agreement other than as described in (i) above;
- (iii) unscheduled draws on the Reserve Fund reflecting financial difficulties;
- (iv) unscheduled draws on any credit enhancements securing the Bonds reflecting financial difficulties;
- (v) any change in the provider of any letter of credit or any municipal bond insurance policy securing the Bonds or any failure by the providers of such letters of credit or municipal bond insurance policies to perform on the letter of credit or municipal bond insurance policy;
- (vi) adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;
- (vii) modifications to the rights of Bond Owners;
- (viii) unscheduled redemption of any Bond;
- (ix) defeasances;
- (x) any release, substitution, or sale of property securing repayment of the Bonds; and
- (xi) rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(iv) and (v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Fiscal Agent Agreement. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (c) prior to the occurrence of such Listed Event.

SECTION 6. Termination of Reporting Obligation. The obligation of the Issuer under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. 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.

SECTION 8. Amendment. (a) This Disclosure Amendment may be amended, without the consent of the Owners, if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby; (ii) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) the Issuer shall have obtained an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the same effect as set forth in clause (ii) above and to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners; and (iv) the Issuer shall have delivered copies of such opinion and amendment to each Repository.

(b) This Disclosure Certificate may be amended upon obtaining consent of Owners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of the Owners of the Bonds, provided that the conditions set forth in Section 8(a)(i), (ii) and (iii) have been satisfied.

(c) To the extent any amendment to this Disclosure Certificate results in a change in the type of financial information or operating data provided pursuant to this Disclosure Certificate, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. 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 Agreement to update such information or include it in any future Annual Report or notice if occurrence of a Listed Event.

The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Issuer under such laws.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Owner 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 Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer or the Fiscal Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Fiscal Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative: Finance Director
City of Corona
400 S. Vicentia Avenue
Corona, CA 92882-2187

Fiscal Agent: _____

Participating Underwriter: _____

CITY OF CORONA, for and on behalf of
COMMUNITY FACILITIES DISTRICT
NO. 2002-1 (DOS LAGOS) OF THE CITY
OF CORONA, COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA

By: _____

APPENDIX G

CONTINUING DISCLOSURE AGREEMENT (DEVELOPER) (SAMPLE)

THIS CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement"), is executed and entered into as of _____ 1, 2004, by and among _____, a national banking association organized and existing under and by virtue of the laws of the United States (the "Bank"), in its capacity as Dissemination Agent (the "Dissemination Agent") and in its capacity as Fiscal Agent (the "Fiscal Agent"), and _____, a _____ (the "Developer");

WITNESSETH:

WHEREAS, pursuant to the Fiscal Agent Agreement, dated as of _____ 1, 2005 (the "Fiscal Agent Agreement"), by and between the City of Corona (the "City") and the Fiscal Agent, the City has issued the Community Facilities District No. _____ of the City of Corona, 2005 Special Tax Bonds (the "Bonds"), in the aggregate principal amount of \$_____.

WHEREAS, the Bonds are payable from and secured by special taxes levied on certain of the property within the District;

WHEREAS, the Developer is the owner of a substantial portion of the property within the District and is developing such property as a master planned community; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the Developer and the Bank for the benefit of the owners and beneficial owners of the Bonds and in order to assist the underwriters of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

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

Section 1. Definitions. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Fiscal Agent Agreement. In addition, the following capitalized terms shall have the following meanings:

"Affiliate" of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 25% or more of the outstanding voting securities of such other Person, (b) any Person 25% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person; for purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

"Annual Report" means any Annual Report provided by the Developer pursuant to, and as described in, Sections 2 and 3 hereof.

"Annual Report Date" means the date in each year that is six months after the end of the Developer's fiscal year, which date, as of the date of this Disclosure Agreement, is June 30.

"Assumption Agreement" means an agreement between a Major Developer, or an Affiliate thereof, and the Fiscal Agent containing terms substantially similar to this Disclosure Agreement, whereby such Major Developer or Affiliate agrees to provide annual reports and notices of significant events with respect to the portion of the Property owned by such Major Developer and its Affiliates.

"Development Plan" means, with respect to a Major Developer, the specific improvements such Major Developer intends to make, or cause to be made, to such Major Developer's Property in order for such Property to reach the Planned Development Stage, the time frame in which such improvements are intended to be made and the estimated costs of such improvements; the Developer's Development Plan, as of the date hereof, is described in the Official Statement under the caption "THE DEVELOPMENT PROJECT."

"Disclosure Representative" means the Chief Financial Officer of the Developer, or such other person as the Developer shall designate in writing to the Fiscal Agent from time to time.

"Dissemination Agent" means the Bank, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Fiscal Agent a written acceptance of such designation.

"District" means Community Facilities District No. _____ of the City of Corona.

"Event of Bankruptcy" means, with respect to a Person, that such Person files a petition or institutes a proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby such Person asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of such Person's debts or obligations, or offers to such Person's creditors to effect a composition or extension of time to pay such Person's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of such Person's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character is filed or instituted or taken against such Person and the same shall remain undismissed for a period of sixty (60) days, or if a receiver of the business or of the property or assets of such Person is appointed by any court, or if such Person makes a general assignment for the benefit of such Person's creditors.

"Financing Plan" means, with respect to a Major Developer, the method by which such Major Developer intends to finance its Development Plan, including specific sources of funding for such Development Plan; the Developer's Financing Plan, as of the date hereof, is described in the Official Statement under the caption "THE DEVELOPMENT PROJECT."

"Financial Statements" means, with respect to a Major Developer, the full financial statements, special purpose financial statements, project operating statements or other reports reflecting the financial position of each entity, enterprise, fund, account or other person (other than a financial institution acting as a lender in the ordinary course of business) identified in such Major Developer's Financing Plan as a source of funding for such Major Developer's Development Plan or, where such funding by such entity, enterprise, fund, account or other person is to be provided or is guaranteed by another entity, enterprise, fund, account or other person, the full financial statements, special purpose financial statements, project operating statements or other reports reflecting the financial position of such other entity, enterprise, fund, account or other person (other than a financial institution acting as a lender in the ordinary course of business); provided that, if such financial statements or reports are otherwise prepared as audited financial statements or reports, then Financial Statements means such audited financial statements or reports.

"Listed Events" means any of the events listed in Section 4(a) hereof.

"Major Developer" means, as of any date, any Property Owner, including the Developer, that owns Property that has not reached the Planned Development Stage that, together with Property that has not reached the Planned Development Stage owned by Affiliates of such Property Owner, is subject to 20% or more of the Special Tax levy for the then current Fiscal Year.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Official Statement" means the Official Statement, dated _____, relating to the Bonds.

"Participating Underwriters" means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

"Planned Development Stage" means, with respect to any portion of the Property, the stage at which rough grading has been substantially completed and major backbone infrastructure has been brought to the edge of the parcel constituting such portion of the Property.

"Property" means the real property within the boundaries of the District that is not exempt from the Special Taxes.

"Property Owner" means any Person that owns a fee interest in any Property.

"Repository" means each National Repository and each State Repository.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

Section 2. Provision of Annual Reports. (a) The Developer shall, or, upon receipt of the Annual Report by the Dissemination Agent, the Dissemination Agent shall, provide to each Repository an Annual Report which is consistent with the requirements of Section 3 hereof, not later than the Annual Report Date, commencing June 30, _____. 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 3 hereof; provided, however, that the audited financial statements of the Developer, if any, may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Developer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 4(b) hereof.

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Developer shall provide the Annual Report (in a form suitable for reporting to the Repositories) to the Dissemination Agent and the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent). If by such date, the Fiscal Agent has not received a copy of the Annual Report, the Fiscal Agent shall contact the Disclosure Representative and the Dissemination Agent to inquire if the Developer is in compliance with the first sentence of this subsection (b).

(c) If the Fiscal Agent is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Fiscal Agent shall send a notice to the Municipal Securities Rulemaking Board and the appropriate State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any;

(ii) provide any Annual Report received by it to each Repository, as provided herein;
and

(iii) file a report with the Developer and (if the Dissemination Agent is not the Fiscal Agent) the Fiscal Agent certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(e) The Developer shall, or if received by the Dissemination Agent, the Dissemination shall, provide an Annual Report to each Participating Underwriters identified in Exhibit B attached hereto at the time such Annual Report is provided to the Repositories in accordance with this Section.

Section 3. Content of Annual Reports. The Developer's Annual Report shall contain or incorporate by reference the following:

(a) Financial Statements for each Major Developer prepared in accordance with generally accepted accounting principles, as in effect from time to time. If audited Financial Statements are required to be provided, and such audited Financial Statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a) hereof, the Annual Report shall contain unaudited Financial Statements, and the audited Financial Statements shall be filed in the same manner as the Annual Report when they become available. Such Financial Statements shall be for the most recently ended fiscal year for the entity covered thereby.

(b) The following information with respect to each Major Developer:

(i) If information regarding such Major Developer has not previously been included in an Annual Report or in the Official Statement, the Development Plan of such Major Developer or, if information regarding such Major Developer has previously been included in an Annual Report or in the Official Statement, a description of the progress made in the Development Plan of such Major Developer since the date of such information and a description of any material changes in such Development Plan and the causes or rationale for such changes.

(ii) If information regarding such Major Developer has not previously been included in an Annual Report or in the Official Statement, the Financing Plan of such Major Developer or, if information regarding such Major Developer has previously been included in an Annual Report or in the Official Statement, a description of any material changes in the Financing Plan of such Major Developer and the causes or rationale for such changes.

(iii) A description of any sales of portions of such Major Developer's Property (other than to individual home buyers) during the fiscal year covered by such Annual Report, including the identification of each buyer and the number of acres sold; provided, however, that sales of five (5) or fewer acres may be aggregated for the purpose of such description.

(iv) A description of how many acres of the Property were owned by such Major Developer as of the end of the fiscal year covered by such Annual Report, how many acres of such Major Developer's Property reached the Planned Development Stage during such fiscal year and how many acres of such Major Developer's Property had not reached the Planned Development Stage as of the end of such fiscal year.

(v) An update of the status of any previously reported Listed Event described in Section 4 hereof.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the Developer 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.

Major Developers that are Affiliates of each other may file a single Annual Report covering all such entities. Any or all of the items listed above may be included by specific reference to other documents which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final Official Statement, it must be available from the Municipal Securities Rulemaking Board. The Developer shall clearly identify each such other document so included by reference.

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section 4, the Developer shall promptly give, or cause to be given notice of the occurrence of any of the following events with respect to each Major Developer:

(i) Any failure of such Major Developer, or any Affiliate of such Major Developer, to pay when due general property taxes, special taxes or assessments (including any assessment installment) with respect to its Property.

(ii) Any material payment Default by such Major Developer or any Affiliate of such Major Developer on any loan secured by such Major Developer's Property which is beyond any applicable cure period for such loan.

(iii) The occurrence of an Event of Bankruptcy with respect to such Major Developer, or any Affiliate of such Major Developer, that could have a material adverse affect on such Major Developer's most recently disclosed Financing Plan or Development Plan or on the ability of such Major Developer, or any Affiliate of such Major Developer, to pay Special Taxes when due.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall promptly notify the Dissemination Agent, the Fiscal Agent and the City in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (c). The Developer shall provide the Dissemination Agent with a form of notice of such event in a format suitable for reporting to the Municipal Securities Rulemaking Board and each State Repository, if any.

(c) If the Dissemination Agent has been instructed by the Developer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository and shall provide a copy of such notice to each Participating Underwriters identified in Exhibit B attached hereto.

Section 5. Assumption of Obligations. If a portion of the Property owned by the Developer, or any Affiliate of the Developer, is conveyed to a Person that, upon such conveyance, will be a Major Developer, the obligations of the Developer hereunder with respect to the Property owned by such Major

Developer and its Affiliates may be assumed by such Major Developer or by an Affiliate thereof. In order to effect such assumption, such Major Developer or Affiliate shall enter into an Assumption Agreement.

Section 6. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Agreement shall terminate upon the earliest to occur of (a) the date on which no Property Owner is a Major Developer, or (b) the date on which (i) the Developer is no longer a Major Developer and (ii) the Developer no longer has any obligations under this Disclosure Agreement with respect to any remaining Property as a result of such obligations having been assumed under one or more Assumption Agreements entered into pursuant to Section 5 hereof, or (c) the date on which all of the Bonds have been legally defeased, redeemed, or paid in full. The Developer's obligations under this Disclosure Agreement with respect to a Major Developer shall terminate upon the earliest to occur of (x) the date on which such Major Developer is no longer a Major Developer, as defined herein, or (y) the date on which the Developer's obligations with respect to such Major Developer are assumed under an Assumption Agreement entered into pursuant to Section 5 hereof; provided however, upon the occurrence of either of the events described in clauses (x) or (y), the Developer's obligations hereunder with respect to each other Major Developer, if any, shall remain in full force and effect. Upon the occurrence of any such termination prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Listed Event under Section 4 hereof.

Section 7. Dissemination Agent. The Developer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty (30) days' written notice to the Developer and the Fiscal Agent. The Dissemination Agent shall have no duty to prepare any Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Developer in a timely manner and in a form suitable for filing. If at any time there is not any other designated Dissemination Agent, the Fiscal Agent shall be the Dissemination Agent. If the Dissemination Agent is other than the Fiscal Agent, the Developer shall be responsible for paying the fees and expenses of the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer, the Fiscal Agent and the Dissemination Agent may amend this Disclosure Agreement (and the Fiscal Agent and the Dissemination Agent shall agree to any amendment so requested by the Developer, so long as such amendment does not adversely affect the rights or obligations of the Fiscal Agent or the Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to Sections 2(a), 3 or 4(a) hereof it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized Bond Counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by owners of sixty percent (60%) of the Bonds in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of the owners of the Bonds, or (ii) does not, in the opinion of nationally recognized Bond Counsel, materially impair the interests of holders.

If the annual financial information or operating data to be provided in the Annual Reports is amended pursuant to the provisions hereof, the first Annual Report containing the amended operating

data or financial information shall explain, in narrative form, the reasons for the amendment and the effect of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing Financial Statements, the annual financial information for the year in which the change is made shall present a comparison between the Financial Statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the effect of the change in the accounting principles on the presentation of the Financial Statements or information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations, including its obligation to pay Debt Service on the Bonds. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 4 hereof.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Developer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Developer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Developer or the Fiscal Agent to comply with any provision of this Disclosure Agreement, the Fiscal Agent may (and, at the written direction of any Participating Underwriters or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Fiscal Agent), or any Owner 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 Developer or the Fiscal Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A Default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Developer or the Fiscal Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties; Immunities and Liabilities of Fiscal Agent and Dissemination Agent. The Dissemination Agent and the Fiscal Agent shall have only such duties hereunder as are specifically set forth in this Disclosure Agreement. The Developer agrees to indemnify and save each of the Fiscal Agent and the Dissemination Agent, and their respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it or they may incur arising out of or in the exercise or performance of its duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Fiscal Agent's or the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no responsibility for the preparation, review, form or content of any Annual Report or any notice of a Listed Event. No provision of this Disclosure Agreement shall require or be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder. Information disclosed hereunder by the Dissemination Agent may contain such disclaimer language concerning the Dissemination Agent's responsibilities hereunder with respect thereto as the Dissemination Agent may deem appropriate. The Dissemination Agent may conclusively rely on the determination of the Developer as to the materiality of any event for purposes of Section 4 hereof. Neither the Fiscal Agent nor the Dissemination Agent makes any representation as to the sufficiency of this Disclosure Agreement for purposes of the Rule. The Developer's obligations under this Section shall survive the termination of this Disclosure Agreement.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Developer, the Fiscal Agent, the Dissemination Agent, the Participating Underwriters and owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

By: _____

Title: _____

_____, as Fiscal Agent

By: _____
Authorized Officer

_____, as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Corona for and on behalf of Community Facilities
District No. ____ of the City of Corona

Name of Bond Issue: Community Facilities District No. _____ of the City of Corona 2005 Special
Tax Bonds

Date of Issuance: _____, 2005

NOTICE IS HEREBY GIVEN that _____ (the "Developer") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of _____ 1, 2005, by and among _____, in its capacity as Fiscal Agent and in its capacity as Dissemination Agent, and the Developer. [The Developer anticipates that the Annual Report will be filed by _____.]

Dated: _____

_____, as Fiscal
Agent, on behalf of the Developer

cc: _____

EXHIBIT B

Participating Underwriters

APPENDIX H

RESOLUTION NO. 2011-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORONA, CALIFORNIA, APPROVING THE CITY OF CORONA DEBT POLICY AND PROCEDURES

WHEREAS, the City Council of the City of Corona has considered a document entitled “City of Corona Debt Policy and Procedures” which outlines the policy and procedures enacted to standardize the issuance and management of debt of the City, the Redevelopment Agency, the Corona Public Financing Authority, the Corona Public Improvement Corporation and the Corona Utility Authority; and

WHEREAS, the Finance Director has recommended to the City Council that the “City of Corona Debt Policy and Procedures” be approved and established as the policy of the City, the Redevelopment Agency, the Corona Public Financing Authority, the Corona Public Improvement Corporation and the Corona Utility Authority and such other entities as may be established for the issuance and management of debt; and

WHEREAS, the City Council has determined that the “City of Corona Debt Policy and Procedures” be approved and established as recommended by the Finance Director.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Corona, California, that the “City of Corona Debt Policy and Procedures,” as presented to the City Council at the meeting in which this resolution is adopted, is hereby approved and established as the policy of the City with respect to issuance and management of debt.

PASSED, APPROVED AND ADOPTED this 4th day of May, 2011.

Mayor of the City of Corona, California

ATTEST:

City Clerk of the City of Corona, California

CERTIFICATION

I, JAN BATES, City Clerk of the City of Corona, California, do hereby certify that the foregoing Resolution was regularly introduced and adopted by the City Council of the City of Corona, California, at a regular meeting thereof held on the 4th day of May, 2011 by the following vote of the Council:

AYES:

NOES:

ABSENT:

ABSTAINED:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Corona, California, this 4th day of May, 2011.

City Clerk of the City of Corona, California

(SEAL)