

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX EXEMPTION" herein.*

**\$11,015,000**

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY**

**Statewide Community Infrastructure Program Revenue Bonds**

**Series 2014 (Yucaipa Valley Water Reservoir Project)**

**Dated: Date of Delivery**

**Due: September 2, 2044**

The Statewide Community Infrastructure Program ("SCIP") is a program of the California Statewide Communities Development Authority (the "Authority") that allows cities and counties to finance certain development impact fees and public capital improvements through the issuance of tax-exempt bonds. Under SCIP, the Authority periodically issues revenue bonds to provide financing for these development impact fees and public capital improvements, while at the same time forming assessment districts in the jurisdictions in which the development impact fees are owed or the public capital improvements are to be located, as applicable. Payments on the annual assessments levied within the assessment districts secure and are used to repay the revenue bonds and to cover certain administrative costs of SCIP.

The Authority's \$11,015,000 Statewide Community Infrastructure Program Revenue Bonds, Series 2014 (Yucaipa Valley Water Reservoir Project) (the "Bonds") are being issued by the Authority (i) to fund the purchase of certain limited obligation improvement bonds (the "Local Obligations") issued by the Authority and secured by assessments levied by the Authority, as further described herein, (ii) to fund capitalized interest to March 2, 2016, (iii) to fund a reserve fund for the Bonds, and (iv) to pay costs of issuance of the Bonds. The Bonds and the Local Obligations are issued under a Trust Agreement, dated as of November 1, 2014 (the "Trust Agreement") by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). **Principal of and interest on the Bonds are payable as follows:**

\$11,015,000 6.00% Term Bond due September 2, 2044; Yield\* 6.25%; CUSIP† 13078YHMO

The Bonds are special obligations of the Authority, payable from and secured by Revenues (as defined herein) of the Authority consisting primarily of moneys collected and received by the Authority on account of unpaid assessments or reassessments securing the Local Obligations (the "Local Obligation Revenues"). The Local Obligation Revenues are calculated to be sufficient to provide the Authority with money to pay the principal of, premium, if any, and interest on the Bonds when due. The Local Obligations are being issued by the Authority pursuant to the provisions of the Improvement Bond Act of 1915, consisting of Division 10 of the Streets and Highways Code of the State of California (the "Local Obligation Statute"). **Proceeds of the Local Obligations will be used to finance certain fees (the "Fees") payable by certain property owners to the Yucaipa Valley Water District ("YVWD") for the construction of a water storage reservoir (the "Improvements") to provide potable water services to the parcels within Assessment District No. 14-01 (Yucaipa Valley Water District, County of Riverside, California) (the "Assessment District").**

Under the provisions of the Local Obligation Statute, installments of principal and interest sufficient to meet annual debt service on the Local Obligations are included on the regular county tax bills sent to owners of property against which there are unpaid assessments. These annual assessment installments will be transferred to the Trustee to be used to pay debt service on the Local Obligations as they become due. The Local Obligations will be registered in the name of the Trustee, who will use amounts it receives as holder of the Local Obligations to pay principal of and interest on the Bonds pursuant to the Trust Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Bonds are being issued as fully registered bonds, initially registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to the ultimate purchasers thereof in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Interest on the Bonds is payable on March 2, 2015 and semiannually thereafter on March 2 and September 2 each year. Principal of and premium, if any, on the Bonds are payable at the corporate trust office of the Trustee. Ultimate purchasers of Bonds will not receive physical bonds representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Holders shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See APPENDIX D - "THE BOOK-ENTRY SYSTEM" herein.

**The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS - Redemption" herein.**

**Investment in the Bonds involves a significant degree of risk and is speculative in nature as described under "BONDOWNERS' RISKS" herein and under other sections of this Official Statement. Unpaid assessments do not constitute a personal indebtedness of the owners of the parcels within the Assessment District. In the event of delinquency, foreclosure proceedings may be conducted only against the real property securing the delinquent assessment. Thus, the value of the real property within the Assessment District is an important factor in determining the investment quality of the Bonds. The unpaid assessments are not required to be paid upon sale of property within the Assessment District. There is no assurance the owners shall be able to pay the assessment installments or that they shall pay such installments even though financially able to do so.**

To provide funds for payment of the Bonds and the interest thereon as a result of any delinquent assessment installments, the Authority will establish a Reserve Fund and deposit therein Bond proceeds in an amount equal to the Reserve Requirement (defined herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Reserve Fund." Additionally, the Authority has covenanted to initiate judicial foreclosure in the event of a delinquency by any particular property owner and to commence the procedure as set forth herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Covenant to Commence Superior Court Foreclosure."

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

NEITHER THE FAITH AND CREDIT OF THE AUTHORITY, NOR THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY IN WHICH THE ASSESSMENT DISTRICT IS LOCATED, IS PLEDGED TO THE PAYMENT OF THE BONDS OR THE LOCAL OBLIGATIONS. NEITHER THE BONDS NOR THE LOCAL OBLIGATIONS CONSTITUTE A DEBT OF THE AUTHORITY WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL DEBT LIMITATION. THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING INFORMATION UNDER THE HEADING "BONDOWNERS' RISKS," SHOULD BE READ IN ITS ENTIRETY. THE AUTHORITY HAS NO TAXING POWER.

*The Bonds are offered when, as and if issued and accepted by the Underwriter subject to the approval, as to their legality, of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. Certain other legal matters will be passed upon for the Authority by Orrick, Herrington & Sutcliffe LLP. Jones Hall, A Professional Law Corporation, is acting as Underwriter's Counsel. It is expected that the Bonds will be available for delivery in book-entry form on or about November 19, 2014.*



RBC Capital Markets®

Dated: November 5, 2014

\* Reoffering prices/yields furnished by the Underwriter. Neither the Authority nor YVWD take any responsibility for the accuracy thereof.

† Copyright, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. None of the Authority, YVWD or the Underwriter takes any responsibility for the accuracy of such numbers.



**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY**

**Commission**

Larry Combs, Chair

Kevin O'Rourke, Vice Chair

Terry Schutten, Treasurer

Dan Harrison, Secretary

Irwin Bornstein, Member

Tim Snellings, Member

Dan Mierzwa, Member

**Officers**

Cathy Bando, Executive Director

---

**STATEWIDE COMMUNITY INFRASTRUCTURE PROGRAM**

**Bond Counsel and Disclosure Counsel**

Orrick, Herrington & Sutcliffe LLP

**Trustee**

Wells Fargo Bank, National Association  
Los Angeles, California

**Engineer of Work and Assessment Administrator**

David Taussig & Associates, Inc.  
San Francisco, California

**Program Administrator**

BLX Group, LLC  
Los Angeles, California

# CALIMESA • CALIFORNIA



## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the Authority in any press release and in any oral statement made with the approval of an authorized officer of the Authority, the words or phrases “will likely result”, “are expected to”, “will continue”, “is anticipated”, “estimate”, “project”, “forecast”, “expect”, “intend” and similar expressions identify “forward looking statements.” Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Authority since the date hereof.

**Limit of Offering.** No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

**Involvement of Underwriter.** The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or SCIP since the date hereof. The summaries of the Trust Agreement and other documents referred to herein are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions.

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

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

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

## TABLE OF CONTENTS

	Page
INTRODUCTION AND PROGRAM DESCRIPTION .....	1
THE BONDS .....	3
Authority for Issuance.....	3
Issuance of the Bonds .....	3
Application of Proceeds of the Bonds and the Local Obligations .....	4
Redemption .....	5
ESTIMATED SOURCES AND USES OF FUNDS.....	8
DEBT SERVICE SCHEDULE.....	9
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS .....	10
Limited Obligation.....	10
Revenues .....	11
Assessments .....	12
Priority of Lien.....	12
No Additional Bonds or Parity Local Obligations.....	13
Limited Obligation Upon Delinquency.....	13
Collection of Assessments .....	13
Reserve Fund .....	14
Covenant to Commence Superior Court Foreclosure .....	14
Covenant Not to Create Additional Liens.....	15
Local Agency Account.....	15
THE ASSESSMENT DISTRICT .....	15
General .....	15
The Assessment District.....	15
THE PROJECTS, THE IMPROVEMENTS AND THE ASSESSED PROPERTY .....	16
Yucaipa Valley Water District.....	16
Improvements .....	17
City of Calimesa.....	19
Description of the Projects.....	20
Appraisal .....	26
Value-to-Lien Ratio .....	27
Overlapping Debt and Effective Tax Rate.....	27
BONDOWNERS' RISKS.....	29
General .....	29
Owners Not Personally Obligated to Pay Bonds or Assessments.....	30
Bankruptcy and Foreclosure .....	31
Availability of Funds to Pay Delinquent Assessment Installments .....	31
Collection of the Assessment.....	31

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
Land Values .....	32
Natural Disaster Risks.....	32
Appraisal Risks .....	33
Construction Risks .....	33
Water Supply Risk .....	33
Development Risks .....	34
No Independent Review of Valuation or Viability of Completed Projects.....	34
Concentration of Ownership .....	35
Property or Loan Owned by Federal Agencies or Instrumentalities.....	35
Ballot Initiatives.....	36
Hazardous Substances.....	36
Parity Taxes and Special Assessments.....	37
Future Overlapping Indebtedness .....	37
Future Private Indebtedness .....	37
No Acceleration Provision.....	37
CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS.....	38
Property Tax Rate Limitations - Article XIII A.....	38
Legislation Implementing Article XIII A .....	38
Appropriation Limitation - Article XIII B .....	38
Property Tax Collection Procedures .....	39
Proposition 218 .....	40
THE AUTHORITY.....	40
CONTINUING DISCLOSURE .....	41
LEGAL OPINION .....	41
TAX EXEMPTION .....	41
NO LITIGATION .....	43
NO RATING.....	43
UNDERWRITING.....	43
MISCELLANEOUS .....	44
APPENDIX A – SUMMARY OF TRUST AGREEMENT	
APPENDIX B – FORM OF CONTINUING DISCLOSURE AGREEMENT	
APPENDIX C – PROPOSED FORM OF BOND COUNSEL OPINION	
APPENDIX D – THE BOOK-ENTRY SYSTEM	
APPENDIX E – EXCERPTS FROM ENGINEER’S REPORTS	
APPENDIX F – EXCERPTS FROM APPRAISAL	



---

## OFFICIAL STATEMENT

---

**\$11,015,000**

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY**  
**Statewide Community Infrastructure Program Revenue Bonds**  
**Series 2014 (Yucaipa Valley Water Reservoir Project)**

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information regarding the issuance by the California Statewide Communities Development Authority (the “Authority”) of its \$11,015,000 aggregate principal amount of Statewide Community Infrastructure Program Revenue Bonds, Series 2014 (Yucaipa Valley Water Reservoir Project) (the “Bonds”). Capitalized terms used but not defined in the front part of this Official Statement have the meanings given in APPENDIX A – “SUMMARY OF TRUST AGREEMENT.”

### INTRODUCTION AND PROGRAM DESCRIPTION

**The Authority.** The Authority is a joint exercise of powers authority organized pursuant to an Amended and Restated Joint Exercise of Powers Agreement dated June 1, 1988 among a number of California counties, cities and special districts, entered into pursuant to Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code, and is authorized to issue the Bonds and the Local Obligations for the purposes described herein.

**SCIP.** The Statewide Community Infrastructure Program (“SCIP”) is a program of the Authority available to cities, counties and local agencies that are members of the Authority and have joined SCIP (the “Local Agency Participants”) and to qualifying property owners who own and plan to develop real property within the jurisdictions of the Local Agency Participants. SCIP provides the Local Agency Participants and qualifying property owners with access to pooled, tax-exempt financing for certain development impact fees payable by qualifying property owners for their development activities and for certain public capital improvements benefiting property located within the jurisdictions of the Local Agency Participants. Under SCIP, the Authority periodically issues limited obligation improvement bonds on behalf of the Local Agency Participants to provide financing for the development impact fees of the qualifying property owners and for certain public capital improvements. The Authority concurrently issues its revenue bonds, the proceeds of which are used to purchase the limited obligation improvement bonds. Payments of principal of and interest on the limited obligation improvement bonds are calculated to exactly match the corresponding payments for the revenue bonds. To secure the limited obligation improvement bonds, and ultimately the revenue bonds, the Authority forms assessment districts in the jurisdictions in which the development impact fees are owed or public capital improvements are required and levies annual assessments on the parcel(s) benefited thereby, to be paid over time by the initial property owners and any subsequent property owners. The assessment payments are set at levels sufficient to repay the limited obligation improvement bonds to the Authority, and the Authority then uses those funds to repay the revenue bonds and to cover certain administrative costs of SCIP.

**Yucaipa Valley Water District.** Yucaipa Valley Water District (“YVWD”), as a Local Agency Participant, has adopted a resolution joining SCIP and has authorized the Authority, in connection with SCIP, to: (i) issue local obligations and revenue bonds on its behalf and (ii) conduct proceedings to form assessment districts within its jurisdiction to finance fees of qualifying property owners and certain public capital improvements, as applicable, and to provide security for such local obligations and revenue bonds.

The net proceeds of the Bonds, after the funding of the Reserve Fund and the payment of certain costs of issuance, are the property of YVWD and must be used to finance the specified fees to in turn finance the Improvements within the jurisdiction of the YVWD. The City of Calimesa has adopted a resolution authorizing YVWD and the Authority to form the Assessment District within the boundaries of the City of Calimesa. YVWD and the City of Calimesa have no obligation to collect assessment installments and are not obligated to make payments on the Local Obligations (as defined herein) or the Bonds.

**County of Riverside.** The County of Riverside (the “County”) will collect the unpaid assessment installments through its county tax rolls and transfer such funds, when collected, to the Authority. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Revenues” and “– Assessments” below. The County of Riverside is not a member of SCIP and, apart from collection of assessment installments through its tax rolls, has no responsibility for or involvement with the Assessment District, the Local Obligations or the Bonds.

**The Bonds.** The Bonds are issued to acquire certain limited obligation improvement bonds (the “Local Obligations”) issued by the Authority, to fund capitalized interest to March 2, 2016, to fund a reserve fund for the Bonds, and to pay the costs of issuance of the Bonds. Proceeds of the Local Obligations will be used to finance certain fees (the “Fees”) payable by certain property owners to the YVWD for the construction of a water storage reservoir to provide potable water services (the “Improvements”) to the parcels within Assessment District No. 14-01 (Yucaipa Valley Water District, County of Riverside, California) (the “Assessment District”). See “THE ASSESSMENT DISTRICT” and “THE PROJECTS, THE IMPROVEMENTS AND THE ASSESSED PROPERTY.”

The Bonds are special, limited obligations of the Authority, payable solely from and secured by Revenues (as defined herein) of the Authority consisting primarily of moneys collected and received by the Authority on account of unpaid assessments or reassessments securing the Local Obligations (the “Local Obligation Revenues”). Timely payments of the Local Obligations are calculated to be sufficient to provide the Authority with funds to pay the principal of, premium, if any, and interest on the Bonds when due. The Local Obligations are issued upon and are secured by assessments (sometimes herein referred to as the “Assessments”) levied against property in the Assessment District and interest thereon and such unpaid assessments and interest constitute a trust fund for the redemption and payment of the Local Obligations.

**The Projects.** The Improvements are necessary for the development of certain projects (the “Projects”) within the Assessment District. The Projects and the real property on which they are located are described in “THE PROJECTS, THE IMPROVEMENTS AND THE ASSESSED PROPERTY.”

**Limited Scope of Official Statement.** There follow in this Official Statement descriptions of the Authority, the Bonds, the Trust Agreement, the Assessment District, the Local Obligations, and certain other documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and all statements herein with respect to such documents are qualified in their entirety by reference to each such document for the complete details of all of their respective terms and conditions. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors’ rights generally. Terms not defined herein shall have the meanings ascribed to them in the Trust Agreement.

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or SCIP since the date hereof.

All financial and other information presented in this Official Statement has been provided by the Authority from their records, except for information expressly attributed to other sources, including information contained in “THE PROJECTS, THE IMPROVEMENTS AND THE ASSESSED PROPERTY,” which has been obtained from the various owners and developers of property in the Assessment District. The presentation of information includes projections, which are not intended to indicate future certainties regarding the financial or other affairs of the owners or developers, the Assessment District or the Authority.

## **THE BONDS**

### **Authority for Issuance**

The Bonds are special, limited obligations of the Authority payable from and secured by payments made under the Local Obligations and secured by assessments, as described herein. The Bonds are being issued pursuant to the provisions of a Trust Agreement, dated as of November 1, 2014 (the “Trust Agreement”), by and between the Authority and Wells Fargo Bank, National Association (the “Trustee”). The Local Obligations are being issued pursuant to the provisions of the Trust Agreement. The Local Obligations will be registered in the name of the Trustee and will be pledged under the Trust Agreement to secure payment of the Bonds.

The Authority is authorized to form the Assessment District and to issue the Local Obligations pursuant to provisions of the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code) and the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code) (together, the “Local Obligation Statute”). After issuance of the Local Obligations, no additional bonds with respect to the Assessment District are authorized. The Authority is authorized to issue the Bonds pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4, Chapter 5, Division 7, Title 1 of the California Government Code) for the purpose of pooling various local obligations issued by certain local agencies, including the Local Obligations.

### **Issuance of the Bonds**

The Bonds will be dated the date of their original delivery. The Bonds are being issued as fully registered bonds, registered initially in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to the ultimate purchasers thereof in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. The Bonds shall be initially registered in the name of “Cede & Co.” as nominee of DTC, and shall bear interest from the Dated Date.

While the Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its Participants for subsequent disbursement to Beneficial Owners of the Bonds as described herein. Ultimate purchasers of Bonds will not receive physical bonds representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Holders shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See APPENDIX D – “THE BOOK-ENTRY SYSTEM” herein.

The principal of and redemption premiums, if any, on the Bonds shall be payable at the Corporate Trust Office of the Trustee, upon presentation and surrender of such Bonds. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will be payable at the rate set forth on the cover page of this Official Statement on March 2 and September 2 of each year, commencing March 2, 2015 (each, an “Interest Payment Date”), and principal of the Bonds will be payable in the amounts and on the maturity date set forth on the cover page of this Official Statement (subject to the right of prior redemption). The principal of and redemption premiums, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Payment of the interest on any Bond shall be made to the person whose name appears on the bond register kept by the Trustee (the “Bond Register”) as the owner thereof as of the close of business on the fifteenth day of the month preceding an Interest Payment Date (the “Record Date”), such interest to be paid by check mailed by first class mail on the Interest Payment Date to the owner at the address which appears on the Bond Register as of the Record Date, for that purpose; except that in the case of an owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon written request of such owner to the Trustee, in form satisfactory to the Trustee, received not later than the Record Date, such interest shall be paid on the Interest Payment Date in immediately available funds by wire transfer to an account in the United States.

### **Application of Proceeds of the Bonds and the Local Obligations**

Proceeds from the sale of the Bonds will be used by the Trustee (i) to acquire the Local Obligations issued by the Authority and secured by assessments levied by the Authority, as further described herein, (ii) to fund capitalized interest to March 2, 2016, (iii) to fund a reserve fund for the Bonds, and (iv) to pay costs of issuance of the Bonds. Proceeds of the Local Obligations will be used to finance the Fees payable by certain property owners to the YVWD for the construction of the Improvements for water services within the Assessment District. See “THE PROJECTS, THE IMPROVEMENTS AND THE ASSESSED PROPERTY.”

For a discussion of the accounts and funds established under the Trust Agreement and related to the Bonds, see APPENDIX A – “SUMMARY OF TRUST AGREEMENT.” For a schedule of the estimated sources and uses of funds related to the issuance of the Bonds and the Local Obligations, see “ESTIMATED SOURCES AND USES OF FUNDS.”

(Remainder of Page Intentionally Left Blank)

## Redemption

**Optional Redemption.** The Bonds shall be subject to optional redemption prior to their stated maturity date as a whole or in part on any date on or after September 2, 2024, at the option of the Authority from any available source, at a redemption price equal to the principal amount thereof, without premium, together with accrued interest thereon to the date fixed for redemption.

**Extraordinary Redemption from Property Owner Prepayments.** The Bonds are subject to extraordinary redemption prior to their stated maturity date as a whole or in part on any Interest Payment Date, and shall be redeemed by the Trustee, from moneys derived as a result of Property Owner Prepayments plus, if applicable, amounts transferred from the Reserve Fund in connection therewith, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date fixed for redemption, as follows:

<b>Redemption Date</b>	<b>Redemption Price</b>
Any Interest Payment Date on and after March 2, 2015 through September 2, 2020	102%
Any Interest Payment Date on and after March 2, 2021 through September 2, 2021	101%
March 2, 2022 and any Interest Payment Date thereafter	100%

“Property Owner Prepayments” shall mean that portion of Revenues which are initially paid to the Authority by or on behalf of a property owner to accomplish pay-off and discharge of a lien securing the Local Obligations (except the portion, if any, of such Revenues which represents accrued interest on the Local Obligations) and which are thereafter transmitted by the Authority to the Trustee, as assignee of the Authority with respect to the Local Obligations, for deposit in the Bond Redemption Fund for application in accordance with the Trust Agreement. Property Owner Prepayments do not include payments from the proceeds of any refunding bonds issued by or on behalf of the Authority.

(Remainder of Page Intentionally Left Blank)

**Mandatory Redemption.** The Bonds are also subject to mandatory redemption in part randomly on September 2 in each year commencing September 2, 2017, at the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium, in accordance with the following schedule:

**Term Bond of 2044**

<u>Year</u> <u>(September 2)</u>	<u>Amount</u>
2017	\$155,000
2018	170,000
2019	180,000
2020	190,000
2021	205,000
2022	215,000
2023	230,000
2024	240,000
2025	255,000
2026	270,000
2027	290,000
2028	305,000
2029	325,000
2030	340,000
2031	365,000
2032	385,000
2033	405,000
2034	430,000
2035	460,000
2036	490,000
2037	520,000
2038	550,000
2039	575,000
2040	615,000
2041	650,000
2042	690,000
2043	730,000
2044	780,000

In the event that Bonds subject to the above mandatory redemption are redeemed in part prior to their stated maturity date from any moneys other than Principal Installments, the remaining Principal Installments for such Bonds shall be reduced proportionately in each year remaining until and including the final maturity date of such Bonds.

**Notice of Redemption.** In the case of any redemption of Bonds, the Trustee shall determine that it has in the funds maintained pursuant to the Trust Agreement and available therefor sufficient moneys on hand to pay the principal of, the interest on, and the redemption premium, if any, to make the redemption. Subject to receipt of the Written Order of the Authority, if sufficient moneys are available for such redemption, the Trustee shall give notice, as provided below, that Bonds, identified by CUSIP numbers, serial numbers and maturity date, have been called for redemption and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof that has been called for redemption

(or if all the Outstanding Bonds are to be redeemed, so stating, in which event the serial numbers may be omitted), that they will be due and payable on the date fixed for redemption (specifying the date) upon surrender thereof at the Corporate Trust Office of the Trustee, at the redemption price (specifying the price), together with any accrued interest to such date, and that all interest on the Bonds, or portions thereof, so to be redeemed will cease to accrue on and after such date and that from and after such date the Bond or the portion thereof shall no longer be entitled to any lien, benefit or security under the Trust Agreement, and the owner thereof shall have no rights in respect of the redeemed Bond or portion thereof except to receive payment of the redemption price plus accrued interest to the date fixed for redemption. The notice shall be sent at least 15, but not more than 60, days before the date fixed for redemption, to the owners of the Bonds, or portions thereof, so called for redemption, at their respective addresses as they shall last appear on the Bond Register.

**Redemption Instructions.** In the event a portion, but not all, of the Outstanding Bonds are to be redeemed pursuant to extraordinary redemption or optional redemption, the Trustee shall select the amounts and maturities of Bonds for redemption in accordance with a Written Order of the Authority. Upon any prepayment of a Local Obligation or a determination to redeem Bonds, the Authority shall deliver to the Trustee at least 20 days prior to the redemption date the following:

(i) a Written Order of the Authority to the Trustee designating the maturities and amounts of Bonds to be redeemed and designating the reduction, if any, in the Reserve Requirement required pursuant to the Cash Flow Certificate delivered pursuant to subsection (ii) below, resulting from the redemption; and

(ii) a Cash Flow Certificate certifying that the anticipated or scheduled Revenues to be received from the Local Obligations will be sufficient in time and amount (together with funds then held under the Trust Agreement representing payments under the Local Obligations and available therefore, but excluding amounts on deposit in the Reserve Fund or earnings thereon) to make all remaining scheduled Principal Installments with respect to, and interest on, the Outstanding Bonds after the redemptions. The Cash Flow Certificate shall indicate the amount which must be withdrawn from the Reserve Fund to redeem a portion of the Bonds in order to prevent any reduction in the proportional relationship between principal and interest remaining due on the Local Obligations and principal and interest remaining due on the Bonds as existed prior to the redemption.

**Selection of Bonds for Redemption.** Whenever less than all the Outstanding Bonds of any one maturity are to be redeemed on any one date, the Trustee shall select the particular Bonds to be redeemed randomly and in selecting the Bonds for redemption the Trustee shall treat each Bond of a denomination of more than \$5,000 as representing that number of Bonds \$5,000 denomination which is obtained by dividing the principal amount of the Bond by \$5,000, and the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be redeemed in an Authorized Denomination. The Trustee shall promptly notify the Authority in writing of the numbers of the Bonds so selected for redemption in whole or in part on the redemption date.

**Payment of Redeemed Bonds.** Bonds or portions thereof called for redemption shall be due and payable on the date fixed for redemption at the redemption price thereof, together with accrued interest to the date fixed for redemption, upon presentation and surrender of the Bonds to be redeemed at the office specified in the notice of redemption. If there shall be called for redemption less than the full principal amount of a Bond, the Authority shall execute and deliver and the Trustee shall authenticate, upon surrender of the Bond, and without charge to the Owner thereof, Bonds of like interest rate and maturity in an aggregate principal amount equal to the unredeemed portion of the principal amount of the Bonds so surrendered in such Authorized Denominations as shall be specified by the Owner. If any Bond or any portion thereof shall have been duly called for redemption and payment of the redemption price, together

with unpaid interest accrued to the date fixed for redemption, shall have been made or provided for by the Authority, then interest on the Bond or portion thereof shall cease to accrue from the date fixed for redemption, and from and after that date the Bond or portion thereof shall no longer be entitled to any lien, benefit or security under the Trust Agreement, and the Owner thereof shall have no rights in respect of the Bond or portion thereof except to receive payment of the redemption price, and unpaid interest accrued to the date fixed for redemption.

**Purchase in Lieu of Redemption.** In lieu of redemption of any Bond, amounts on deposit in the Proceeds Fund, the Principal Fund or in the Redemption Fund may also be used and withdrawn by the Trustee at any time prior to selection of Bonds for redemption having taken place with respect to such amounts, upon a written order from the Authority for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as the Authority may in its discretion determine, but not in excess of the redemption price thereof plus accrued interest to the purchase date.

### ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds and other funds are estimated to be applied as set forth below:

<u>Sources:</u>	
Principal Amount of Bonds	\$11,015,000.00
Less Original Issue Discount	-371,425.80
Total Sources	\$10,643,574.20
<u>Uses:</u>	
Deposit to Local Agency Account	\$8,254,000.00
Deposit to Debt Service Reserve Fund	826,800.00
Deposit to Capitalized Interest Fund <sup>(1)</sup>	849,990.83
Costs of Issuance <sup>(2)</sup>	437,408.37
Underwriter's Discount	\$275,375.00
Total Uses	\$10,643,574.20

<sup>(1)</sup> Capitalized interest on the Local Obligations to March 2, 2016.

<sup>(2)</sup> Includes the fees and expenses of Bond Counsel and Disclosure Counsel, cost of printing the preliminary and final Official Statements, Trustee fees and expenses, and costs of formation of the Assessment District.

(Remainder of Page Intentionally Left Blank)



## DEBT SERVICE SCHEDULE

The annual debt service on the Bonds is set forth below.

### CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY Statewide Community Infrastructure Program Revenue Bonds Series 2014 (Yucaipa Valley Water Reservoir Project)

#### Annual Debt Service

<u>Year Ending (September 2)</u>	<u>Bond Principal</u>	<u>Bond Interest</u>	<u>Total</u>
2015*	-	\$519,540.83	\$519,540.83
2016*	-	660,900.00	660,900.00
2017	\$155,000	660,900.00	815,900.00
2018	170,000	651,600.00	821,600.00
2019	180,000	641,400.00	821,400.00
2020	190,000	630,600.00	820,600.00
2021	205,000	619,200.00	824,200.00
2022	215,000	606,900.00	821,900.00
2023	230,000	594,000.00	824,000.00
2024	240,000	580,200.00	820,200.00
2025	255,000	565,800.00	820,800.00
2026	270,000	550,500.00	820,500.00
2027	290,000	534,300.00	824,300.00
2028	305,000	516,900.00	821,900.00
2029	325,000	498,600.00	823,600.00
2030	340,000	479,100.00	819,100.00
2031	365,000	458,700.00	823,700.00
2032	385,000	436,800.00	821,800.00
2033	405,000	413,700.00	818,700.00
2034	430,000	389,400.00	819,400.00
2035	460,000	363,600.00	823,600.00
2036	490,000	336,000.00	826,000.00
2037	520,000	306,600.00	826,600.00
2038	550,000	275,400.00	825,400.00
2039	575,000	242,400.00	817,400.00
2040	615,000	207,900.00	822,900.00
2041	650,000	171,000.00	821,000.00
2042	690,000	132,000.00	822,000.00
2043	730,000	90,600.00	820,600.00
2044	780,000	46,800.00	826,800.00
<b>Total</b>	<b>\$11,015,000</b>	<b>\$13,181,340.83</b>	<b>\$24,196,340.83</b>

\* Paid from capitalized interest.

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### Limited Obligation

The Bonds are secured by a lien on and pledge of (i) Revenues, as hereinafter defined, (ii) proceeds of Bonds held by the Trustee in the Reserve Fund and (iii) investment income with respect to any moneys held by the Trustee (other than the Rebate Fund and the Local Agency Account, as more particularly defined below). Revenues (as more particularly defined below) consist primarily of payments made under the Local Obligations.

The Local Obligations are special, limited obligations of the Authority and are secured by an irrevocable pledge of certain revenues of the Authority, consisting primarily of monies received by the Authority as payment of assessments levied against property within the Assessment District. Payments of principal of, premium, if any, and interest on the Local Obligations are calculated to be sufficient to provide the Authority with money to pay the principal of, premium, if any, and interest on the Bonds when due.

All obligations of the Authority under the Trust Agreement and the Bonds are special obligations of the Authority, payable solely from and secured by Revenues and the amounts in the funds established by the Trust Agreement (except amounts in the Rebate Fund and the Local Agency Account, as more particularly defined below). The obligations of the Authority under the Trust Agreement and the Local Obligations shall not be general obligations of the Authority, but shall be limited obligations, payable solely from the assessments and the funds pledged therefor under the Trust Agreement. Neither the faith and credit of the Authority nor of the State of California (the "State") or any political subdivision thereof is pledged to the payment of the Local Obligations.

**The Local Obligations are payable solely from and secured solely by the assessments and the amounts in the redemption fund (the "Local Obligation Redemption Fund") under the Trust Agreement. Notwithstanding any other provision of the Trust Agreement, the Authority is not obligated to advance available surplus funds to cure any deficiency in the Local Obligation Redemption Fund, provided, however, the Authority is not prevented from so advancing funds in its sole discretion.**

**The Bonds are special, limited obligations of the Authority, payable from the Revenues described in the Trust Agreement and secured as to the payment of the principal of and the redemption premiums, if any, and the interest on the Bonds in accordance with their terms and the terms of the Trust Agreement, solely by the Revenues and the Local Obligations. The Bonds shall not constitute a charge against the general credit of the Authority, any of its members or program participants, the County of Riverside, the City of Calimesa, or YVWD, and under no circumstances shall the Authority be obligated to pay principal of or redemption premiums, if any, or interest on the Bonds except from the Revenues and the Local Obligations. Neither the State nor any public agency (other than the Authority) nor any member or program participant of the Authority is obligated to pay the principal of or redemption premiums, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the State, any public agency thereof, any member or program participant of the Authority, the County of Riverside, the City of Calimesa or YVWD is pledged to the payment of the principal of or redemption premiums, if any, or interest on the Bonds. The payment of the principal of or redemption premiums, if any, or interest on, the Bonds does not constitute a debt, liability or obligation of the State or any public agency (other than the Authority) or any member of the Authority. The Authority has no taxing power.**

## Revenues

The Bonds are secured by a lien on and pledge of Revenues under the Trust Agreement. "Revenues" means the Local Obligation Revenues and all investment earnings on any moneys held in the Funds or accounts established under the Trust Agreement, except the Rebate Fund and the Local Agency Account. "Local Obligations Revenues" means: (i) all moneys collected and received by the Authority on account of unpaid assessments, or reassessments, or securing Local Obligations, including amounts collected in the normal course via the county property tax roll of the County and thereafter remitted to the Authority, (ii) Property Owner Prepayments, and (iii) amounts received by the Authority as a result of superior court foreclosure proceedings brought to enforce payment of delinquent installments, but excluding therefrom any amounts explicitly included therein on account of collection charges, administrative cost charges, or attorneys fees and costs paid as a result of foreclosure actions. "Property Owner Prepayments" means that portion of Revenues which are initially paid to the Authority by or on behalf of a property owner to accomplish pay-off and discharge of a lien securing the Local Obligations (except the portion, if any, of such Revenues which represents accrued interest on the Local Obligations) and which are thereafter transmitted by the Authority to the Trustee, as registered owner of the Local Obligations, for deposit in the Bond Redemption Fund for application in accordance with the provisions of the Trust Agreement. Property Owner Prepayments do not include payments from the proceeds of any refunding bonds issued by or on behalf of the Authority.

Under the Trust Agreement, all of the Revenues and the amounts in the Funds established by the Trust Agreement (except amounts in the Rebate Fund and the Local Agency Account) are pledged by the Authority to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Trust Agreement. This pledge constitutes a lien on and security interest in the Revenues upon the physical delivery thereof. In the Trust Agreement, the Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the Local Obligations. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority and shall forthwith be paid by the Authority to the Trustee. The Trustee also is entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights and obligations of the Authority, if any, with respect to the Local Obligations.

The Trust Agreement provides for the establishment and maintenance of a Local Obligation Redemption Fund. So long as any part of the Local Obligations remain outstanding, the Authority is required to deposit into the Local Obligation Redemption Fund, upon receipt, any and all Local Obligation Revenues received by the Authority. The Authority further acknowledges in the Trust Agreement that, pursuant to the Local Obligation Statute, no temporary loan or other use whatsoever may be made of the Local Obligation Revenues, and the Local Obligation Redemption Fund constitutes a trust fund for the benefit of the Trustee, as registered owner of the Local Obligations.

The Trustee will withdraw from the Local Obligation Redemption Fund all sums due and payable for the principal of and the interest on the Local Obligations, and the Local Obligations and the interest thereon shall not be paid out of any other funds. Such amounts, received by the Trustee as registered owner of the Local Obligations, shall constitute Revenues. All Revenues, other than Revenues derived from Property Owner Prepayments (which shall be deposited in the Redemption Fund and administered in accordance with the Trust Agreement), received by the Trustee shall be deposited by the Trustee into the Revenue Fund. Not later than 5 Business Days prior to each Interest Payment Date and Principal Payment Date on the Bonds, the Trustee shall transfer Revenues from the Revenue Fund, in the amounts specified in the Trust Agreement, for deposit into the Interest Fund, Principal Fund, Reserve Fund and

Expense Fund in the order of priority set forth in the Trust Agreement. Any amount remaining in the Revenue Fund after making such deposits shall be transferred to the Local Obligation Redemption Fund.

### **Assessments**

The Local Obligations are issued upon and are secured by the unpaid assessments together with interest thereon and such unpaid assessments together with interest thereon constitute a trust fund for the redemption and payment of the principal of the Local Obligations and the interest thereon. All the Local Obligations are secured by the monies in the Local Obligation Redemption Fund created pursuant to the assessment proceedings and by the assessments levied. Principal of and interest on the Local Obligations are payable exclusively out of the Local Obligation Redemption Fund.

**Unpaid assessments do not constitute a personal indebtedness of the owners of the parcels within the Assessment District and the owners have made no commitment to pay the principal of or interest on the Bonds. In the event of delinquency, proceedings may be conducted only against the real property securing the delinquent assessment. Thus, the value of the real property within the Assessment District is an important factor in determining the investment quality of the Bonds. The appraisal of land values of certain portions of the property within the Assessment District are set forth in Appendix F hereto. The unpaid assessments are not required to be paid upon sale of property within the Assessment District. There is no assurance the owners shall be able to pay the assessment installments or that they shall pay such installments even though financially able to do so.**

The assessment installments will be collected and transferred by the County to the Authority in approximately equal semi-annual installments, together with interest on the declining balances, and are payable and become delinquent at the same time and bear the same percentage penalties and interest after delinquency as do general property taxes. The assessment installments will appear on the property tax bills mailed by the County to each affected property owner as a separate line item. The properties upon which the assessments were levied are subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes.

NEITHER THE FAITH AND CREDIT OF THE AUTHORITY NOR THE FAITH AND CREDIT NOR TAXING POWER OF YVWD, THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE LOCAL OBLIGATIONS. THE AUTHORITY HAS NO TAXING POWER.

### **Priority of Lien**

The assessments and each installment thereof and any interest and penalties thereon constitute a lien against the parcels on which they were imposed until the same are paid. Such lien is subordinate to all fixed special assessment liens previously imposed upon the same property, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the property.” Such lien is co-equal to and independent of the lien for general taxes and any lien imposed under the Mello-Roos Community Facilities Act of 1982, as amended. There is currently no overlapping debt on the property within the Assessment District secured on a parity basis with the Assessments.

## **No Additional Bonds or Parity Local Obligations**

The Trust Agreement does not provide for the issuance and delivery of any additional bonds secured by a lien and charge upon the Revenues equal to and on parity with the lien and charge securing the Bonds. The Authority may not issue any additional local obligations on a parity with the Local Obligations.

## **Limited Obligation Upon Delinquency**

ALL OBLIGATIONS OF THE AUTHORITY UNDER THE TRUST AGREEMENT AND THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY REVENUES AND THE AMOUNTS IN THE RESERVE FUND. THE LOCAL OBLIGATIONS ARE LIMITED OBLIGATION IMPROVEMENT BONDS UNDER SECTION 8769 OF THE LOCAL OBLIGATION STATUTE AND ARE PAYABLE SOLELY FROM AND ARE SECURED SOLELY BY THE ASSESSMENTS AND THE AMOUNTS IN THE LOCAL OBLIGATION REDEMPTION FUND.

THE AUTHORITY HAS NO OBLIGATION TO ADVANCE MONIES TO PAY BOND DEBT SERVICE IN THE EVENT OF DELINQUENT ASSESSMENT INSTALLMENTS. BONDOWNERS SHOULD NOT RELY UPON THE AUTHORITY TO ADVANCE MONIES TO THE LOCAL OBLIGATION REDEMPTION FUND. NOTWITHSTANDING THE FOREGOING, THE AUTHORITY MAY, AT ITS SOLE OPTION AND IN ITS SOLE DISCRETION, ELECT TO ADVANCE AVAILABLE SURPLUS FUNDS TO PAY FOR ANY DELINQUENT INSTALLMENTS PENDING SALE, REINSTATEMENT, OR REDEMPTION OF ANY DELINQUENT PROPERTY.

## **Collection of Assessments**

Pursuant to the Local Obligation Statute, installments of principal and interest sufficient to meet annual debt service on the Local Obligations will be billed by the County to the owner of each parcel within the Assessment District to which the issue of Local Obligations relates and against which there are assessments. Upon receipt by the County, such assessment installments are to be transferred to the Trustee for deposit into the Local Obligation Redemption Fund, which shall be held by the Trustee and used to pay principal and interest payments on the Local Obligations as they become due. The assessment installments billed against each parcel each year represent pro rata shares of the total principal and interest coming due that year, based on the percentage which the assessment against that parcel bears to the total of assessments in connection with the financing. Payment of the principal of and interest on each series of Local Obligations is secured by moneys in the Local Obligation Redemption Fund.

The Authority has no obligation to advance funds to the Local Obligation Redemption Fund except to the extent that delinquent assessments are paid or proceeds from foreclosure sales are realized. Additionally, the Authority has covenanted to cause the institution of judicial foreclosure proceedings following a delinquency, and thereafter to diligently cause prosecution to completion of such foreclosure proceedings upon the lien of delinquent unpaid assessments as set forth herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Covenant to Commence Superior Court Foreclosure." The Authority is not required to bid at the foreclosure sale. The Local Obligations are a limited obligation of the Authority and the Authority has no obligation to advance funds to pay the Local Obligations, except as provided in the Trust Agreement.

## **Reserve Fund**

Upon issuance of the Bonds, the Trustee will establish a Reserve Fund and shall deposit therein from proceeds of the Bonds an amount equal to the "Reserve Requirement" which is, as of any date of calculation, an amount equal to the Maximum Annual Debt Service on all then Outstanding Bonds, provided, that as of the date of issuance of the Bonds, the amount required to be deposited in the Reserve Fund shall not exceed the lesser of: (a) Maximum Annual Debt Service on the Outstanding Bonds, (b) 125% of average Annual Debt Service on the Bonds, or (c) 10% of the amount (within the meaning of Section 148 of the Internal Revenue Code of 1986) of the Bonds. The monies in the Reserve Fund shall constitute a trust fund for the benefit of the Owners of the Bonds, shall be held by the Trustee, and shall be administered by the Trustee in accordance with and pursuant to the provisions of the Trust Agreement.

All moneys in the Reserve Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest on or the principal or the redemption premiums, if any, of, the Bonds, but solely in the event that insufficient moneys are available in the Interest Fund, the Principal Fund, or the Redemption Fund for such purpose. All earnings on amounts on deposit in the Reserve Fund will be retained in the Reserve Fund, except that in the event the amount on deposit in the Reserve Fund is equal to the Reserve Requirement, then earnings on the investment of moneys on deposit in the Reserve Fund in excess of the Reserve Requirement will be transferred to the Authority for deposit in the Local Obligation Redemption Fund.

In the event of a Property Owner Prepayment, the Trustee shall transfer to the Bond Redemption Fund from the Reserve Fund an amount equal to the proportionate share of the Reserve Fund allocable to such prepayment as provided in the Trust Agreement, and such amount will be credited against the assessment which is being so prepaid.

THE AUTHORITY HAS NO OBLIGATION TO REPLENISH THE RESERVE FUND EXCEPT TO THE EXTENT THAT DELINQUENT ASSESSMENTS ARE PAID OR PROCEEDS FROM FORECLOSURE SALES ARE REALIZED.

## **Covenant to Commence Superior Court Foreclosure**

The Authority has covenanted in the Trust Agreement that it will monitor the payment of assessment installments payable with respect to each Assessed Parcel and will send delinquency notices to owners of Assessed Parcels as provided in the SCIP Manual adopted by the Authority, as amended from time to time (the "SCIP Manual"). Notwithstanding any other provision of the Trust Agreement or of the SCIP Manual, in the event any assessment or installment thereof, including any interest thereon, is not paid by July 1 (with respect to delinquencies in the installment delinquent on the preceding December 10) or November 1 (with respect to installments delinquent on the preceding April 10) the Authority covenants that it will within 10 business days of such dates order, and will thereafter diligently prosecute, judicial foreclosure proceedings upon such delinquency and interest thereon, which foreclosure proceedings shall be commenced and prosecuted without regard to available surplus funds of the Authority. Pursuant to Section 8831 of the Streets and Highways Code, the Authority shall be entitled to reasonable attorney's fees from the proceeds of any foreclosure sale.

Prior to July 1, 1983, the statutory right of redemption from a judicial foreclosure sale was limited to a period of one year from the date of sale. Legislation effective July 1, 1983 eliminated this right of redemption and provided in its place that before notice of sale of the foreclosed parcel can be given following court judgment of foreclosure, a redemption period of 120 days must elapse. Furthermore, if the purchaser at the sale is the judgment creditor (here, the Authority – the Authority has no obligation to bid or purchase at the foreclosure sale, and it is not expected that it would ever do so) an action may be

commenced by the delinquent property owner within six months after the date of sale to set aside such sale. The constitutionality of the aforementioned legislation which eliminated the one-year redemption period has not been tested and there can be no assurance that, if tested, such legislation will be upheld. In the event such Superior Court foreclosure or foreclosures are necessary, there may be a delay in payments to Owners pending prosecution of the foreclosure proceedings and receipt by the Authority of the proceeds of the foreclosure sale; it is also possible that no bid for the purchase of the applicable property would be received at the foreclosure sale. See also “BONDOWNERS’ RISKS – Bankruptcy and Foreclosure” and “– Collection of the Assessment” herein.

### **Covenant Not to Create Additional Liens**

The Authority has covenanted in the Trust Agreement that it will not create any additional assessment or special tax lien on the property in the Assessment District unless the appraised or assessed value of the property is at least four (4) times the amount of the Assessments plus all other assessments and special taxes on the property, including the proposed assessment or special tax. See APPENDIX A – “SUMMARY OF TRUST AGREEMENT.”

### **Local Agency Account**

The Trustee shall transfer certain proceeds of the Local Obligations, as determined in the Trust Agreement, for deposit to a custody account (the “Custody Account”) established for SCIP pursuant to that certain Custody Agreement, dated as of June 2, 2003, by and between the Authority and the Trustee, as Custodian. The Custodian, acting on behalf of the Authority, will account for such funds in the separate account for YVWD (the “Local Agency Account”), as provided in the SCIP Manual. Amounts on deposit in the Local Agency Account shall be invested and disbursed in accordance with the terms of the SCIP Manual. Amounts in the Local Agency Account shall be the property of YVWD, and shall not be available to the Authority, the Trustee or the Owners for any purpose.

## **THE ASSESSMENT DISTRICT**

### **General**

The Bonds are secured by Local Obligations issued under the Local Obligation Statute for an assessment district created by the Authority under the Municipal Improvement Act of 1913 (Division 12 of the Streets and Highways Code) (the “Assessment District”). Each of the Projects for which the Local Obligations are issued has made an application for financing under SCIP through the Yucaipa Valley Water District. The City of Calimesa (the “City”) has approved the formation of the Assessment District by the Authority on behalf of YVWD. All Projects are located wholly within the County of Riverside (the “County”). None of the YVWD, the City and the County have any obligations with respect to the Local Obligations or the assessment districts, except that the County is required to include the assessment installments in the regular property tax bills it sends to the owners of property within the Assessment District. The Authority, through its Assessment Administrator and Program Administrator, is responsible for all accounting, administration, reporting and collection activities with respect to the Assessment District and the Local Obligations.

### **The Assessment District**

The Assessment District consists of non-contiguous areas located throughout the jurisdictions of YVWD and the City of Calimesa comprising mostly undeveloped parcels. David Taussig & Associates, Inc., as the engineer of work for the Assessment District (the “Engineer of Work”) has prepared Engineer’s Report (the “Engineer’s Report”) relating to the Assessment District. Certain additional

information about the Improvements, including descriptions, cost estimates and related information, can be found in the Engineer's Report, which is available for review at the offices of the Authority. See also APPENDIX E – "EXCERPTS FROM ENGINEER'S REPORT." As described in the Engineer's Report, the amount of the Assessments were initially apportioned based on the projected equivalent dwelling units ("EDUs") for each property owner, as specified in YVWD's hydrology engineer's report.

The total land area of the Assessment District is approximately 852.40 net acres. The Assessment District comprises land planned for residential or commercial use. Property within the Assessment District is comprised of four separate and distinct Projects. See "THE PROJECTS, THE IMPROVEMENTS AND THE ASSESSED PROPERTY – Description of the Projects" below.

### **THE PROJECTS, THE IMPROVEMENTS AND THE ASSESSED PROPERTY**

*A description of each of the Projects and YVWD is set forth below. The following information has been obtained by the Authority from the developers of the Projects, the City of Calimesa, YVWD and other sources believed by the Authority to be reliable, but has not been independently verified by the Authority or any of its consultants.*

#### **Yucaipa Valley Water District**

YVWD is located about 70 miles east of Los Angeles and 20 miles southeast of San Bernardino in the foothills of the San Bernardino Mountains and provides water, sewer and recycled water services. As of June 30, 2013, YVWD provided water service to 12,265 water connections, 13,492 sewer connections and 57 recycled water connections. YVWD's average daily consumption of water is approximately 10.75 million gallons-per-day ("MGD"), which is roughly 40% of its capacity of 28.15 MGD. YVWD includes the incorporated cities of Yucaipa and Calimesa which are in San Bernardino and Riverside Counties respectively. The Assessment District is wholly within the boundaries of YVWD and the City of Calimesa.

YVWD obtains its water from multiple resources, including ground water supplies and surface water supplies. YVWD produces groundwater from about ten separate subbasins in the area. Each groundwater subbasin has different characteristic for water quality and water quantity. Generally, while the groundwater is exceptionally high quality, the amount of groundwater available is limited. To augment limited groundwater supply, YVWD produces drinking water from the State Water Project to meet about one third of annual water demand. Under State Water Project contracts with the San Gorgonio Pass Water Agency, YVWD obtains water imported from the Sacramento San Joaquin Delta as a supplemental potable water source. YVWD also uses these imported water supplies to replenish groundwater basins for future use. The remainder of the YVWD water demand is met using local surface water and recycled water for irrigation purposes. Over the past two decades, YVWD has been actively taking steps to improve the social, economic and environmental sustainability of its water. These actions have included the purchase of valuable watershed properties, protection of local water supplies and management of environmental corridors.

YVWD utilizes its groundwater wells during the peak capacity of the summer months, which allows the groundwater supply to replenish during wetter seasons. In addition, construction of the Yucaipa Valley Regional Water Filtration Facility in 2007 added 50% capacity to YVWD's water supply. To ensure sufficient water supplies for all new development, YVWD requires that all new development provides bundled water, wastewater and non-potable water services for new construction. As set forth in the Strategic Plan for a Sustainable Future, the Integration and Preservation of Resources, adopted August 20, 2008, YVWD will provide water in the following order of priority:



Priority One – Direct Delivery for Existing Customers. The direct delivery of imported water to meet the needs of existing potable water and non-potable water demands will be the highest priority of YVWD. This priority ensures sufficient water supply is allocated to meet current water demands. If the supply of imported water exceeds the existing direct delivery demand, imported water will be allocated to the next priority.

Priority Two – Groundwater Adjudication Obligations. The District is responsible for meeting the obligations of groundwater adjudications in the Beaumont and Yucaipa Basins. This is the second highest priority to ensure sufficient storage and replenishment obligations under court orders have been achieved. This priority also ensures sufficient water supply is allocated to meet current water demands. If the supply of imported water exceeds the first and second priorities, imported water will be allocated to the following priority.

Priority Three – Groundwater Banking for Future Reliability. The Board of Directors will establish a groundwater banking of 15% of the total water used by YVWD customers to recover our groundwater basins for future reliability. Each month, customers will be charged the cost for importing an additional 15% of the water consumed. The water will be stored in the groundwater basins to establish a credit and future drinking water supply to allow the community to use this local source during times of droughts and disruptions to the State Water Project. As with the first two priorities, this third priority also ensures sufficient water supply is allocated to meet current water demands, and is different from the Parcel Development Process needed for new development to occur. If the available supply of imported water exceeds the first, second and third priorities, imported water will be allocated to the following priority.

Priority Four – Parcel Development Process. The Parcel Development Process provides for the storage of 7.0 acre feet per equivalent dwelling unit (“EDU”) for all new developments and 15.68 acre feet per EDU of imported water for the Crystal Status Development Program. This water is sufficient to clearly demonstrate a 20 year supply of water is available for the development to occur. The cost of imported supplemental water will be linked directly to the availability and anticipated cost for water delivered by either the San Bernardino Valley Municipal Water District or the San Gorgonio Pass Water Agency as established by YVWD.

Each of the Projects described below under the heading “—Description of the Projects” must acquire a twenty-year supply of water and pay as a separate fee to YVWD the cost of transferring water pursuant to the Parcel Development Process before YVWD will extend service to the new development pursuant to a development agreement between each developer and YVWD. The developers of the Projects will be unable to obtain building permits until such water supply has been secured. None of the developers of the Projects has yet secured the requisite water supply pursuant to a development agreement with YVWD. There can be no assurances that water supply will be available when each developer is ready to begin construction on each Project. See “BONDOWNERS’ RISKS – Water Supply Risk.”

## **Improvements**

A portion of the proceeds of the Local Obligations will be used to finance the Fees payable by certain property owners to the YVWD for the construction of Improvements to provide potable water services to the parcels within the Assessment District.

YVWD began the planning and implementation for construction of the R-12.4 Potable Water Reservoir (the “Improvements”) when YVWD retained an engineering consultant in 2007 to prepare construction drawings for the R-12.4 Potable Water Reservoir. The Improvements were originally designed with a capacity of 4.0 million gallon (“MG”), the size being established to meet the demands of

several proposed developments at the time. Subsequent to reservoir design, but prior to reservoir construction, the developments that it was intended to serve were placed on indefinite hold, affecting the funding and need for the reservoir. Consequently, the Improvements were not constructed at the time.

In 2014, a group of developers requested that YVWD complete the Improvements; the proposed project now consists of construction of a 6.0 MG Reservoir to meet the demands of the currently proposed developments. YVWD retained a consultant to redesign the Improvements for the larger reservoir capacity, and has received construction bids for construction.

Project components include a graded reservoir site, a 6.0 MG partially buried concrete reservoir, approximately 1,600 linear feet of onsite 24” and 30” diameter welded steel conveyance pipelines, site paving, site fencing, site landscaping, and associated appurtenances (meters, controls, electrical service, security, etc.). The Improvements also include completion of a small amount of transmission pipeline to serve the developments; said pipeline was constructed by one of the developers in 2007 but was never completed or accepted by YVWD.

Following is a table showing the anticipated cost of the Improvements. Certain components of the Improvements have already been paid for by YVWD, so for those components the costs shown are actual. The remaining costs are estimates which will be adjusted when bids are received.

1. Site grading design, surveying, geotechnical design, and environmental processing (completed)	\$92,000
2. Site acquisition and grading (completed)	\$436,000
3. Reservoir design fee and redesign fee (completed)	\$135,000
4. Transmission Pipeline investigation and connection (In process)	\$150,000
5. Reservoir and Site Work bid amount (estimated)	\$7,520,000
6. Reservoir and Site Work construction cost contingency (10% estimated)	\$745,000
7. Contract bidding, administration, inspection, and material testing (7% estimated)	\$525,000
<b>Total</b>	<b>\$9,603,000</b>

Source: Yucaipa Valley Water District.

Project Costs and EDU Allocations. YVWD’s share of the estimated Improvements cost is \$1,349,000. Of that, YVWD has already expended \$813,000 (items 1 through 4). YVWD’s estimated remaining contribution is \$536,000; the remaining estimated cost of construction of the Improvements of \$8,254,000 will be funded through the Fees being financed by the SCIP program. The table below provides a summary of the participants and the cost allocation methodology for the Improvements.

(Remainder of Page Intentionally Left Blank)

Entity	Total EDU's	MDD (Gallons)	Operational/ Emergency Storage (Gallons)	Stand-Alone Fireflow Storage (Gallons)	Share of Fire Storage (Gallons)	Total Storage (Gallons)	% of Total to Each Party	Approximate Cost to Each Party
San Gorgonio	1,157	1,619,800	2,154,000	540,000	130,909	2,284,909	38.1%	\$3,657,000
Oak Valley Partners	89	124,600	166,000	960,000	232,727	398,727	6.6%	\$638,000
Mesa Verde RE Ventures LLC	1,083	1,516,200	2,017,000	540,000	130,909	2,147,909	35.8%	\$3,438,000
Northlight Trust I	50	70,000	93,000	960,000	232,727	325,727	5.4%	\$521,000
YVWD			610,000	960,000	232,727	842,727	14.0%	\$1,349,000
<b>Totals</b>	<b>2,379</b>	<b>3,330,600</b>	<b>5,040,000</b>		<b>960,000</b>	<b>6,000,000</b>	<b>100.0%</b>	<b>\$9,603,000</b>

Source: Yucaipa Valley Water District.

YVWD received construction bids for the Improvements in September 2014 and a contract for the Improvements is anticipated to be awarded by the end of November 2014. Completion of the Improvements is anticipated to be finished by February 2016.

Pursuant to an agreement between YVWD and the Authority, the property owners listed above will receive a credit up to the number of equivalent dwelling units (“EDUs”) funded by Bond proceeds for the YVWD Water Storage Reservoir Facilities fee component identified in YVWD Resolution No. 07-2007. All Fees financed by the Bonds will be deemed paid by the respective property owner.

All Fees will be used by YVWD solely for paying the Improvements. The Authority, the City and the property owners will not have any obligation to acquire, construct, complete, operate or maintain any capital improvements funded by the Fees. YVWD has agreed that it shall construct the Improvements as it deems necessary to provide water service to the property owners that have paid (by prepayment or Bond financing) the Fees through the SCIP program and the Authority, the City and the participating developers described herein will not have any obligation to cover any shortfall in funding for any of the Improvements.

### City of Calimesa

The City of Calimesa (the “City”) is located within Riverside County, located at the western edge of the San Gorgonio Pass between San Bernardino and Palm Springs. According to the California Department of Finance, the population of the City of Calimesa as of January 1, 2014 was 8,231. The City of Calimesa was incorporated in 1990. Prior to incorporation, property within the City was encompassed by the Oak Valley Specific Plan of the unincorporated Riverside County. The Oak Valley Specific Plan was further subdivided and presently includes two distinct areas, Specific Plan Area 1 (Summerwind Ranch) and Specific Plan Area 2 (Mesa Verde Estates). At build-out, the overall Oak Valley project is expected to include 54 holes of Championship Golf, approximately 400 acres of commercial development and 16,000 residential units.

Specific Plan Areas 1 and 2, described below, represent approximately 50% of the remaining developable property within the City and are serviced by Zone 11 and Zone 12 of the Yucaipa Valley Water District. Historically, development within the Specific Plan Areas was delayed in large part due to the lack of water infrastructure, which is now commencing with the construction of the Zone 12 water reservoir Improvements. Once complete, the Improvements will allow for development of the Zone 12 portions of Specific Plan Areas, which are part of Assessment District and certain other properties.

Further development of these specific plan areas will necessitate the construction of an additional reservoir for Zone 11, which is expected to be financed with another financing secured by Specific Plan Area property within Zone 11. Two other developments known as JP Ranch and Mastercraft, fully serviced for water within Zone 13, are currently underway and when complete will consist of 979 units.

**Specific Plan Area 1 (Summerwind Ranch) (“Summerwind Ranch Specific Plan”).** Summerwind Ranch Specific Plan as a whole encompasses approximately 2,600 gross acres which fronts the west side of Interstate 10 for two miles between Sandalwood Drive to the north and Cherry Valley Boulevard to the south. The area within the Summerwind Ranch Specific Plan is approved for the development of up to 3,841 dwelling units, as well as commercial, business park, open space, recreation and public facility uses. Approximately 1,500 acres of the former agricultural ranch will remain as open space.

Summerwind Ranch Specific Plan identifies with the larger community of Oak Valley that overlaps into the cities of Calimesa and Beaumont and is anchored at the southerly end by a golf course at the confluence of the Interstate 10/60 Freeways. The Specific Plan was approved in 2005. The Projects by the name of Summerwind, Oak Valley Eastern Power Center, and Cherry Valley Plaza described below fall within this area.

**Specific Plan Area 2 (Mesa Verde Estates) (“Mesa Verde Estates Specific Plan”).** The Mesa Verde Estates Specific Plan encompasses approximately 1,493 acres approved for the development of up to 3,850 dwelling units as well as mixed-use, open space, recreation and public facility uses. The Mesa Verde Estates Specific Plan is located within the Oak Valley Specific Plan boundaries. The Mesa Verde Estates Specific Plan is generally bounded on the east by I-10, on the north by San Bernadino County, and on the south by Garden Air Wash and the Summerwind Ranch Specific Plan boundary. The Mesa Verde Estates Specific Plan was approved in 2007 and has been granted all designation/zoning amendments, specific plan amendments, environmental impact report, and tentative map approval. The Project by the name of Mesa Verde Estates described below falls within this specific plan area.

Maps of the Assessment District and the City of Calimesa are available in the Engineer’s Report and the Appraisal. See APPENDIX E – “EXCERPTS FROM ENGINEER’S REPORT” pages 12 and 13 and APPENDIX F – “EXCERPTS FROM APPRAISAL” pages 19 and 20.

## **Description of the Projects**

The proposed development of the property within the Assessment District can be classified into four separate and distinct Projects. Construction on each of the Projects described below is dependent upon completion of the water tank and favorable market conditions. See “—Improvements” and “BONDOWNERS’ RISKS – Construction Risks.”

### **Summerwind**

San Gorgonio Land, LLC (“San Gorgonio”), is developing a portion of the Summerwind Ranch Specific Plan consisting of 8 separate parcels of approximately 399.86 gross acres. This portion, referred to herein as “Summerwind,” will encompass up to 1,365 residential units when complete, broken down into single family detached and attached dwelling units. The assessed value of the portion to be included in the Assessment District as of 2014/15 was \$11,901,853. The appraised value of the land as of July 28, 2014, was \$21,140,000. The Appraisal Report estimates the land value of Summerwind based on the hypothetical market value of the property assuming payment of the Fees to be financed by the Bonds which will facilitate the completion of the Improvements. The valuation further accounts for the impact of the assessment lien securing the Bonds. See “—Appraisal.”

San Gorgonio is developing Summerwind as part of its larger Summerwind Ranch project. Summerwind Ranch is proposed for the development of 3,685 units, of which 2,550 are detached and 1,135 are attached. This unit mix may change as development is refined. Summerwind Ranch entitlement status is defined in a Development Agreement (#DA-05-001) with the City of Calimesa dated April 25, 2007, approved on May 22, 2007 and expiring on May 22, 2022. Summerwind Ranch also has two vested Tentative Maps covering all phases of the project that expire concurrently with the Development Agreement. San Gorgonio is in process of reviewing its compliance with current regulations, but is not currently aware of any recognized environmental conditions on the property as a result of any previous studies performed. No allocations for water or sewer hook-ups have been obtained and such allocations are dependent upon completion of the Improvements.

San Gorgonio, a Delaware limited liability company, acquired Summerwind in May 2011 from LBREP/L-SunCal Summerwind Ranch, LLC as part of a larger purchase of land within the Summerwind Ranch specific plan for a purchase price of \$33,500,000. Since that time, the only direct costs incurred on the project have been related to health and safety measures. Other indirect costs for fees, consulting, insurance, and property taxes have also been incurred that are associated with the normal ownership of the land and maintenance of current entitlement rights.

The Summerwind project will be completed as a portion of phases I and II of San Gorgonio's overall development of Summerwind Ranch. San Gorgonio will construct Summerwind Ranch as a residential subdivision spread across 5 phases with varying densities and lot sizes that have been designed to address the single-family residential market. Construction on offsite improvements commenced during the fourth quarter of 2014. Under normal market conditions, the entire development will be fully absorbed over the next ten to fifteen years. The following is a schedule, by phase, of planned development timing to bring each of the phases to market for sale to merchant homebuilders as planning areas for final development of residences:

Phase	Lot Count	Construction Start	Construction Finish	Direct Costs (\$ Millions)	First Sale of Lots	Last Sale of Lots
I	633	10/2014	9/2017	28.7	3/2016	9/2017
II	849	9/2016	9/2018	65.7	3/2018	3/2020
III	646	12/2018	12/2020	40.6	6/2020	6/2021
IV	823	12/2020	12/2022	27.7	6/2022	3/2025
V	734	9/2023	9/2025	3.3	3/2025	9/2026
<b>Totals</b>	<b>3,685</b>	<b>10/2014</b>	<b>9/2025</b>	<b>\$166.0</b>	<b>3/2016</b>	<b>9/2026</b>

While the information in this Official Statement reflects San Gorgonio's current development expectations, no assurances can be given that construction and conveyance to individual homebuyers and retailers will be carried out on the schedule or according to the plans described in this Official Statement.

*Adjacent/Surrounding Properties.* Potential competitive projects include the following:

1. Tournament Hills in Beaumont comprising 400 lots
2. Sundance in Beaumont comprising 2,500 lots
3. Heartland in Beaumont comprising 920 lots
4. 4 Seasons in Beaumont comprising 880 lots
5. Butterfield in Banning comprising over 5,000 lots

6. Fairway Canyon in Beaumont comprising up to 3,300 dwelling units
7. JP Ranch in Calimesa comprising 690 lots

*Developer Information.* San Gorgonio, a Delaware limited liability company, is 100 percent owned by BHC Land Holdings, LLC. BHC Land Holdings LLC is in turn owned 50% by CA Residential Holdings LLC and 50% PVCO Land Holdings, LLC. The principal purpose of each of these LLCs is to maintain a legal ownership interest in BHC Land Holdings LLC. In addition to Summerwind, PVCO Land Holdings, LLC, or related parties have been the developer of the following projects, which are the developer's five largest projects over the last five years:

- Lincoln Crossing in Lincoln, California, is a 1,070-acre suburban master-planned residential community entitled for 2,900 homes. This project has been in development for the past few years and is nearly complete, with only a small portion remaining to be built out. This community also features 47 acres of commercial development, including a regional commercial/retail center with over 700,000 square feet of space.
- Fairway Canyon in Beaumont, California, is a 985-acre master-planned community entitled for up to 3,300 dwelling units that has been in development for a few years and continues with construction. Besides homes and recreational features, this community also features 30 acres of commercial and retail uses.
- Potomac Shores in Prince William County, Virginia, is a 1,920-acre mixed-use, master-planned waterfront community entitled for more than 3,800 homes and it is under development along the Potomac River south of Washington, D.C. The first homeowners in phase 1 recently moved into their new residences and a new Jack Nicklaus Signature Golf Course and clubhouse will officially open in May 2014.
- ShadowGlen in Manor, Texas, is a 1,400-acre master-planned community entitled for 3,000 residences and a 50-acre commercial/retail center. It is under development approximately 14 miles east of downtown Austin and also features a four-acre water park and recreation center and over 500 acres of open space and parks. Hundreds of homes are occupied and additional phases are upcoming.
- Savannah Quarters in Pooler, Georgia, is a 2,600-acre master-planned community entitled for more than 8,500 residences of various types. It is under development near Savannah, and features a Greg Norman Signature Golf Course, a swim and recreation center, and hundreds of acres of preserved natural open space. Hundreds of homes have been built and occupied, and work is underway on additional phases.

*Financing Plan.* As of September 1, 2014, San Gorgonio has expended approximately \$37,000,000 in land acquisition and various site development and carry costs related to its property within the Assessment District. San Gorgonio estimates that it will require an additional \$166,000,000 in direct costs to complete its development within the Assessment District, or a total of \$203,000,000. To date, San Gorgonio has financed its land acquisition and various site development and home construction costs related to its property within the Assessment District through equity contributions from owners and from 3rd party debt financing. Colfin Inland Funding, LLC, currently holds a deed of trust on the property, including property within the Assessment District, securing an acquisition loan in the original principal amount of \$27,200,000. The private lender for this project stated that the developer was in good standing as of October 14, 2014. However, no assurance can be given that there are currently no facts which would change the developer's standing with the lender. Information concerning specific payment terms and covenants with respect to any private loans is private information that is not available to the

Authority. San Gorgonio expects to use similar sources in completing the remainder of the development during the next 10 to 15 years. San Gorgonio believes that it will have sufficient funds available to complete its proposed development in the Assessment District, commensurate with the development timing described in this Official Statement.

Although San Gorgonio expects to have sufficient funds available to complete its development in the Assessment District, commensurate with the development timing described in this Official Statement, there can be no assurance, however, that amounts necessary to finance the remaining development and home construction costs will be available from San Gorgonio or any other source when needed. Neither San Gorgonio nor any of its related entities are under any legal obligation of any kind to expend funds for the remaining development of and construction on its property in the Assessment District. Any contributions by San Gorgonio to fund the costs of such development are entirely voluntary.

### **Oak Valley Eastern Power Center**

*General.* The Assessment District will include the Oak Valley Eastern Power Center property (“EPC”) located at the northwest corner of the intersection of Cherry Valley Blvd and Roberts Road within the Summerwind Ranch Specific Plan boundaries. EPC encompasses approximately 39.6 acres of land, of which 36.2 acres is proposed for development.

The property is currently nearly entirely undeveloped with the exception of a small barn structure and an abandoned residential unit. The existing improvements will be demolished to make way for new development. The property is zoned as community commercial and construction will commence upon completion of the Improvements by YVWD. The property is zoned commercial and requires only plot plan review and working drawings for development to commence. A certified Environmental Impact Report was prepared as part of the approval of the Summerwind Ranch Specific Plan, described above. No allocations for water or sewer hook-ups have been obtained and such allocations are dependent upon completion of the Improvements.

Oak Valley Partners, LP (“OVP”) acquired the EPC site in 1997 as part of a larger land purchase from the FDIC. OVP purchased approximately 6,250 acres of property for a total purchase price of approximately \$35,000,000. Only a portion of the overall EPC site is included in the Assessment District, comprised of 7 parcels for approximately 34.43 gross acres. OVP does not have any financing arrangements, secured or unsecured loans, or private mortgage liens relating to its property in the Assessment District.

The assessed value of the portion of the property included in the Assessment District is \$363,096 for 2014/15 and the appraised value of land included in the Assessment District as of July 28, 2014, is \$3,940,000. The Appraisal Report estimates the land value of the land included in the Assessment District based on the hypothetical market value of the property assuming payment of the Fees to be financed by the Bonds which will facilitate the completion of the Improvements. The valuation further accounts for the impact of the assessment lien securing the Bonds. See “—Appraisal.”

*Developer Information.* Oak Valley Partners, LP, a Texas limited partnership, is a specific asset partnership. The partnership has been responsible for the development of the various other portions of the Oak Valley property including construction of the 36-hole golf facility currently operated by the Morongo Band of Mission Indians and has sold other portions of the property to builders and developers for the construction of over 6,000 residential units. The partnership has sold additional acreage to developers for an approximate 10,000 residential units. The principals of the partnership are experienced real estate developers who have been responsible for the development of various master planned communities throughout the United States. They are currently developing a large, golf course community in Nashville,

TN that includes 820 residential units and a master planned residential community in Prosper, TX just north of Dallas that includes over 3,000 residential units and a large commercial center. In addition, the principals of OVP, are processing a Specific Plan approval for a large community in Hesperia, CA that will include over 19,000 residential units.

### **Mesa Verde Estates**

*General.* The Assessment District will include a portion of the Mesa Verde Estates Specific Plan referred to herein as Mesa Verde Estates (“Mesa Verde Estates”), located west of the I-10 Freeway between Sandalwood Drive and County Line Road in Calimesa, California. The proposed project site is located in the northwestern portion of the City of Calimesa.

Mesa Verde RE Ventures, LLC, a California limited liability company, acquired the entire Mesa Verde Estates site, consisting of approximately 1,493 acres, December 27, 2011, through a trustee deed of sale.

The portion of the Mesa Verde Estates Specific Plan to be included in the Assessment District consists of 4 parcels comprising approximately 401.85 gross acres to be developed into 1,083 residential dwelling units. The assessed value of the portion to be included within the Assessment District as of 2014/15 is \$9,413,250. The appraised value of the portion to be included within the Assessment District, as of July 28, 2014, is \$18,100,000. The appraised value represents the value of the property assuming payment of the Fees to be financed by the Bonds which will facilitate the completion of the Improvements. See “—Appraisal.”

Construction of the project has not yet commenced. The project is expected to start grading in late 2016, with delivery of the first residential lots in late 2017. The developer expects to market completed lots to merchant builders at such time. The project is currently entitled with a Specific Plan SP-04-003, Final Environmental Impact Report EA-04-004 approved in 2007, and Tentative Tract Map 33931 approved on October 15, 2007. Further final design and engineering will be required to obtain a final map for Phase 1, which is expected to comprise 234 residential units. Mesa Verde RE Ventures, LLC expects to enter into a development agreement with the City in fourth quarter 2014. No allocations for water or sewer hook-ups have been obtained and such allocations are dependent upon completion of the Improvements.

While the information in this Official Statement reflects Mesa Verde RE Ventures, LLC’s current development expectations, no assurances can be given that construction and conveyance to individual retailers and homebuilders will be carried out on the schedule or according to the plans described in this Official Statement.

*Developer Information.* Mesa Verde RE Ventures, LLC, a California limited liability company (“Mesa Verde RE Ventures, LLC”), is a subsidiary of SK E&C Betek Corporation, a Delaware corporation, which is a diversified company engaged in real estate development and construction, along with procurement services for overseas products. Projects of SK E&C Betek Corporation included the acquisition, development, construction and sale of a condominium project in downtown Los Angeles, along with general contracting services for various projects throughout Southern California. Specifically, Mesa Verde RE Ventures, LLC was formed on July 24, 2008 by SK E&C Betek Corporation for the purposes of acquiring and developing Mesa Verde Estates. SK E&C Betek Corporation is a wholly owned subsidiary of SK Engineering & Construction Co., Ltd., a South Korean company, which is an international conglomerate and a city developer. Since 1977, SK Engineering & Construction Co., Ltd. has been engaged in civil engineering as well as the construction of commercial buildings, residential complexes, oil refineries and other energy plants globally. The development team consists of individuals



with a wide range of experiences in real estate acquisitions, pre-construction development and planning, and entitlements.

*Financing Plan.* To date, Mesa Verde RE Ventures, LLC has funded its land acquisition and various development costs related to its property within the Assessment District, and has invested approximately \$33,000,000 in the project. Mesa Verde RE Ventures, LLC believes that it will have sufficient funds available to complete its proposed development in the Assessment District, commensurate with the development timing described in this Official Statement. Mesa Verde RE Ventures LLC does not have any financing arrangements, secured or unsecured loans, or private mortgage liens relating to its property in the Assessment District.

Although Mesa Verde RE Ventures, LLC expects to have sufficient funds available to complete its development in the Assessment District, commensurate with the development timing described in this Official Statement, there can be no assurance, however, that amounts necessary to finance the remaining development costs will be available from Mesa Verde RE Ventures, LLC or any other source when needed. Neither Mesa Verde RE Ventures, LLC nor any of its related entities are under any legal obligation of any kind to expend funds for the remaining development of and construction on its property in the Assessment District. Any contributions by Mesa Verde RE Ventures, LLC to fund the costs of such development are entirely voluntary.

### **Cherry Valley Plaza**

*General.* The Assessment District will include Cherry Valley Plaza (“Cherry Valley Plaza”), a 177,000 square foot retail commercial development project on approximately 16.5 acres located along Interstate 10 and Cherry Valley Blvd in Calimesa, California. The proposed neighborhood retail center, approved in 2008, consists of 8 recorded parcels designated for a mix of commercial pads including a grocery store, fast food, medical office, and restaurant uses totaling 170,000 square feet of approved retail. Primary access is along Cherry Valley Blvd via the I-10/Cherry Valley Blvd exit. Of the 8 recorded parcels within the retail center, 7 parcels consisting of approximately 16.26 gross acres will be included in the Assessment District.

Northlight Trust 1 acquired the Cherry Valley Plaza site as an REO in October 2013 for a purchase price of \$3,000,000 from Bank of America/Quality Properties Asset Management Company. The assessed value of the land included in the Assessment District for 2014/15 is approximately \$2,775,000 and the appraised value of land as of July 28, 2014, is approximately \$3,100,000 assuming payment of the Fees to be financed by the Bonds which will facilitate the completion of the Improvements. See “—Appraisal.”

A tentative tract map was previously recorded and is in the process of being revised to accommodate an all retail site and remove a proposed office building. The property is zoned commercial and requires no development agreement nor final maps for construction to commence.

While the information in this Official Statement reflects Northlight Trust 1’s current development expectations, no assurances can be given that construction will be carried out on the schedule or according to the plans described in this Official Statement.

*Adjacent/Surrounding Properties.* One parcel within the proposed Market at Cherry Valley shopping center but outside of the Assessment District has been sold to CVS Pharmacy for construction of a 12,500 square foot retail store. At total build out The Market at Cherry Valley will serve approximately 6,000 homes within a mile of the center. Currently, 4500 homes are complete along two

private golf courses, residential amenities, and new clubhouse facilities hosting PGA Tour, LPGA, and Champions Tour events.

*Developer Information.* Northlight Trust 1, a Delaware Statutory Trust (“Northlight Trust 1”), the owner of the property, is managed by Northlight Special GPI LLC. Richard Rowland, Principal of Plan B Resolution Advisors, in conjunction with Northlight (“Northlight”), oversees management of the project. Northlight is a New York-based equity fund with a focus on purchasing commercial and residential assets throughout the United States. Currently, Northlight has closed and manages approximately over \$500 million of real estate and loan portfolios on behalf of its investment group. In 2014, Northlight forecasts an equity investment of over 500ml in real estate projects around the country specializing in resort, retail and hospitality projects. The development of Cherry Valley Plaza will be funded directly by Northlight. Richard Rowland has overseen the development operations of a large New York private equity fund specializing in retail development, has been President of a development company owning and operating over 10ml sf of retail, and has professional credentials as an architect and project manager with over 35 years of experience. Richard Rowland has also overseen the development of several grocery anchored community shopping centers similar to Cherry Valley Plaza, as well as completed over 250ml in luxury golf community development since 2005.

*Financing Plan.* As of September 1, 2014, Northlight Trust 1 has expended approximately \$4,000,000 in land acquisition and various site development costs related to its property within the Assessment District. Northlight Trust 1 estimates that it will require an additional \$20,000,000 to complete its development within the Assessment District. To date, Northlight Trust 1 has financed its land acquisition and various site development costs related to its property within the Assessment District through cash investment by Northlight Capital a private equity fund. Northlight Trust 1 believes that it will have sufficient funds available to complete its proposed development in the Assessment District, commensurate with the development timing described in this Official Statement. Northlight Trust 1 does not have any financing arrangements, secured or unsecured loans, or private mortgage liens relating to its property in the Assessment District.

Although Northlight Trust 1 expects to have sufficient funds available to complete its development in the Assessment District, commensurate with the development timing described in this Official Statement, there can be no assurance, however, that amounts necessary to finance the remaining development costs will be available from Northlight Trust 1 or any other source when needed. Neither Northlight Trust 1 nor any of its related entities are under any legal obligation of any kind to expend funds for the remaining development of and construction on its property in the Assessment District. Any contributions by Northlight Trust 1 to fund the costs of such development are entirely voluntary.

## **Appraisal**

All of the Projects were independently appraised in connection with the issuance of the Bonds. An appraisal of the land within the Assessment District has been prepared by Seevers, Jordan, Ziegenmeyer, Rocklin, California (the “**Appraiser**”) in connection with the issuance of the Bonds. The appraisal estimates the land value of the Projects as of July 28, 2014. Excerpts from the appraisal are attached to this Official Statement as Appendix F. The appraisal also reflects the proposed issuance of the Bonds.

As of the date of inspection, the Appraiser notes that the entire Assessment District consists of unimproved land. The appraisal is based on land values at the time of inspection, subject to the hypothetical condition, which assumes the water reservoir facilities fees, which will fund capital improvements to the Yucaipa Valley Water District’s water storage system, will be financed by the Bonds.

The appraisal is based on certain assumptions expressed therein, including the payment of the Fees and the issuance of the Bonds. Subject to those assumptions, the Appraiser estimated that the fee simple bulk value of the land within the Assessment, as of the dates set forth above, in aggregate, is \$46,300,000. See “– Description of the Projects” above and APPENDIX F – “EXCERPTS FROM APPRAISAL.”

### Value-to-Lien Ratio

The following table sets forth the ratios of the appraised bulk value of the land to the total assessment, by Project. The total assessment was apportioned based on each Project’s estimated dwelling units, as further described in the Engineer’s Reports. See APPENDIX E – “EXCERPTS FROM ENGINEER’S REPORT.”

**Assessment District No. 14-01  
(Yucaipa Valley Water District, County of Riverside, California)  
Value-to-Lien Ratios**

Project Name	Developer	Project Description	Gross Acres	EDUs <sup>[1]</sup>	Total Assessment	Appraised Retail Value <sup>[2]</sup>	Appraised Bulk Value <sup>[2]</sup>	Appraised Bulk Value-to-Lien Ratio
Summerwind	San Gorgonio Land, LLC	Residential	399.86	1,157	\$4,954,474	\$32,890,000	\$21,140,000	4.27
Oak Valley Eastern Power Center	Oak Valley Partners	Commercial/Retail	34.43	89	\$856,767	\$4,435,000	\$3,940,000	4.60
Mesa Verde Estates	Mesa Verde Re Ventures	Residential	401.85	1,083	\$4,657,459	\$25,884,000	\$18,100,000	3.89
Cherry Valley Plaza	Northlight Trust 1	Commercial/Retail	16.26	50	\$698,122	\$3,300,400	\$3,120,000	4.47
<b>TOTAL</b>			<b>852.40</b>	<b>2,379</b>	<b>\$11,166,822</b>	<b>\$66,509,400</b>	<b>\$46,300,000</b>	<b>4.15</b>

[1] Equivalent Dwelling Units, per South Calimesa Water Study, Zone 12 Potable Water Storage (Storage Requirements and Cost Allocation), dated July 10, 2014, as prepared by YVWD’s hydrology engineer Krieger & Stewart, Inc.

[2] As of July 28, 2014. See APPENDIX F – “EXCERPTS FROM APPRAISAL.”

### Overlapping Debt and Effective Tax Rate

Set forth below is an overlapping debt table showing the existing authorized indebtedness payable with respect to property within the Assessment District. Additional indebtedness could be authorized by other public agencies at any time. This table has been prepared by California Municipal Statistics, Inc. as of October 3, 2014, and is included for general information purposes only. The Authority has not reviewed the data for completeness or accuracy and makes no representations in connection therewith.

**Assessment District No. 14-01  
(Yucaipa Valley Water District, County of Riverside, California)  
Overlapping Debt Statement**

2014-15 Assessed Valuation: \$24,453,199

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/14</u>
San Bernardino Valley Community College District General Obligation Bonds	0.017%	\$ 73,072
Beaumont Unified School District General Obligation Bonds	0.355	209,689
San Geronimo Memorial Healthcare District General Obligation Bonds	0.334	381,303
<b>CSCDA 2014 Series Assessment District (Yucaipa Valley Reservoir Project)</b>	<b>100.</b>	<b>- (1)</b>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$664,064</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.011%	\$75,015
Riverside County Pension Obligation Bonds	0.011	36,231
Riverside County Board of Education Certificates of Participation	0.011	292
Mt. San Jacinto Community College District General Fund Obligations	0.021	2,380
Beaumont Unified School District General Fund Obligations	0.355	18,494
Yucaipa-Calimesa Joint Unified School District Certificates of Participation	100.	25,215
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$157,627</b>
Less: Riverside County supported obligations		1,006
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$156,621</b>
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		 \$62,047
 GROSS COMBINED TOTAL DEBT		 \$883,738 (2)
NET COMBINED TOTAL DEBT		\$882,732

(1) Excludes issue to be sold.

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

Ratios to 2014-15 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt .....	2.72%
<b>Direct Debt .....</b>	<b>- %</b>
Gross Combined Total Debt .....	3.61%
Net Combined Total Debt.....	3.61%

Ratio to Redevelopment Incremental Valuation (\$846,158):

Total Overlapping Tax Increment Debt .....	7.33%
--	-------

Source: California Municipal Statistics, Inc.

The following table provides the effective current tax rates for each Project as of the 2014-15 tax year.

**Assessment District No. 14-01  
(Yucaipa Valley Water District, County of Riverside, California)  
Effective Tax Rate <sup>(1)</sup>**

Project Name	Developer	Current Tax Rate
Summerwind	San Gorgonio Land, LLC	1.37408%
Oak Valley Eastern Power Center	Oak Valley Partners	1.39396%
Mesa Verde Estates	Mesa Verde Re Ventures	1.34586%
Cherry Valley Plaza	Northlight Trust 1	1.39396%

[1] Effective tax rate includes 1% ad valorem tax rate and tax rate overrides for San Bernardino Community College, Beaumont Unified School District, and San Gorgonio Memorial Healthcare District general obligation bonds.  
Source: Seevers Jordan Ziegenmeyer.

**Teeter Plan**

Any county may elect from time to time to apply the procedures described in Sections 4701 through 4717, inclusive, of the Revenue and Taxation Code of the State of California, commonly referred to as the “Teeter Plan,” with respect to property tax collection and disbursement procedures. These sections provide an alternative method of apportioning secured taxes whereby agencies levying taxes through a county’s tax roll may receive from the county 100% of their taxes whether or not they are actually paid by the property owners at or near the time the local agencies would have received the tax revenues had all taxes been paid. The counties finance this outlay through a special tax loss reserve fund (the “Tax Loss Reserve Fund”) accumulated from previously collected delinquent penalties. Though the County employs the Teeter Plan, it does not apply the Teeter Plan to assessment districts.

**More detailed descriptions of the Improvements, the Projects and the Assessment District, are contained in the appendices to this Official Statement. See APPENDIX E –“EXCERPTS FROM ENGINEER’S REPORT” and APPENDIX F – “EXCERPTS FROM APPRAISAL.”**

**BONDOWNERS’ RISKS**

*The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

**General**

Under the provisions of the Local Obligation Statute, assessment installments, from which funds for the payment of annual installments of principal of and interest on the Bonds are derived, will be billed to properties against which there are assessments on the regular property tax bills sent to owners of such properties. Such assessment installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. A property owner cannot pay the county tax collector less than the full amount due on the tax bill, however it is possible to pay assessment

installments directly to the Authority in satisfaction of the obligation to pay that assessment without paying property taxes also then due. It should also be noted that the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and assessment installment payments in the future.

**Unpaid assessments do not constitute a personal indebtedness of the owners of the parcels within the Assessment District. Accordingly, in the event of delinquency, proceedings may be conducted only against the real property securing the delinquent assessment. Thus, the value of the real property within the Assessment District is an important factor in determining the investment quality of the Bonds. Certain information relating to land values within the Assessment District is set forth under the heading “THE PROJECTS, THE IMPROVEMENTS AND THE ASSESSED PROPERTY.” The unpaid assessments are not required to be paid upon sale of property within the Assessment District.**

In order to pay debt service on the Bonds, it is necessary that unpaid installments of assessments on land within the Assessment District be paid in a timely manner. The Authority has established a Reserve Fund from the proceeds of the Bonds to cover delinquencies in the event that installments are not paid on time. No assurance can be given that the owners will be able to pay the assessment installments or that they will pay such installments even if they are financially able to do so. The assessments are secured by a lien on the parcels within the Assessment District and the Authority has covenanted to institute foreclosure proceedings to sell parcels with delinquent installments for amounts sufficient to cover such delinquent installments in order to obtain funds to pay debt service on the Local Obligations. See “– Owners Not Personally Obligated to Pay Bonds or Assessments” below.

Failure by owners of the parcels to pay installments of assessments when due, depletion of the Reserve Fund, delay in foreclosure proceedings, or the inability of the Authority to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of assessments levied against such parcels may result in the inability of the Authority to make full or punctual payments of debt service on the Local Obligations and Bondowners would therefore be adversely affected.

#### **Owners Not Personally Obligated to Pay Bonds or Assessments**

**Unpaid assessments do not constitute a personal indebtedness of the owners of the parcels within the Assessment District and the owners have made no commitment to pay the principal or interest on the Bonds or to support payment of the Bonds in any manner. There is no assurance that the owners have the ability to pay the assessment installments or that, even if they have the ability, they will choose to pay such installments. An owner may elect to not pay the assessments when due and cannot be legally compelled to do so. If an owner decides it is not economically feasible to develop or to continue owning its property encumbered by the lien of the assessment, or decides that for any other reason it does not want to retain title to the property, the owner may choose not to pay assessments and to allow the property to be foreclosed upon. Such a choice may be made due to a decrease in the market value of the property. A foreclosure on the property will result in such owner’s interest in the property being transferred to another party. Neither the Authority nor any Bondholder will have the ability at any time to seek payment from the owners of property within the Assessment District of any assessment or any principal or interest due on the Bonds, or the ability to control who becomes a subsequent owner of any property within the Assessment District.**

## **Bankruptcy and Foreclosure**

The payment of assessments and the ability of the Authority to foreclose the lien of a delinquent unpaid assessment, as discussed in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Covenant to Commence Superior Court Foreclosure,” may be limited by bankruptcy, insolvency, or other laws generally affecting creditors’ rights or by State law relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to local court calendars or procedural delays.

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

Although bankruptcy proceedings should not cause the assessments to become extinguished, the Authority has experienced delays in prosecuting foreclosure of assessment liens due to bankruptcy and bankruptcy could result in delinquent assessment installments not being paid timely and in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

## **Availability of Funds to Pay Delinquent Assessment Installments**

Upon receipt of the proceeds from the sale of the Bonds, the Authority will initially establish the Reserve Fund in an amount of the Reserve Requirement. The monies in the Reserve Fund shall constitute a trust fund for the benefit of the Owners of the Bonds, shall be held by the Trustee, and shall be administered by the Trustee in accordance with and pursuant to the provisions of the Trust Agreement. If a deficiency occurs in the Interest Fund or the Principal Fund for payment of interest on or principal of the Bonds, the Trustee will transfer into such funds an amount out of the Reserve Fund needed to pay debt service on the Bonds. There is no assurance that the balance in the Reserve Fund will always be adequate to pay the debt service on the Bonds in the event of delinquent assessment installments.

If, during the period of delinquency, there are insufficient funds in the Reserve Fund to pay the principal of and interest on the Bonds as it becomes due, a delay may occur in payments of principal and/or interest to the owners of the Bonds.

## **Collection of the Assessment**

In order to pay debt service on the Bonds it is necessary that the assessment installments be paid in a timely manner. Should the installments of assessments not be paid on time, funds in the Reserve Fund may be utilized to pay debt service on the Bonds to the extent other funds are not available therefor.

The assessment installments are to be collected in the same manner as ordinary ad valorem real property taxes are collected and, except as provided in the special covenant for foreclosure described herein and in the Local Obligation Statute, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ad valorem real property taxes. Pursuant to these procedures, if taxes are unpaid for a period of five years or more, the property may be deeded to the State and then is subject to sale by the county in which it is located.

Pursuant to the Local Obligation Statute, in the event any delinquency in the payment of an assessment installment occurs, the Authority may commence an action in superior court to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid assessment installment may be sold at judicial foreclosure sale. Such judicial foreclosure action is not

mandatory. Amendments to the Local Obligation Statute enacted in 1988 and effective January 1, 1989, provide that under certain circumstances property may be sold upon foreclosure at a lesser Minimum Price or without a Minimum Price. “Minimum Price” as used in the Local Obligation Statute is the amount equal to the delinquent installments of principal or interest of the assessment or reassessment, together with all interest penalties, costs, fees, charges and other amounts more fully detailed in the Local Obligation Statute. The court may authorize a sale at less than the Minimum Price if the court determines that sale at less than the Minimum Price will not result in an ultimate loss to the Bondowners or, under certain circumstances, if owners of 75% or more of the outstanding Local Obligations consent to such sale.

## **Land Values**

Customarily, the issuers of bonds obtain an appraisal of the market value of the property subject to the assessment in order to have an estimate of the security value of the parcels relative to the amount of the outstanding indebtedness of the Bonds. Certain information regarding the Projects is contained in “THE PROJECTS, THE IMPROVEMENTS AND THE ASSESSED PROPERTY,” APPENDIX E – “EXCERPTS FROM ENGINEER’S REPORT,” and APPENDIX F – “EXCERPTS FROM APPRAISAL.”

A value determined by an appraiser is an opinion with respect to the value of the property under the assumptions noted in the appraisal. It is important to consider the assumptions that contribute to the value, which often include assumptions that the property is free and clear of liens and that the improvements financed with the proposed bonds are completed and operational. The appraisal is based primarily upon a sales comparison approach, which determines the value of the subject property by comparing it to sales of comparable property, adjusted for differences between the subject and the comparable property.

**All of the Projects were independently appraised for purposes of the Bonds and values of those Projects described in this Official Statement are based on the appraisal.** The appraisal, except as an opinion about the future market effect on present values, does not try to anticipate or predict the future; and no assurance can be given that the properties in the Assessment District will not decline in value in the future.

No assurance can be given that the estimated values are equal to actual market value or that, if a parcel with delinquent assessment installments is foreclosed, any bid will be received for such property, or, if a bid is received, that such bid will be equal to the value estimated herein, or that such bid will be sufficient to cure the delinquent installments.

## **Natural Disaster Risks**

Reductions in land values due to a downturn in the economy, physical events such as earthquakes or floods, stricter land use regulations or other events will adversely impact the security of the Bonds. In addition, a natural disaster could result in delays to construction of the Improvements or the Projects.

A portion of the Assessment District is located within the boundaries of Flood Zone X according to the Federal Emergency Management Agency National Flood Insurance Program, Flood Insurance Rate Map. Flood Zone X is described as an area of 500-year flood, areas of 100-year flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 100-year flood. The remainder of the Assessment District is designated as being situated in Flood Zone D, described as areas of undetermined but possible flood hazards.



According to the Seismic Safety Commission, the Assessment District is located within Zone 4, considered to be the highest risk zone in California. In addition, the Assessment District is located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone) as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology.

### **Appraisal Risks**

The Appraiser has estimated the market value of the property in the Assessment District on the basis of certain assumptions which the Appraiser believes to be reasonable under the circumstances. APPENDIX F – “EXCERPTS FROM APPRAISAL.” However, certain of the events assumed by the Appraiser have not yet occurred as of the date of this Official Statement or may prove to be untrue.

Although the Authority believes that the Appraiser’s methodology and assumptions are reasonable under the circumstances, the Appraiser’s hypothetical market value conclusions are expressions of professional opinion only. No assurance can be given that the market values of property in the Assessment District are equal to or greater than the Appraiser’s estimated hypothetical bulk market value, nor can any assurance be given that such market values will not decline during the period of time the Bonds are outstanding. The market values of the property in the Assessment District can be adversely affected by a variety of factors, including, but not limited to, the occurrence of one or more of the special risk events discussed herein. A decline in the market value of a parcel in the Assessment District could lower the ability or willingness of the owner of such parcel to pay assessments when due and would decrease the amount recoverable at a foreclosure sale of such parcel.

### **Construction Risks**

During the construction period, the Improvements will be subject to the ordinary construction risks and possible delays. Such risks include, but are not limited to: (i) construction bids being over budget; (ii) increased materials costs, labor costs or failure of contractors to perform within contract price; (iii) inclement weather affecting contractor performance and timeliness of completion; (iv) natural disasters, operating risks or hazards or other unexpected conditions or events; (v) contractor claims or nonperformance; (vi) work stoppages or slowdowns; (vii) failure of contractors to meet schedule terms; and (viii) the discovery of hazardous materials on a site or other compliance issues with applicable environmental standards.

There can be no assurance that completion of the construction of the Improvements will not be delayed. Construction of the Projects cannot commence until water supply is available and the Improvements are complete. Delays in construction of the Improvements could adversely affect the value of the property within the Assessment District.

### **Water Supply Risk**

Each developer must secure a supply of water and pay the cost of its purchase and transfer to YVWD for supply before YVWD will agree to provide water services to the Projects. The occurrence of natural disasters, drought, or high water demand could reduce availability of water and could significantly increase the cost of water supply. No assurance can be given that water supply will be available to the developers when they prepare to construct the Projects and no assurance can be given that the cost of water would not be prohibitive. Delay or increase in the cost of acquiring water could adversely affect the timing of development of the Projects and/or the value of the underlying property within the Assessment District.

## **Development Risks**

The Assessment District comprises undeveloped parcels. The completion of development of the land may be adversely affected by changes in general economic conditions, water shortages, increased construction costs, fluctuations in the real estate market, and other similar factors, including development in surrounding areas which may compete with the developments within the Assessment District. There can be no assurance that development within the Assessment District will not be adversely affected by these or other factors, including future governmental policies or environmental issues.

The assessment installments are to be collected from the owners of property located within the Assessment District regardless of the completion of the development of the properties within the Assessment District and regardless of completion of the Improvements. Nevertheless, the extent of completion of the development of the property within the Assessment District and the landowners' success in selling the property to home buyers may affect the ability and willingness of landowners to pay the assessment and will affect the market value of any property foreclosed upon for nonpayment of installments of the assessment.

No assurance can be given that any development in progress or contemplated will be partially or fully completed, and in assessing the investment quality of the Bonds prospective purchasers should evaluate the risks of non-completion, especially as related to the concentration of ownership. (See “– Concentration of Ownership” below.) Undeveloped land is less valuable than developed land and provides less valuable security to the Bondowners should it be necessary for the Authority to foreclose due to the nonpayment of assessment installments. In addition, the extent of development of land in the Assessment District could affect the number of potential purchasers bidding, and the prices bid, at any foreclosure sale if the Authority were to foreclose upon the lien of a delinquent unpaid assessment. Finally, a slowdown of the economic development process in any of the regions of the Assessment District could also adversely affect land values and reduce the proceeds received at a foreclosure sale in the event assessment installments are not paid when due.

## **No Independent Review of Valuation or Viability of Completed Projects**

Property within the Assessment District is comprised of four separate and distinct Projects as described above. Payment of Assessments are inherently dependent upon the completion of the Projects, and, with respect to residential properties, the ability of the buyers of completed homes to pay. Neither the Authority nor the Underwriter has reviewed any business plan for continued ownership, development and/or operation of any Project. Similarly, neither the Authority nor the Underwriter has conducted any independent evaluation of the existing or projected economic viability or profitability of any of the Projects, including review and/or evaluation of financial statements of any owner or developer of any parcel subject to an assessment. The information contained herein regarding the proposed Projects and the owners of the parcels within the Assessment District has been supplied by such owners and the Underwriter has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of such information.

In the event an owner or developer experiences financial difficulties, including difficulties resulting from construction or operation of a Project, the value of the affected parcel within the Assessment District may decline and/or such owner or developer may elect to refrain from payment of future assessment installments for such parcel. See also “– Development Risks” above.

## **Concentration of Ownership**

All of the property within the Assessment District is currently owned by four owners. See “THE PROJECTS, THE IMPROVEMENTS AND THE ASSESSED PROPERTY.” The fact that most of the property providing ultimate security for the payment of the Bonds is controlled by only a small number of owners means that the timely payment of the assessment installments and, therefore, the Bonds, will depend initially upon the willingness and ability of this finite number of owners to pay the assessments when due. The only asset of each owner of property within the Assessment District which constitutes security for the Local Obligations is such owner’s real property holdings located within the Assessment District.

There can be no assurance that the undeveloped Projects will be fully developed. See “BONDOWNERS’ RISKS – Bankruptcy and Foreclosure” and “– Development Risks” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Covenant to Commence Superior Court Foreclosure” herein.

## **Property or Loan Owned by Federal Agencies or Instrumentalities**

Portions of the property within the Assessment District may now or in the future secure loans. Any such loan is subordinate to the lien of the Assessments. However (a) in the event that any of the financial institutions making any loan that is secured by real property within the Assessment District is taken over by the Federal Deposit Insurance Corporation (“FDIC”), (b) the FDIC or another federal entity acquires an assessment parcel, (c) the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the United States Department of Housing and Urban Development or similar federal agency or instrumentality has a mortgagee interest in a loan on property subject to an assessment lien, or (d) if a lien is imposed on the property by the Drug Enforcement Agency, the Internal Revenue Service or other similar federal government agency, and, prior thereto or thereafter, the loan or loans go into default, the ability of the Authority to collect interest and penalties specified by state law and to foreclose the lien of a delinquent unpaid assessment may be limited.

In the event that a property subject to the assessment lien is owned by the federal government or a private deed of trust secured by such a property is owned by a federal government entity, the ability to foreclose on the delinquent property to collect assessment installments may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. As a result, if a federal government entity owns a parcel subject to assessments or special taxes, the applicable state or local government cannot foreclose on that parcel. Moreover, if a federal government entity has a mortgage interest on a parcel subject to assessments or special taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to preserve the federal government mortgage interest. In *Rust v. Johnson*, 597 F. 2d 174 (1979), the United States Court of Appeal, Ninth Circuit, which includes California, held that the Federal National Mortgage Association (“Fannie Mae”) is a federal instrumentality for purposes of this doctrine, and not a private entity; therefore an exercise of state power over a mortgage interest held by Fannie Mae constitutes an exercise of state power over property of the United States in violation of the supremacy clause.

Specifically, with respect to the FDIC, on June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the “Policy Statement”). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from

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

Under the Policy Statement, it is unclear whether the FDIC considers the assessments to be "real property taxes" which they intend to pay.

The Authority is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to an assessment on a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Purchasers of the Bonds should assume that the Authority will be unable to foreclose on any parcel owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund (to the extent funds are then on deposit in the Reserve Fund) and perhaps, ultimately, a default in payment of the Bonds. The Authority has not undertaken to determine whether the FDIC currently has, or is likely to acquire, any interest in any of the parcels in the Assessment District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

### **Ballot Initiatives**

From time to time constitutional initiatives or other initiative measures may be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State or any political subdivisions thereof, including the County or YVWD and the cities, counties and special districts that make up the Authority, to increase revenues or to increase appropriations, or on the ability of the landowners to complete their developments.

### **Hazardous Substances**

While governmental taxes, assessments and charges are a common claim against the value of a taxed parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the assessment is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel within the Assessment District may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect therefore, should any of the parcels within the Assessment District be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the owner is obligated to remedy the condition. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All

of these possibilities could significantly affect the value of a property that is realizable upon a delinquency and foreclosure. The statutorily required environmental impact studies prepared for the developments did not identify any hazardous substances.

The estimated values of the real property within the Assessment District do not take into account the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of any parcel. The Authority is not aware that the owner (or operator) of any of the land within the Assessment District has such a current liability with respect to such land. However, it is possible that such liabilities do currently exist and that the Authority is not aware of them.

### **Parity Taxes and Special Assessments**

The assessment and each installment thereof and any interest and penalties thereon constitute a lien against the parcels on which they were imposed until the same are paid. Such lien is subordinate to all fixed special assessment liens previously imposed upon the same property, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general taxes and any lien imposed under the Mello-Roos Community Facilities Act of 1982, as amended.

As of the date of issuance of the Bonds, there will be no other assessment or special tax liens on any of the property within the Assessment District which is prior to the lien of the Assessment District's assessments.

### **Future Overlapping Indebtedness**

The ability of an owner of land within the Assessment District to pay the assessments could be affected by the existence of other taxes and assessments imposed upon the property subsequent to the date of issuance of the Local Obligations. In addition, other public agencies whose boundaries overlap those of the Assessment District could, without the consent of the Authority, and in certain cases without the consent of the owners of the land within the Assessment District, impose additional taxes or assessment liens on the property within the Assessment District to finance public improvements to be located inside of or outside of the Assessment District.

### **Future Private Indebtedness**

At the present time, all of the property in the Assessment District is under construction or undeveloped. In order to develop any improvements on that land, the property owners will need to construct private improvements, the cost of which may increase the private debt for which the land in the Assessment District or other land or collateral owned by the property owners is security over that contemplated by the Local Obligations, and such increased debt could reduce the ability or desire of the property owners to pay the assessments secured by the land in the Assessment District. It should be noted however, that the lien of any private financing secured by the land within the Assessment District would be subordinate to the lien of the assessments.

### **No Acceleration Provision**

The Trust Agreement does not contain a provision allowing for the acceleration of the principal of the Bonds or the Local Obligations in the event of a payment default or other default under the terms of the Bonds, the Local Obligations or the Trust Agreement.

## CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

### Property Tax Rate Limitations - Article XIII A

On June 6, 1978, the California voters added Article XIII A to the State Constitution which limits the amount of any *ad valorem* taxes on real property to one percent (1%) of the property's "full cash value," except that additional *ad valorem* property taxes may be levied to pay debt service on indebtedness approved prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978, by two-thirds of the voters voting on such indebtedness. Further, as a result of an amendment to Article XIII A and the addition of Article XIII D approved by the voters on November 5, 1996, additional *ad valorem* taxes may be levied to pay the bonded indebtedness of school and community college districts that has been approved by 55% of the voters voting on such indebtedness. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment period." This cash value may be increased at a rate not to exceed two percent (2%) per year to account for inflation. The United States Supreme Court has upheld the validity of Article XIII A in a case decided in June 1992.

Article XIII A as originally implemented has been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in various other minor or technical ways.

### Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any *ad valorem* property tax. The 1% property tax is automatically levied annually by the county and distributed according to a formula among using agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1978. Any special tax to pay voter-approved indebtedness is levied in addition to the basic 1% property tax.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4.00 per \$100 of assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the basic tax rate is expressed as \$1 per \$100 of taxable value.

### Appropriation Limitation - Article XIII B

On November 6, 1979, the voters of the State approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the State Constitution. On June 5, 1990, the voters approved Proposition 111, which amended Article XIII B in certain respects. Under Article XIII B, as amended, state and local government entities have an annual "appropriations limit" which limits the entity's ability to spend certain moneys which are called "appropriations subject to limitation" (consisting of most tax

revenues and certain state subventions, together called “proceeds of taxes” and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of moneys which are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved according to law by a vote of the electors of the issuing entity voting in an election for that purpose.

In general terms, the “appropriations limit” is to be based on the adjusted fiscal year 1986-87 appropriations limit, which is traced back through an annual adjustment process to the 1978-79 fiscal year. Annual adjustments reflect changes in California per capita personal income (or, at the option of the affected local agency, changes in assessed value caused by local nonresidential new construction), population and services provided by these entities. Among other provisions of Article XIII B, if the revenues of such entities in any fiscal year and the following fiscal year exceed the amounts permitted to be spent in such years, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

### **Property Tax Collection Procedures**

In California, taxes in respect of real property are collected on either the “secured roll” or the “unsecured roll.” Real property taxes which are a lien on the real property sufficient, in the opinion of the county assessor, to secure payment of the taxes, are collected on the secured roll. A tax levied on the unsecured roll does not become a lien against the real property. A common example of such a tax is when a public agency leases its land to a private user. The privately-owned leasehold interest is taxed on the unsecured roll. Generally, all real property, title to which is owned by a private person or entity, is taxed on the secured roll, and the tax lien has priority over all other liens arising pursuant to State law, regardless of the time of the creation of the other liens. The method of collecting and enforcing the taxes on the secured roll and on the unsecured roll are substantially different.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition property on the secured roll with respect to which taxes are due is delinquent on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector.

Historically, property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB 813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid, on the following August 31. A ten percent (10%) penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1½% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer, (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (3) filing a certificate of delinquency for record in the county recorder’s office, in order to obtain a lien on certain property of the taxpayer, and (4) seizure

and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes which are delinquent.

### **Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the State Constitution, which contain a number of provisions affecting the ability of the Authority to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIID requires that, beginning July 1, 1997, the proceedings for the levy of any assessment by the a local agency (including, if applicable, any increase in such assessment or any supplemental assessment) must be conducted in conformity with the provisions of Section 4 of Article XIID. Any challenge (including any constitutional challenge) to the proceedings or the assessment or special tax must be brought within 30 days after the date the assessment or special tax was levied. The Authority believes it has fully complied, in all material respects, with the requirements of Proposition 218 in authorizing the Local Obligations.

Article XIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article XIIC does not define the term “assessment,” and it is unclear whether this term is intended to include assessments (or reassessments) levied under the Act. In the case of the unpaid assessments which are pledged as security for payment of the Local Obligations, the laws of the State provide that Article XIIC shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution. The laws of the State also provide a mandatory, statutory duty of the County Auditors of the County to post installments on account of the unpaid assessments to the property tax roll of the County each year while any of the Local Obligations are outstanding in amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year. The Authority does not believe that the initiative power can be used to reduce or repeal the unpaid assessments which are pledged as security for payment of the Local Obligations or to otherwise interfere with performance of the mandatory, statutory duty of the County Auditors of the County with respect to the unpaid assessments which are pledged as security for payment of the Local Obligations.

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

### **THE AUTHORITY**

The Authority is a joint exercise of powers authority duly organized and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, and pursuant to an Amended and Restated Joint Exercise of Powers Agreement dated June 1, 1988, and is authorized to issue the Bonds pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4, Chapter 5, Division 7, Title 1 of the California Government Code) for the purpose of pooling various local obligations issued by certain local agencies, including the Local Obligations. The Authority has no taxing power.

The Authority has sold and delivered obligations other than the Bonds, which other obligations are and will be secured by instruments separate and apart from the Trust Agreement and the Bonds. The



holders of such obligations of the Authority have no claim on the security for the Bonds, and the owners of the Bonds will have no claim on the security for such other obligations issued by the Authority.

### **CONTINUING DISCLOSURE**

The Authority has covenanted for the benefit of owners of the Bonds to provide certain financial information and data relating to the Bonds and the Assessments not later than nine months after the end of the Authority's fiscal year (presently June 30) in each year commencing with its report for the 2013-2014 fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the BLX Group, LLC, or its successor as SCIP Program Administrator (the "Program Administrator") with the Municipal Securities Rulemaking Board (MSRB) or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in APPENDIX B – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

The Authority has contracted with BLX Group, LLC, for all of its continuing disclosure undertakings with respect to SCIP. Certain event filings on the Authority's Statewide Community Infrastructure Program Revenue Bonds, Series 2008A, Series 2010A and 2011A were filed more than 10 days after an unscheduled draw on the respective reserve funds. Within the past five years, the Authority has not failed to comply in all material respects with its "previous undertakings," as that term is used in the Rule.

### **LEGAL OPINION**

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of the Bond Counsel Opinion is contained in APPENDIX C hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

### **TAX EXEMPTION**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain covenants and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is

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

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

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, Representative Dave Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the Bonds to a federal income tax at an effective rate of 10% or more for

individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

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

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

#### **NO LITIGATION**

There is no action, suit, or proceeding known by the Authority to be pending or threatened at the present time restraining or enjoining the delivery of the Local Obligations or the Bonds or the collection of assessments levied by the Authority in the Assessment District or in any way contesting or affecting the validity of the Bonds, the Trust Agreement, the Local Obligations, or any proceedings of the Authority taken with respect to the execution or delivery thereof.

#### **NO RATING**

The Authority has not made, and does not contemplate making, application to any rating agency for the assignment of a rating to the Bonds.

#### **UNDERWRITING**

RBC Capital Markets, LLC, the Underwriter of the Bonds, has agreed to purchase the Bonds from the Authority at a purchase price of \$10,368,199.20, being the aggregate principal amount of the Bonds \$11,015,000.00, less an original issue discount of \$371,425.80 and an Underwriter's discount of \$275,375.00. The purchase contract pursuant to which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such contract of purchase.



## **APPENDIX A**

### **SUMMARY OF TRUST AGREEMENT**

The following is a brief summary of certain provisions of the Trust Agreement, dated as of November 1, 2014, under which the Bonds are issued. Summaries of certain portions of this document, and certain definitions, are also contained in the main portion of this Official Statement. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the full terms of the Trust Agreement. Capitalized terms not otherwise defined herein have the meanings specified in the Trust Agreement.

### **DEFINITIONS**

“Act” shall mean Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended and supplemented from time to time.

“Annual Bond Debt Service” shall mean, for each Fiscal Year, the sum of (1) the interest falling due on all Outstanding Bonds in such Fiscal Year, assuming that all Principal Installments are paid as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), and (2) the scheduled Principal Installments of the Outstanding Bonds, payable in such Fiscal Year.

“Annual Local Obligation Debt Service” shall mean, for each Fiscal Year, the sum of (1) the interest falling due on all Outstanding Local Obligations in such Fiscal Year, assuming that all Principal Installments are paid as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Local Obligations), and (2) the scheduled Principal Installments of the Outstanding Local Obligations, payable in such Fiscal Year.

“Appraisal” shall mean, with respect to Assessed Parcels (i) an opinion of value of an independent appraiser who is a Member of the Appraisal Institute (“MAI”) and is credentialed by the State of California Office of Real Estate Appraisers or (ii) the assessed value (land and improvements) shown on the most recent equalized assessment roll of the County.

“Assessed Parcel” shall mean a parcel of property which is within the Assessment District and upon which is levied assessments or reassessments securing Local Obligations.

“Assessment District” shall have the meaning ascribed thereto in the Trust Agreement.

“Average Annual Bond Debt Service” shall mean the average Fiscal Year Annual Bond Debt Service over all Fiscal Years during which the Bonds are scheduled to remain Outstanding.

“Authority” shall mean the California Statewide Communities Development Authority, a joint exercise of powers agency established pursuant to a Joint Exercise of Powers Agreement, dated June 1, 1988 and the laws of the State, and its successors.

“Authorized Bond Denominations” shall mean five thousand dollars (\$5,000) and any integral multiple thereof, but not exceeding the principal amount of Bonds maturing on any one date.

“Authorized Local Obligations Denominations” shall mean any amount, expressed in dollars and cents, but not exceeding the principal amount of Local Obligations maturing on any one date.

“Authorized Officer” means any member of the Commission of the Authority and any other person as may be designated and authorized to sign on behalf of the Authority pursuant to a resolution adopted thereby.

“Bond Counsel” shall mean Orrick, Herrington & Sutcliffe LLP or any other an attorney-at-law, or a firm of such attorneys appointed by the Authority, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions.

“Bond Redemption Fund” shall mean the Fund by that name established under the Trust Agreement.

“Bond Register” shall mean the registration books specified as such in the Trust Agreement.

“Book-Entry Bonds” shall mean any Bonds designated as Book-Entry Bonds pursuant to the Trust Agreement and registered in the name of the Nominee pursuant to the Trust Agreement.

“Business Day” shall mean any day other than (i) a Saturday or Sunday or (ii) a day on which the Corporate Trust Office of the Trustee is closed.

“Cash Flow Certificate” shall mean a written certificate executed by a Cash Flow Consultant.

“Cash Flow Consultant” shall mean RBC Capital Markets, LLC or any other financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field relating to municipal securities such as the Bonds, appointed and paid by the Authority and who, or each of whom:

- (1) is in fact independent and not under the domination of the Authority;
- (2) does not have any substantial interest, direct or indirect, with the Authority; and
- (3) is not connected with the Authority as a member, officer or employee of the Authority, but who may be regularly retained to make annual or other reports to the Authority.

The Cash Flow Consultant shall not be deemed to have a “financial advisory relationship” with the Authority within the meaning of California Government Code Section 53590(c).

“Chair” shall mean the Chair of the Authority.

“Code” shall mean the Internal Revenue Code of 1986, and the regulations thereunder.

“Continuing Disclosure Agreement” shall mean that certain Continuing Disclosure Agreement, dated as of the date of delivery of the Bonds, by and between the Authority and the Trustee.

“Corporate Trust Office” shall mean the office of the Trustee, at which at any particular time corporate trust business shall be administered, or such other office as the Trustee shall designate.

“County” means the County of Riverside, in which the Assessment District is located.

“Custody Account” means the custody account established for the Program pursuant to that certain Custody Agreement, dated as of June 2, 2003, by and between the Authority and the Trustee, as Custodian.

“Depository” shall mean the securities depository acting as Depository pursuant to the Trust Agreement.

“DTC” shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” shall mean any event of default specified as such in the Trust Agreement.

“Expenses” shall mean all costs of issuing the Bonds and the Local Obligations and all administrative costs of the Authority that are charged directly or apportioned to the administration of the Local Obligations and the Bonds, such as salaries and wages of employees, audits, overhead and taxes (if any), legal and financial consultant fees and expenses, amounts necessary to pay to the United States of America or otherwise to satisfy requirements of the Code in order to maintain the tax-exempt status of the Bonds, and compensation, reimbursement and indemnification of the Trustee, together with all other reasonable and necessary costs of the Authority or charges required to be paid by it to comply with the terms of any refunding escrow agreement, the Trust Agreement, or the Bonds or in connection with the acquisition of the Local Obligations.

“Expense Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Fiscal Year” shall mean the fiscal year of the Authority, which as of the date of the Trust Agreement is the period commencing on July 1 in each calendar year and ending on June 30 in the following calendar year.

“Funds” shall mean, collectively, the Revenue Fund, the Interest Fund, the Principal Fund, the Bond Redemption Fund, the Reserve Fund, the Local Obligation Fund, the Expense Fund, the Surplus Fund and the Rebate Fund, including all accounts therein.

“Government Obligations” shall mean and include any of the following securities:

1. Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. These include, but are not limited to:

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

- State and Local Government Series
  - Veterans Administration: Guaranteed REMIC Pass-through Certificates
2. Obligations of government-sponsored agencies that are not backed by the full faith and credit of the U.S. government:
- Federal Home Loan Mortgage Corp. (FHLMC): Debt obligations
  - Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives): Consolidated systemwide bonds and notes
  - Federal Home Loan Banks (FHL Banks): Consolidated debt obligations
  - Federal National Mortgage Association (FNMA): Debt obligations
  - Student Loan Marketing Association (FNMA): Debt obligations
  - Financing Corp. (FICO): Debt obligations
  - Resolution Funding Corp. (REFCORP): Debt obligations
  - U.S. Agency for International Development (U.S. A.I.D.): Guaranteed notes; provided that such securities mature at least 4 business days prior to the date invested funds are required to be available under the Trust Agreement.

3. Stripped securities where the principal-only and interest-only strips of noncallable obligations are issued by the U.S. Treasury and REFCORP securities stripped by the Federal Reserve Bank of New York.

“Interest Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Interest Payment Date” shall mean March 2 and September 2 in each year, commencing on March 2, 2015.

“Investment Securities” shall mean and include any of the following securities, to the extent permitted by the laws of the State:

(i) Direct obligations (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and obligations of the Government National Mortgage Association), or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(ii) Bonds, debentures or notes or other evidence of indebtedness payable in cash issued by the United States Treasury which represents the full faith and credit of the United States of America or the following Federal agencies: Federal Home Loan Bank, Export Import Bank of the United States, Federal Financing Bank, Federal Farm Credit Bank, Farmer’s Home Administration, Federal Housing Administration, Maritime Administration, Public Housing Corporation, Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.



(iii) Certificates of deposit issued by commercial banks, state banking corporations (including the Trustee or any of its affiliates), savings and loan associations and mutual savings banks and properly secured at all times by collateral security described in (i) or (ii) above and rated at least “A/A2” or better by S&P or Moody’s.

(iv) The following investments fully insured by the Federal Deposit Insurance Corporation (“FDIC”): (a) certificates of deposit, (b) savings accounts, (c) deposit accounts, or (d) depository receipts of banks, state banking corporations (including the Trustee or any of its affiliates), savings and loan associations and mutual savings banks.

(v) Repurchase agreements or collateralized investment agreements with banks, state banking corporations, savings and loan associations, or any broker-dealer with “retail customers” which falls under the jurisdiction of the Securities Investors Protection Corporation (SIPC), provided that: (a) the collateralization is at least one hundred six percent (106%), valued monthly, with remaining terms and maturities less than or equal to one year, (b) the Trustee or a third party on behalf of the Trustee will have possession of such obligations, (c) the Trustee will have perfected a first priority security interest in such obligations, (d) such obligations are free and clear of claims of third parties, and (e) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral, and (f) eligible collateral will include: (I) direct obligations of the Department of the Treasury of the United States of America, (including obligations of the Government National Mortgage Association), and (II) bonds, debentures or notes or other evidence of indebtedness payable in cash issued by any one or a combination of any of the following federal agencies: the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

(vi) Money market funds rated at least “A/A2” or better by S&P or Moody’s, or money market funds comprised of obligations described in clause (i) above (or repurchase agreements or interest rate swap agreements collateralized by such obligations) including funds for which the Trustee, its parent and affiliates provide investment advisory or other management services.

(vii) Investment agreements or contracts issued by entities whose long-term debt or claims paying ability of which are rated in one of the top two long-term rating categories by S&P or Moody’s in form acceptable to the Authority, provided that any such contract or agreement shall in any event provide that if the investment rating assigned to the long term unsecured debt obligations of the financial institution by S&P or Moody’s falls below “A” or “A2”, respectively,, the Trustee shall require immediate repayment of all funds invested thereunder.

(viii) Tax-exempt obligations rated in either of the two highest rating categories by S&P or Moody’s, including money market funds comprised solely of such obligations.

(ix) The Local Agency Investment Fund (Sections 53600-53609 of the Government Code of the State of California), as now in effect or as may be amended or recodified from time to time; provided, that such investment is held in the name and to the credit of the Trustee; and provided further, that the Trustee may restrict such investment if required to keep monies available for the purposes of the Trust Agreement.

(x) Commercial paper rated in the highest short-term rating category, as provided by Moody’s Investors Service, Inc. and Standard & Poor’s Corporation; provided that the issuing corporation is organized and operating within the United States, has total assets in excess of \$500

million and has an “A” or higher rating for its long-term debt, if any, as provided by Moody’s or Standard & Poor’s.

(xi) Forward Purchase Agreements - The Program Administrator may direct the Trustee to enter into Forward Purchase Agreements subject to the following requirements (a) The Program Administrator may provide letters of direction and representation to the Trustee and to the provider of each Forward Purchase Agreement; and (b) Each Forward Purchase Agreement shall only provide for the purchase by the Trustee of investments described under paragraphs i, ii and x of Investment Securities above, at the times and in the amounts deemed appropriate by the Program Administrator for the applicable bond reserve or debt service fund.

“Lien Amount” means, with respect to any Assessed Parcel, the sum of (A) the aggregate principal amount of the Local Obligations attributable to such Assessed Parcel plus (B) the aggregate principal amount of bonds, notes or other evidences of indebtedness other than the Local Obligations then outstanding and payable from assessments or reassessments to be levied on such Assessed Parcel, plus (C) a portion of the aggregate principal amount of bonds, notes or other evidences of indebtedness issued under the Mello-Roos Community Facilities District Act of 1982 and payable at least partially from special taxes to be levied on the Assessed Parcel (except to the extent such special taxes are made expressly subordinate to the assessments securing Local Obligations) (the “Other Mello-Roos Bonds”) equal to the aggregate principal amount of the Other Mello-Roos Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other Mello-Roos Bonds on the Assessed Parcel and the denominator of which is the total amount of special taxes levied for the Other Mello-Roos Bonds on all parcels of land securing the Other Mello-Roos Bonds (such fraction to be determined based upon the maximum special taxes which could be levied the year in which maximum annual debt service on the Other Mello-Roos Bonds occurs), based upon information from the most recent available fiscal year.

“Local Obligation Fund” shall mean the fund by that name established pursuant to the Trust Agreement.

“Local Obligation Revenue” shall mean all moneys collected and received by the Authority on account of unpaid assessments, or reassessments, or securing Local Obligations including amounts collected in the normal course via the County property tax roll and thereafter remitted to the Authority, Property Owner Prepayments, and amounts received by the Authority or a result of superior court foreclosure proceedings brought to enforce payment of delinquent installments, but excluding therefrom any amounts explicitly included therein on account of collection charges, administrative cost charges, or attorneys fees and costs paid as a result of foreclosure actions.

“Local Obligations” shall mean the Limited Obligation Improvement Bonds for the Assessment District issued under the Trust Agreement and under the Local Obligation Statute.

“Local Obligation Statute” shall mean the Improvement Bond Act of 1915, Division 10 of the Streets and Highways Code (being Section 8500 and following thereof) and the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the Streets and Highways Code), as applicable.

“Maximum Annual Bond Debt Service” shall mean the largest Annual Bond Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

“Moody’s” means Moody’s Investors Service, and its successors.

“Nominee” shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Trust Agreement.

“Officer’s Certificate” shall mean a certificate signed by an Authorized Officer.

“Opinion of Bond Counsel” shall mean a legal opinion signed by Bond Counsel.

“Outstanding” shall mean, with respect to the Bonds or Local Obligations, as the case may be, and as of any date, the aggregate of Bonds or Local Obligations authorized, issued, authenticated and delivered under the Trust Agreement, except:

- (a) Bonds or Local Obligations canceled or surrendered to the Trustee for cancellation;
- (b) Bonds or Local Obligations deemed to have been paid; and
- (c) Bonds or Local Obligations in lieu of or in substitution for which other Bonds or Local Obligations shall have been authenticated and delivered pursuant to the Trust Agreement.

“Owner” shall mean, as of any date, the Person or Persons in whose name or names a particular Bond shall be registered on the Bond Register as of such date.

“Participants” shall mean those broker-dealers, banks and other financial institutions from time to time for which the Depository holds the Bonds as securities depository.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Principal Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Principal Installment” shall mean, depending on context: (1) the principal amount of Outstanding Bonds due on any Principal Payment Date, including any mandatory term Bond redemptions; (2) the principal amount of Outstanding Local Obligations due on any Principal Payment Date, including any mandatory term bond redemptions; or (3) the principal portion of the annual assessment installments to be collected on the secured property tax bills of the Assessed Parcels.

“Principal Payment Date” shall mean September 2 of each year commencing September 2, 2015, and ending on the last date on which any Bonds are scheduled to mature.

“Program” shall mean the Statewide Community Infrastructure Program (“SCIP”) established by the Authority and operated in accordance with the SCIP Manual.

“Property Owner Prepayments” shall mean that portion of Revenues which are initially paid to the Authority by or on behalf of a property owner to accomplish pay-off and discharge of a lien securing the Local Obligations (except the portion, if any, of such Revenues which represents accrued interest on the Local Obligations) and which are thereafter transmitted by the Authority to the Trustee, as assignee of the Authority with respect to the Local Obligations, for deposit in the Bond Redemption Fund for application in accordance with the Trust Agreement. Property Owner Prepayments do not include payments from the proceeds of any refunding bonds issued by or on behalf of the Authority.

“Rebate Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Rebate Instructions” shall mean those calculations and directions required to be delivered to the Trustee by the Authority pursuant to the Tax Certificate.

“Rebate Requirement” shall mean the Rebate Requirement defined in the Tax Certificate.

“Record Date” shall mean the fifteenth (15th) day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

“Requisition of the Authority” shall mean a requisition of the Authority delivered to the Trustee pursuant to the Trust Agreement.

“Reserve Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Reserve Requirement” shall mean, as of any date of calculation, Maximum Annual Bond Debt Service on all then Outstanding Bonds; provided, that as of the date of issuance of the Bonds, the amount required to be deposited in the Reserve Fund shall not exceed the lesser of (i) Maximum Annual Bond Debt Service on the Bonds, (ii) 125% of Average Annual Debt Service, or (iii) 10% of the amount (within the meaning of Section 148 of the Code) of the Bonds.

“Revenue Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Revenues” shall mean Local Obligation Revenues and all other amounts received by the Trustee as the payment of interest or premiums on, or the equivalent thereof, and the payment or return of principal of, or the equivalent thereof, all Local Obligations, whether as a result of scheduled payments or Property Owner Prepayments or remedial proceedings taken in the event of a default thereon, and all investment earnings on any moneys held in the Funds or accounts established under the Trust Agreement, except the Rebate Fund.

“SCIP Manual” means the reference manual for the Program adopted by the Authority, as amended from time to time.

“Secretary” shall mean the Secretary of the Authority, or the deputy thereof.

“Series” shall mean, when used with reference to the Bonds, all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Trust Agreement and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Trust Agreement.

“S&P” shall mean Standard and Poor’s Ratings Group, and its successors.

“Special Record Date” shall mean the date established by the Trustee pursuant to the Trust Agreement as a record date for the payment of defaulted interest on the Bonds.

“State” shall mean the State of California.

“Supplemental Trust Agreement” shall mean any trust agreement supplemental to or amendatory of the Trust Agreement which is duly executed and delivered in accordance with the provisions of the Trust Agreement.

“Surplus Fund” shall mean the Fund by that name established pursuant to the Trust Agreement.

“Tax Certificate” shall mean that certificate, relating to various federal tax requirements, including the requirements of Section 148 of the Code, signed by the Authority and dated the date the Bonds are issued, as the same may be amended or supplemented in accordance with its terms.

“Treasurer” shall mean the Treasurer of the Authority.

“Trust Agreement” shall mean the Trust Agreement dated as of November 1, 2014, by and between the Authority and the Trustee, pursuant to which the Bonds are to be issued, as amended or supplemented from time to time in accordance with its terms.

“Trust Estate” shall mean all of the funds, revenues and assets described under “REVENUES AND FUNDS FOR BONDS – Establishment of Funds; Pledge of Revenues and Local Obligations.”

“Trustee” shall mean Wells Fargo Bank, National Association, a national banking association, duly organized and existing under the laws of the United States, in its capacity as trustee under the Trust Agreement, and any successor as trustee under the Trust Agreement.

“Written Order,” when used with reference to the Authority, shall mean a written direction of the Authority to the Trustee signed by an Authorized Officer.

“YVWD” means the Yucaipa Valley Water District, which has adopted a resolution joining the Program and which has approved an application for financing with respect to the Assessed Parcels.

## **REVENUES AND FUNDS FOR BONDS**

*Establishment of Funds; Pledge of Revenues and Local Obligations.* The Trustee agrees under the Trust Agreement to maintain, the following special trust funds for the Bonds, which the Trustee shall keep separate and apart from all other funds and moneys held by it: the Revenue Fund, the Interest Fund, the Principal Fund, the Bond Redemption Fund, the Reserve Fund, the Expense Fund, the Local Obligation Fund, the Surplus Fund and the Rebate Fund. All of the Revenues and the Local Obligations are pledged as security for the payment of the principal of and interest and redemption premiums, if any, on the Bonds.

*Local Obligation Fund.* All Local Obligations registered in the name of the Trustee shall be deposited into the Local Obligation Fund, which the Trustee is directed to establish and maintain.

*Revenue Fund.* All Revenues, other than Revenues derived from Property Owner Prepayments (which shall be identified in writing to the Trustee by the Authority and deposited in the Bond Redemption Fund), received by the Trustee shall be deposited by the Trustee into the Revenue Fund. On each Interest Payment Date and Principal Payment Date on the Bonds, the Trustee shall transfer Revenues from the Revenue Fund for deposit into the respective funds as set forth in the Trust Agreement, the requirements of each fund to be fully satisfied, leaving no deficiencies therein, prior to any deposit into any fund later in priority.

*Interest Fund.* The Trustee shall deposit in the Interest Fund on each Interest Payment Date from the Revenue Fund an amount of Revenues which together with any amounts then on deposit in said Interest Fund is equal to the interest on the Bonds due on such date. On each Interest Payment Date, the Trustee shall pay the interest due and payable on the Bonds on such date from the Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying interest on Bonds as it shall become due and payable.

*Principal Fund.* Having first satisfied the requirements of the Trust Agreement respecting deposits in the Interest Fund, the Trustee shall next deposit in the Principal Fund before each Principal Payment Date from the Revenue Fund an amount of Revenues which, together with any amounts then on deposit in the Principal Fund (other than amounts previously deposited on account of any Bonds which have matured but which have not been presented for payment), is sufficient to pay the Principal Installments on the Bonds when due on such Principal Payment Date. The Trustee shall pay the Principal Installments when due upon presentation and surrender of the subject Bonds.

*Reserve Fund.* The Trustee shall deposit in the Reserve Fund the amounts required by the Trust Agreement. Except as provided in the paragraphs below, all moneys in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or the principal or the redemption premiums, if any, of, the Bonds; but solely in the event that insufficient moneys are available in the Interest Fund, the Principal Fund, or the Bond Redemption Fund for such purpose.

If on any date of calculation the amounts in the Reserve Fund are sufficient to pay in full all remaining installments of principal and interest on the Bonds as they become due and payable, all such amounts shall be applied as a credit against the Property Owner assessments for remaining payments due on the Local Obligations, and shall be applied to the payment of the interest on or the principal of the Local Obligations and the corresponding Bonds. The Reserve Requirement shall be reduced in an amount equal to the amount used to pay debt service on the Local Obligations and corresponding Bonds.

Except in the event the amount on deposit in the Reserve Fund is equal to the Reserve Requirement, in which case such excess amount on deposit in said Reserve Fund shall be transferred to the Local Obligation Redemption Fund, the Trustee shall retain in the Reserve Fund all earnings on amounts on deposit in the Reserve Fund which amounts shall be applied as provided above.

Notwithstanding any other provision of the Trust Agreement, the failure to maintain an amount in the Reserve Fund equal to the Reserve Requirement shall not be an Event of Default.

Having first satisfied the requirements of the Trust Agreement respecting deposits in the Interest Fund and the Principal Fund, respectively, the Trustee shall next deposit in the Reserve Fund an amount of Revenues which, together with any other amounts on deposit in the Reserve Fund, equal the Reserve Requirement.

*Expense Fund.* Having first satisfied the requirements of the Trust Agreement respecting deposits in the Interest Fund, the Principal Fund and the Reserve Fund, respectively, the Trustee shall next deposit in the Expense Fund from Revenues an amount specified in a Written Order. The Authority shall deliver to the Trustee within thirty (30) days after the beginning of each Fiscal Year a Written Order specifying the amount of Expenses it anticipates will be required to be paid in such Fiscal Year. The Authority may amend such Written Order at any time during the Fiscal Year by filing a new Written Order with the Trustee which shall supersede all previously filed Written Orders with respect to Expenses. Amounts in the Expense Fund shall be applied by the Trustee to the payment of Expenses upon receipt of a Requisition of the Authority stating the Person to whom payment is to be made, the amount and purpose of the payment and that (i) such payment is a proper charge against the Expense Fund, and (ii) such payment has not been previously paid from the Expense Fund. Any amounts remaining in the Expense Fund on the last day of each Fiscal Year shall be retained in the Expense Fund unless the Authority delivers a Written Order to the Trustee requesting that such amounts be transferred to the Authority. Any amounts so transferred shall be subject to the provisions of the Trust Agreement respecting the Bond Redemption Fund.

*Surplus Fund.* Having first satisfied the requirements of the Trust Agreement respecting deposits in the Interest Fund, Principal Fund, Reserve Fund and Expense Fund, respectively, the Trustee shall deposit the remaining amount in the Surplus Fund. On July 1 in each year, the Trustee shall first transfer to the Reserve Fund the amount necessary to bring the amount in the Reserve Fund to the Reserve Requirement, and thereafter, transfer any remaining Revenues in the Surplus Fund to the Local Obligation Redemption Fund as a credit against unpaid assessments for the following fiscal year; provided that if there are insufficient moneys in any Local Obligation Redemption Fund to pay debt service on the related Local Obligations on the following Interest Payment Date, such amounts shall not be applied as a credit against unpaid assessments but shall instead be applied make up the expected shortfall on the Local Obligation debt service payment.

*Bond Redemption Fund.* All moneys held in or transferred to the Bond Redemption Fund as a result of property owner prepayments (including any amounts transferred from the Reserve Fund in connection therewith) shall be used for the purpose of redeeming or purchasing all or a portion of the Outstanding Bonds.

The Trustee shall use amounts in the Bond Redemption Fund for the payment of the redemption price of Bonds called for redemption or the purchase price of Bonds purchased in lieu of redemption, together with accrued interest to the redemption or purchase date.

*Rebate Fund.* The Trustee agrees under the Trust Agreement to establish and maintain a fund separate from any other fund established and maintained thereunder designated the Rebate Fund. The Trustee shall deposit in the Rebate Fund, from funds made available by the Authority, the Rebate Requirement, all in accordance with Rebate Instructions received from the Authority. The Trustee will apply moneys held in the Rebate Fund as provided in the Trust Agreement and according to instructions provided by the Authority. Moneys held in the Rebate Fund are pledged to secure payment to the United States of America of the Authority's rebate liability, if any, with respect to the Bonds. The Authority and the Owners will have no rights in or claim to such moneys. The Trustee will invest all amounts held in the Rebate Fund in Investment Securities as directed in writing by the Authority and all investment earnings with respect thereto shall be deposited in the Rebate Fund.

*Revenues Derived From Property Owner Prepayments.* The Local Obligation Statute requires that amounts received by the Authority on account of Property Owner Prepayments be utilized, in accordance with the Local Obligation Statute, for the sole purpose of prior redemption of Local Obligations and not to pay current, scheduled debt service payments on the Local Obligations. Correspondingly, in order to maintain a proper matching between debt service payments on the Local Obligations and debt service payments on the Bonds, it is a requirement of the Trust Agreement that Revenues received by the Trustee which constituted Property Owner Prepayments when received by the Local Agency be utilized by the Trustee to redeem Bonds.

The Trust Agreement requires that all Revenues derived from Property Owner Prepayments received by the Trustee shall be immediately deposited in the Bond Redemption Fund to be used to redeem Bonds.

## **THE LOCAL OBLIGATIONS**

*Issuance of Local Obligations.* The Local Obligations will be issued for the Assessment District as provided in the Trust Agreement upon the security of the aggregate amount of unpaid assessments (together with the interest thereon) and will represent and be secured by said assessments in accordance with the provisions of the Local Obligations Statute pursuant to the provisions of the Resolution of Intention adopted by the Commission of the Authority and proceedings taken thereunder.

*Registration and Denominations.* The Local Obligations will be issued as fully registered bonds, registered in the name of the Trustee.

*Pledge of Assessments to Local Obligations.* The unpaid assessments for the Assessment District, as determined by the Authority, together with interest thereon computed at the rate specified in the Local Obligations, shall, in accordance with and consistent with the Local Obligation Statute, remain and constitute a trust fund for the redemption and payment of the principal of the Local Obligations and for the interest due thereon, and said assessments and each installment thereof and the interest and penalties thereon shall constitute a lien against the lots and parcels of land on which they are made until paid. The Treasurer shall annually make a record in his or her office showing the several installments of principal and interest on said assessments which are to be collected in each year during the term of the Local Obligations and shall transmit such record to the Auditor-Controller of the County; and an annual installment of said unpaid assessments shall be payable and shall be collected in each year corresponding in amount to the amount of the Local Obligations unpaid and to accrue that year, which amount shall be at least sufficient to pay the Local Obligations as the same become due, and an annual installment of interest on said unpaid assessments shall be payable and shall be collected in each year corresponding in amount to the amount of interest which will accrue on the Local Obligations outstanding for such year, which amount shall be sufficient to pay the interest thereon that shall become due in the next succeeding March and September. The annual portion of said unpaid assessments coming due in any year, together with the annual interest on such assessments, shall be payable in the same manner and at the same time and in the same number of installments as the general taxes on real property in the County are payable, and said unpaid assessment installments and said annual interest on said unpaid assessments shall be payable and become delinquent on the same dates and bear the same proportionate penalties and interest after delinquency as do general taxes on real property in the County.

***Foreclosure Covenant.* The Authority covenants in the Trust Agreement that it will monitor the payment of assessment installments payable with respect to each Assessed Parcel and will send delinquency notices to owners of Assessed Parcels as provided in the SCIP Manual adopted by the Authority, as amended from time to time (the "SCIP Manual"). Notwithstanding any other provision of the Trust Agreement or of the SCIP Manual, in the event any assessment installments are not paid by November 1 (with respect to all installments delinquent after either the preceding December 10 or April 10), the Authority covenants that it will within 10 business days order, and will thereafter diligently prosecute, judicial foreclosure proceedings upon such delinquencies, which foreclosure proceedings shall be commenced and prosecuted without regard to available surplus funds of the Authority. Pursuant to Section 8831 of the Streets and Highways Code, the Authority shall be entitled to reasonable attorney's fees from the proceeds of any foreclosure sale.**

*Local Obligation Redemption Fund.* There is created and established under the Trust Agreement a separate fund for the Local Obligations to be known as the "Local Obligation Redemption Fund" which fund shall be kept by the Trustee and shall constitute a trust fund for the benefit of the registered owners of the Local Obligations. All sums received by the Treasurer which are received from the collection of unpaid assessments (except for those amounts allocable to administrative expenses), and of the interest and penalties thereon, shall upon receipt be immediately transferred to the Trustee and deposited in said fund. All sums to become due for the principal of and the interest on the Local Obligations shall be withdrawn by the Trustee from said fund for use for the payment of the principal of and the interest on the Local Obligations, and the Local Obligations and the interest thereon shall not be paid out of any other funds.

There is created and established within the Local Obligation Redemption Fund a Prepayment Account. The owner of an Assessed Parcel may prepay the assessment and remove the lien of the same from the Assessed Parcel by paying to the Authority the sum of the following amounts: (a) the amount of



any delinquent installments of principal and interest, together with penalties accrued to the date of prepayment; (b) the unpaid, non-delinquent principal of the assessment, including principal posted to the tax roll for the current fiscal year but not yet paid; (c) an allowance for redemption premium, calculated by multiplying the amount of the unmatured principal (exclusive of principal due during the fiscal year of prepayment) by the redemption premium, being three percent (3%), of the principal amount so prepaid; (d) a reasonable fee, to be fixed by the Authority, for the cost of administering the prepayment and the advance redemption of Local Obligations; (e) interest accrued to the next statutory call date for the Local Obligation Bonds (which is the next Interest Payment Date) which is not less than 90 days after the date of prepayment; and (f) less a credit for the Reserve Fund calculated to be an amount equal to the ratio of the total amount initially deposited to the Reserve Fund to meet the Reserve Requirement with respect to the Local Obligations to the total amount originally assessed in the proceedings for the issuance of the Local Obligations, as specified in an Officer's Certificate to be delivered to the Trustee upon such prepayment pursuant to the Trust Agreement. Upon receiving any prepayment of an assessment, the Authority shall disburse the amount thereof as follows: (a) the administrative fee shall be applied by the Authority to pay administrative costs; (b) delinquent principal, interest and penalties shall be deposited in the Local Obligation Redemption Fund unless the Reserve Fund has been depleted on account of the delinquencies, in which case the delinquent amounts and penalties shall be deposited instead in the Reserve Fund; (c) the installment of principal due in the fiscal year of prepayment shall be deposited in the Local Obligation Redemption Fund; (d) interest accrued to the next Interest Payment Date shall be deposited in the Local Obligation Redemption Fund; and (e) the balance of such prepayment shall be deposited in the Prepayment Account to be used to advance the maturity of Local Obligations to the next redemption date as provided in Part 11.1 of the Local Obligation Statute.

All moneys in the Local Obligation Redemption Fund shall be invested in Investment Securities maturing (or otherwise available for withdrawal at par without penalty) not later than the date on which such moneys are required for disbursement as provided in the Trust Agreement, and all interest earned on such investments shall be credited to said fund. All surplus remaining in said fund after payment of all Local Obligations and the interest thereon shall be applied as directed by the Authority in accordance with the Local Obligation Statute.

*Local Agency Account.* The Trustee shall transfer from the proceeds of the Local Obligations and certain other funds, the amounts specified in the Trust Agreement for deposit to the Custody Account. The Authority will account for such funds in the Local Agency Account and subaccounts therein, as provided in the SCIP Manual.

Amounts on deposit in the Local Agency Account therein shall be invested and disbursed in accordance with the terms of the SCIP Manual. Amounts in the Custody Account shall be the property of the YVWD, and shall not be available to the Authority, the Trustee or the Owners for any purpose.

*Defeasance of Local Obligations.* The Local Obligations may be refunded and defeased pursuant to the provisions of the Local Obligation Statute.

*Issuance of Parity Local Obligations.* The Authority may not issue any additional local obligations on a parity with the Local Obligations.

## **SECURITY FOR AND INVESTMENT OF MONEYS**

*Security.* All moneys required to be deposited with or paid to the Trustee in any of the Funds (other than the Rebate Fund, the Custody Account and the Local Agency Account) referred to in any provision of the Trust Agreement shall be held by the Trustee in trust, and except for moneys held for the

payment or redemption of Bonds or the payment of interest on Bonds, shall, while held by the Trustee, shall be subject to the lien and pledge created thereby.

*Investment of Funds.* So long as the Bonds are Outstanding and there is no default under the Trust Agreement, moneys on deposit to the credit of the Local Obligation Redemption Fund, the Revenue Fund, the Interest Fund, the Principal Fund, the Reserve Fund, the Rebate Fund, the Expense Fund the Bond Redemption Fund and all accounts within such funds shall, at the request of an Authorized Officer of the Authority, be invested by the Trustee in Investment Securities having maturities or otherwise providing for availability of funds when needed for purposes of the Trust Agreement.

Notwithstanding anything to the contrary contained in the Trust Agreement, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the Fund (or account) from which such accrued interest was paid. The securities purchased with the moneys in each such Fund shall be deemed a part of such Fund.

Investments in the Revenue Fund, the Interest Fund, the Principal Fund, the Reserve Fund, the Bond Redemption Fund and the Local Obligation Redemption Fund, may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Trust Agreement for transfer to or holding in particular Funds amounts received or held by the Trustee; provided, that the Trustee shall at all times account for such investments strictly in accordance with the Funds to which they are credited and otherwise as provided in the Trust Agreement.

All earnings on the investment of the moneys on deposit in any fund shall remain a part of such fund; provided that, in the event the amount on deposit in the Reserve Fund is equal to the Reserve Requirement, then such excess amount on deposit in the Reserve Fund shall be transferred to the Local Obligation Redemption Fund.

## **COVENANTS OF THE AUTHORITY**

*Payment of Bonds; No Encumbrances.* The Authority shall cause the Trustee to promptly pay, from Revenues and other funds derived from the trust estate pledged under the Trust Agreement, the principal of and redemption premium, if any, on and the interest on every Bond issued under and secured by the Trust Agreement at the place, on the dates and in the manner specified therein and in such Bonds according to the true intent and meaning thereof. The Authority shall not issue any bonds, notes or other evidences of indebtedness or incur any obligations payable from or secured by the Revenues or the Local Obligations, other than the Bonds and any refunding bonds issued pursuant to the Trust Agreement.

*Enforcement and Amendment of Local Obligations.* The Authority and Trustee shall enforce all of their rights with respect to the Local Obligations to the fullest extent necessary to preserve the rights and protect the security of the Owners under the Trust Agreement.

The Authority and the Trustee may, without the consent of or notice to the Owners consent to any amendment, change or modification of any Local Obligation that may be required (a) to conform to the provisions of the Trust Agreement (including any modifications or changes contained in any Supplemental Trust Agreement), (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of such Local Obligation, (d) in connection with any other change therein which is not to the material prejudice of the Trustee or the Owners of the Bonds pursuant to an Opinion of Bond Counsel, (e) in the Opinion of Bond Counsel, to preserve or assure the exemption of interest on the Bonds from federal income taxes or the exemption from California personal income tax or (f) any other amendment to the Local Obligation

(or consent to any change or modification of the Assessment District), including a change to the method of apportionment of assessments, provided, that the following conditions are met:

(a) no territory outside the exterior boundaries of the Assessment District (as originally formed) may be assessed to secure any Local Obligation;

(b) the Trustee shall have received a certificate of the Cash Flow Consultant to the effect that, after giving effect to the change or modification, the value of each Assessed Parcel as shown by an Appraisal is at least equal to three (3.0) times the Lien Amount; and

(c) the owners of 100% of the Assessed Parcels affected by such change have consented in writing to such change.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee shall consent to any amendment, change or modification of any Local Obligation without the mailing of notice and the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and procured as provided in this section. If at any time the Authority shall request the consent of the Trustee to any such proposed amendment, change or modification of a Local Obligation, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be mailed to the Owners. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file with the Trustee for inspection by all Owners. Nothing contained in this section shall be construed to prevent the Trustee, with the consent of the Authority, from settling a default under any Local Obligation on such terms as the Trustee may determine to be in the best interests of the Owners.

*Further Documents.* The Authority covenants that it will from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of the Trust Agreement; provided, that no such instruments or actions shall pledge the faith and credit or the taxing power of the State or any political subdivision of the State.

*Tax Covenants.* The Authority will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code.

If the Authority shall provide to the Trustee an Opinion of Bond Counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds, the Trustee and the Authority may conclusively rely on such Opinion in complying with the requirements of this section, and the covenants under the Trust Agreement shall be deemed to be modified to that extent.

The provisions of the Trust Agreement regarding tax covenants shall survive the defeasance of the Bonds.

*No Additional Liens.* The Authority will not create any additional assessment or special tax lien on the Assessed Parcels in the Assessment District unless the appraised or assessed value of the property is at least four (4) times the amount of the Assessments plus all other assessments and special taxes on the property, including the proposed assessment or special tax

*Maintenance of Existence.* The Authority shall maintain the existence, powers and authority of the Authority as a joint powers authority under California law.

*Continuing Disclosure.* The Authority and the Trustee covenant and agree in the Trust Agreement that they will comply with and carry out all of their respective obligations under the Continuing Disclosure Agreement. See APPENDIX B – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

## **DEFAULTS AND REMEDIES**

*Events of Default.* The following shall constitute “Events of Default” under the Trust Agreement:

- (a) if payment of interest on the Bonds shall not be made when due; or
- (b) if payment of any Principal Installment shall not be made when due and payable, whether at maturity, by proceedings for redemption, or otherwise; or
- (c) if the Authority shall fail to observe or perform in any material way any other agreement, condition, covenant or term contained in the Trust Agreement on its part to be performed, and such failure shall continue for sixty (60) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Authority, as the case may be, by the Trustee or by the Owner(s) of not less than a majority in aggregate principal amount of the Bonds Outstanding, provided, that if such default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected.

*Proceedings by Trustee; No Acceleration.* Upon the happening and continuance of any Event of Default, the Trustee at the written request of the Owners of not less than a majority in aggregate principal amount of Bonds Outstanding shall (but only if indemnified to its satisfaction from any liability, expenses or costs), do the following:

- (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, including the right to receive and collect the Revenues;
- (b) bring suit upon or otherwise enforce any defaulting Local Obligation;
- (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners;
- (d) as a matter of right, have a receiver or receivers appointed for the Trust Estate and of the earnings, income, issues, products, profits and revenues thereof pending such proceedings, with such powers as the court making such appointment shall confer; and
- (e) take such action with respect to any and all Local Obligations or Investment Securities as the Trustee shall deem necessary and appropriate, subject to the limitations of the Trust Agreement.

The Trustee shall have no right to declare the principal of all of the Bonds then Outstanding, or the interest accrued thereon, to be due and payable immediately.

*Effect of Discontinuance or Abandonment.* In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason, or shall have been

determined adversely to the Trustee, then and in every such case the Trustee and the Owners shall be restored to their former positions and rights under the Trust Agreement, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

*Rights of Owners.* Anything in the Trust Agreement to the contrary notwithstanding, subject to certain limitations and restrictions as to the rights of the Owners set forth in the Trust Agreement, upon the happening and continuance of any Event of Default, the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Trust Agreement.

The Trustee may refuse to follow any direction that conflicts with law or the Trust Agreement or that the Trustee determines is prejudicial to rights of other Owners or would subject the Trustee to personal liability without adequate indemnification therefor.

*Restriction on Owner's Action.* In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in this article, no Owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Trust Agreement, or any other remedy under the Trust Agreement or on the Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as provided above and unless the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee to institute any such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Trust Agreement, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case to be conditions precedent to the execution of the trusts of the Trust Agreement or for any other remedy under the Trust Agreement, it being understood and intended that no one or more Owners of the Bonds secured by the Trust Agreement shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Trust Agreement, or to enforce any rights under the Trust Agreement or under the Bonds, except in the manner provided in the Trust Agreement, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Trust Agreement, and for the equal benefit of all Owners of Outstanding Bonds; subject, however, to the provisions of this section. Notwithstanding the foregoing provisions of this section or any other provision of the Trust Agreement, the obligation of the Authority shall be absolute and unconditional to pay, but solely from the Trust Estate, the principal of and the redemption premiums, if any, on and the interest on the Bonds to the respective Owners thereof at the respective due dates thereof, and nothing in the Trust Agreement shall affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

*Power of Trustee to Enforce.* All rights of action under the Trust Agreement or under any of the Bonds secured by the Trust Agreement which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Trustee shall be brought in its own name, as Trustee, for the equal and ratable benefit of the Owners subject to the provisions of the Trust Agreement.

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

*Waiver of Events of Default; Effect of Waiver.* Upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding Bonds the Trustee shall waive any Event of Default under the Trust Agreement and its consequences. The Trustee may waive any Event of Default under the Trust Agreement and its consequences at any time. If any Event of Default shall have been waived, the Trustee shall promptly give written notice of such waiver to the Authority and shall give notice thereof by first class mail, postage prepaid, to all Owners of Outstanding Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

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

*Application of Moneys.* Any moneys received by the Trustee as a result of an enforcement of one or more remedies as described above, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel incurred in representing the Owners, be applied as follows:

- (a) unless the principal of all of the Outstanding Bonds shall be due and payable,

FIRST - To the payment of the Owners entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, and if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

SECOND - To the payment of the Owners entitled thereto of the unpaid principal of and redemption premiums, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Trust Agreement) in the order of their due dates, and if the amount available shall not be sufficient to pay in full the principal of and redemption premiums, if any, on such Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the Persons entitled thereto without any discrimination or privilege; and

THIRD - To be held for the payment to the Owners entitled thereto as the same shall become due of the principal of and redemption premiums, if any, on and interest on the Bonds which may thereafter become due, either at maturity or upon call for redemption prior to maturity, and if the amount available shall not be sufficient to pay in full such principal and redemption premiums, if any, due on any particular date, together with interest then due and owing thereon, payment shall be made in accordance with the FIRST and SECOND paragraphs hereof.

- (b) if the principal of all of the Outstanding Bonds shall be due and payable, to the payment of the principal and redemption premiums, if any, and interest then due and unpaid upon the Outstanding Bonds without preference or priority of any of the principal of or the redemption premium, if any, on any

Outstanding Bond over any other Outstanding Bond or of any interest on any Outstanding Bond over any other Outstanding Bond, ratably, according to the amounts due respectively for principal and redemption premiums, if any, and interest, to the Owners entitled thereto without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Bonds.

(c) After having first satisfied all obligations to Owners of Bonds pursuant to subsections (a) and (b) above, then any remaining moneys received by the Trustee pursuant to this section shall be transferred to the Authority.

(d) Whenever moneys are to be applied as described in this section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

## **THE TRUSTEE**

*Appointment and Acceptance of Duties.* The Trustee accepts and agrees to the trusts created under the Trust Agreement, to all of which the Authority agrees and the respective Owners of the Bonds, by their purchase and acceptance thereof, agree.

*Duties, Immunities and Liability of Trustee.* The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Trust Agreement, and no implied duties or obligations shall be read into the Trust Agreement against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

The Authority may, in the absence of an Event of Default, and upon receipt of an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, shall, remove the Trustee by giving written notice of such removal to the Trustee, and thereupon the Authority shall promptly appoint a successor Trustee by an instrument in writing.

The Trustee may, subject to certain limitations set forth below, resign by giving written notice of such resignation to the Authority and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the Bond Register. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

Any Trustee appointed under the provisions of this section shall be a trust company or bank having the powers of a trust company, having a corporate trust office in California, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible, the Trustee shall resign immediately in the manner and with the effect specified in this section.

No provision in the Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any duties thereunder. The Trustee shall be entitled to interest on all moneys advanced by it under the Trust Agreement at its prime rate then in effect plus two percent.

In accepting the trust created by the Trust Agreement, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

The Trustee makes no representation or warranty, express or implied, as to the compliance with legal requirements of the use contemplated by the Authority of the funds under the Trust Agreement including, without limitation, the purchase of the Local Obligations under the Trust Agreement; provided, however, that the Trustee shall not acquire Local Obligations other than pursuant to the requirements of the Trust Agreement.

The Trustee shall not be responsible for the validity or effectiveness or value of any collateral or security securing any Local Obligation. The Trustee shall not be responsible for the recording or filing of any document relating to this Agreement or any Local Obligation or of financing statements (or continuation statements in connection therewith) or mortgage or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests or lien on or in any collateral or security securing any Local Obligation. The Trustee shall not be deemed to have made representations as to the security afforded thereby or as to the validity or sufficiency of any such document, collateral or security.

The Trustee shall not be deemed to have knowledge of any Event of Default under the Trust Agreement unless and until it shall have actual knowledge thereof at its corporate trust office in San Francisco, California.

The Trustee shall not be accountable for the use or application by the Authority or any other party of any funds which the Trustee has released under the Trust Agreement.

The Trustee shall provide a monthly accounting of all Funds held pursuant to the Trust Agreement (and all funds held by the Trustee as trustee or fiscal agent pursuant to any Local Obligation) to the Authority within fifteen (15) Business Days after the end of such month and shall provide statements of account for each annual period beginning July 1 and ending June 30, within 90 days after the end of such period. Such accounting shall show in reasonable detail all financial transactions during the accounting period and the balance in any Funds and accounts (including the Local Obligation Fund) created under the Trust Agreement as of the beginning and close of such accounting period.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or



consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the Trust Agreement, shall succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act.

### **MODIFICATION OF TRUST AGREEMENT AND SUPPLEMENTAL TRUST AGREEMENTS**

*Supplemental Trust Agreements Without Consent of Owners.* The Authority may, without the consent of the Owners, enter into a Supplemental Trust Agreement or Supplemental Trust Agreements, which thereafter shall form a part of the Trust Agreement, for any one or more of the following purposes:

(a) to add to the agreements and covenants of the Authority contained in the Trust Agreement other agreements and covenants thereafter to be observed, or to surrender any right or power in the Trust Agreement reserved to or conferred upon the Authority; provided, that no such agreement, covenant or surrender shall materially adversely affect the rights of any Owner;

(b) to cure any ambiguity, to supply any omission or to cure, correct or supplement any defect or inconsistent provisions contained in the Trust Agreement or in any Supplemental Trust Agreement;

(c) to make any change which does not materially adversely affect the rights of any Owner;

(d) to grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority;

(e) to subject to the Trust Agreement additional collateral or to add other agreements of the Authority;

(f) to modify the Trust Agreement or the Bonds to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States of America; or

(g) to evidence the succession of a new Trustee.

The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment of the Trust Agreement any particular Bond would be affected by any modification or amendment of the Trust Agreement and any such determination shall be binding and conclusive on the Authority, the Authority and all Owners of Bonds. For all purposes of this section, the Trustee shall be entitled to rely upon and shall be fully protected in relying upon an Opinion of Bond Counsel, in form and substance satisfactory to it, with respect to the extent, if any, to which any action affects the rights under the Trust Agreement of any Owner.

Supplemental Trust Agreements With Consent of Owners. Any modification or alteration of the Trust Agreement or of the rights and obligations of the Authority, the Authority or the Owners of the Bonds may be made with the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding; provided, that no such modification or alteration shall be made which will reduce the percentage of aggregate principal amount of Bonds the consent of the Owners of which is required for any such modification or alteration, or permit the creation by the Authority of any lien prior to or on a parity with the lien of the Trust Agreement upon the Trust Estate or which will affect

the times, amounts and currency of payment of the principal of or the redemption premiums, if any, on or the interest on the Bonds or affect the rights, duties or obligations of the Trustee without the consent of the party affected thereby.

## **DEFEASANCE**

*Defeasance.* If and when the Bonds shall become due and payable in accordance with their terms or through redemption proceedings as provided in the Trust Agreement, or otherwise, and the whole amount of the principal and the redemption premiums, if any, and the interest so due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable under the Trust Agreement by the Authority, including all fees and expenses of the Trustee, then and in that case, the Trust Agreement and the lien created thereby shall be completely discharged and satisfied and the Authority shall be released from the agreements, conditions, covenants and terms of the Authority contained in the Trust Agreement, and the Trustee shall assign and transfer all property (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances as provided in the Trust Agreement and shall execute such documents as may be reasonably required by the Trustee or the Authority in this regard.

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

*Bonds Deemed to Have Been Paid.* If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bonds and the interest installments therefor at the maturity or redemption date thereof, such Bonds shall be deemed to be paid within the meaning and with the effect provided above. Any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed above under the subsection entitled "Defeasance" if (a) in case said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail notice of redemption of such Bonds on such redemption date, (b) there shall have been deposited with the Trustee in escrow either moneys in an amount which shall be sufficient, or noncallable Government Obligations the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as certified by a nationally recognized independent certified public accountant), to pay when due the principal of and the redemption premiums, if any, and the interest due and to become due on such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event any of such Bonds are not to be redeemed within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption, a notice to the Owners of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal of and redemption premiums, if any, on and interest on such Bonds. Neither the securities nor moneys

deposited with the Trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and redemption premiums, if any, on and interest on such Bonds; provided, that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable and at the direction of the Authority, be reinvested in Government Obligations maturing at times and in amounts, together with the other moneys and payments with respect to Government Obligations then held by the Trustee pursuant to this section, sufficient to pay when due the principal of and redemption premiums, if any, and interest to become due on such Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any earnings not needed for such purpose shall, upon receipt by the Trustee of a Written Order so directing, be paid over to the Authority as received by the Trustee free and clear of any trust, lien or pledge.

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

## APPENDIX B

### FORM OF CONTINUING DISCLOSURE AGREEMENT

**\$11,015,000**

**California Statewide Communities Development Authority  
Statewide Community Infrastructure Program Revenue Bonds  
Series 2014 (Yucaipa Valley Water Reservoir Project)**

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the California Statewide Communities Development Authority (the “Authority”) and Wells Fargo Bank, National Association (the “Trustee”) in connection with the issuance by the Authority of its Statewide Community Infrastructure Program Revenue Bonds, Series 2014 (Yucaipa Valley Water Reservoir Project) (the “Bonds”). The Bonds are being issued pursuant to a Trust Agreement dated as of November 1, 2014, between the Authority, as issuer and the Trustee (the “Trust Agreement”). The proceeds of the Bonds are being used by the Authority to fund certain Limited Obligation Improvement Bonds of the Authority (the “Local Obligations”), the proceeds of which will be used to pay the cost of certain infrastructure improvements eligible to be funded under the Municipal Improvement Act of 1913 (Division 12, commencing with Section 10000 of the Streets and Highways Code of the State of California). Pursuant to Section 8.06 of the Trust Agreement, the Authority and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (defined below). The Authority and the Trustee acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule.

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

“Annual Report” shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“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 tax purposes.

“Disclosure Representative” shall mean any Member of the Authority or his or her designee, or such other person as the Authority shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Trustee a written acceptance of such designation.

“Holder” shall mean the person in whose name any Bond shall be registered.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

### SECTION 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the Authority’s fiscal year (currently ending June 30), commencing with the report for the 2013-14 Fiscal Year (which is due not later than April 1, 2015), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided, that the audited financial statements of the Authority 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 they are not available by that date. If the Authority’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). If the Authority is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Authority shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Authority) file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The Authority’s Annual Report shall contain or include by reference the following:

(a) A schedule showing the aggregate amount of all outstanding Local Obligations, including the combined debt service schedule for all such Local Obligations.

(b) A statement of the amounts on deposit in the Reserve Fund.

(c) Information concerning any delinquencies in the payment of assessment installments securing the Local Obligations including (i) the total amount of delinquencies in each assessment district, both as a dollar amount and as a percentage of the total levy for the Fiscal Year and (ii) with respect to any delinquency of an owner which holds land subject to more than 5% of the assessment liens securing Local Obligations, the following information:

1. Assessor’s Parcel Number
2. Record owner of the parcel;

3. Amount of delinquency, including separate statement of amounts representing principal on Local Obligations, interest on Local Obligations, administrative expenses levy, penalties and interest on delinquency;
4. Due date of first delinquent installment; and
5. Status of foreclosure action, if any.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been made available to the public on the MSRB's website. The Authority 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 Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. tender offers;
7. defeasances;
8. rating changes; or
9. bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. modifications to rights of Bond holders;
3. optional, unscheduled or contingent Bond calls;
4. release, substitution, or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
7. appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Authority promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (g).

(d) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Authority shall as soon as possible determine if such event would be material under applicable federal securities laws.

(e) If the Authority learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of the occurrence of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Authority shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (g). Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Certificates pursuant to the Trust Agreement.

(f) If in response to a request under subsection (b), the Authority determines that the Listed Event described in Section 5(b) would not be material under applicable federal securities laws, the Authority shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (g).

(g) If the Trustee has been instructed by the Authority to report the occurrence of a Listed Event, the Trustee shall promptly file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Trust Agreement.

SECTION 6. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Authority's obligations under the Local Obligations are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same



manner as if it were the Authority and the original Authority shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The Authority 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 Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Authority) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority 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 Authority 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 Authority shall have no obligation under this 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 Authority or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or

any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority or the Trustee, 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 Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article X of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as set forth in Exhibit B hereto.

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Trustee, the Dissemination Agent, the Participating Underwriters, and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: November 19, 2014.

CALIFORNIA STATEWIDE COMMUNITIES  
DEVELOPMENT AUTHORITY

By \_\_\_\_\_  
Authorized Signatory

WELLS FARGO BANK, NATIONAL ASSOCIATION,  
as Trustee

By \_\_\_\_\_  
Authorized Officer

EXHIBIT A

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

Name of Issuer: CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT  
AUTHORITY

Name of Bond Issue: STATEWIDE COMMUNITY INFRASTRUCTURE PROGRAM  
REVENUE BONDS, SERIES 2014 (YUCAIPA VALLEY  
WATER RESERVOIR PROJECT)

Date of Issuance: November 19, 2014

NOTICE IS HEREBY GIVEN that the California Statewide Communities Development Authority (the "Authority") has not provided an Annual Report with respect to the above-named Bonds as required by Section 8.06 of the Trust Agreement dated as of November 1, 2014, between the Authority and the Trustee and Sections 3 and 4 of the Continuing Disclosure Agreement dated the date of issuance. The Authority anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

WELLS FARGO BANK, NATIONAL ASSOCIATION,  
on behalf of Authority

cc: Authority

**APPENDIX C**

**PROPOSED FORM OF BOND COUNSEL OPINION**

[Closing Date]

California Statewide Communities Development Authority  
Sacramento, California

California Statewide Communities Development Authority  
Statewide Community Infrastructure Program Revenue Bonds,  
Series 2014 (Yucaipa Valley Water Reservoir Project)  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Statewide Communities Development Authority (the “Issuer”) in connection with the issuance of \$11,015,000 aggregate principal amount of its Statewide Community Infrastructure Program Revenue Bonds, Series 2014 (Yucaipa Valley Water Reservoir Project) (the “Bonds”), issued pursuant to the provisions of a trust agreement, dated as of November 1, 2014 (the “Trust Agreement”), between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”) providing for the issuance, sale and delivery of the Bonds approved by a resolution of the Issuer adopted on October 9, 2014. The Bonds are issued for the purpose of enabling the Issuer to fund certain limited obligation improvement bonds of the Issuer (the “Local Obligations”), which will in turn be used to fund certain development fees to pay for public capital improvements for the Yucaipa Valley Water District (“YVWD”), to pay capitalized interest on the Bonds, to fund a reserve fund for the Bonds, and to pay costs of issuance of the Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Tax Certificate, certifications of the Issuer, the Trustee, YVWD and others, an opinion of counsel to the Trustee, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinion, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or

events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Issuer.
2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and redemption premium, if any, and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Trust Agreement (other than the Rebate Fund, the Custody Account and the Local Agency Account) and the Local Obligations, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.
3. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State of California, and said State is not liable for the payment thereof.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

## APPENDIX D

### THE BOOK-ENTRY SYSTEM

*The information in this APPENDIX D has been provided by DTC for use in securities offering documents, and the Authority takes no responsibility for the accuracy or completeness thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the beneficial owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each series and maturity of the Bonds, each in the principal amount of such series and maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any series and maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such series and maturity.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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



**APPENDIX E**

**EXCERPTS FROM ENGINEER'S REPORTS**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

**FINAL**

**ENGINEER'S REPORT**

**CALIFORNIA STATEWIDE COMMUNITIES  
DEVELOPMENT AUTHORITY**



**ASSESSMENT DISTRICT No. 14-01  
YUCAIPA VALLEY WATER DISTRICT  
COUNTY OF RIVERSIDE**

***BEGINNING FISCAL YEAR 2014-2015***

**INTENT MEETING: AUGUST 7, 2014**

**PUBLIC HEARING: OCTOBER 9, 2014**

**Prepared by**

DAVID TAUSSIG & ASSOCIATES, INC.  
2250 Hyde Street, 5th Floor  
San Francisco, California 94109  
(800) 969-4382

Public Finance  
Public Private Partnerships  
Urban Economics

---

Newport Beach  
San Francisco  
Fresno  
Riverside  
Chicago, Illinois  
Dallas, Texas

The fees which are the subject of this Report are briefly described as follows:

### **A. Development Fees**

- 1 Water Reservoir Facilities Fee (*South Calimesa Water Study, Zone 12, dated July 10, 2014*) – Water development fees to fund capital improvements to the Yucaipa Valley Water District’s water storage system.

At this time, there are no capital improvements which are the subject of this Report.

Bonds representing unpaid assessments, and bearing interest at a rate not to exceed twelve percent (12.00%) shall be issued in the manner provided by the Improvement Bond Act of 1915 (Division 10, Streets and Highways Code), and the last installment of the bonds shall not mature more than twenty-nine (29) years from the second day of September next succeeding twelve (12) months from their date.

This Report includes the following sections:

**Plans and Specifications** – Plans and specifications for improvements to be constructed. Plans and specifications are a part of this Report whether or not separately bound.

**Cost Estimate** – An estimate of the cost of the improvements.

**Assessment Roll** – An assessment roll, showing the amount to be assessed against each parcel of real property within this Assessment District and the names and addresses of the property owners. An Assessor’s Parcel number or other designation describes each parcel. Each parcel is also assigned an “assessment number” that links the Assessment Roll to the Assessment Diagram.

**Method of Assessment** – A statement of the method by which the Assessment Engineer determined the amount to be assessed against each parcel, based on special benefits to be derived by each parcel from the improvements.

**Assessment Diagram** – A diagram showing all of the parcels of real property to be assessed within this Assessment District. The diagram corresponds with the Assessment Roll by assessment number.

**Administration** – Proposed maximum annual assessment per parcel for current costs and expenses.

**Debt Limitation Report** – A debt limitation report showing compliance with Part 7.5 of Division 4 of the Streets and Highways Code.

**Summary Cost Estimate**

The estimated costs of the fees and improvements have been calculated and are shown below along with other bond financing costs. All fee information has been provided to DTA by the project proponents, the Yucaipa Valley Water District, and the SCIP Administrator.

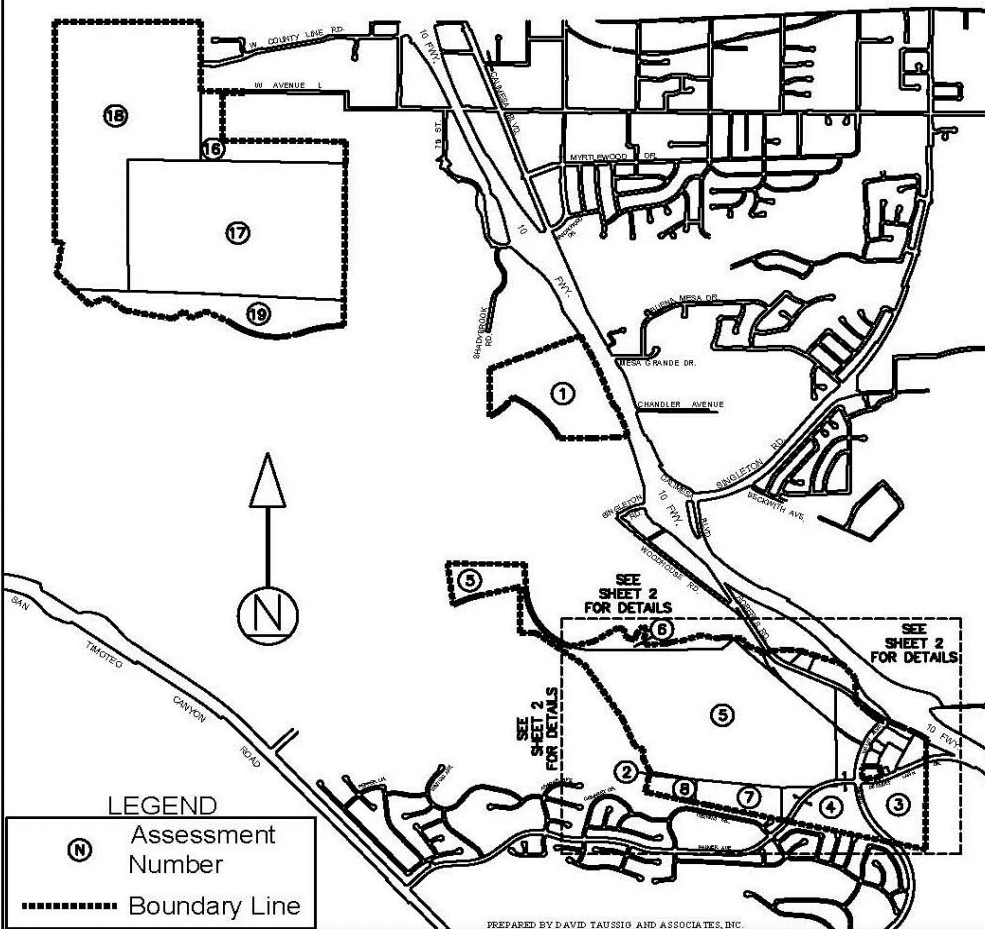
Cost Estimate					
Yucaipa Valley Water District, City of Calimesa, County of Riverside					
Developer/Description	Development Fees	Special Benefit Apportioned to Project	Total Amount (\$)	Amounts Pre-Paid by & Reimbursable to Developer	Amount Funded to Agency
<b>San Gorgonio Land</b>	\$3,657,000	100%	\$3,657,000	\$0	\$3,657,000
<b>Oak Valley Partners</b>	\$638,000	100%	\$638,000	\$0	\$638,000
<b>Mesa Verde Estates</b>	\$3,438,000	100%	\$3,438,000	\$0	\$3,438,000
<b>Northlight</b>	\$521,000	100%	\$521,000	\$0	\$521,000
<b>Subtotal</b>	<b>\$8,254,000</b>		<b>\$8,254,000</b>	<b>\$0</b>	<b>\$8,254,000</b>
<b>Professional Services</b>					
<b>San Gorgonio Land</b>					
Assessment Engineer	\$19,454		\$19,454	\$0	\$19,454
Appraiser	\$14,590		\$14,590	\$0	\$14,590
District Administration	\$24,317		\$24,317	\$0	\$24,317
<b>Oak Valley Partners</b>					
Assessment Engineer	\$1,496		\$1,496	\$0	\$1,496
Appraiser	\$1,122		\$1,122	\$0	\$1,122
District Administration	\$1,871		\$1,871	\$0	\$1,871
<b>Mesa Verde Estates</b>					
Assessment Engineer	\$18,209		\$18,209	\$0	\$18,209
Appraiser	\$13,657		\$13,657	\$0	\$13,657
District Administration	\$22,762		\$22,762	\$0	\$22,762
<b>Northlight</b>					
Assessment Engineer	\$841		\$841	\$0	\$841
Appraiser	\$631		\$631	\$0	\$631
District Administration	\$1,051		\$1,051	\$0	\$1,051
<b>Subtotal</b>	<b>\$120,000</b>		<b>\$8,374,000</b>	<b>\$0</b>	<b>\$120,000</b>
<b>Financing Costs</b>					
Bond Reserve Fund	8.00%		\$893,346	-	-
Capitalized Interest (24 Mos.)	12.00%		\$1,340,019	-	-
Legal	1.00%		\$111,668	-	-
Issuer	1.50%		\$167,502	-	-
Underwriter	2.50%		\$279,171	-	-
Contingency	0.01%		\$1,117	-	-
<b>Subtotal</b>	<b>25.01%</b>		<b>\$2,792,822</b>	<b>-</b>	<b>-</b>
<b>Total Assessment</b>			<b>\$11,166,822</b>		

A Boundary Map showing the Assessment District, including the boundaries and dimensions of the parcels, lots, or subdivisions of land within the Assessment District as they existed at the time of the passage of the Resolution of Intention, has been filed and recorded at the County of Riverside Recorder's office (Document No: 2014-0323625). Each of the subdivisions of land, parcels, or lots has been given a separate number on the Boundary Map that corresponds with the assessment number shown on the Assessment Roll.

The Assessment Diagram on the following page will be filed with the Final Engineer's Report at the time of the passage of the Resolution of Formation.

SHEET 1 OF 2

**ASSESSMENT DIAGRAM  
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
STATEWIDE COMMUNITIES INFRASTRUCTURE PROGRAM  
ASSESSMENT DISTRICT NO. 14-01  
COUNTY OF RIVERSIDE (YUCAIPA VALLEY WATER DISTRICT)  
STATE OF CALIFORNIA**



Filed this \_\_\_\_\_ day of \_\_\_\_\_, 2014, at the hour of \_\_\_\_\_ o'clock \_\_\_\_\_ m., in the book \_\_\_\_\_ of Maps of Assessment and Community Facilities Districts at page \_\_\_\_\_ in the office of the Recorder of the County of Riverside, State of California.

\_\_\_\_\_  
By Deputy,  
County Recorder, County of Riverside

Document No.: \_\_\_\_\_

Fee: \_\_\_\_\_

Filed in the office of the Secretary of the California Statewide Communities Development Authority on the \_\_\_\_\_ day of \_\_\_\_\_, 2014.

\_\_\_\_\_  
Secretary of the Authority  
California Statewide Communities Development Authority

An assessment was levied by the Commission of the California Statewide Communities Development Authority on the lots, pieces and parcels of land shown on this assessment diagram. Said assessment was levied on the \_\_\_\_\_ day of \_\_\_\_\_, 2014; said assessment diagram and the assessment roll were recorded in the office of the Superintendent of Streets, of the California Statewide Communities Development Authority, on the \_\_\_\_\_ day of \_\_\_\_\_, 2014. Reference is made to the assessment roll recorded in the office of the Superintendent of Streets, for the exact amount of each assessment levied against each parcel of land shown on this diagram.

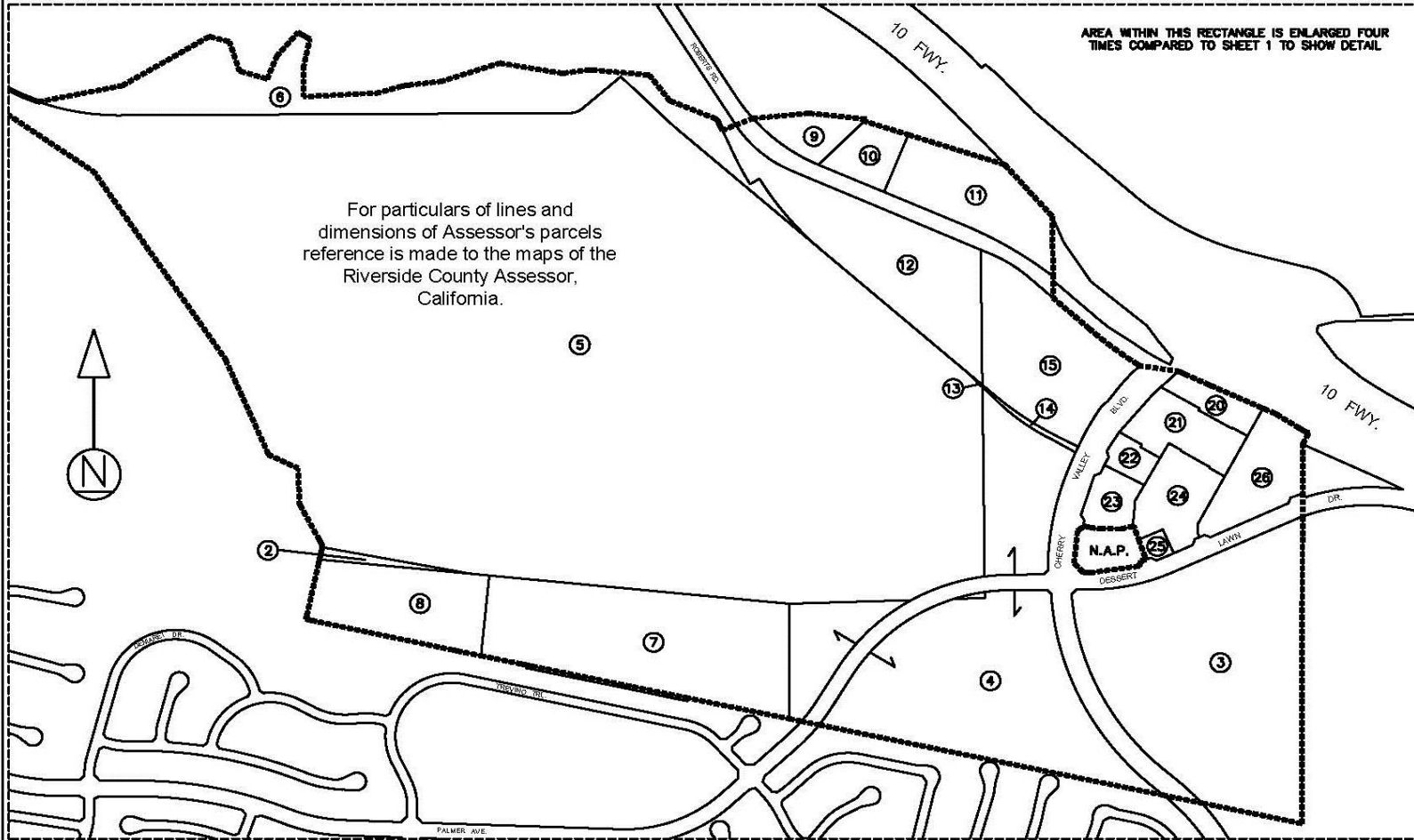
\_\_\_\_\_  
Secretary of the Authority  
California Statewide Communities Development Authority

Recorded in the office of the Superintendent of Streets of the California Statewide Communities Development Authority on the \_\_\_\_\_ day of \_\_\_\_\_, 2014.

\_\_\_\_\_  
Superintendent of Streets of the  
California Statewide Communities Development Authority

SHEET 2 OF 2

**ASSESSMENT DIAGRAM  
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
STATEWIDE COMMUNITIES INFRASTRUCTURE PROGRAM  
ASSESSMENT DISTRICT NO. 14-01  
COUNTY OF RIVERSIDE (YUCAIPA VALLEY WATER DISTRICT)  
STATE OF CALIFORNIA**



	Assessment Number	Assessor Parcel Number
San Geronimo Land	1	413200058
	2	413290010
	3	413290035
	4	413290036
	5	413290037
	6	413290038
Oak Valley Partners	7	413460038
	8	413460040
	9	413280040
	10	413280041
	11	413280042
Mesa Verde Estates	12	413290048
	13	413290034
	14	413290040
	15	413290044
	16	413040013
	17	413040017
	18	413040020
	19	413160011
	20	413780001
	Northlight	21
22		413780003
23		413780004
24		413780006
25		413780007
26		413780008



**APPENDIX F**

**EXCERPTS FROM APPRAISAL**

**(THIS PAGE INTENTIONALLY LEFT BLANK)**

# Appraisal Report

## Yucaipa Valley Water District

West of Interstate 10, between West Avenue L and  
the Morongo Golf Club at Tukwet Canyon  
Calimesa, California 92320

*California Statewide Communities Development  
Authority Assessment District No. 14-01*



**Date of Report:** September 12, 2014

### Prepared For:

Mr. Scott Carper  
Program Manager  
California Statewide Communities  
Development Authority  
2999 Oak Road, Suite 710  
Walnut Creek, California 94597

### Prepared By:

Eric A. Segal, Appraiser  
Sara Gilbertson, Appraiser



September 12, 2014

Mr. Scott Carper  
Program Manager  
California Statewide Communities  
Development Authority  
2999 Oak Road, Suite 710  
Walnut Creek, California 94597

RE: Yucaipa Valley Water District  
West of Interstate 10, between West Avenue L  
and the Morongo Golf Club at Tukwet Canyon  
Calimesa, California 92320

Mr. Carper:

At your request and authorization, Seevers • Jordan • Ziegenmeyer has prepared an Appraisal Report pertaining to the above referenced property. This report is written in conformance with the requirements set forth under Standards Rule 2-2(a) of the 2014-15 edition of the Uniform Standards of Professional Appraisal Practice (USPAP).

The appraised properties represent the undeveloped, taxable land areas situated within the boundaries of California Statewide Communities Development Authority SCIP Series 2014 Assessment District and are located west of Interstate 10, between West Avenue L to the north and the Morongo Golf Club at Tukwet Canyon to the south, within the city of Calimesa, Riverside County, California. The subject properties are held by four separate ownerships and are designated for both residential and commercial development.

The purpose of this appraisal is to provide the market values, by ownership, and cumulative (or aggregate) value of the District, subject to the hypothetical condition, which assumes the water reservoir facilities fees, which will fund capital improvements to the Yucaipa Valley Water District's water storage system, will be financed by the California Statewide Communities Development Authority SCIP Series 2014 Assessment District Bonds. The effective date of value is July 28, 2014, which was the date of inspection.

As a result of the analysis herein, it is our opinion the market values, by ownership, and cumulative (or aggregate) value of the District, subject to the Assessment lien securing the California Statewide Communities Development Authority SCIP Series 2014 Assessment District Bonds, in accordance with the aforementioned hypothetical condition, and in accordance with the definitions, certifications, general assumptions and limiting conditions set forth in the attached document (please refer to pages 7 through 9), are presented on the following page.

<b>Owner</b>	<b>Assessor's Parcels</b>	<b>Total Land (Ac.)</b>	<b>Market Value</b>
<b>San Gorgonio Land, LLC</b>	<b>413-200-058; 413-290-010, -035, -036, -037, -038; 413-460-038 &amp; -040</b>	<b>399.86</b>	<b>\$21,140,000</b>
<b>Oak Valley Partners</b>	<b>413-280-040, -041, -042; 413-290-048, -034, -040, &amp; -044</b>	<b>34.43</b>	<b>\$3,940,000</b>
<b>Mesa Verde Re Ventures</b>	<b>413-040-013, -017, -020 &amp; 413-160-011</b>	<b>401.85</b>	<b>\$18,100,000</b>
<b>Northlight Trust 1</b>	<b>413-780-001 though -004 &amp; -006 through -008</b>	<b>16.26</b>	<b>\$3,120,000</b>
<b><i>Cumulative (Aggregate) Value of the District</i></b>		<b>852.40</b>	<b>\$46,300,000</b>

We hereby certify the property has been inspected and we have impartially considered all data collected in the investigation. Further, we have no past, present or anticipated future interest in the property.

The estimate of market value provided assumes a transfer would reflect a cash transaction or terms considered to be equivalent to cash. The estimate is also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self interest and assuming neither is under duress. The estimate of market value accounts for the impact of the Assessment Lien securing the Bonds.

The subject property does not have any significant natural, cultural, recreational or scientific value. The appraiser certifies this appraisal assignment was not based on a requested minimum valuation, a specific valuation or the approval of a loan.

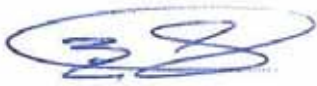
This letter must remain attached to the report, which contains 101 pages, plus related exhibits and Addenda, in order for the value opinion(s) contained herein to be considered valid.

Mr. Scott Carper  
September 12, 2014  
Page 3

This appraisal has been performed in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

Thank you for the opportunity to work with your office on this assignment.

Sincerely,

A handwritten signature in blue ink, appearing to be "ES", enclosed within a blue oval.

Eric A. Segal, Appraiser  
State Certification No.: AG026558  
Expires: February 18, 2015

A handwritten signature in blue ink, appearing to be "Sara Gilbertson", written in a cursive style.

Sara A. Gilbertson, Appraiser  
State Certification No.: 3002204  
Expires: May 29, 2016

/mlm

## TABLE OF CONTENTS

<b>Transmittal Letter</b>	
<b>Summary of Important Facts and Conclusions</b>	1
<b>Appraisal Assignment Conditions</b>	
Client, Intended User and Intended Use of the Appraisal	4
Appraisal Report Format	4
Type and Definition of Value	4
Dates of Inspection, Value and Report	5
Property Rights Appraised	5
Scope of Work	5
Extraordinary Assumptions and Hypothetical Conditions	7
General Assumptions and Limiting Conditions	8
Certification Statement(s)	10
<b>Subject Property</b>	
Property Description and History	12
Property Legal Data	16
Site Description	24
Subject Photographs	26
<b>Market Analysis</b>	
Riverside County	31
Neighborhood	38
Residential Market	42
Retail Market	44
Highest and Best Use	52
<b>Valuation Analysis</b>	
Approaches to Value	56
Sales Comparison Approach	59
Residential Land Valuation	59
Bulk Market Value – San Gorgonio Land, LLC Ownership Component	71
Bulk Market Value – Mesa Verde RE Ventures Ownership Component	77
Commercial Land Valuation	80
Bulk Market Value by Ownership– Commercial Component	94
Summary and Conclusion	100
Exposure Time	101
<b>Addenda</b>	
Readdressing/Reassigning Appraisal Reports	
Parcel Maps	
Glossary of Terms	
Qualifications of Appraiser(s)	

**SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**

**Property:** The appraised properties comprise undeveloped land within the boundaries of the City of Calimesa.

**Location:** The subject properties are located west of Interstate 10, between West Avenue L to the north and the Morongo Golf Club at Tukwet Canyon to the south, within the city of Calimesa, Riverside County, California.

**Assessor’s Parcel Numbers/Ownership:** The subject properties are identified by 26 individual County of Riverside Assessor’s parcels, which are listed below:

<b>Assessment No.</b>	<b>APN</b>	<b>Ownership</b>
1	413-200-058	San Gorgonio Land, LLC
2	413-290-010	San Gorgonio Land, LLC
3	413-290-035	San Gorgonio Land, LLC
4	413-290-036	San Gorgonio Land, LLC
5	413-290-037	San Gorgonio Land, LLC
6	413-290-038	San Gorgonio Land, LLC
7	413-460-038	San Gorgonio Land, LLC
8	413-460-040	San Gorgonio Land, LLC
9	413-280-040	Oak Valley Partners
10	413-280-041	Oak Valley Partners
11	413-280-042	Oak Valley Partners
12	413-290-048	Oak Valley Partners
13	413-290-034	Oak Valley Partners
14	413-290-040	Oak Valley Partners
15	413-290-044	Oak Valley Partners
16	413-040-013	Mesa Verde Re Ventures
17	413-040-017	Mesa Verde Re Ventures
18	413-040-020	Mesa Verde Re Ventures
19	413-160-011	Mesa Verde Re Ventures
20	413-780-001	Northlight Trust 1
21	413-780-002	Northlight Trust 1
22	413-780-003	Northlight Trust 1
23	413-780-004	Northlight Trust 1
24	413-780-006	Northlight Trust 1
25	413-780-007	Northlight Trust 1
26	413-780-008	Northlight Trust 1



**Property Type/Current Use:**

Unimproved land

**Zoning/Land Use:**

The appraised properties are located within the City of Calimesa’s Specific Plan Areas 1 and 2. Specifically, San Gorgonio Land, Oak Valley and Northlight are located within SPA 1 (Summerwind Ranch) and Mesa Verde is located within SPA 2 (Mesa Verde Estates). Each SPA allow for a wide variety of commercial and residential uses, in addition to open space, parks and community recreational uses.

**San Gorgonio Land:** this property is potentially expected to encompass 1,365 residential units upon completion and will be broken down into a mixed use development of single family detached and attached dwelling units. It is noted, the appraised portion is part of a larger development plan. Based on information provided by the developer, the development phases are long-term in nature, dependent on market conditions. It is anticipated the project would absorb over a 10 to 15 year development timeline.

**Oak Valley:** this property is identified as TC-7 within the Summerwind Ranch at Oak Valley Specific Plan. The zoning of the property is similar to the Community Commercial General Plan Land use and Zoning Designation found in the Calimesa Municipal Code.

**Mesa Verde:** this property is fully entitled with a wide range of residential densities. The appraised property represents a portion of the first phase of development encompassing 401.85± acres of land area. Upon completion the appraised property is planned to have 1,083 residential units having a variety of lot sizes (between 4,000 and 7,000 square feet).

**Northlight:** this property consists of entitled retail land. Specifically, it is approved for development of a neighborhood retail center designated for a mix of commercial pads including a grocery store, fast food, medical office, and restaurant uses totaling 170,000 square feet of building area.

**Flood Zone:**

According to the Federal Emergency Management Agency (FEMA) National Flood Insurance Program, Flood Insurance Rate Map (FIRM) the subject properties are located on two Community Panels (060245-0785G and 060245-0780G, both dated August 8, 2008). The properties within the boundaries of the first District (060245-0785G) are situated in Flood Zone X, described as areas of 500-year flood; areas of

100-year flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 100-year flood. The properties within the boundaries of the second District (060245-0780G) are situated in Flood Zone D, described as areas of undetermined but possible flood hazards.

**Earthquake Zone:**

According to the Seismic Safety Commission, the subject site is located within Zone 4, which is considered to be the highest risk zone in California. There are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, the subject is located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology.

**Highest and Best Use:**

Phased development in accordance with the approved entitlements after an interim hold

**Date of Inspection:**

July 28, 2014

**Effective Date of Value:**

July 28, 2014

**Date of Report:**

September 12, 2014

**Exposure and Marketing Time:**

12 months

**Property Rights Appraised:**

Fee simple estate

**Conclusions of Market Value:**

<b>Owner</b>	<b>Assessor's Parcels</b>	<b>Total Land (Ac.)</b>	<b>Market Value</b>
San Gorgonio Land, LLC	413-200-058; 413-290-010, -035, -036, -037, -038; 413-460-038 & -040	399.86	\$21,140,000
Oak Valley Partners	413-280-040, -041, -042; 413-290-048, -034, -040, & -044	34.43	\$3,940,000
Mesa Verde Re Ventures	413-040-013, -017, -020 & 413-160-011	401.85	\$18,100,000
Northlight Trust 1	413-780-001 through -004 & -006 through -008	16.26	\$3,120,000
<i>Cumulative (Aggregate) Value of the District</i>		<i>852.40</i>	<i>\$46,300,000</i>

## **CLIENT, INTENDED USER AND INTENDED USE**

The client for this appraisal assignment is the California Statewide Community Development Authority. This report is intended to be used for bond underwriting purposes.

## **APPRAISAL REPORT FORMAT**

This document is an Appraisal Report, intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the 2014-15 edition of the Uniform Standards of Professional Appraisal Practice (USPAP).

## **TYPE AND DEFINITION OF VALUE**

The purpose of this appraisal is to estimate the market values of the subject property as of the date of inspection. Market value is defined as follows:

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interest;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. Dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>1</sup>

Note the values estimated herein are based on a hypothetical condition. A hypothetical condition is defined by USPAP as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of the analysis.”

---

<sup>1</sup> Code of Federal Regulations, Title 12, Section 34.42 (55 Federal Register 34696, Aug. 24, 1990; as amended at 57 Federal Register 12202, Apr. 9, 1992; 59 Federal Register 29499, June 7, 1994).

## **PROPERTY RIGHTS APPRAISED**

The market values estimated herein are for the fee simple estate, defined as follows:

***Fee Simple Estate:*** absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.<sup>2</sup>

## **DATES OF INSPECTION, VALUE AND REPORT**

An inspection of the subject properties was completed on July 28, 2014, which represents the effective date of market value. This appraisal report was completed and assembled on September 12, 2014.

## **SCOPE OF WORK**

This appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This analysis is intended to be an “appraisal assignment,” as defined by USPAP; the intention is the appraisal service be performed in such a manner that the result of the analysis, opinions, or conclusion be that of a disinterested third party.

Several legal and physical aspects of the subject properties were researched and documented. A physical inspection of the properties was completed and serves as the basis for the site description contained in this report. The sales history was verified by consulting public records. Zoning and entitlement information was collected from the City of Calimesa Planning Department. The subject’s earthquake zones, flood zones and utilities were obtained from the City of Calimesa, and property tax information was obtained from the County of Riverside Assessor’s Office on-line resources.

Data relating to the subject’s neighborhood and surrounding market area were analyzed and documented. This information was obtained through personal inspections of portions of the neighborhood and market area; newspaper articles; real estate conferences; and interviews with various market participants, including property owners, property managers, brokers, developers and local government agencies.

In this appraisal, the highest and best use of the subject property as though vacant was determined based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity).

---

<sup>2</sup>The Dictionary of Real Estate Appraisal, 5<sup>th</sup> ed. (Chicago: Appraisal Institute, 2010), 78.

The market value of the appraised properties, by ownership, and cumulative (or aggregate) value of the District, subject to the Assessment liensecuring the California Statewide Communities Development Authority SCIP Series 2014 Assessment District, was estimated using the sales comparison approach to value. Since each ownership component comprises multiple Assessor's parcels held by a single ownership, a discounted cash flow analysis (DCF) was utilized to provide the market value, in bulk, of each ownership. In the sales comparison approach to value, the underlying land was compared to transactions of similarly zoned land (commercial and residential) in the Inland Empire region. Under the discounted cash flow analysis, the expected revenue, absorption period, expenses and discount rate associated with the sell-off of the individual components was utilized. A DCF analysis is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate. The results of discounted cash flow is the final conclusion of market value, subject to the hypothetical condition all water reservoir facilities fees, which will fund capital improvements to the Yucaipa Valley Water District's water storage system, to be financed by the California Statewide Communities Development Authority SCIP Series 2014 Assessment District Bonds are in place.

This appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP).

The individuals involved in the preparation of this appraisal include Eric A. Segal and Sara A. Gilbertson, Appraisers. Ms. Gilbertson collected and confirmed data related to the subject properties, comparables and the neighborhood/market area; analyzed market data; and prepared an appraisal report with estimates of value described above. Mr. Segal inspected the subject properties, offered professional guidance and instruction, reviewed the draft report, and made necessary revisions.

## **EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS**

It is noted the use of an extraordinary assumption or hypothetical condition can impact the results of an appraisal.

### **Extraordinary Assumptions**

None

### **Hypothetical Conditions**

1. The estimates of value provided herein are subject to a hypothetical condition. The estimates of value presume all water reservoir facilities fees, which will fund capital improvements to the Yucaipa Valley Water District's water storage system, will be financed by the California Statewide Communities Development Authority SCIP Series 2014 Assessment District Bonds.

## GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. No responsibility is assumed for matters of law or legal interpretation.
3. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
4. The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.
5. It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
6. It is assumed the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
7. It is assumed the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.
8. It is assumed all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
9. It is assumed the use of the land and improvements is confined within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the report.
10. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.
11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by

the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to-cure any deficiencies would be needed for the Department of Justice to determine compliance.

12. The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.
13. Possession of this report or a copy thereof does not carry with it the right of publication nor may it be used for any purpose by anyone other than the client without the previous written consent of Seevers • Jordan • Ziegenmeyer.
14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or any other media without the prior written consent and approval of Seevers • Jordan • Ziegenmeyer. Seevers • Jordan • Ziegenmeyer authorizes the reproduction of this document to aid in bond underwriting and in the issuance of bonds.
15. The liability of Seevers • Jordan • Ziegenmeyer and its employees/subcontractors for errors/omissions, if any, in this work is limited to the amount of its compensation for the work performed in this assignment.
16. Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.
17. An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. However, the exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in a preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.
18. This appraisal report is prepared for the exclusive use of the appraiser's client. No third parties are authorized to rely upon this report without the express consent of the appraiser.



## CERTIFICATION STATEMENT

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the properties that are the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have made a personal inspection of the properties that are the subject of this report.
- Sara A. Gilbertson, Appraiser, provided significant real property appraisal assistance to the person signing this certification.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Addenda to this report for additional information.
- As of the date of this report, I have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.



---

Eric A. Segal, Appraiser  
State Certification No.: AG026558 (February 18, 2015)

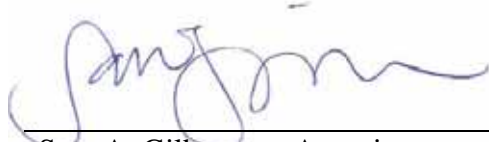
---

September 12, 2014  
DATE

## CERTIFICATION STATEMENT

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the properties that are the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- I have not made an inspection of the properties that are the subject of this report.
- I certify that my State of California real estate appraiser license has never been revoked, suspended, cancelled, or restricted.
- I have the knowledge and experience to complete this appraisal assignment. Please see the Qualifications of Appraiser(s) portion of the Addenda to this report for additional information.
- As of the date of this report, I have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.



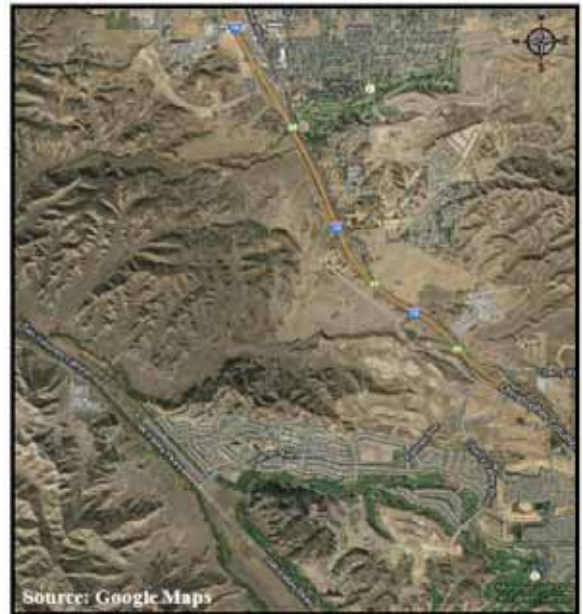
\_\_\_\_\_  
Sara A. Gilbertson, Appraiser  
State Certification No.: 3002204 (May 29, 2016)

\_\_\_\_\_  
September 12, 2014  
DATE

## PROPERTY DESCRIPTION AND HISTORY

### **San Gorgonio Land**

The San Gorgonio Land project comprises eight parcels located west of Interstate 10 and east of San Timoteo Canyon Road/Oak Valley Parkway, north of the Morongo Golf Club at Tukwet Canyon and several single family residential subdivisions. The project parcels are spread across five single family residential planning areas with varying densities and lot sizes. The property is potentially expected to encompass 1,365 residential units upon completion and will be broken down into a mixed use development of single family detached and attached dwelling units. It is noted, the appraised portion is part of a larger development plan. Based on information provided by the developer, the development phases are long-term in nature, dependent on market conditions. It is anticipated the project would absorb over a 10 to 15 year development timeline.



There are no significant on-site improvements currently, although most utilities are to the site with water and sewer hookups to be obtained through the Water Service Agreement with the Yucaipa Valley Water District (YVWD). Offsite improvements are scheduled to begin in the first quarter of 2015.

The property has not transferred in the last three years from the date of value, and, to the best of our knowledge, the property is not currently being marketed for sale.

### **Oak Valley**

This project encompasses seven parcels totaling 39.6± gross acres (36.2± acres net of streets and right-of-way dedications). Currently, the property owner is processing a lot-line adjustment which will consolidate the property into two legal parcels. The property is located within the Oak Valley Specific Plan and is a portion of the Summerwind Ranch Specific Plan. Specifically, the property is identified as TC-7 and has a zoning similar to the Community Commercial General Plan Land use and Zoning Designation found in the Calimesa Municipal Code. TC-7, also known as the Eastern Power Center, which is a portion of the larger proposed Oak Valley Town Center. The appraised property is located at the northwest quadrant of Interstate 10 and Cherry Valley Boulevard, along Roberts Road.

While there is a small barn and an abandoned residential unit on the site, its current state is generally representative of raw land. The small barn and abandoned residential unit will be demolished to make way for development of the property. Although the property has no entitlements, preliminary site plans allow for approximately 326,000 square feet of building area. The entitlement process is anticipated to begin once a water tank (provided by YVWD) is constructed and market conditions support development.



There have been no arm's-length market transaction of the subject property within the three years preceding the market value provided herein. The property was acquired by Oak Valley Partners, LP as part of a larger acquisition in 1997 from FDIC. Based on a conversation with a broker familiar with the Oak Valley property, several offers were presented by one developer over the last 12 to 18 months between \$3.00 and \$5.00 per square feet, varying due to different required escrow lengths (i.e., offering at the lower end of the range foot for a quick escrow and at the higher end of the range for longer escrow periods in hopes of retaining a tenant), although, no contract or sale have transpired from these offers.



The Developer has constructed other portions of the Oak Valley Specific Plan including the 36-hole Morongo Golf Club at Tukwet Canyon currently operated by the Morongo Bank of Mission Indians.

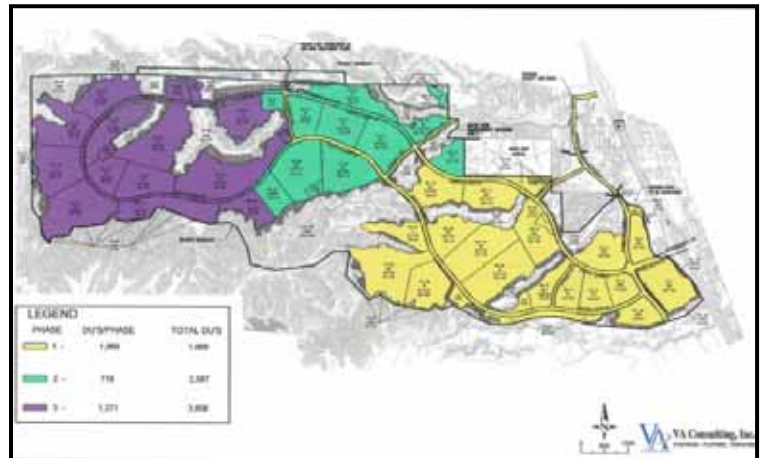
## Mesa Verde

In total, Mesa Verde Estate comprises 1,493± acres of land area planned for 3,450 residential units, 350,000 square feet of commercial space, 70 acres of parks and recreational facilities, three school sites, 571 acres of open space, 21 mile of trails and 91 acres of roads upon completion. Mesa Verde Estate has been granted all designation/zoning amendments, specific plan amendments, in addition to completing an environmental impact report, and tentative map approval.



The appraised property represents a portion of the first phase of development (shaded in light green/yellow on the phasing plan map) encompassing 401.85± acres of land area. Upon completion the appraised property is planned to have 1,083 residential units having a variety of lot sizes (between 4,000 and 7,000 square feet).

Construction of these units will be in three phases – Phase 1A will contain 234 units, Phase 1B 518 units, and Phase 1C will have 331 units.



Although the property has not transferred in the last three years from the date of value, the current property owner began the process of taking title of the property through foreclosure in 2008, gaining 100% of title in 2012.

## Northlight

Northlight is identified as the master developer of the Cherry Valley Plaza, located along the southbound side of Interstate 10 at the Cherry Valley Boulevard exit. Cherry Valley Plaza is bounded by Interstate 10, Cherry Valley Boulevard and Desert Lawn Drive and consists of a total of eight parcels. The appraised property comprises seven of the eight parcels within the development. The eighth parcel, located at the corner of Cherry Valley Boulevard and Desert Lawn Drive was purchased by CVS Pharmacy in 2009.

The property is identified as TC-8 in the Summerwind Ranch Specific Plan (see the land use map included in the Oak Valley discussion) and is also zoned Community Commercial. In total, Cherry Valley Plaza encompassed 16.5 acres of entitles commercial land. In 2008, the proposed neighborhood retail center was approved for a mix of commercial pads including a grocery store, fast food, medical office and restaurant uses totaling 170,000 square feet of building area. Specifically, the center is planned to include a 44,245 square foot anchor grocery store, with 15,000 square feet of junior anchor space, 33,000 square feet of shop space, 5,500 square feet of pad/restaurant space, 9,900 square feet of fast food space, a 3,524 square foot bank, 53,000 square feet of medical office and the 6,000 square foot CVS Pharmacy building.



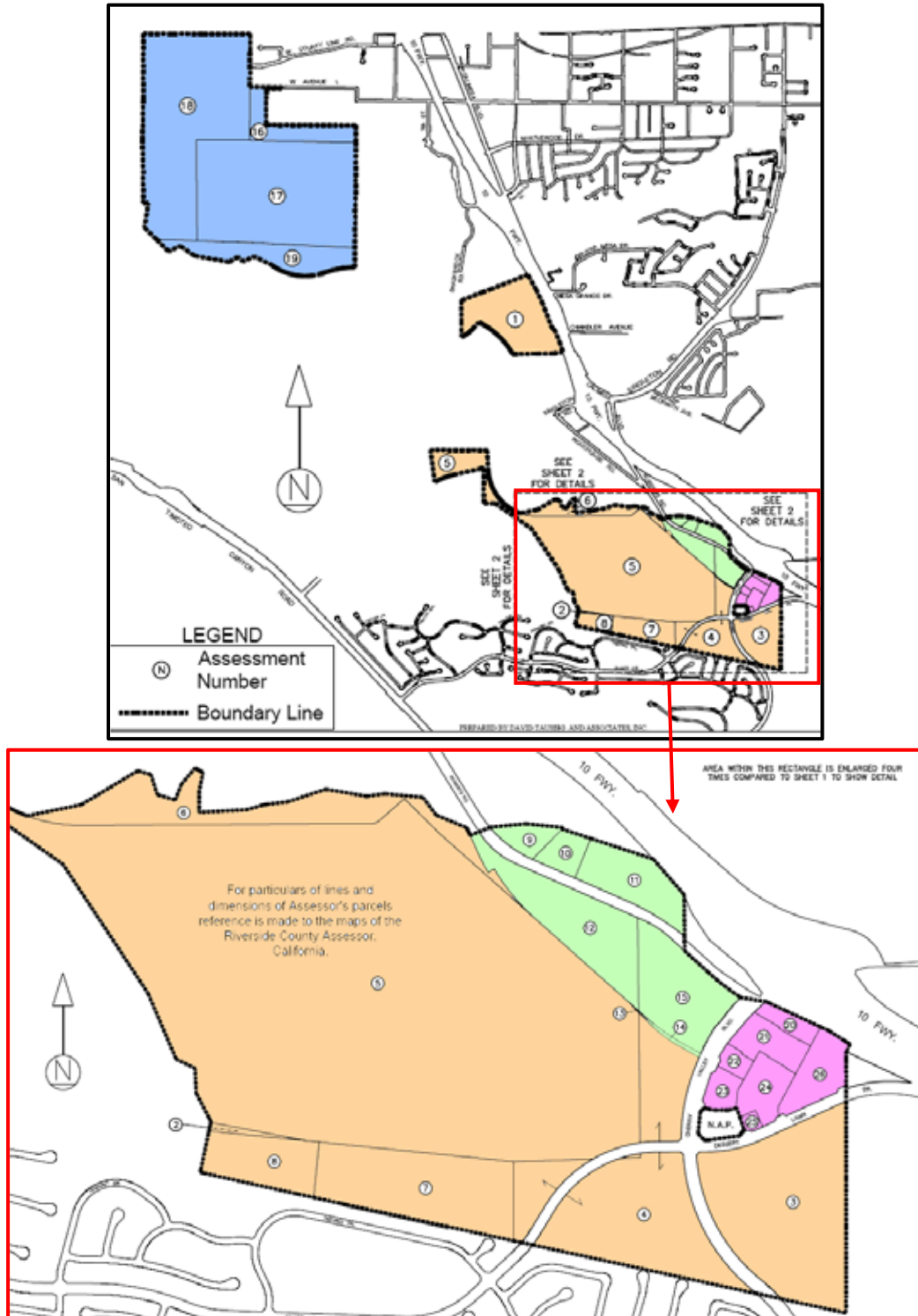
The appraised property's current condition represents raw land with perimeter street improvements including driveways, curbs and gutters completed. A \$310,000 cash account is held by the City to secure completion of perimeter sidewalks, street lights and other improvements (i.e., bond debt). Construction is anticipated to take 18 months to complete, with an undetermined state date. According to the Developer, construction costs are about \$5 million in infrastructure and \$20 million in vertical construction, with about \$1 million in permit and impact fees (although a more precise estimate is unknown at this time).

In October 2013, the appraised property was purchased by Northlight Trust 1 as an REO from Bank of America/Quality Properties Asset Management Company for \$3,000,000. In addition, a broker familiar with the Northlight property indicated the parcels were previously listed at \$5.00 per square foot; though, no subsequent transactions have occurred.

## PROPERTY LEGAL DATA

### Parcel Maps

The subject properties' parcel maps are in the Addenda of this report. A copy of the proposed boundaries of the subject properties provided in the Preliminary Engineer's Report is presented below.



## Location

The appraised properties are located west of Interstate 10, between West Avenue L to the north and the Morongo Golf Club at Tukwet Canyon to the south, within the city of Calimesa, Riverside County, California.

## Assessor's Parcel Number/Ownership

The subject properties are identified by 26 individual Riverside County Assessor's parcels, which are listed below:

Assessment No.	APN	Ownership	Assessment No.	APN	Ownership
1	413-200-058	San Gorgonio Land, LLC	14	413-290-040	Oak Valley Partners
2	413-290-010	San Gorgonio Land, LLC	15	413-290-044	Oak Valley Partners
3	413-290-035	San Gorgonio Land, LLC	16	413-040-013	Mesa Verde Re Ventures
4	413-290-036	San Gorgonio Land, LLC	17	413-040-017	Mesa Verde Re Ventures
5	413-290-037	San Gorgonio Land, LLC	18	413-040-020	Mesa Verde Re Ventures
6	413-290-038	San Gorgonio Land, LLC	19	413-160-011	Mesa Verde Re Ventures
7	413-460-038	San Gorgonio Land, LLC	20	413-780-001	Northlight Trust 1
8	413-460-040	San Gorgonio Land, LLC	21	413-780-002	Northlight Trust 1
9	413-280-040	Oak Valley Partners	22	413-780-003	Northlight Trust 1
10	413-280-041	Oak Valley Partners	23	413-780-004	Northlight Trust 1
11	413-280-042	Oak Valley Partners	24	413-780-006	Northlight Trust 1
12	413-290-048	Oak Valley Partners	25	413-780-007	Northlight Trust 1
13	413-290-034	Oak Valley Partners	26	413-780-008	Northlight Trust 1

## Legal Description

A legal description of the subject properties, which would be contained in a preliminary title report, was not provided for use in this analysis.

## Property Taxes (*Ad Valorem Taxes*)

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual inflationary increases cannot exceed 2% per year. The base year was set at 1975-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and supplemental assessments. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the political jurisdiction in which the property is located, can be added to the 1% tax rate.



According to the Riverside County Assessor’s Office, the appraised properties are located in multiple tax rate areas, which are summarized in the following table.

Assessment No.	APN	Assessed Value (2014-2015 Tax Year)	022-005	022-006	022-023	022-027	022-029	022-045	022-050	022-061	022-062	022-063	022-064	022-067	022-074	022-075	022-082	022-083
1	413-200-058	\$1,988,869							X									
2	413-290-010	\$17,765													X			
3	413-290-035	\$879,992															X	
4	413-290-036	\$988,685															X	
5	413-290-037	\$6,712,826												X				
6	413-290-038	\$476,575												X				
7	413-460-038	\$583,177																X
8	413-460-040	\$253,964														X		
9	413-280-040	\$56,833											X					
10	413-280-041	\$43,757											X					
11	413-280-042	\$137,921											X					
12	413-290-048	\$65,436												X				
13	413-290-034	\$52	X															
14	413-290-040	\$1,743															X	
15	413-290-044	\$57,354															X	
16	413-040-013	\$1,047,497					X											
17	413-040-017	\$5,404,241				X												
18	413-040-020	\$1,705,532			X													
19	413-160-011	\$1,255,980						X										
20	413-780-001	\$278,000															X	
21	413-780-002	\$592,500															X	
22	413-780-003	\$172,500															X	
23	413-780-004	\$292,000															X	
24	413-780-006	\$610,000															X	
25	413-780-007	\$70,000															X	
26	413-780-008	\$760,000															X	
<b>Tax Rate</b>			1.39396%	1.27500%	1.34586%	1.34586%	1.34586%	1.34586%	1.27500%	1.27500%	1.39396%	1.39396%	1.39396%	1.39396%	1.39396%	1.39396%	1.39396%	1.39396%

In addition, the appraised properties are subject to the following direct charges; San Gorgonio Hospital Measure D, City of Beaumont Sewer Standby Fee, and Flood Control Stormwater / Cleanwater.

**Property Taxes (Special Assessments)**

As previously discussed, the appraised properties are participating in the California Statewide Communities Development Authority SCIP Series 2014 Assessment District, which will be subject to an assessment beginning in year 2017 (following two years of capitalized interest). The impact of the Assessment Lien will be considered in the valuation of the underlying land.

**Conditions of Title**

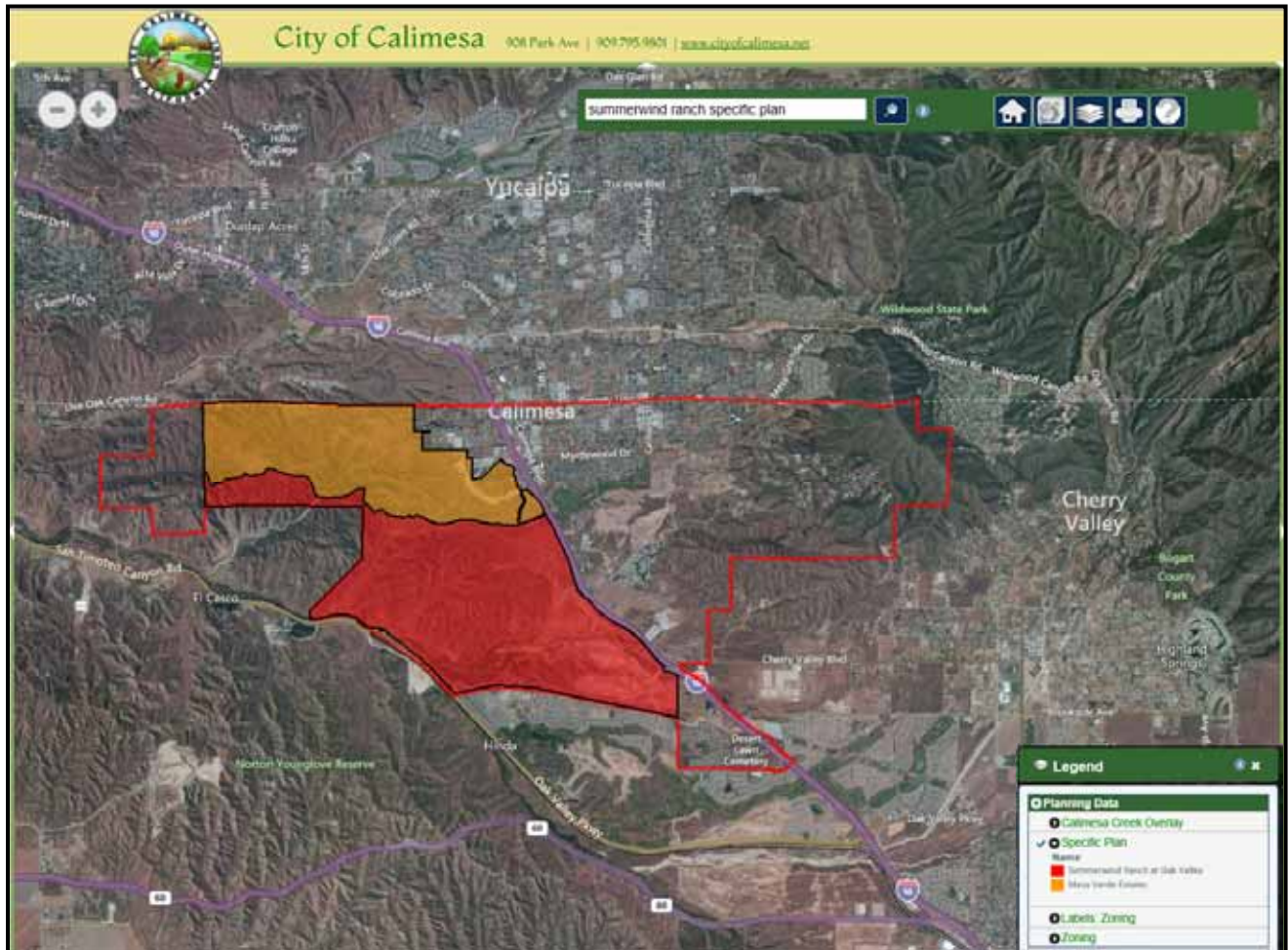
Preliminary title reports were not provided for this analysis. It is assumed there are no adverse conditions on title. The appraiser assumes no negative title restrictions and accepts no responsibility for matters pertaining to title.

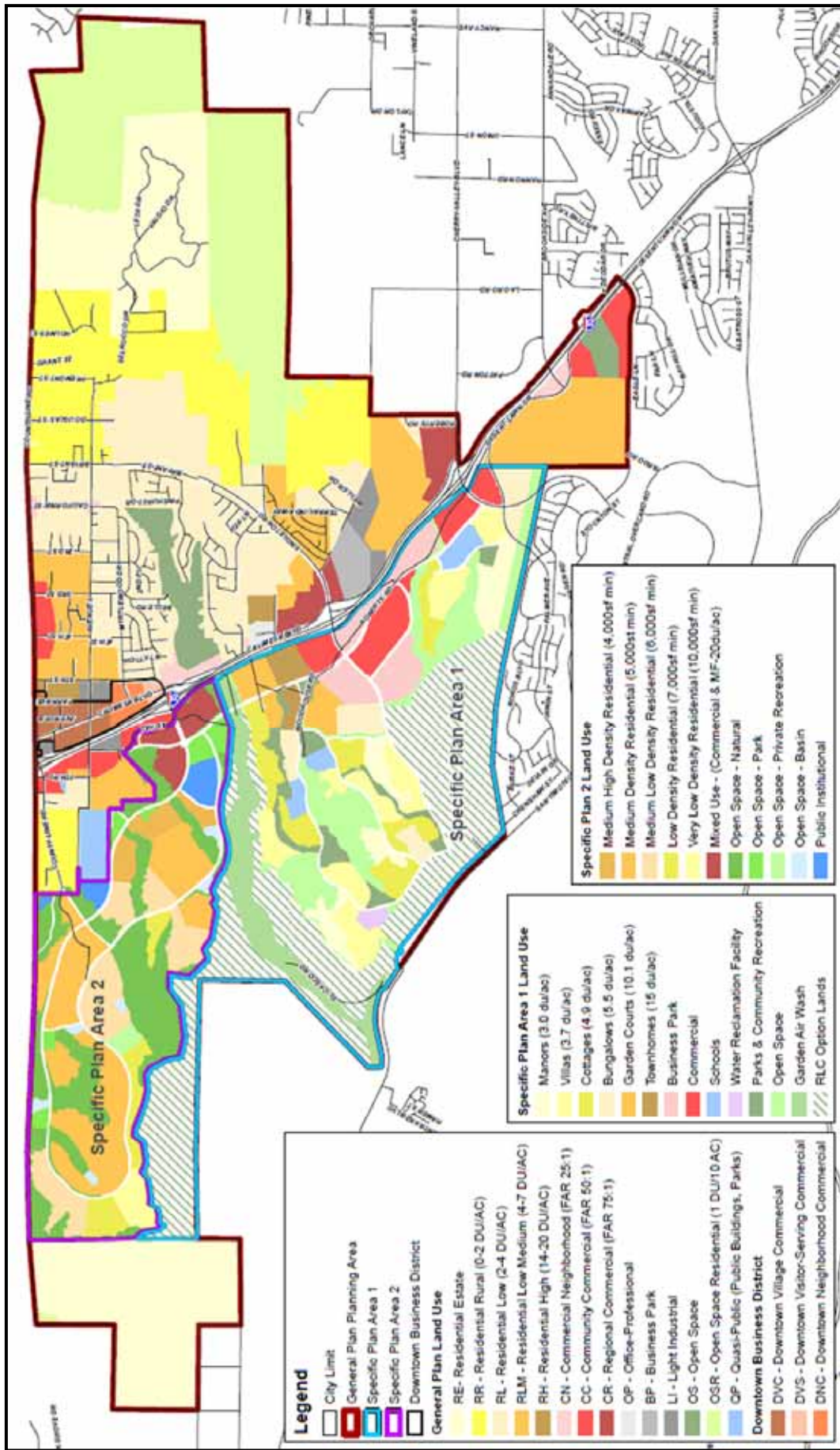
## Zoning

Source: City of Calimesa Community Development Department

Zoning Map: The appraised properties are located within the City of Calimesa's Specific Plan Areas 1 and 2. Specifically, San Gorgonio Land, Oak Valley and Northlight are located within SPA 1 (Summerwind Ranch) and Mesa Verde is located within SPA 2 (Mesa Verde Estates). Each SPA allows for a wide variety of commercial and residential uses, in addition to open space, parks and community recreational uses.

The land use map of the two specific plan area boundaries is provided below, followed by a map from the City of Calimesa General Plan Update 2013.





**Specific Plans:** According to the General Plan Update 2013, there are two adopted Specific Plans in Calimesa: Summerwind Rancho and Mesa Verde Estates Specific Plans (pictured in the previous map; Summerwind Ranch in red and Mesa Verde Estates in orange). The Summerwind Ranch Specific Plan encompasses 2,590.1 acres approved for the development of up to 3,841 dwelling units, as well as commercial, business park, open space, recreation, and public facility uses. The Mesa Verde Estates Specific Plan (a portion of the appraised property) contains 1,493 acres approved for the development of up to 3,850 dwelling units, as well as mixed-use, open space, recreation, and public facilities.

**Land Uses/Entitlements:** **San Gorgonio Land:** this property is a 399.86-acre portion of the Summerwind Ranch specific plan potentially expected to encompass 1,365 residential units upon completion and will be broken down into a mixed use development of single family detached and attached dwelling units. It is noted, the appraised portion is part of a larger development plan. Based on information provided by the developer, the development phases are long-term in nature, dependent on market conditions. It is anticipated the project would absorb over a 10 to 15 year development timeline.

**Oak Valley:** this property comprises 34.43 acres identified as TC-7 within the Summerwind Ranch at Oak Valley Specific Plan. TC-7, also known as the Eastern Power Center, is a portion of the larger proposed Oak Valley Town Center. The zoning of the property is similar to the Community Commercial General Plan Land use and Zoning Designation found in the Calimesa Municipal Code which allows for a wide range of retail and office uses. Although the property has no entitlements, preliminary site plans allow for approximately 326,000 square feet of building area. The entitlement process is anticipated to begin once a water tank (provided by YVWD) is constructed and market conditions support development.

**Mesa Verde:** this property is fully entitled with a wide range of residential densities. The appraised property represents a portion of the first phase of development encompassing 401.85± acres of land area. Upon completion the appraised property is planned to have 1,083 residential units having a variety of lot sizes (between 4,000 and 7,000 square feet).

**Northlight:** this property consists of entitled retail land totaling 16.26 acres. Specifically, it is approved for development of a neighborhood retail center designated for a mix of commercial pads including a grocery store, fast food, medical office, and restaurant uses totaling 170,000 square feet of building area.

**Water Availability:** According to the Yucaipa Valley Water District, the prepayment of the water reservoir facilities fees by the California Statewide Communities Development Authority SCIP Series 2014 Assessment District Bonds does not guarantee water delivery to the subject

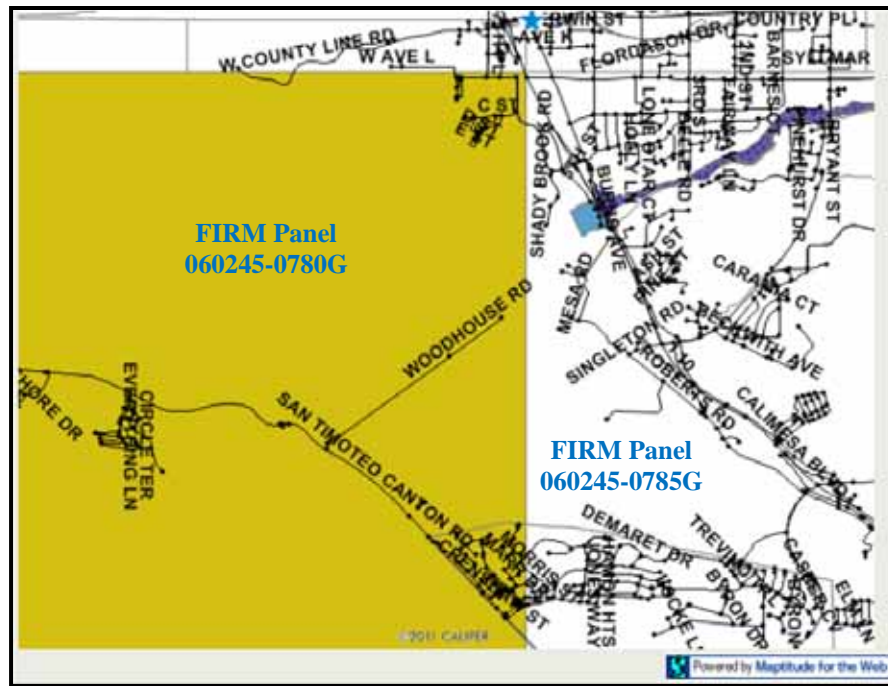
properties. Instead, a water service agreement between the property owner/developer and the Yucaipa Valley Water District is required. According to the Yucaipa Valley Water District's Strategic Plan for a Sustainable Future, The Integration and Preservation of Resources, adopted August 20, 2008, a developer submits a Water Resource Validation application per parcel and deposits sufficient funds for the purchase of imported water to serve the parcel. Next, the application is assigned to a specific category for the Water Resources Banking Process based on the number of proposed lots. Upon completion of the Parcel Development Process, Imported Water Availability Process and Water Resources Banking Process, the specific lot (APN) in the application is released by the District to the respective land use authority for a building permit.

Conclusion:

The subject properties consist of 852.4± acres designated for the development of residential and commercial uses, as part of the Summerwind Ranch and Mesa Verde Estates Specific Plans. The land uses are consistent with the General Plan designations.

### **Flood Zone**

According to the Federal Emergency Management Agency (FEMA) National Flood Insurance Program, Flood Insurance Rate Map (FIRM) the subject properties are located on two Community Panels (060245-0785G and 060245-0780G, both dated August 8, 2008). The properties within the boundaries of the first District (060245-0785G) are situated in Flood Zone X, described as areas of 500-year flood; areas of 100-year flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 100-year flood. The properties within the boundaries of the second District (060245-0780G) are situated in Flood Zone D, described as areas of undetermined but possible flood hazards.



Source: www.floodmaps.com

## Earthquake Zone

According to the Seismic Safety Commission, the subject site is located within Zone 4, which is considered to be the highest risk zone in California. There are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, the subject is located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology. In general, a number of faults are located in the Southern California and throughout California; thus, the area is subject to severe ground shaking during earthquakes. Competitive sites face similar seismic risk.

## Easements

An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions currently impacting the subject. Please refer to a preliminary title report for information regarding potential easements, as the appraiser is not a surveyor nor qualified to determine the exact location of any easements. It is assumed that any easements noted in a preliminary title report do not have an impact on the opinion of value set forth in this report. If at some future date, any easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion of value contained herein.

**SITE DESCRIPTION**

**Size, Shape and Assessor’s Parcel Numbers:**

The subject parcels range in size from 0.01± acre to 230.70-acre in size and are mostly irregular in shape. A table showing land area, by parcel, is presented below:

<b>Assessment No.</b>	<b>APN</b>	<b>Land Area (Ac)</b>	<b>Shape</b>
1	413-200-058	66.82	Gen. Rectangular
2	413-290-010	0.58	Triangular
3	413-290-035	29.56	Irregular
4	413-290-036	33.22	Irregular
5	413-290-037	225.57	Irregular
6	413-290-038	16.00	Irregular
7	413-460-038	19.58	Gen. Rectangular
8	413-460-040	8.53	Gen. Rectangular
9	413-280-040	1.91	Triangular
10	413-280-041	2.24	Gen. Rectangular
11	413-280-042	6.86	Irregular
12	413-290-048	12.58	Irregular
13	413-290-034	0.01	Irregular
14	413-290-040	0.32	Irregular
15	413-290-044	10.51	Irregular
16	413-040-013	44.72	Irregular
17	413-040-017	230.70	Gen. Rectangular
18	413-040-020	72.81	Irregular
19	413-160-011	53.62	Irregular
20	413-780-001	1.63	Irregular
21	413-780-002	3.47	Irregular
22	413-780-003	1.01	Irregular
23	413-780-004	1.71	Irregular
24	413-780-006	3.58	Irregular
25	413-780-007	0.41	Irregular
26	413-780-008	4.45	Irregular
<b>San Gorgonio Land</b>		<b>399.86</b>	
<b>Oak Valley</b>		<b>34.43</b>	
<b>Mesa Verde</b>		<b>401.85</b>	
<b>Northlight</b>		<b>16.26</b>	
<b>TOTAL</b>		<b>852.40</b>	

**Topography:**

The topography of the subject properties is rolling.

**Drainage:**

It is assumed typical grading and paving work will be completed during development to provide adequate drainage.

**Frontage/Visibility:** The subject properties have frontage along the following roadways: San Timoteo Canyon Road, Woodhouse Road, Roberts Road, Shady Brook Drive, Cherry Valley Boulevard, Desert Lawn Drive, Palmer Avenue, Frontage Road, Iowa Street/Avenue L, and Interstate 10.

**Access:** Primary access to the subject properties from Interstate 10 is provided from Sandalwood Drive and Cherry Valley Boulevard. Primary access to San Gorgonio Land property is provided by Cherry Valley Boulevard and Roberts Road. The Oak Valley property is accessed via Roberts Road off of Cherry Valley Boulevard. Sandalwood Drive and West Avenue L provide access to Mesa Verde. Northlight is along Cherry Valley Boulevard and Desert Lawn Drive.

**Utilities:** Most public utilities and services are available to the appraised properties, with water and sewer hookups to be obtained through the Water Service Agreement with the Yucaipa Valley Water District (YVWD). Services are furnished by the following providers:

Water:	Yucaipa Valley Water District
Sewage Disposal:	Yucaipa Valley Water District
Refuse:	CR&R Waste Services
Electricity:	Southern California Edison
Gas:	So. Cal Gas
Telephone:	Verizon

**Soil:** The appraiser has not been provided a soils report to determine the load bearing capacity of the subject property. Based on the existence of residential structures on parcels south of the subject and throughout the Calimesa area, it appears the subject properties possess adequate load-bearing capacity for development.

**Environmental Issues:** At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present, on the subject properties. The appraiser has no knowledge of the existence of such materials on the properties. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the properties. The value estimate is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.

**Adjacent Uses:**

North	Primarily vacant land, some residential development and Mesa View Middle School
South	Single family residential development and Morongo Golf Club at Tukwet Canyon
East	Primarily vacant land, as well as the bulk of Calimesa's developed land (residential, commercial and community uses)



West

Vacant land

**Conclusion:**

Based on the existing physical attributes and infrastructure improvements, the overall functional utility of the subject properties are considered good for the proposed land uses. The configuration and size of the subject properties is considered adequate for development.

**(THIS PAGE INTENTIONALLY LEFT BLANK)**





FOR ADDITIONAL BOOKS: [ELABRA.COM](http://ELABRA.COM) OR (888) 935-2272