

NEW ISSUE — BOOK-ENTRY-ONLY

NO RATING

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject to certain qualifications described herein, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$3,675,000

**COMMUNITY FACILITIES DISTRICT NO. 2001-2
(CRESTA-GRANDE) OF THE CITY OF CORONA
SPECIAL TAX BONDS, 2002 SERIES A
(IMPROVEMENT AREAS NOS. 1 AND 2)**

Dated: Date of Delivery

Due: September 1, as shown on the inside page

The Community Facilities District No. 2001-2 (Cresta-Grande) of the City of Corona Special Tax Bonds, 2002 Series A (Improvement Areas Nos. 1 and 2) (the "Bonds") are being issued and delivered to finance various public improvements needed to develop property located within Community Facilities District No. 2001-2 of the City of Corona (the "District") and to pay certain assessments on property within Improvement Area No. 1 of the District. See "FINANCING PLAN" herein. The District is located in the City of Corona (the "City"), County of Riverside, California.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the Government Code of the State of California), and pursuant to a Fiscal Agent Agreement, dated as of August 1, 2002 (the "Fiscal Agent Agreement"), by and between the City for and on behalf of the District and Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent"). The Bonds are special obligations of the District and are payable solely from revenues derived from certain annual Special Taxes (as defined herein) to be levied on and collected from the owners of the taxable land within Improvement Area No. 1 and Improvement Area No. 2 of the District and from certain other funds pledged under the Fiscal Agent Agreement, all as further described herein. The Special Taxes are to be levied according to the rates and method of apportionment approved by the City Council of the City and the qualified electors within each Improvement Area. See "SOURCES OF PAYMENT FOR THE BONDS — Rates and Method of Apportionment of Special Taxes." The City Council of the City is the legislative body of the District.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Interest on the Bonds will be payable on March 1, 2003 and semiannually thereafter on each September 1 and March 1. Principal of and interest on the Bonds will be paid by the Fiscal Agent to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Bonds. See "THE BONDS — Description of the Bonds" and APPENDIX H — "BOOK-ENTRY-ONLY SYSTEM" herein.

Neither the faith and credit nor the taxing power of the City, the County of Riverside, the State of California or any political subdivision thereof is pledged to the payment of the Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are special tax obligations of the District payable solely from Special Taxes and other amounts held under the Fiscal Agent Agreement as more fully described herein.

The Bonds are subject to optional redemption, mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth herein.

CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE DISTRICT TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. AS A RESULT, THE BONDS ARE NOT SUITABLE FOR ALL INVESTORS. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

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

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the City and the District by Best Best & Krieger LLP, in its capacity as City Attorney and for the Underwriter by Stradling Yoeca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as counsel to the Underwriter. It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York, on or about August 15, 2002.

UBS PaineWebber Inc.

Dated: August 1, 2002

MATURITY SCHEDULE

Base CUSIP: 219675

<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP</u>	<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP</u>
2003	\$15,000	2.60%	100	HC2	2012	\$ 80,000	5.20	99.610	HM0
2004	60,000	2.90	100	HD0	2013	85,000	5.30	99.584	HN8
2005	60,000	3.35	100	HE8	2014	90,000	5.40	99.559	HP3
2006	60,000	3.65	100	HF5	2015	95,000	5.50	99.537	HQ1
2007	65,000	4.10	100	HG3	2016	100,000	5.65	100	HR9
2008	65,000	4.40	100	HH1	2017	105,000	5.75	100	HS7
2009	70,000	4.65	99.700	HJ7	2018	110,000	5.85	100	HT5
2010	75,000	4.90	99.669	HK4	2019	115,000	5.90	100	HU2
2011	75,000	5.10	99.639	HL2	2020	125,000	5.95	100	HV0

\$270,000 6.10% Term Bonds due September 1, 2022 Price: 100, CUSIP HW8
\$1,955,000 6.25% Term Bonds due September 1, 2032 Price: 99.325, CUSIP HX6

**CITY OF CORONA
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA**

CITY COUNCIL

Darrell Talbert, Mayor
Janice L. Rudman, Mayor Pro Tem
Jeffrey P. Bennett, Councilmember
Jeff Miller, Councilmember
Karen E. Stein, Councilmember

CITY OFFICIALS

George Guayante, City Manager
Karen S. Spiegel, City Treasurer
Elray H. Konkel, Assistant City Manager
Victoria J. Wasko, City Clerk

BOND COUNSEL

Best Best & Krieger LLP
Riverside, California

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates
Irvine, California

SPECIAL TAX CONSULTANT

Galen N. Peterson, P.E., Consulting Engineer
San Diego, California

REAL ESTATE APPRAISER

Bruce W. Hull & Associates, Inc.
Tustin, California

FISCAL AGENT

Wells Fargo Bank, National Association
Los Angeles, California

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

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with a nationally recognized municipal securities depository.

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

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

The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the City, the District, the Fiscal Agent or the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the District or any other parties described herein since the date hereof. All summaries of the Fiscal Agent Agreement or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

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

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

TABLE OF CONTENTS

	Page
INTRODUCTION	1
The District.....	1
Allocation of Bonds Among the Improvement Areas	2
Sources of Payment for the Bonds	2
Additional Bonds.....	4
Description of the Bonds.....	4
Tax Matters.....	4
Professionals Involved in the Offering.....	5
Continuing Disclosure.....	5
Bond Owners' Risks.....	5
Other Information.....	5
FINANCING PLAN	6
ESTIMATED SOURCES AND USES OF FUNDS	7
THE BONDS	7
Authority for Issuance	7
Description of the Bonds.....	7
Redemption.....	8
Selection of Bonds for Redemption.....	9
Notice of Redemption.....	10
Effect of Redemption	11
Transfer and Exchange of Bonds	11
Debt Service Schedule for the Bonds.....	12
SOURCES OF PAYMENT FOR THE BONDS	12
Special Taxes.....	13
Rates and Method of Apportionment of Special Taxes.....	13
Prepayment of Special Taxes	14
Collection and Application of Special Taxes	14
Proceeds of Foreclosure Sales	16
Reserve Fund.....	16
Parity Bonds	17
THE COMMUNITY FACILITIES DISTRICT.....	17
General Description of the District.....	17
Settlement Agreement	17
Description of Authorized Facilities.....	17
Direct and Overlapping Debt.....	18
Estimated Value-to-Lien Ratios Derived from Appraised Value and Sales Prices	21
THE DEVELOPMENT AND PROPERTY OWNERSHIP	21
General Description of the Development	21
The Developer	22
Cresta Verde Hills	23
Vista Grande.....	25
Appraisal	25
SPECIAL RISK FACTORS	26
Concentration of Ownership.....	26
Limited Obligations.....	26
Insufficiency of Special Taxes.....	26

TABLE OF CONTENTS

	Page
Failure to Develop Properties	27
Endangered Species.....	28
Natural Disasters	29
Existing Gas and Oil Pipelines	29
Hazardous Substances	29
Parity Taxes, Special Assessments and Land Development Costs.....	30
Disclosures to Future Purchasers.....	31
Special Tax Delinquencies	31
Non-Cash Payments of Special Taxes.....	31
Payment of the Special Tax is not a Personal Obligation of the Owners	32
Land Values.....	32
FDIC/Federal Government Interests in Properties	32
Bankruptcy and Foreclosure	33
No Acceleration Provision	34
Loss of Tax Exemption.....	34
Limitations on Remedies	35
Limited Secondary Market	35
Proposition 218.....	35
Ballot Initiatives	36
CONTINUING DISCLOSURE.....	36
TAX MATTERS.....	37
LEGAL MATTERS	38
LITIGATION	38
NO RATING.....	38
UNDERWRITING	38
FINANCIAL INTERESTS	39
PENDING LEGISLATION.....	39
ADDITIONAL INFORMATION.....	39
APPENDIX A RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAXES	A-1
APPENDIX B SUMMARY APPRAISAL REPORT	B-1
APPENDIX C GENERAL INFORMATION CONCERNING THE CITY OF CORONA.....	C-1
APPENDIX D SUMMARY OF FISCAL AGENT AGREEMENT	D-1
APPENDIX E FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE CITY	E-1
APPENDIX F FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE DEVELOPER.....	F-1
APPENDIX G FORM OF OPINION OF BOND COUNSEL	G-1
APPENDIX H BOOK-ENTRY-ONLY SYSTEM.....	H-1

\$3,675,000
COMMUNITY FACILITIES DISTRICT NO. 2001-2
(CRESTA-GRANDE) OF THE CITY OF CORONA
SPECIAL TAX BONDS, 2002 SERIES A
(IMPROVEMENT AREAS NOS. 1 AND 2)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by the City of Corona (the “City”) of the \$3,675,000 Community Facilities District No. 2001-2 (Cresta-Grande) of the City of Corona Special Tax Bonds, 2002 Series A (Improvement Areas Nos. 1 and 2) (the “Bonds”). The proceeds of the Bonds will be used to construct and acquire various public improvements needed with respect to the proposed development within Community Facilities District No. 2001-2 (Cresta-Grande) of the City of Corona (the “District”), to pay certain assessments on the property located within Improvement Area No. 1 of the District (“Improvement Area No. 1”) pursuant to the terms of a Settlement Agreement dated January 3, 2001 by and between the City and Fieldstone Communities, Inc. (the “Developer”), to fund the Reserve Fund securing the Bonds, to provide capitalized interest on the Bonds and to pay costs of issuance of the Bonds. See “FINANCE PLAN” and “COMMUNITY FACILITIES DISTRICT—Settlement Agreement.”

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and pursuant to a Fiscal Agent Agreement (the “Fiscal Agent Agreement”) by and between the City of Corona (the “City”) acting on behalf of the District and Wells Fargo Bank, National Association (the “Fiscal Agent”). The Bonds are secured under the Fiscal Agent Agreement by a pledge of and lien upon Special Tax Revenues (as defined herein) and all moneys deposited in the Bond Fund and all moneys deposited in the Reserve Fund.

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

The District

The District contains approximately 68 gross acres located in the northeasterly and southerly portion of the City. The District consists of two noncontiguous Improvement Areas and, based on current land use approvals and projections, the land within the District is expected to be developed with 113 single family residential units. Improvement Area No. 1 of the District (“Improvement Area No. 1”) is located approximately 1 mile northeast of the interchange between State Route 91 and the Interstate 15 Freeway. Improvement Area No. 2 of the District (“Improvement Area No. 2” and, together with Improvement Area No. 1, the “Improvement Areas” or individually an “Improvement Area”) is located approximately 3 miles south of the interchange between State Route 91 and the Interstate 15 Freeway. Improvement Area No. 1 consists of 55 gross acres which comprises the development known as “Cresta Verde Hills.” At buildout, it is projected that Cresta Verde Hills will be developed with 72 single family residential units. Improvement Area No. 2 consists of approximately 12.5 gross acres which comprises the development known as “Vista Grande.” As of July 1, 2002, the date of value of the Appraisal (the “Appraisal”) of the privately owned property in the District prepared by Bruce W. Hull and Associates, Inc. (the “Appraiser”), Vista Grande was completely built out, with all 41 single family residences owned by individual homeowners, and all of the land within Cresta

Verde Hills was owned by Fieldstone Communities, Inc. (the "Developer"). The Developer also developed Vista Grande.

As of July 1, 2002, grading on Improvement Area No. 1 was approximately 90% complete, intract and off-tract infrastructure improvements were approximately 40% complete and the Developer had recorded a final map for all 72 lots. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP," and APPENDIX B—"SUMMARY APPRAISAL REPORT."

The District was formed on December 19, 2001 and the Bonds are being issued pursuant to the Act. The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, the City Council adopted the necessary resolutions stating its intent to establish the District, to authorize the levy of Special Taxes on taxable property within the boundaries of the District, and to have the District incur bonded indebtedness. Following a public hearing conducted pursuant to the provisions of the Act, the City Council adopted resolutions establishing the District and calling special elections to submit the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified voters of the District. On December 19, 2001, at an election held pursuant to the Act, the Developer who comprised the sole qualified voter within each Improvement Area authorized the District to incur bonded indebtedness in the aggregate principal amount not to exceed \$3,400,000 for Improvement Area No. 1 and \$1,600,000 for Improvement Area No. 2 and approved the rates and method of apportionment of the Special Taxes for each Improvement Area (the "Rates and Method") to pay the principal of and interest on the bonds of the District. The Rates and Method are set forth in APPENDIX A hereto.

Allocation of Bonds Among the Improvement Areas

Pursuant to the Indenture, the aggregate principal amount of the Bonds will be allocated to the Improvement Areas as follows: \$2,595,000 has been allocated to Improvement Area No. 1 and \$1,080,000 has been allocated to Improvement Area No. 2. The effect of this allocation is that Special Taxes will be levied on taxable parcels in each Improvement Area to pay only a proportionate share of the principal of and interest (i.e., annual debt service) which will be due on the Bonds in each year. In fiscal year 2003-2004, the first fiscal year in which Special Taxes will be levied in both Improvement Areas, the proportionate share of debt service on the Bonds allocated to each Improvement Area will be: Improvement Area No. 1 – 71.77% and Improvement Area No. 2 – 28.33%. These proportionate shares fluctuate slightly in each Bond year and could change if the special tax obligations of parcels of property in either of the Improvement Areas are prepaid. No Special Tax will be levied on parcels in either Improvement Area to pay annual debt service on the portion of the aggregate principal amount of the Bonds which is allocated to the other Improvement Area.

Sources of Payment for the Bonds

As used in this Official Statement, the term "Special Tax" is that tax which has been authorized pursuant to the Act to be levied against certain land within the Improvement Areas pursuant to the Act and in accordance with the Rates and Method. See APPENDIX A—"RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAXES." Under the Fiscal Agent Agreement, the City has pledged to repay the Bonds from the Special Tax Revenues and amounts on deposit in the Bond Fund and the Reserve Fund established under the Fiscal Agent Agreement. Special Tax Revenues are defined in the Fiscal Agent

Agreement to include the proceeds of the Special Taxes received by the City, including any scheduled payments thereof, interest and penalties thereon and the proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the delinquent Special Taxes in the amount of said lien and interest and penalties thereon.

Pursuant to the Fiscal Agent Agreement the initial Reserve Requirement for the Bonds is an amount equal to \$272,252.50. Subject to the maximum annual amounts of Special Taxes contained in the Rates and Method, if the amount in the Reserve Fund is less than the Reserve Requirement, the City has covenanted to restore the amount in the Reserve Fund to the Reserve Requirement by the inclusion of a sufficient amount in the next annual Special Tax levy within the Improvement Area in which there are delinquencies in the payment of Special Taxes which have resulted in the disbursement of funds from the Reserve Fund to pay debt service on the Bonds. The City Council will not, however, levy Special Taxes for the purpose of restoring the amount on deposit in the Reserve Fund to the Reserve Requirement on parcels of taxable property in an Improvement Area in which there are not delinquencies in the payment of Special Taxes. The ability of the City Council, in its capacity as the legislative body of the District, to increase the annual Special Taxes levied in any Improvement Area to replenish the Reserve Fund is subject to the maximum annual amounts of Special Taxes authorized by the qualified voters of the Improvement Area. The moneys in the Reserve Fund will be used only for payment of the principal of, and interest and any redemption premium on, the Bonds and, at the direction of the City, for deposit in the Rebate Fund. See "SECURITY FOR THE BONDS—Reserve Fund."

The Special Taxes are the primary security for the repayment of the Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent, including amounts held in the Reserve Fund. The City has covenanted for the benefit of the owners of the Bonds that it will commence, and diligently pursue to completion, judicial foreclosure proceedings against Assessor's parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of the fiscal year in which such Special Taxes were due, and it will commence and diligently pursue to completion judicial foreclosure proceedings against all Assessor's parcels with delinquent Special Taxes by the October 1 following the close of each fiscal year in which the City receives Special Taxes in an amount which is less than 95% of the total Special Taxes levied. See "SOURCES OF PAYMENT FOR THE BONDS—Proceeds of Foreclosure Sales" herein."

The Appraisal provides an estimate of the market value of the fee simple interest in the parcels within the District, assuming that the facilities to be financed from the proceeds of the Bonds are constructed and installed. The Appraisal is based upon a sales comparison approach to value. Based upon the assumptions set forth in the Appraisal and the current development plan being undertaken by the Developer, the Appraiser is of the opinion that the market value of the property in the District as of July 1, 2002, assuming the completion of all improvements to be financed with the proceeds of that portion of the Bonds applicable to the respective Improvement Area was \$8,020,000 for Improvement Area No. 1 and \$13,795,000 for Improvement Area No. 2. This estimate of land value results in an estimated appraised value-to-lien ratio of approximately 3.09 to 1 for Improvement Area No. 1 and 12.69 to 1 for Improvement Area No. 2 based on the estimated amount of direct and overlapping debt allowable to parcels within each Improvement Area. See "THE COMMUNITY FACILITIES DISTRICT—Estimated Value-to-Lien Ratios Derived from Appraised Value and Sales Prices" herein.

There is no assurance that the property within the District can be sold for the appraised value or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current or future landowners within the District. See "SPECIAL RISK FACTORS—Land Values" and APPENDIX B—"SUMMARY APPRAISAL REPORT" herein. Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes may also be levied on the property within the District. See "SPECIAL RISK FACTORS—Parity Taxes, Special Assessments and Land Development Costs" herein.

EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM SPECIAL TAXES AND AMOUNTS HELD UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

Additional Bonds

The City has covenanted not to issue additional Bonds except for the purpose of discharging the entire indebtedness of all Outstanding Bonds pursuant to the Fiscal Agent Agreement. See "SOURCES OF PAYMENT FOR THE BONDS—Parity Bonds" and APPENDIX D—"SUMMARY OF FISCAL AGENT AGREEMENT" herein.

Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry-only system described herein is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Fiscal Agent Agreement. See APPENDIX H—"BOOK-ENTRY-ONLY SYSTEM" herein.

Principal of, premium, if any, and interest on the Bonds is payable by the Fiscal Agent to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry-only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Fiscal Agent, all as described herein. See APPENDIX H—"BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds are subject to optional redemption, mandatory redemption from Special Tax Prepayments and mandatory sinking fund redemption as described herein. For a more complete descriptions of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see "THE BONDS" and APPENDIX D—"SUMMARY OF FISCAL AGENT AGREEMENT" herein.

Tax Matters

In the opinion of Bond Counsel, under existing laws, regulations, rulings and court decisions, the interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with certain covenants described herein, is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Set forth in APPENDIX G is the opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain other tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, see "TAX MATTERS" herein.

Professionals Involved in the Offering

Wells Fargo Bank, National Association, Los Angeles, California, will act as Fiscal Agent under the Fiscal Agent Agreement and as the initial Dissemination Agent under the Continuing Disclosure Agreement. BNY Western Trust Company, Los Angeles, will act as Escrow Agent under the Escrow Agreement. UBS PaineWebber Inc. is the Underwriter of the Bonds. All proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Best Best & Krieger LLP, Riverside, California, Bond Counsel. Fieldman, Rolapp & Associates, Irvine, California, is acting as Financial Advisor for the City in connection with the Bonds. Certain legal matters will be passed on for the City and the District by Best Best & Krieger LLP in its capacity as City Attorney, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Underwriter's Counsel. Other professional services have been performed by Galen N. Peterson, P.E., Consulting Engineer, San Diego, California, as Special Tax Consultant, Bruce W. Hull & Associates, Inc., Tustin, California, as Appraiser.

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

Continuing Disclosure

Each of the City, for and on behalf of the District, and the Developer has agreed to provide, or cause to be provided, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission certain annual financial information and operating data. The City's obligation commences March 1, 2003. The City has further agreed to provide, in a timely manner, certain annual financial information and operating data and notice of certain material events. The Developer is obligated to file semi-annual reports commencing September 1, 2003 and annual reports commencing March 1, 2003. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE" herein, APPENDIX E and APPENDIX F hereto for a description of the specific nature of the annual reports to be filed by the City, and the semi-annual reports to be filed by the Developer, and notices of material events and a summary description of the terms of the continuing disclosure agreement pursuant to which such annual reports are to be made.

Bond Owners' Risks

Certain events could affect the timely repayment of the principal of and interest on the Bonds when due. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency. The purchase of the Bonds involves risks, and the Bonds may not be appropriate investments for some types of investors. See "SPECIAL RISK FACTORS" herein.

Other Information

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

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

references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Fiscal Agent Agreement. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Fiscal Agent Agreement.

Copies of the Fiscal Agent Agreement, the Continuing Disclosure Agreements and other documents and information referred to herein are available for inspection and (upon request and payment to the City of a charge for copying, mailing and handling) for delivery from the City at 815 West Sixth Street, Corona, California 92882, Attention: Assistant City Manager.

FINANCING PLAN

The Bonds are being issued to provide funds to (i) finance the costs of constructing and acquiring certain public facilities within or serving the District; (ii) pay certain delinquent assessment installments and the remaining assessment lien on property located within Improvement Area No. 1 pursuant to the Settlement Agreement; (iii) pay costs related to the issuance of the Bonds; (iv) fund the Reserve Fund for the Bonds; and (v) fund capitalized interest on the Bonds. Pursuant to the Settlement Agreement, the City and the Developer agreed to form the District in order to finance in the following priority: (i) legal expenses in connection with the Settlement Agreement and foreclosure proceedings on the property within Improvement Area No. 1; (ii) all delinquent assessment installments owed to Assessment Districts Nos. 79-2 and 80-1 of the City (the "Assessment Districts"); (iii) the discharge of the remaining assessment lien on the property within Improvement Area No. 1; (iv) all delinquent assessment installments owed to Lighting and Landscape Maintenance District Nos. 84-1 and 84-2 of the City (the "LMDs"); and (v) costs related to the construction of public facilities authorized by the District to the extent of remaining available Bond proceeds, if any. See "COMMUNITY FACILITIES DISTRICT—Settlement Agreement." In accordance with the Settlement Agreement, the City has entered into (i) the Escrow Agreement Relating to Partial Defeasance and Redemption of Outstanding City of Corona Limited Obligation Refunding Bonds for Assessment District No. 79-2 and Assessment District No. 80-1, dated as of August 1, 2002, between BNY Western Trust Company, as escrow agent, pursuant to which the City shall deposit \$1,014,856.85 of Bond proceeds into a separate escrow fund to redeem a portion of the outstanding Assessment District No. 79-2 and Assessment District No. 80-1 Refunding Bonds and (ii) the Escrow Agreement Relating to Partial Defeasance and Redemption of Outstanding Limited Obligation Improvement Bonds City of Corona Assessment District No. 79-2 (Northwest Area) Series B, dated as of August 1, 2002, by and between the City and BNY Western Trust Company, as escrow agent pursuant to which the City shall deposit \$541,982.11 of Bond proceeds in a separate escrow fund to redeem a portion of the Outstanding Assessment District No. 79-2 Series B Bonds (collectively, the "Prior Bonds").

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected uses of Bond proceeds:

<i>Sources of Funds</i>	
Bond Par Amount	\$ 3,675,000.00
(Original Issue Discount)	<u>(15,427.60)</u>
TOTAL SOURCES	\$ 3,659,572.40
<i>Uses of Funds</i>	
Improvement Area No. 1 Improvement Account ⁽¹⁾	\$ 446,206.72
Improvement Area No. 2 Improvement Account	896,006.40
Escrow Funds ⁽²⁾	1,556,838.96
Underwriter's Discount	73,500.00
Reserve Fund	272,252.50
Costs of Issuance Fund	265,000.00
Capitalized Interest Subaccount ⁽³⁾	<u>149,767.82</u>
TOTAL USES	\$ 3,659,572.40

⁽¹⁾ Includes LMD delinquency amount to be paid to City for deposit into the respective LMDs fund and certain legal expenses incurred by the City in connection with the Settlement Agreement and foreclosure proceedings on the property within Improvement Area No. 1. See "FINANCING PLAN" above.

⁽²⁾ To be applied to refund the Prior Bonds. See "FINANCING PLAN" above.

⁽³⁾ Represents interest due on Improvement Area No. 1's share of the Bonds through September 1, 2003.

THE BONDS

Authority for Issuance

The Bonds in the aggregate principal amount of \$3,675,000 are authorized to be issued by the City for the District under and subject to the terms of the Fiscal Agent Agreement, the Act and other applicable laws of the State of California.

Description of the Bonds

The Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 and any integral multiple thereof (not exceeding the principal amount maturing at any one time), and shall be dated the date of delivery thereof. The Bonds will be issued in book-entry only form and The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Bonds. So long as the Bonds are held in book-entry only form, principal of, premium, if any, and interest on the Bonds will be paid directly to DTC for distribution to the beneficial owners of the Bonds in accordance with the procedures adopted by DTC. See "BOOK-ENTRY ONLY SYSTEM" herein. The Bonds will mature on September 1, in the years and principal amounts, and bearing rates of interest, as shown on the inside cover of this Official Statement.

Interest on the Bonds will be payable semiannually on March 1 and September 1 of each year, commencing March 1, 2003 (each, an "Interest Payment Date") and will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date in which event it shall bear interest from its dated date;

provided, that if at the time of authentication of a Bond, interest is then in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon, or from its dated date, if no interest has previously been paid or made available for payment thereon.

Interest on the Bonds is payable by check of the Fiscal Agent mailed by first class mail, postage prepaid, on each Interest Payment Date, to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America by check of the Fiscal Agent upon surrender of such Bonds at the Principal Office of the Fiscal Agent; provided, however, that at the written request of the Owner of at least \$1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Fiscal Agent prior to any Record Date, interest on such Bonds will be paid to such Owner on each succeeding Interest Payment Date by wire transfer of immediately available funds to an account in the United States of America designated in such written request. All Bonds paid by the Fiscal Agent will be canceled by the Fiscal Agent.

Redemption

Optional Redemption. The Bonds maturing on or after September 1, 2012 are subject to redemption prior to their stated maturity dates on September 1, 2011 or any Interest Payment Date thereafter, on a pro rata basis among maturities (and by lot within any one maturity), in integral multiples of \$5,000, at the option of the City from moneys derived by the City from any source, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the date of redemption.

Mandatory Redemption From Special Tax Prepayments. The Bonds are subject to mandatory redemption prior to their stated maturity dates on any Interest Payment Date, as selected among maturities by the City (and by lot within any one maturity), in integral multiples of \$5,000, from moneys derived by the City from Special Tax Prepayments, at redemption prices (express as percentages of the principal amounts of the Bonds to be redeemed), together with accrued interest to the date of redemption as follows:

<i>Redemption Dates</i>	<i>Redemption Price</i>
March 1, 2003 through March 1, 2009	103%
September 1, 2009 and March 1, 2010	102
September 1, 2010 and March 1, 2011	101
September 1, 2011 and thereafter	100

Mandatory Sinking Fund Redemption. The Outstanding Bonds maturing on September 1, 2022 and September 1, 2032 are subject to mandatory sinking fund redemption, in part, on September 1, 2021 and September 1, 2023, respectively, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, and from sinking fund payments as follows:

Bonds Maturing on September 1, 2022

<i>Redemption Date (September 1)</i>	<i>Sinking Payment</i>
2021	\$130,000
2022 (maturity)	140,000

Bonds Maturing on September 1, 2032

<i>Redemption Date (September 1)</i>	<i>Sinking Payment</i>
2023	\$145,000
2024	155,000
2025	165,000
2026	175,000
2027	185,000
2028	200,000
2029	210,000
2030	225,000
2031	240,000
2032 (maturity)	255,000

The amounts of Outstanding Bonds to be redeemed pursuant to the foregoing schedules shall be reduced by the City pro rata among redemption dates, in order to maintain substantially level debt service as a result of any prior or partial optional redemption or mandatory redemption from Special Tax Prepayments of the Bonds.

Purchase of Bonds in Lieu of Redemption. In lieu of payment at maturity or redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at a public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event will Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

Selection of Bonds for Redemption

If less than all the Outstanding Bonds are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and, in selecting portions of such Bonds for redemption, the Fiscal Agent shall treat each such Bond as representing the number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of a maturity or any given portion thereof, the Fiscal Agent shall select the Bonds of such maturity to be redeemed, from all Bonds of such maturity or such given portion thereof not previously called for redemption, by lot within a maturity, in any manner which the Fiscal Agent in its sole discretion shall deem appropriate.

Notice of Redemption

The Fiscal Agent Agreement requires the Fiscal Agent to cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories and to one or more Information Services selected by an Authorized Officer, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books maintained by the Fiscal Agent at its Principal Office; but such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such Bonds. The Fiscal Agent will also cause notice of any redemption to be mailed, in such manner and within such time, to the Underwriter.

Such notice will state the date of such notice, the date of issue of the Bonds, the place or places of redemption, the redemption date, the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed, by giving the individual CUSIP number and Bond number of each Bond to be redeemed, or will state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, will state as to any Bond called for redemption in part the portion of the principal of the Bond to be redeemed, will require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and will state that further interest on such Bonds will not accrue from and after the redemption date. The cost of the mailing and publication of any such redemption notice will be paid by the District.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose will, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

In the event of an optional redemption or a mandatory redemption from a Special Tax Prepayment, the City will transfer or cause to be transferred to the Fiscal Agent for deposit in the Bond Fund moneys in an amount equal to the redemption price of the Bonds being redeemed on or before the fifteenth (15th) day of the month preceding the Interest Payment Date upon which such Bonds are to be redeemed.

If less than all the Bonds Outstanding are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or a multiple thereof, and, in selecting portions of such Bonds for redemption, the Fiscal Agent will treat each such Bond as representing the number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of a maturity or any given portion thereof, the Fiscal Agent will select the Bonds of such maturity to be redeemed, from all Bonds of such maturity or such given portion thereof not previously called for redemption, by lot within a maturity in any manner which the Fiscal Agent in its sole discretion shall deem appropriate.

Upon surrender of Bonds redeemed in part only, the City will execute and the Fiscal Agent will authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption

From and after the date fixed for redemption, if funds available for the payment of the redemption prices of the Bonds called for redemption have been deposited in the Bond Fund, such Bonds will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and interest will cease to accrue on the Bonds to be redeemed on the redemption date specified in the notice of redemption.

All Bonds redeemed and purchased by the Fiscal Agent pursuant to the Fiscal Agent Agreement will be canceled by the Fiscal Agent.

Transfer and Exchange of Bonds

Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Fiscal Agent Agreement, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office of the Fiscal Agent, accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer will be paid by the District. The Fiscal Agent will collect from the Owner requesting transfer of a Bond any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds are surrendered for transfer, the City will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds of like aggregate principal amount.

No transfers of Bonds will be required to be made (i) during the fifteen (15) days preceding the date established by the Fiscal Agent for selection of Bonds for redemption, or (ii) with respect to Bonds which have been selected for redemption.

Bonds may be exchanged at the Principal Office of the Fiscal Agent only for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity and interest rate. The cost for any services rendered or any expense incurred by the Fiscal Agent in connection with any such exchange will be paid by the District. The Fiscal Agent will collect from the Owner requesting exchange of a Bond any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds will be required to be made (i) during the fifteen (15) days preceding the date established by the Fiscal Agent for selection of Bonds for redemption, or (ii) with respect to Bonds which have been selected for redemption.

Debt Service Schedule for the Bonds

<i>Period Ending (September 1)</i>	<i>Principal</i>	<i>Interest</i>	<i>Debt Service</i>
2003	\$ 15,000.00	\$ 221,800.83	\$ 236,800.83
2004	60,000.00	211,972.50	271,972.50
2005	60,000.00	210,232.50	270,232.50
2006	60,000.00	208,222.50	268,222.50
2007	65,000.00	206,032.50	271,032.50
2008	65,000.00	203,367.50	268,367.50
2009	70,000.00	200,507.50	270,507.50
2010	75,000.00	197,252.50	272,252.50
2011	75,000.00	193,577.50	268,577.50
2012	80,000.00	189,752.50	269,752.50
2013	85,000.00	185,592.50	270,592.50
2014	90,000.00	181,087.50	271,087.50
2015	95,000.00	176,227.50	271,227.50
2016	100,000.00	171,002.50	271,002.50
2017	105,000.00	165,352.50	270,352.50
2018	110,000.00	159,315.00	269,315.00
2019	115,000.00	152,880.00	267,880.00
2020	125,000.00	146,095.00	271,095.00
2021	130,000.00	138,657.50	268,657.50
2022	140,000.00	130,727.50	270,727.50
2023	145,000.00	122,187.50	267,187.50
2024	155,000.00	113,125.00	268,125.00
2025	165,000.00	103,437.50	268,437.50
2026	175,000.00	93,125.00	268,125.00
2027	185,000.00	82,187.50	267,187.50
2028	200,000.00	70,625.00	270,625.00
2029	210,000.00	58,125.00	268,125.00
2030	225,000.00	45,000.00	270,000.00
2031	240,000.00	30,937.50	270,937.50
2032	<u>255,000.00</u>	<u>15,937.50</u>	<u>270,937.50</u>
Total	\$ 3,675,000.00	\$4,384,343.33	\$8,059,343.33

SOURCES OF PAYMENT FOR THE BONDS

The Special Taxes are the primary security for the repayment of the Bonds. Under the Fiscal Agent Agreement, the City has pledged to repay the Bonds from the Special Tax Revenues and amounts held in the Bond Fund and the Reserve Fund. Special Tax Revenues are defined in the Fiscal Agent Agreement to include the proceeds of the Special Taxes received by the City, including any scheduled payments thereof, interest and penalties thereon, the proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of delinquent Special Taxes in the amount of said lien, and interest and penalties thereon.

In the event that the Special Tax Revenues are not paid when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent, including amounts held in the Reserve Fund, for the exclusive benefit of the Owners of the Bonds.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS

ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE SPECIAL TAXES AND OTHER AMOUNTS PLEDGED UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

Special Taxes

In accordance with the provisions of the Act, the City Council established the District on December 19, 2001 for the purpose of financing the acquisition, construction and installation of various public improvements to serve the District and at a special election held on December 19, 2001, the respective owners of the property within the Improvement Areas authorized the District to incur indebtedness on behalf of the Improvement Areas in an amount not to exceed \$3,400,000 for Improvement Area No. 1 and \$1,600,000 for Improvement Area No. 2, and approved the respective rates and method of apportionment of the Special Taxes within each Improvement Area to pay the principal of and interest on the bonds of the District. The primary purpose of the indebtedness is to finance the acquisition or construction of various public improvements and facilities within or serving the District and to pay the amount necessary to eliminate fixed special assessment liens or to pay, repay or defease the obligation to pay bonded indebtedness secured by an assessment levied on the property in Improvement Area No. 1. The rates and method of apportionment of the Special Taxes for each Improvement Area are set forth in APPENDIX A hereto (the "Rates and Method").

The City Council, as the legislative body of the District, has covenanted in the Fiscal Agent Agreement that by August 1 of each year (or such later date as may be authorized by the Act) it will levy Special Taxes up to the maximum rates permitted under the Rates and Method in the amount required for the payment of principal of and interest on any Outstanding Bonds becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure of the Reserve Fund and the amount estimated to be sufficient to pay the Administrative Expenses during such calendar year.

If funds are transferred by the Fiscal Agent from the Reserve Fund to the Bond Fund to pay annual debt service on the Outstanding Bonds as a result of delinquencies in the payment of the Special Taxes levied in either Improvement Area, the City Council will levy Special Taxes to restore the Reserve Fund to the Reserve Requirement only on parcels of taxable property in that Improvement Area. No assurance can be given, therefore, that the City Council will be able to levy a sufficient amount of Special Taxes in either Improvement Area where there are delinquent Special Taxes to restore the Reserve Fund to the Reserve Requirement.

The Special Taxes levied in any fiscal year in either Improvement Area may not exceed the maximum rates authorized pursuant to the Rates and Method approved by the qualified electors within that Improvement Area. See APPENDIX A—"RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAXES" hereto. There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See "SPECIAL RISK FACTORS—Insufficiency of Special Taxes" herein.

Rates and Method of Apportionment of Special Taxes

The Rates and Method for each Improvement Area provide that for each Fiscal Year all parcels in the District not otherwise exempt are to be classified as either Developed Property or Undeveloped Property. The Rates and Method provide that Special Taxes shall not be levied on up to 33.26 acres for Improvement Area No. 1 and 2.85 acres for Improvement Area No. 2 of homeowner association property or publicly owned property within the District which is exempt from taxation under California law. Developed Property is defined to include all Assessor's Parcels in each Improvement Area, exclusive of Association Property and Public Property upon which building permits have been issued as of March 1 of the Fiscal Year preceding the Fiscal Year for which Special Taxes are being levied. "Undeveloped Property" is defined to include all

Assessor's Parcels in the District not categorized as Developed Property, exclusive of Taxable Association Property and Taxable Public Property.

Under the Rates and Method for each Improvement Area, the annual amount of Special Tax to be levied on each taxable parcel in the District classified as Undeveloped Property, Taxable Association Property and Taxable Public Property will be based on the acreage of the parcel, and the annual amount of Special Tax to be levied on each parcel classified as Developed Property will be based upon the land use category for that parcel. The Maximum Special Tax for each Assessor's Parcel classified as Developed Property is the greater of the applicable Assigned Special Tax or the amount of the Backup Special Tax. The Assigned Special Tax for each Assessor Parcel is assigned by land use category based on the square feet of the proposed Dwelling Unit. For Improvement Area No. 1, the Assigned Special Tax varies from \$2,914 for a dwelling unit of 2,900 square feet or less to \$3,348 for a dwelling unit of 3,901 square feet or greater, and all Non-Residential Property has an Assigned Special Tax of \$12,407 per acre. For Improvement Area No. 2, the Assigned Special Tax varies from \$2,282 for a dwelling unit of 2,600 square feet or less to \$2,900 for a dwelling unit of 3,201 square feet or greater, and all Non-Residential Property has an Assigned Special Tax of \$12,385 per acre. Undeveloped Property within each Improvement Area will be taxed only if the revenues from the Maximum Special Taxes on Developed Property are not sufficient to meet the Improvement Area's obligations under the Fiscal Agent Agreement. Undeveloped Property in Improvement Area No. 1 may be taxed up to a maximum of \$12,407 per acre and Undeveloped Property in Improvement Area No. 2 may be taxed up to a maximum of \$12,385 per acre.

Prepayment of Special Taxes

The Rates and Method provide that a property owner may prepay and satisfy the Special Tax obligation of an Assessor's Parcel in whole if the City Council determines that such prepayment will not jeopardize the City's ability to levy and collect sufficient Special Taxes in any Fiscal Year to pay required debt service on the Bonds.

The City has covenanted that it will cause all applications of owners of property in Improvement Area No. 1 and Improvement Area No. 2 to prepay and satisfy the Special Tax obligation for their property to be reviewed by the Tax Consultant and shall not accept any such prepayment unless the Tax Consultant certifies in writing that following the acceptance of the proposed prepayment by the City and the redemption of Bonds with such prepayment, the ratio of (i) the maximum amount of the Special Taxes that may be levied on all Developed Property in Improvement Area No. 1 or Improvement Area No. 2 which following such prepayment will be subject to the levy of the Special Taxes to (ii) the Proportionate Amount of Maximum Annual Debt Service on the Bonds which will remain Outstanding following such redemption that will be allocable to the Improvement Area (*e.g.*, 1.10 to 1.0) will not be less than such ratio as it existed prior to such prepayment. For purposes of prepayments, "Developed Property" means a parcel of property for which a building permit has been issued by the City for the construction of a residence or a commercial building. See APPENDIX D—"SUMMARY OF FISCAL AGENT AGREEMENT."

To date, no parcels within the District have elected to prepay Special Taxes. In the event that a prepayment of Special Taxes occurs in the future, the net proceeds of such prepayment will be applied to effect a mandatory redemption of the Bonds. See "THE BONDS—Redemption" herein.

Collection and Application of Special Taxes

The Special Taxes are levied and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as ad valorem property taxes.

The City has made certain covenants in the Fiscal Agent Agreement for the purpose of ensuring that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a

manner that would impair the City's ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. The City has covenanted that to the extent that it is legally permitted to do so, (a) it will levy the Special Taxes for the payment of the Administrative Expenses which are expected to be incurred in each Fiscal Year, and (b) it will not initiate proceedings under the Act to reduce the Maximum Special Tax rates (the "Maximum Rates") on then existing Developed Property in Improvement Area No. 1 or Improvement Area No. 2 below the amounts which are necessary to provide Special Tax Revenues in an amount equal to the priority Administrative Expenses (described below) plus one hundred ten percent (110%) of Maximum Annual Debt Service on the Outstanding Bonds. "Developed Property" means a parcel of property for which a building permit has been issued by the City for the construction of a residence or a commercial building. The City has further covenanted that in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the California Constitution, which purports to reduce or otherwise alter the Maximum Rates, it will commence and pursue legal action seeking to preserve its ability to comply with the covenant stated above. See "SPECIAL RISK FACTORS—Proposition 218." The District has also covenanted not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare a special tax penalties amnesty program if to do so would materially and adversely affect the interests of the owners of the Bonds or to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds remaining Outstanding following such tender. See "SPECIAL RISK FACTORS—Non-Cash Payment of Special Taxes."

Although the Special Taxes constitute liens on taxable parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and others could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners therein. See "SPECIAL RISK FACTORS—Parity Taxes, Special Assessments and Land Development Costs" herein. There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled "SPECIAL RISK FACTORS."

Under the terms of the Fiscal Agent Agreement, not later than ten (10) Business Days after receipt, all Special Tax Revenues received by the City are to be deposited in the Special Tax Fund. As soon as practicable after the receipt from the City of any Special Tax Revenues, but no later than ten (10) Business Days after such receipt, the Fiscal Agent is to withdraw from the Special Tax Fund and deposit in the Administrative Expense Fund, an amount estimated by the City to be sufficient, together with the amount then on deposit in the Administrative Expense Fund, to pay the Administrative Expenses during the current Fiscal Year; provided, however, that the amount deposited in the Administrative Expense Fund prior to the payment of debt service on the Bonds shall not exceed \$20,000 for any Fiscal Year for each Improvement Area for a total not to exceed amount of \$40,000 for the District.

On or before the March 1 Interest Payment Date in each Bond Year, the Fiscal Agent is to transfer moneys from the Surplus Account of the Special Tax Fund, to the extent of moneys on deposit therein, to the Interest Account of the Bond Fund in an amount equal to any deficiency in the amount of other moneys which are on deposit in the Special Tax Fund and available for transfer to and deposit in such account to pay the full amount of the interest on the Bonds which is due and payable on such Interest Payment Date. On or before September 1 of each Bond Year, the Fiscal Agent shall transfer moneys from the Surplus Account, to the extent of moneys on deposit therein, to the Interest and Principal Accounts of the Bond Fund in an amount equal to any deficiency in the amount of other moneys which are on deposit in the Special Tax Fund and available for transfer to and deposit in such accounts to pay the full amount of the interest on and principal of the Bonds which is due and payable on such Interest Payment Date.

Proceeds of Foreclosure Sales

The net proceeds received following a judicial foreclosure sale of land within the District resulting from a landowner's failure to pay the Special Tax when due are pledged to the payment of principal of and interest on the Bonds.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the City of Special Taxes in an amount which is less than the Special Tax levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the City has covenanted for the benefit of the owners of the Bonds that it will commence and diligently pursue to completion, judicial foreclosure proceedings against properties with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of the Fiscal Year in which such Special Taxes were due, and, it will commence and diligently pursue to completion judicial foreclosure proceedings against all properties with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Taxes levied. See APPENDIX D—"SUMMARY OF FISCAL AGENT AGREEMENT—Other Covenants of the City" herein.

If foreclosure is necessary and other funds (including amounts in the Reserve Fund) have been exhausted, debt service payments on the Bonds could be delayed until the foreclosure proceedings have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City. See "SPECIAL RISK FACTORS—Bankruptcy and Foreclosure" herein. Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See "SPECIAL RISK FACTORS—Land Values" herein. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for ad valorem taxes.

Reserve Fund

In order to secure further the payment of principal of and interest on the Bonds, the City is required, upon delivery of the Bonds, to deposit in the Reserve Fund and thereafter to maintain the Reserve Fund an amount equal to the Reserve Requirement. The amount of \$272,252.50 representing the initial Reserve Requirement will be deposited in the Reserve Fund on the date of delivery of the Bonds. Subject to the limits on the Maximum Rates which may be levied within each Improvement Area, as described in APPENDIX A, the City has covenanted to levy Special Taxes in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Fund at the Reserve Requirement. See "—Special Taxes" above. Amounts in the Reserve Fund are to be applied to (i) pay debt service on the Bonds, to the extent other monies are not available therefor, (ii) redeem the Bonds in whole or in part, and (iii) pay the principal and interest due in the final year of maturity of the Bonds. Subject to the Maximum Rates contained in the Rates and Method, if the amount in the Reserve Fund is less than the Reserve Requirement, the City has covenanted to restore the amount in the Reserve Fund to the Reserve Requirement by the inclusion of a sufficient amount in the next annual Special Tax levy within the Improvement Area in which there are delinquencies in the payment of Special Taxes which have resulted in the disbursement of funds from the Reserve Fund to pay debt service on the Bonds. The City Council will not, however, levy Special Taxes for the purpose of restoring the amount on deposit in the Reserve Fund to the Reserve

Requirement on parcels of taxable property in an Improvement Area in which there are not delinquencies in the payment of Special Taxes. See APPENDIX D—“SUMMARY OF FISCAL AGENT AGREEMENT—Reserve Fund” herein.

Parity Bonds

The City has covenanted not to issue additional Bonds except for the purpose of discharging the entire indebtedness of all Outstanding Bonds pursuant to the Fiscal Agent Agreement. See “SOURCES OF PAYMENT FOR THE BONDS—Parity Bonds” and APPENDIX D—“SUMMARY OF FISCAL AGENT AGREEMENT” herein.

THE COMMUNITY FACILITIES DISTRICT

General Description of the District

The District contains approximately 68 gross acres located in the northeasterly and southerly portion of the City. The District consists of two non-contiguous Improvement Areas. Improvement Area No. 1 consists of approximately 55 gross acres which comprises the development known as “Cresta Verde Hills” and Improvement Area No. 2 consists of approximately 12.5 gross acres which comprises the development known as “Vista Grande.” Improvement Area No. 1 is located approximately 1 mile northeast of the interchange between State Route 91 and the Interstate 15 Freeway. Improvement Area No. 2 is located approximately 3 miles south of the interchange between State Route 91 and the Interstate 15 Freeway.

Settlement Agreement

For several years prior to the Developer’s purchase of the property within Improvement Area No. 1, the previous owner failed to pay semi-annual installments on the assessments levied on the property within Improvement Area No. 1 by the Assessment Districts and the LMDs. The City foreclosed on the lien of the delinquent assessment installments by an action filed in the Riverside County Superior Court and obtained a judgment, as subsequently amended, permitting the City to foreclose on the property within Improvement Area No. 1 to collect the delinquent assessment installments and statutory penalties and interest in the total amount of \$1,321,503. When the Developer purchased the property within Improvement Area No. 1, it entered into the Settlement Agreement, with respect to the foreclosure proceedings, pursuant to which the Bonds will be issued for Improvement Area No. 1 to pay the total amount of the delinquent assessment installments, the remaining balance of the assessments against the property and the financing of the construction and acquisition of certain authorized public improvements described below. See “PLAN OF FINANCE” above and “—Description of Authorized Facilities” herein.

Description of Authorized Facilities

In addition to the payments to be made in accordance with the Settlement Agreement with Bond proceeds, the facilities authorized to be acquired or constructed by the District with the proceeds of the Bonds consist of various public improvements including: (1) water and sewer system improvements, including capacity in existing facilities and sewage treatment and disposal capacity, (2) street improvements and traffic signals, (3) storm drainage improvements, (4) park and recreation improvements, (5) public safety improvements, (6) landscape and appurtenant improvements, (7) library improvements, (8) the acquisition of parkland and open space, and (9) incidental expenses related to the planning and designing of such facilities, environmental evaluations, formation of the District, sale of the Bonds and any other costs associated with the construction, completion and inspection of the public facilities.

The expected improvements to be financed with the proceeds of the Bonds are described in Table 1 below:

TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 2001-2
OF THE CITY OF CORONA
(CRESTA-GRANDE)
COST ESTIMATES⁽¹⁾

<i>Items in Priority of Funding</i>	<i>Improvement Area No. 1</i>	<i>Improvement Area No. 2</i>	<i>Total</i>
1. Settlement Payments ⁽²⁾	\$1,699,003		\$1,699,003
2. Water Improvements ⁽³⁾	139,476	\$220,766	360,242
3. Sewer Improvements ⁽³⁾		100,737	100,737
4. Street Improvements and Traffic Signals ⁽³⁾	40,363	453,842	484,205
5. Drainage Improvements ⁽³⁾	16,564	76,011	92,575
6. Park Improvements and acquisition of parkland and open space ⁽³⁾	<u>107,640</u>	<u>44,650</u>	<u>152,290</u>
Total	<u>\$2,003,046</u>	<u>\$896,006</u>	<u>\$2,899,052</u>

⁽¹⁾ Certain water, sewer, roadway and drainage improvements are not included in Table 1, but are to be paid for by the Developer.

⁽²⁾ Contains funds sufficient to pay all delinquent and outstanding assessment installments of the Assessment Districts, all delinquent assessment installments of the LMDs and legal expenses incurred by the City in connection with the Settlement Agreement and foreclosure proceedings on the property within Improvement Area No. 1. See "FINANCING PLAN".

⁽³⁾ To the extent there are additional funds, such funds will be spent to acquire additional Improvements listed in the Engineer's Report.

Source: Galen N. Peterson

Direct and Overlapping Debt

The ability of an owner of property within an Improvement Area to pay the Special Taxes could be affected by the existence of other taxes and assessments imposed upon such property. See "—Direct and Overlapping Debt" and "—Estimated Value-to-Lien Ratios Derived from Appraised Value and Sales Prices" below.

Other public agencies whose boundaries overlap those of the District or the Improvement Areas could, without the consent of the City, and in certain cases without the consent of the owners of the land within the Improvement Areas, impose additional taxes or assessment liens on the property within the Improvement Areas in order to finance additional public improvements to be located inside of or outside of such area. The lien created on the property within the Improvement Areas through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Taxes. See "SPECIAL RISK FACTORS—Parity Taxes, Special Assessments and Land Development Costs" below.

The assessed values in Tables 2 and 3 below include areas in the Improvement Areas to be used as streets and easements and other non-residential uses, but exclude certain improvements that have been or will be constructed by the Developer. As a result, Bondowners should not rely on such assessed valuations to reflect the value of parcels which were the basis of the Appraisal.

Improvement Area No. 1. The property within Improvement Area No. 1 is subject to existing tax obligations, which, if including the outstanding assessment installments of the Assessment Districts but excluding the Assessment District's delinquent assessment installments, would total approximately 29% of the 2001-02 assessed valuation of the assessor's parcels which make up Improvement Area No. 1, as set forth in the following Table 2. Following the issuance of the Bonds, the tax and assessment debt will be approximately 305% of the assessed value (and 32% of the appraised value).

Set forth below is a direct and overlapping debt report prepared by California Municipal Statistics, Inc. as of July 1, 2002 for Improvement Area No. 1 (the "Improvement Area No. 1 Debt Report") assuming the issuance of the Bonds. The Improvement Area No. 1 Debt Report has been derived from data assembled and reported to the District by California Municipal Statistics. None of the District, the City nor the Underwriter has independently verified the information in the Improvement Area No. 1 Debt Report and do not guarantee its completeness or accuracy. The table indicates that the assessed value of the property within Improvement Area No. 1 has been determined to be \$850,000 for fiscal year 2001-02.

TABLE 2

DIRECT AND OVERLAPPING DEBT SUMMARY

**CITY OF CORONA COMMUNITY FACILITIES DISTRICT NO. 2001-2
(IMPROVEMENT AREA NO. 1)**

2001-02 Assessed Valuation: \$850,000

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/02</u> ⁽¹⁾
Metropolitan Water District	0.0001%	\$ 503
Corona-Norco Unified School District	0.0070	1,975
City of Corona	0.0110	595
City of Corona Community Facilities District No. 2001-2 I.A. No. 1	100.	<u>2,595,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$2,598,073
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Riverside County General Fund Obligations	0.001%	\$ 6,334
Riverside County Board of Education Certificates of Participation	0.001	150
Riverside City Community College District Certificates of Participation	0.003	419
Corona-Norco Unified School District Certificates of Participation	0.009	3,330
City of Corona General Fund Obligations	0.011	<u>3,107</u>
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$13,340
Less: Riverside County Administrative Center Authority (100% self-supporting from tax increment revenues)		<u>65</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$13,275
 GROSS COMBINED TOTAL DEBT		 \$2,611,413 ⁽²⁾
NET COMBINED TOTAL DEBT		\$2,611,348

⁽¹⁾ Excludes the outstanding and delinquent assessment installments of the Assessment Districts to be paid with a portion of the proceeds of the Bonds. See "FINANCING PLAN."

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

Source: California Municipal Statistics, Inc.

Improvement Area No. 2. The property within Improvement Area No. 2 is subject to existing tax obligations which total approximately .37% of the 2001-02 assessed valuation of the assessor's parcels which make up Improvement Area No. 2, as set forth in the following Table 3. Following the issuance of the Bonds, the tax and assessment debt will be approximately 59% of the assessed value (and 7.9% of the appraised value).

Set forth below is a direct and overlapping debt report prepared by California Municipal Statistics, Inc. as of July 1, 2002 for Improvement Area No. 2 (the "Improvement Area No. 2 Debt Report"), assuming the issuance of the Bonds. The Improvement Area No. 2 Debt Report has been derived from data assembled and reported to the District by California Municipal Statistics. None of the District, the City nor the Underwriter has independently verified the information in the Improvement Area No. 2 Debt Report and do not guarantee its completeness or accuracy. The table indicates that the assessed value of the property within Improvement Area No. 2 has been determined to be \$1,832,778 for fiscal year 2001-02.

TABLE 3

DIRECT AND OVERLAPPING DEBT SUMMARY

**CITY OF CORONA COMMUNITY FACILITIES DISTRICT NO. 2001-2
(IMPROVEMENT AREA NO. 2)**

2001-02 Assessed Valuation: \$1,832,778

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/1/02</u>
Metropolitan Water District	0.0002%	\$1,006
Corona-Norco Unified School District	0.0160	4,514
City of Corona	0.0240	1,298
City of Corona Community Facilities District No. 2001-2 I.A. No. 2	100.	<u>1,080,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,086,818
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Riverside County General Fund Obligations	0.002%	\$12,667
Riverside County Board of Education Certificates of Participation	0.002	299
Riverside County Flood Control and Water Conservation District Zone No. 2 General Fund Obligations	0.016	94
Riverside City Community College District Certificates of Participation	0.006	837
Corona-Norco Unified School District Certificates of Participation	0.019	7,030
City of Corona General Fund Obligations	0.024	<u>6,779</u>
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$27,706
Less: Riverside County Administrative Center Authority (100% self-supporting from tax increment revenues)		<u>130</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$27,576
 GROSS COMBINED TOTAL DEBT		 \$1,114,524 ⁽¹⁾
NET COMBINED TOTAL DEBT		\$1,114,394

⁽¹⁾ Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Estimated Value-to-Lien Ratios Derived from Appraised Value and Sales Prices

The estimated value-to-lien ratios for various categories of parcels based upon land values in the District estimated by the Appraiser as of July 1, 2002 and the principal amount of the outstanding Bonds are set forth in Table 4 below. This estimate of land value results in an estimated appraised value-to-lien ratio of approximately 5.92 to 1 for the District as a whole, 3.09 to 1 for Improvement Area No. 1 and 12.69 to 1 for Improvement Area No. 2 based on the estimated amount of direct and overlapping debt allowable to parcels within the District. See “—Direct and Overlapping Debt” above.

Table 4 below sets forth the estimated value-to-lien ratios for the parcels owned by each landowner within the District based on the Appraisal. The Appraiser is of the opinion that the property owned by the Developer and individual homeowners in the District had a total value of \$21,815,000 as of July 1, 2002.

TABLE 4
ESTIMATED VALUE-TO-LIEN RATIOS

<i>Property Owner</i>	<i>Improvement Area</i>	<i>Projected Dwelling Units (D.U.)</i>	<i>Units Developed as of 1-Mar-02</i>	<i>Share of Bond Amount</i>	<i>Estimated Appraised Values</i>	<i>Estimated Value-to-Lien Ratio</i>
Fieldstone Communities, Inc.	1	72	0	\$2,595,000	\$ 8,020,000	3.09 ⁽¹⁾
Individual Homeowners	2	<u>41</u>	<u>41</u>	<u>1,080,000</u>	<u>13,795,000</u>	<u>12.77</u> ⁽²⁾
Total		113	41	\$3,675,000	\$21,815,000	5.94 ⁽³⁾

- ⁽¹⁾ Does not include \$3,073 of direct and overlapping debt. If such direct and overlapping debt were to be included the Estimated Value-to-Lien Ratio for Improvement Area No. 1 would be approximately 3.09 to 1.
- ⁽²⁾ Does not include \$6,818 of direct and overlapping debt. If such direct and overlapping debt were to be included, the Estimated Value-to-Lien Ratio for Improvement Area No. 2 would be approximately 12.69 to 1.
- ⁽³⁾ Does not include \$9,891 of direct and overlapping debt. If such direct and overlapping debt were to be included, the Estimated Value-to-Lien Ratio for the District would be approximately 5.92 to 1.

Source: Galen N. Peterson

THE DEVELOPMENT AND PROPERTY OWNERSHIP

The Developer has provided the following information. No assurance can be given that the proposed developments will occur as described herein or that they will be completed in a timely manner. Neither the Bonds nor the Special Taxes securing the Bonds are personal obligations of the Developer or other landowners within the District and, in the event that a landowner defaults in the payment of the Special Taxes, the City may proceed with judicial foreclosure but has no direct recourse to the assets of any landowner. See “SPECIAL RISK FACTORS” herein.

All information set forth below is as of July 1, 2002, unless otherwise expressly noted.

General Description of the Development

The District consists of 114 lots comprising two separate developments, “Cresta Verde Hills” and “Vista Grande.” Cresta Verde Hills is owned and currently being developed by the Developer, except for one lot which is owned by the City and is planned to be operated as a communication site (the “City Lot”). Pursuant to the Rates and Method for Improvement Area No. 1, the City Lot is exempt from the levy of Special Taxes. Cresta Verde Hills is anticipated at buildout to contain 72 residential units. Vista Grande was owned and developed by the Developer and is completely developed with all 41 residential units owned by individual homeowners.

The Developer

Fieldstone Communities, Inc., a California corporation (the “Developer”), is the developer of the land within the District. The Developer is a privately held corporation. Since its founding in 1981, the Developer and its related entities have constructed over 17,500 attached and detached homes in master planned communities and infill communities in Southern California and Utah, representing approximately \$4.0 billion in revenue. Projects currently under active development by the Developer in the Southern California area include:

<i>Project</i>	<i>Location</i>	<i>Total</i>	<i>Average Selling Price</i>	<i>Average Square Footage</i>	<i>Actual or Estimated Completion Dates</i>
Orange County/Metro					
Barrington	West Irvine	124	\$462,000	2,314	09/02
Bel Air	Irvine	121	536,000	3,150	09/03
Bella Vista	Rancho Cucamonga	114	251,000	2,844	06/01
Concord	West Irvine	115	490,000	2,846	03/02
Crescent Grove	Corona	114	276,000	2,811	05/02
Cresta Verde Hills	Corona	72	340,000	3,470	06/04
Eagle Glen	Corona	69	295,000	2,485	12/02
Neff Ranch	Yorba Linda	29	578,000	3,665	12/01
Pinehurst	Chino Hills	107	325,000	2,685	03/04
Sully Miller	Orange, Orange County/Metro	104	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾
Sycamore Lane	Cypress	40	441,000	2,419	12/02
Tapestry @ Quail Hill	Irvine	92	567,000	2,655	12/05
Threewoods	Fullerton	62	405,000	2,566	06/01
Vista Grande	Corona	41	361,000	3,646	05/02
Wingate	Corona	<u>91</u>	<u>297,000</u>	<u>3,041</u>	03/02
Totals/Average		1,295	\$402,000	2,900	
San Diego					
Cedar Hill	San Marcos	38	\$332,000	3,100	04/02
Del Sol	Oceanside	86	332,000	3,129	09/03
Eastlake VR 5/6	Chula Vista (Eastlake)	93	354,000	2,759	12/04
Homestead at 4S Ranch	Rancho Bernardo	103	507,000	3,152	09/03
Horizons	Chula Vista	194	257,000	2,421	
Mission Terrace	Oceanside	100	316,000	2,756	04/03
Monterey Point	Chula Vista (Eastlake)	97	299,000	2,800	03/02
Monterey Ridge	Chula Vista (Eastlake)	93	329,000	2,625	03/02
Monterey Ridge 38	Chula Vista (Eastlake)	38	306,000	2,638	01/02
Poinsettia Cove	Carlsbad	117	482,000	2,323	10/02
Somerton	Oceanside	<u>80</u>	<u>292,000</u>	<u>2,461</u>	06/03
Totals/Averages		1,039	\$346,000	2,742	

⁽¹⁾ Not Available.

Source: Developer

Cresta Verde Hills

The Cresta Verde Hills project is proposed to contain 72 single family residential units. The 72 residential lots range in size from 9,001 square feet to 39,786 square feet, with an average lot size of 13,393 square feet. The development is located east of Mariposa Drive and north and south of Collet Avenue. Based on current development plans, the proposed residential units will have four different floor plans and the following estimated square footage and base sales prices:

<i>Plan</i>	<i>Estimated Number of Units</i>	<i>Estimated Size -- Square Feet</i>	<i>Estimated Base Sales Price</i>
1	11	2,790	\$339,990
2	20	3,323	361,990
3	21	3,836	384,990
4	20	4,011	391,990

Status of Land Use Approvals and Development. Cresta Verde Hills, which is coterminous with the boundaries of Improvement Area No. 1, lies within the Northeast Corona Specific Plan (81-2) which was adopted by the City Council in 1982. In 1997, a Specific Plan Amendment and General Plan Amendment, known as "SPA-96-07" and "GPA-96-05," were adopted by the City Council to amend the land use designation within Improvement Area No. 1. A further Specific Plan Amendment SPA 00-008 and Mitigated Negative Declaration was adopted by the City Council in connection with the approval of Tentative Tract Map 29813 which was approved on August 16, 2001. Tentative Tract Map 29813 encompasses the entirety of the Cresta Verde Hills development. A Final Map was recorded on June 27, 2002.

Grading commenced in January, 2002 and as of July 1, 2002 grading was approximately 90% complete and all lots were in blue top condition. The Developer anticipates that grading will be completed in August, 2002. The Developer anticipates that the City will issue the first building permits for model homes in August, 2002 and for production homes by February, 2003. As of July 1, 2002, the Developer estimates that its project costs paid to date were approximately \$5,526,000 within Improvement Area No. 1 and that the expenditure of approximately \$6,342,000 in additional funds will be needed to complete site improvement costs including in-tract and off-tract infrastructure improvements and to finish all 72 lots. See "—Estimated Sources and Uses of Funds and Projected Cash Flow—Table 5" below.

Estimated Sources and Uses of Funds and Projected Cash Flow. The full development of property within Improvement Area No. 1 requires the expenditure of substantial amounts both directly related to Improvement Area No. 1 property and for other infrastructure improvements located outside Improvement Area No. 1. Table 5 below has been provided by the Developer to indicate its present projection of the sources and uses associated with the development. Table 5 summarizes the actual investment in the development through June 1, 2002 and the projected sources and uses of funds to complete the development as proposed by the Developer.

Financing for the 72 lots is expected to be provided through equity, revenues from home sales and a revolving construction loan in a not to exceed amount of \$14,181,290 from Residential Funding Corporation, secured by a deed of trust on the Developer's property in the Improvement Area. The Developer believes that it will have sufficient funds for both the development of the lots as well as the construction of the homes. The outstanding balance for the Residential Funding Corporation loan on July 1, 2002 was \$2,803,308.

The unaudited, projected cash flow for the Cresta Verde Hills development is set forth in Table 5 below. There can be no assurance that the Developer will have timely access to the sources of funds (as shown below) which will be necessary to complete the proposed development or that there will be no substantial changes in the sources and uses of funds shown below. Although Table 5 reflects the Developer's current

projections, many factors beyond the Developer's control, or a decision by the Developer to alter its current plans, may cause the actual sources and uses to differ from the projections. Table 5 is presented to show that expected revenues demonstrate that the development as proposed is financially feasible and not to guarantee a particular cash flow to the Developer. Future changes to the Developer's financial projections will be shown in the Annual Report to be prepared by the Developer pursuant to the Continuing Disclosure Agreement of Developer. See APPENDIX F—"FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE DEVELOPER."

TABLE 5
DEVELOPER'S PROJECTED SOURCES AND USES OF FUNDS
(As of June 30, 2002) For Calendar Years 2002-2005 (in thousands of dollars)

	<i>Project Costs Paid to Date</i>	<i>Year 2002 (Starting 7/1)</i>	<i>Year 2003</i>	<i>Year 2004</i>	<i>Total</i>
<i>Sources of Funds</i>					
Equity Contribution	\$ 2,723	\$ 0	\$ 0	\$ 0	\$ 2,723
House Sales Proceeds (Gross) ⁽¹⁾	0	0	10,521	17,608	28,129
Construction Loan Proceeds	2,803	2,513	9,958	4,377	19,651
Bond Proceeds	<u>0</u>	<u>304</u>	<u>0</u>	<u>0</u>	<u>304</u>
<i>Total Sources of Funds</i>	\$ 5,526	\$ 2,817	\$ 20,479	\$ 21,985	\$ 50,807
<i>Use of Funds</i>					
Construction Loan Repayment ⁽²⁾	\$ 0	\$ 0	\$ 7,792	\$ 11,965	\$ 19,757
Land Acquisition Costs	1,828	0	0	0	1,828
Site Improvement Costs ⁽³⁾	3,490	1,805	3,844	693	9,832
House Costs ⁽⁴⁾	<u>208</u>	<u>1,012</u>	<u>8,400</u>	<u>6,047</u>	<u>15,667</u>
<i>Total Uses of Funds</i>	\$ 5,526	\$ 2,817	\$ 20,036	\$ 18,705	\$ 47,084
<i>Sources in Excess of Uses</i>	\$ 0	\$ 0	\$ 443	\$ 3,280	\$ 3,723
<i>Cumulative Annual Sources over Uses</i>	\$ 0	\$ 0	\$ 443	\$ 3,723	\$ 3,723

⁽¹⁾ House Sales Proceeds represents the total sales revenues for all of the Developer's home sales.

⁽²⁾ Construction Loan Repayments are scheduled loan payments made as each home sale escrow closes.

⁽³⁾ Site Improvement Costs include all construction costs, impact fees and consultant services cost to complete the finished lots ready for house construction.

⁽⁴⁾ House Costs includes the cost to build the house, architecture and house consultant costs, marketing costs, advertising costs, site and sales overhead, cost of sales and customer service & warranty reserves.

Source: The Developer

Vista Grande

The Vista Grande project contains 41 single family residential units constructed and sold by the Developer. The lots for these units range in size from 7,203 square feet to 14,590 square feet, with an average lot size of 9,548 square feet. The development is located between Rimpau and California Avenues and north of Taber Street. The residential units within the development have five different floor plans and the following average square footage and average sales prices:

<i>Plan</i>	<i>Number of Units</i>	<i>Size – Square Feet</i>	<i>Average Sales Price</i>
1	6	2,323	\$ 292,642
2	6	2,764	302,102
3	5	2,872	309,779
4	8	3,103	336,946
5	16	3,522	373,959

The Vista Grande project opened for sale on April 14, 2001 and by May 7, 2002 escrows had closed on all 41 residential units.

Appraisal

The following information regarding ownership of property in the District included in the Appraisal has been included because it is considered relevant to an informed evaluation of the Bonds. The inclusion in this Official Statement of information related to existing owners of property should not be construed to suggest that the Bonds, or the Special Taxes that will be used to pay the Bonds, are recourse obligations of the property owners. A property owner may sell or otherwise dispose of land within the District or a development or any interest therein at any time. Development may also be abandoned at any time.

The Appraiser valued the property within the District primarily based upon a sales comparison approach to value and based upon a number of assumptions and limiting conditions contained in the Appraisal as set forth in APPENDIX B. Under the sales comparison approach to value, the Appraisal takes into account the development status of the residential lots in the District, analyzes the market for similar properties and compares these properties to the properties in the District. The Appraiser is of the opinion that the market value of the property in the District as of July 1, 2002, assuming the completion of all improvements to be financed with proceeds of the Bonds was \$21,815,000, which includes the estimated market value of land within Improvement Area No. 1 of \$8,020,000 and an estimated market value of land within Improvement Area No. 2 of \$13,795,000. The value of the land concluded by the Appraiser takes into account the special tax lien that exists on property within each Improvement Area.

In arriving at its statement of value, the Appraiser assumes that there are no hidden or unapparent conditions of the property or subsoil that render it more or less valuable, that all required licenses, certificates of occupancy or other legislative or administrative authorizations from governmental agencies or private entities or organizations have been or can be obtained, that no hazardous waste and/or toxic materials are located on the property within the District that would affect the development process, that the improvements to be funded with the Bonds are completed and that the proposed development is constructed in a timely manner with no adverse delays (i.e., construction will proceed as proposed with no limitations on development occurring). See APPENDIX B—“SUMMARY APPRAISAL REPORT” herein.

No assurance can be given that the assumptions made by the Appraiser will, in fact, be realized, and, as a result, no assurance can be given that the property within the District could be sold at the appraised values included in the Appraisal.

SPECIAL RISK FACTORS

The purchase of the Bonds involves a high degree of investment risk and, therefore, the Bonds are not appropriate investments for many types of investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the City to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See “—Land Values” and “—Limited Secondary Market” below.

Concentration of Ownership

Although all 41 residential units in Improvement Area No. 2 are owned by individual homeowners, as of July 1, 2002, all of the taxable land within Improvement Area No. 1 was owned by the Developer. Accordingly, 100% of debt service on the Bonds allocated to Improvement Area No. 1 will be paid from Special Taxes levied on property owned by the Developer. Until the completion and sale of additional parcels, the receipt of the Special Taxes from Improvement Area No. 1 is dependent on the willingness and the ability of the Developer to pay the Special Taxes when due. Failure of the current landowners, or any successor, to pay the annual Special Taxes when due could result in a default in payments of the principal of, and interest on, the Bonds, when due.

No assurance can be made that the Developer, or its successors, will complete the intended construction and development in the Improvement Area No. 1. See “—Failure to Develop Properties” below. As a result, no assurance can be given that the Developer and the other landowners within the District will continue to pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “—Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Limited Obligations

The Bonds and interest thereon are not payable from the general funds of the City. Except with respect to the Special Taxes, neither the credit nor the taxing power of the District or the City is pledged for the payment of the Bonds or the interest thereon, and, except as provided in the Fiscal Agent Agreement, no Owner of the Bonds may compel the exercise of any taxing power by the District or the City or force the forfeiture of any City or District property. The principal of, premium, if any, and interest on the Bonds are not a debt of the City or a legal or equitable pledge, charge, lien or encumbrance upon any of the City’s property or upon any of the City’s income, receipts or revenues, except the Special Taxes and other amounts pledged under the Fiscal Agent Agreement.

Insufficiency of Special Taxes

Under the Rates and Method, the annual amount of Special Tax to be levied on each taxable parcel in the District will generally be based on whether such parcel is categorized as Undeveloped Property or as Developed Property and on the land use class to which a parcel of Developed Property is assigned. Accordingly, to the extent that Undeveloped Property does not become Developed Property, the collection of a portion of the Special Taxes will be dependent on the willingness and ability of the owners of Undeveloped Property to pay such Special Taxes when due. See “—Failure to Develop Properties,” below, for a discussion of the risks associated with Undeveloped Property. See APPENDIX A—“RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” and “SOURCES OF PAYMENT FOR THE BONDS—Rates and Method of Apportionment of Special Taxes.”

The Rates and Method governing the levy of the Special Tax expressly exempt up to 33.26 acres in Improvement Area No. 1 and 2.85 acres in Improvement Area No. 2 of home owner association property or publicly owned property within the District which is exempt from taxation under California law. If the total acres of public property and/or association property exceeds the number of acres exempted, the acres exceeding such total shall be taxed as taxable association property and/or taxable public property. The Act provides that if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Taxes will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operative effect of these provisions have not been tested in the courts. If for any reason property subject to the Special Tax becomes exempt from taxation by reason of ownership by a nontaxable entity such as the federal government, or another public agency, subject to the limitation of the Maximum Rates, the Special Taxes will be reallocated to the remaining properties within the District. This would result in the owners of such properties paying a greater amount of the Special Tax and could have an adverse effect on the timely payment of the Special Tax.

Failure to Develop Properties

Undeveloped or partially developed land is inherently less valuable than developed land and provides less security to the Bondowners should it be necessary for the City to foreclose on the property due to the nonpayment of Special Taxes. The failure to complete development of the required infrastructure for development in Improvement Area No. 1 as planned, or substantial delays in the completion of the development of the required infrastructure for the development due to litigation or other causes may reduce the value of the property within Improvement Area No. 1 and increase the length of time during which Special Taxes will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within Improvement Area No. 1 to pay the Special Taxes when due.

Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect planned land development. Finally, development of land is subject to economic considerations.

The Developer reports that sources of funds have been secured for the construction of all major infrastructure in Improvement Area No. 1. Notwithstanding this fact, no assurance can be given that the proposed development will be partially or fully completed, and it is possible that cost overruns will be incurred which will require additional funding, which may or may not be available. See "THE DEVELOPMENT AND PROPERTY OWNERSHIP" herein.

The installation of the necessary infrastructure improvements and the construction of the proposed development are subject to the receipt of ministerial and discretionary approvals from a number of public agencies concerning the layout and design of the proposed development, the nature and extent of the improvements, land use, health and safety requirements and other matters. The failure to obtain any such approval could adversely affect the planned land development within Improvement Area No. 1. Moreover, there can be no assurance that land development operations within Improvement Area No. 1 will not be adversely affected by future governmental policies, including, but not limited to, governmental policies to restrict or control development.

Under current California law, it is generally accepted that proposed development is not exempt from future land use regulations until building permits have been properly issued and substantial work has been performed and substantial liabilities have been incurred in good faith reliance on such permits. As of July 1, 2002, no building permits have been issued for parcels within Improvement Area No. 1. See APPENDIX B—“SUMMARY APPRAISAL REPORT.”

In the past, a number of communities in Southern California have placed on the ballot initiative measures intended to control the rate of future development. It is possible that future initiatives could be enacted, could become applicable to the proposed development and could negatively impact the ability of the current landowners, and their successors, to complete the proposed development. The application of future land use regulations to the proposed development could cause significant delays and cost increases in the completion of the development and could cause the land values within Improvement Area No. 1 to decrease substantially from those estimated by the Appraiser.

There can be no assurance that land development operations within Improvement Area No. 1 will not be adversely affected by a future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, the direct and indirect consequences of military and/or terrorist activities in this country or abroad or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Bonds when due.

Bondowners should assume that any event that significantly impacts the ability to develop land in Improvement Area No. 1 would cause the property values within Improvement Area No. 1 to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within Improvement Area No. 1 to pay the Special Taxes when due.

Except for the capitalized interest for Improvement Area No. 1 funded with the Bond proceeds through September 1, 2003, the payment of approximately 70.1% of the total annual principal of and interest on the Bonds depends upon the receipt of Special Taxes levied on property owned by the Developer, all of which is undeveloped property. Undeveloped property is less valuable per unit of area than developed land, especially if there are no plans to develop such land or if there are severe restrictions on the development of such land. The undeveloped property also provides less security to the Bondowners should it be necessary for the District to foreclose on undeveloped property due to the nonpayment of the Special Taxes.

Endangered Species

During the last several years, there has been an increase in activity at the State and federal level related to the possible listing of certain plant and animal species found in the Southern California area as endangered species. An increase in the number of endangered species is expected to curtail development in a number of areas. The Developer represents that the unimproved property within the District is not known to be inhabited by any plant or animal species which either the California Fish and Game Commission or the United States Fish and Wildlife Service has listed or has proposed for listing on the endangered species list. Notwithstanding this fact, new species are proposed to be added to the State and federal protected lists on a regular basis. Any action by the State or federal governments to protect species located on or adjacent to the property within Improvement Area No. 1 could negatively impact the ability of an owner of the undeveloped land within Improvement Area No. 1, to complete the remaining development planned within Improvement Area No. 1. This, in turn, could reduce the likelihood of timely payment of the Special Taxes and would likely reduce the value of the land estimated by the Appraiser and the potential revenues available at a foreclosure sale for delinquent Special Taxes. See “—Failure to Develop Properties” and “—Land Values” below.

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, floods or other natural disasters. The southern portion of the City abuts the Cleveland National Forest, which periodically experiences brushfires which threaten homes. Southern California is a seismically active area. The closest active fault is the Chino Fault, located approximately 4 miles southwest of Improvement Area No. 1. The property within the District has the potential to experience moderate to high ground shaking during a seismic event. Seismic activity from these or other faults represents potential risk for damage to buildings, roads, bridges and property within the District in the event of an earthquake. There is significant potential for destructive ground-shaking during the occurrence of a major seismic event. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such an event.

Due to the topography of the land within Improvement Area No. 1, site development required significant grading with an estimated 500,000 cubic yards of raw earthwork as remedial grading on the site. Accordingly, fill slopes range from 5 feet to 51 feet in height and cut slopes range from 15 feet to 100 feet in height. The majority of cut and fill slopes in Improvement Area No. 1 are proposed to be constructed with slope ratios of 1.5:1 horizontal embedment to vertical spacing ("H to V") inclinations. The majority of developments within the City have been constructed at 2:1 H to V inclinations. Slopes with a 1.5:1 H to V have been reinforced with geogrid. The Developer's geotechnical consultants, NMG Geotechnical, Inc., have issued a grading plan review concluding that the proposed grading and residential development is considered geotechnically feasible. Moreover, the City has approved the Developer's grading plans. The slopes within Improvement Area No. 1 have been constructed under the supervision of NMG Geotechnical, Inc. and the City.

In the event of a severe earthquake, fire, flood, slope failure or other natural disaster, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Existing Gas and Oil Pipelines

An easement, approximately 120 feet wide, containing an underground 30-inch diameter high-pressure natural gas pipeline owned by Southern California Gas Company and a 16-inch diameter high-pressure natural gas pipeline owned by QuestStar Corporation, extends across the central portion of Improvement Area No. 1. The Southern California Gas Company and QuestStar Corporation pipelines deliver natural gas from production facilities in Texas and New Mexico, respectively, to the California coast. The easement area is designed as a walking trail and no homes are to be constructed within the easement.

The pipelines have been in existence for some time, and neither the Developer nor the City is aware of any accidents in the City involving the pipelines. However, in the event of a pipeline explosion, there may be significant damage to both property and infrastructure in Improvement Area No. 1. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in Improvement Area No. 1 could be diminished in the aftermath of such an event, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Hazardous Substances

The value of a parcel may be substantially reduced due to the presence of a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or

the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

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

Neither the City nor the Developer has knowledge of any hazardous substances being located on the property within the District.

Parity Taxes, Special Assessments and Land Development Costs

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property, except for liens or security interests held by the Federal Deposit Insurance Corporation. See “—Bankruptcy and Foreclosure” below.

Development of land within the District is contingent upon construction or acquisition of major public improvements such as arterial streets, water distribution facilities, sewage collection and transmission facilities, drainage and flood protection facilities, gas, telephone and electrical facilities, schools, parks and street lighting, as well as local in-tract improvements and on-site grading and related improvements. Certain of these improvements have been acquired and/or completed; however, there can be no assurance that the remaining improvements will be constructed or will be constructed in time for development to proceed as currently expected. The cost of these additional improvements plus the public and private in-tract, on-site and off-site improvements could increase the public and private debt for which the land within the District is security. This increased debt could reduce the ability or desire of the property owners to pay the annual Special Taxes levied against the property. In that event there could be a default in the payment of principal of, and interest on, the Bonds when due.

Neither the City nor the District has control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for property within the District described herein.

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value of the parcel is sufficient may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The City has caused a notice of the Special Tax lien to be recorded in the Office of the Recorder for the County against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within the District or lending of money thereon.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, are customarily billed to the properties within the District on the ad valorem property tax bills sent to owners of such properties. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do ad valorem property tax installments.

See “SOURCES OF PAYMENT FOR THE BONDS—Proceeds of Foreclosure Sales,” for a discussion of the provisions which apply, and procedures which the City is obligated to follow under the Fiscal Agent Agreement, in the event of delinquencies in the payment of Special Taxes. See “—Bankruptcy and Foreclosure” below, for a discussion of the policy of the Federal Deposit Insurance Corporation (the “FDIC”) regarding the payment of special taxes and assessment and limitations on the City’s ability to foreclosure on the lien of the Special Taxes in certain circumstances.

Non-Cash Payments of Special Taxes

Under the Act, the City Council may reserve to itself the right and authority to allow the owner of any taxable parcel to tender a Bond in full or partial payment of any installment of the Special Taxes or the interest or penalties thereon. A Bond so tendered is to be accepted at par and credit is to be given for any interest accrued thereon to the date of the tender. Thus, if Bonds can be purchased in the secondary market at a discount, it may be to the advantage of an owner of a taxable parcel to pay the Special Taxes applicable thereto by tendering a Bond. Such a practice would decrease the cash flow available to the City to make payments with respect to other Bonds then outstanding; and, unless the practice was limited by the City, the Special Taxes paid in cash could be insufficient to pay the debt service due with respect to such other Bonds. In order to provide some protection against the potential adverse impact on cash flows which might be caused by the tender of Bonds in payment of Special Taxes, the Fiscal Agent Agreement includes a covenant pursuant to which the City will not authorize owners of taxable parcels to satisfy Special Tax obligations by the tender of Bonds unless the City shall have first obtained a report of an Independent Financial Consultant certifying that doing so would not result in the City having insufficient Special Tax Revenues to pay the principal of and interest on all Outstanding Bonds when due.

Payment of the Special Tax is not a Personal Obligation of the Owners

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the City has no recourse against the owner.

Land Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the City's only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires, floods or military or terrorist activities, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See "THE COMMUNITY FACILITIES DISTRICT—Estimated Value-to-Lien Ratios" herein.

The Appraiser has estimated, on the basis of certain definitions, assumptions and limiting conditions contained in the Appraisal, that as of July 1, 2002 the value of the land within the District was \$21,815,000.

The Appraisal is based on the assumptions as stated in APPENDIX B—"SUMMARY APPRAISAL REPORT." The Appraisal does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, any potential limitations on development occurring due to time delays, an inability of the Developer to obtain any needed development approval or permit, the presence of hazardous substances within the District, the listing of endangered species or the determination that habitat for endangered or threatened species exists within the District, or other similar situations.

Prospective purchasers of the Bonds should not assume that the land within the District could be sold for the appraised amounts described above at a foreclosure sale for delinquent Special Taxes. In arriving at the estimates of value, the Appraiser assumes that any sale will be unaffected by undue stimulus and will occur following a reasonable marketing period, which is not always present in a foreclosure sale. See the Appraisal Summary included as APPENDIX B for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser.

No assurance can be given that, should a parcel with delinquent Special Taxes be foreclosed upon and sold for the amount of the delinquency, any bid will be received for such property or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See "SOURCES OF PAYMENT FOR THE BONDS—Proceeds of Foreclosure Sales."

FDIC/Federal Government Interests in Properties

The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") has an interest. In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay

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

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity.

The FDIC has filed claims against the County of Orange, California in the United States Bankruptcy Court and in Federal District Court contending, among other things, that special taxes are not ad valorem taxes, and therefore not payable by the FDIC, and any special taxes previously paid by the FDIC must be refunded. The FDIC is also seeking a ruling that special taxes may not be imposed on properties while they are in FDIC receivership. The Bankruptcy Court ruled in favor of the FDIC's positions and, on March 22, 1999, the United States Bankruptcy Appellate Panel of the Ninth Circuit affirmed the decision of the Bankruptcy Court. On August 28, 2001, the United States Court of Appeals for the Ninth Circuit affirmed the Bankruptcy Appellate Panel decision. The FDIC does not currently own any of the property in the District nor have any FDIC-insured institutions made loans on property in the District.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Reserve Account and perhaps, ultimately, a default in payment on the Bonds.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS — Proceeds of Foreclosure Sales" herein. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Secondly, the Bankruptcy Code might prevent moneys on deposit in the Special Tax Fund and the Reserve Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against the current landowners or their successors and if the court found that any of such landowners had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount and priority of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in procuring Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Bonds and the possibility of delinquent tax installments not being paid in full.

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

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

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

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

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 moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the Bonds or the Fiscal Agent Agreement.

Loss of Tax Exemption

As discussed under the caption “TAX MATTERS,” the interest on the Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds as a result of a failure of the City to comply with certain provisions of the Internal Revenue Code of 1986, as

amended. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional redemption provisions of the Fiscal Agent Agreement.

Limitations on Remedies

Remedies available to the owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the City and the Developer have committed to provide certain statutorily-required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. See "CONTINUING DISCLOSURE." The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Proposition 218

An initiative measure entitled the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Provisions of the Initiative have been and will continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes otherwise available to the District to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIII C states that "...the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure, which includes notice, hearing, protest and voting requirements to alter the Rates and Method of Apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

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

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the District or the City acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses (as such terms are defined in the Rates and Method). Nevertheless, to the maximum extent that the law permits it to do so, the District has covenanted that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels of Developed Property within the District to less than an amount equal to 110% of Maximum Annual Debt Service on the Outstanding Bonds. In connection with the foregoing covenant, the District has made a legislative finding and determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Bonds. The District also has covenanted that, in the event an initiative is adopted which purports to alter the Rates and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

The interpretation and application of the Initiative will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “—Limitations on Remedies” herein.

Ballot Initiatives

Article XIII A, Article XIII B and Proposition 218 were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process. On March 6, 1995 in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations or on the ability of the Developer to complete the remaining proposed development. See “SPECIAL RISK FACTORS—Failure to Develop Properties” herein.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement with the Fiscal Agent, as dissemination agent (the “Disclosure Agreement”), the City, for and on behalf of the District, has agreed to provide, or cause to be provided, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (each, a “Repository”) certain annual financial information and operating data concerning the District. The Annual Report to be filed by the City for and on behalf of the

District is to be filed not later than March 1 of each year, beginning March 1, 2003, and is to include audited financial statements of the City. The requirement that the City file its audited financial statements as a part of the Annual Report has been included in the Disclosure Agreement solely to satisfy the provisions of Rule 15c2-12. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City other than as described hereinabove. See "SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS — Limited Obligations." The City has never failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events. The full text of the Disclosure Agreement is set forth in APPENDIX E.

To assist the Underwriter in complying with Rule 15c2-12(b)(5), the Developer will enter into a Continuing Disclosure Agreement (the "Developer Disclosure Agreement") covenanting prior to the termination of the Developer Disclosure Agreement to provide an Annual Report not later than March 1 of each year beginning March 1, 2003 and a Semiannual Report not later than September 1 of each year, commencing September 1, 2003. The Annual Report provided by the Developer will contain its audited financial statements (if prepared) and the additional financial and operating data outlined in Section 4 of the Developer Disclosure Agreement, a form of which is attached in APPENDIX F.

In addition to the information expressly required to be provided pursuant to the Developer Disclosure Agreement, the Developer is also required to provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

The Developer's obligations under the Developer Disclosure Agreement will terminate upon the earliest to occur of: (a) the legal defeasance, prior redemption, payment or prepayment in full of all the Bonds; (b) the date on which the Developer and all affiliates are responsible for the payment of less than 20 percent of the annual Special Tax levy; or (c) the date on which the developer delivers to the City an opinion of nationally-recognized bond counsel to the effect that the continuing disclosure is no longer required under Rule 15c2-12. The Developer has also agreed that, if it sells or transfers an ownership interest in any property in the District which will result in the transferee becoming responsible for the payment of more than 20 percent of the annual Special Tax levy in the fiscal year following such transfer, the Developer will cause any such transferee to enter into a disclosure agreement described in Section 12 of the Developer Disclosure Agreement, a form of which is attached hereto in APPENDIX F. The Developer has never failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12.

The Developer Disclosure Agreement will inure solely to the benefit of the City, any Dissemination Agent, the Underwriter and owners or beneficial owners from time to time of the Bonds.

TAX MATTERS

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, under existing statutes, regulations, rules and court decisions, the interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxation imposed by the State of California.

Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Internal Revenue Code of 1986, as amended (the "Code"). However, with respect to the Bonds owned by corporations (as defined for federal income tax purposes), interest on the Bonds may be included in adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations. In addition, although interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds and the ownership of the Bonds may otherwise affect the federal income tax liability of certain persons or entities. Bond Counsel expresses no opinion regarding any such consequences.

The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest paid with respect thereto to be and remain exempt from federal income taxation. Noncompliance with such requirements might cause the interest paid on the Bonds to be subject to federal income taxation retroactive to the date of issue and the Bonds. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Bonds and other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. Pursuant to the Fiscal Agent Agreement, the City has covenanted to comply with all such requirements.

In rendering such opinions, Bond Counsel is assuming that the City will comply with its covenants in the Fiscal Agent Agreement to comply with the requirements of the Code. Noncompliance with the Code might cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of issuance and delivery of the Bonds.

LEGAL MATTERS

The legal opinion of Best Best & Krieger LLP, Riverside, California, approving the validity of the Bonds in substantially the form set forth as APPENDIX G hereto, will be made available to purchasers at the time of original delivery. A copy of the legal opinion for the Bonds will be provided with each definitive bond. Certain legal matters will be passed upon for the City and the District by Best Best & Krieger LLP, as the City Attorney, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as counsel to the Underwriter.

LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds or the pledge of Special Taxes to repay the Bonds and a certificate of the City to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds. The City is not aware of any litigation pending or threatened which questions the existence of the District or the City or contests the authority of the City to levy and collect the Special Taxes or to issue and retire the Bonds.

NO RATING

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

UNDERWRITING

The Bonds are being purchased by UBS PaineWebber Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$3,586,072.40 (being \$3,675,000 aggregate principal amount thereof, less Underwriter's discount of \$73,500 and less original issue discount of \$15,427.60). The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

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

FINANCIAL INTERESTS

The fees being paid to the Underwriter, Underwriter's Counsel and Bond Counsel are contingent upon the issuance and delivery of the Bonds. A portion of the fees paid to the Financial Advisor are contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds.

PENDING LEGISLATION

The City is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the City to pay the principal of and interest on the Bonds when due.

ADDITIONAL INFORMATION

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

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

CITY OF CORONA for and on behalf of
COMMUNITY FACILITIES DISTRICT NO. 2001-2
(CRESTA-GRANDE) OF THE CITY OF CORONA

By: /s/ Elray H. Konkell
Assistant City Manager

(This Page Intentionally Left Blank)

APPENDIX A

RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 2001-2 (CRESTA-GRANDE) OF THE CITY OF CORONA (IMPROVEMENT AREA NO. 1)

A Special Tax (as hereinafter defined) shall be levied on all Assessor's Parcels of Taxable Property in Improvement Area No. 1 of Community Facilities District No. 2001-2 (Cresta-Grande) of the City of Corona (the "District") in each Fiscal Year, in an amount determined by the City Council of the City of Corona (the "Council" or the "City") through the application of the appropriate Special Tax for "Developed Property," "Undeveloped Property," "Taxable Association Property," or "Taxable Public Property" as provided below. All Assessor's Parcels in Improvement Area No. 1 of the District, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on the Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, lot line adjustment, condominium plan, or other recorded parcel map.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of the District and allocable to Improvement Area No. 1: the costs of computing the Special Taxes and preparing the annual Special Tax levy schedules (whether by the City, the District, or an agent thereof); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the fiscal agent or trustee; the costs of the fiscal agent or trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, the District or any agent thereof in complying with arbitrage rebate requirements; the costs to the City, the District or any agent thereof of complying with City, District or obligated persons disclosure requirements associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, the District or any agent thereof related to an appeal of the Special Tax; the costs associated with the release of bond proceeds and earnings thereon from an escrow fund. Administrative Expenses shall also include amounts advanced by the City or the District for any other administrative purposes of the District, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure proceedings for the collection of delinquent Special Taxes.

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

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

“Association Property” means any property owned by, or irrevocably offered or dedicated to or for which an easement for purposes of right-of-way has been granted to a property owners association, including any master or sub-association.

“Assigned Special Tax” means the Special Tax for each Land Use Category of Developed Property, as contained in Table 1.

“Backup Special Tax” means the Special Tax amount determined for an Assessor’s Parcel pursuant to Section C.1.b. below.

“Backup Special Tax Per Acre” means \$12,407 per Acre.

“Bonds” means any bonds or other indebtedness (as defined in the Act), whether issued in one or more series, secured by the levy of Special Taxes on Assessor’s Parcels in Improvement Area No. 1.

“Developed Property” means all Assessor’s Parcels, exclusive of Association Property and Public Property, upon which completed Dwelling Units or non-residential buildings have been constructed or for which building permits have been issued as of March 1 of the Fiscal Year preceding the Fiscal Year for which Special Taxes are being levied.

“District Administrator” means an official of the City, or an agent thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

“Dwelling Unit” or **“DU”** means a single-family home or condominium unit.

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

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

“Improvement Area No. 1” means the area within Tract No. 29813 as shown on the boundary map of the District.

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

“Land Use Category” means for Assessor’s Parcels of Developed Property, the categories of Residential Property and Non-Residential Property identified in Table 1.

“Maximum Special Tax” means the Maximum Special Tax, determined as provided in Section C, which can be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property upon which completed non-residential buildings have been constructed or for which building permits have been or may be issued for construction of such buildings.

“Occupied Property” means all Assessor’s Parcels of Residential Property which are owned by homeowners.

“Public Property” means property owned by or irrevocably offered or dedicated to or for which an easement for purposes of public right-of-way has been granted to the federal government, the State of California, the County of Riverside, the City or any other local government or other public agency; provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be classified and taxed according to its use.

“Proportionately” means for Developed Property that the ratio of the amount of Special Tax levied to the Assigned Special Tax is the same for all Assessor’s Parcels of Developed Property within each Land Use Category identified in Table 1. For Undeveloped Property, Taxable Public Property and Taxable Association Property, “Proportionately” means that the ratio of the amount of Special Tax levied per Acre to the Maximum Special Tax per Acre is the same for all Assessor’s Parcels of Undeveloped Property, Taxable Public Property or Taxable Association Property.

“Residential Property” means all Assessor’s Parcels of Developed Property upon which completed Dwelling Units have been constructed or for which building permits have been or may be issued for purposes of constructing one or more Dwelling Units.

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

“Special Tax Requirement” means for Improvement Area No. 1, the amount required in any Fiscal Year for the District to: (i) pay debt service on all outstanding Bonds; (ii) pay periodic costs for the Bonds, including but not limited to, costs related to credit enhancement and rebate payments; (iii) pay Administrative Expenses; and (iv) pay any amounts required to replenish the reserve fund for the outstanding Bonds; less (v) a credit for funds which are available pursuant to the Indenture to pay debt service on the outstanding Bonds.

“Taxable Property” means all of the Assessor’s Parcels within Improvement Area No. 1 which are not exempt from the Special Tax pursuant to the Act or Section E below.

“Taxable Association Property” means all Association Property which is not exempt from the Special Tax pursuant to Section E below.

“Taxable Public Property” means all Public Property which is not exempt from the Special Tax pursuant to Section E below.

“Undeveloped Property” means all Taxable Property not classified as Developed Property, exclusive of Taxable Association Property and Taxable Public Property.

B. CLASSIFICATION AND LAND USE CATEGORIZATION

For each Fiscal Year, all Assessor’s Parcels of Taxable Property shall be classified as Developed Property, Undeveloped Property, Taxable Association Property, or Taxable Public Property and shall be subject to the levy of Special Taxes as determined pursuant to Sections C and D below. Developed Property which satisfies the criteria for categorization as Residential Property and Non-Residential Property shall be so categorized.

For purposes of determining the applicable Assigned Special Tax for Developed Property, each Assessor’s Parcel of Residential Property shall be assigned to a Land Use Category based upon the square footage of the Dwelling Unit(s) constructed or to be constructed on the Assessor’s Parcel. For Assessor’s Parcels of Residential Property, the square footage of Dwelling Unit(s) constructed or to be constructed thereon shall be determined from the most recent building permit issued prior to the Assessor’s Parcel being classified as Occupied Property, exclusive of garages or other structures which are not used as living space.

C. MAXIMUM SPECIAL TAX

1. Developed Property

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

a. Assigned Special Tax

The Assigned Special Tax amounts for all Land Use Categories in Improvement Area No. 1 are specified in Table 1 below.

TABLE 1

Assigned Special Taxes for Land Use Categories
of Developed Property
(Improvement Area No. 1)

<i>Land Use Category</i>	<i>Taxable Unit</i>	<i>Square Feet of Dwelling Unit</i>	<i>Assigned Special Tax per DU or Acre</i>
1 – Residential Property	DU	2,900 sq. ft. or less	\$ 2,914
2 – Residential Property	DU	2,901 to 3,400 sq. ft.	\$ 3,104
3 – Residential Property	DU	3,401 to 3,900 sq. ft.	\$ 3,286
4 – Residential Property	DU	3,901 or greater	\$ 3,348
5 – Non-Residential Property	Acre	N/A	\$ 12,407

b. Backup Special Tax

The Backup Special Tax for a Final Subdivision of property in Improvement Area No. 1 shall be determined by multiplying the Acreage of all Assessor’s Parcels of Taxable Property, exclusive of the Acreage of any Taxable Association Property or Taxable Public Property, in the Final Subdivision by the Backup Special Tax Per Acre. If a Final Subdivision of property in Improvement Area No. 1 includes both Assessor’s Parcels of Residential Property and Assessor’s Parcels of Non-Residential Property, the Backup Special Tax for such Assessor’s Parcels of Residential Property shall be based only on the Acreage of those Assessor’s Parcels.

The Backup Special Tax for each Assessor’s Parcel of Residential Property in a Final Subdivision shall be computed by dividing the aggregate Backup Special Tax for all of the Assessor’s Parcels of Residential Property in the Final Subdivision, as determined pursuant to the preceding paragraph, by the number of such Assessor’s Parcels (i.e., the number of residential lots) within such Final Subdivision.

The Backup Special Tax for each Assessor’s Parcel of Non-Residential Property in a Final Subdivision shall be determined by multiplying the Acreage of the Assessor’s Parcel by the Backup Special Tax Per Acre.

Notwithstanding the foregoing, if Assessor’s Parcels of Residential Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, the Backup Special Tax

shall be recalculated so that the aggregate amount of the Backup Special Tax for such Assessor's Parcels after such change will be equal to the aggregate amount of the Backup Special Tax for such Assessor's Parcels before such change occurred.

2. Undeveloped Property, Taxable Association Property and Taxable Public Property

The Maximum Special Tax for Undeveloped Property, Taxable Association Property and Taxable Public Property shall be \$12,407 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2002-03 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement and shall levy the Special Tax on all Assessor's Parcels of Taxable Property until the aggregate amount of the Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied for each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on all Assessor's Parcels of Developed Property up to 100% of the applicable Assigned Special Tax to satisfy the Special Tax Requirement;

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

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax to be levied on each Assessor's Parcel of Developed Property whose Maximum Special Tax is its Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Association Property and Taxable Public Property up to 100% of its Maximum Special Tax.

Notwithstanding the above, under no circumstances will the Special Taxes levied on any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) in any Fiscal Year as a consequence of delinquency or default in the payment of Special Taxes by the owner of any other Assessor's Parcel. Table 2 contains an example of the apportionment of Special Taxes Proportionately under a hypothetical development scenario in which the number of Dwelling Units for all Land Use Categories of Residential Property is different than anticipated in the original development plan.

TABLE 2
Hypothetical Special Tax Apportionment (a)

(Improvement Area No. 1)

	<i>Improvement Area No. 1</i>				
	<i>Tract 29813-Cresta Verde Hills</i>				
	<u>Total</u>	<u><= 2900</u>	<u>2901-3400</u>	<u>3401-3900</u>	<u>>= 3901</u>
Square Footage of Dwelling Unit	72	11	20	21	20
Anticipated Number of DUs	72	55	12	3	2
Hypothetical Number of DUs					
Apportionment					
Special Tax Requirement	\$ 230,100				
Step 1: Up to 100% of					
Assigned Special Tax	<u> </u>	<u>\$ 2,914</u>	<u>\$ 3,104</u>	<u>\$ 3,286</u>	<u>\$ 3,348</u>
	<u>\$ 214,072</u>	<u>\$ 160,270</u>	<u>\$ 37,248</u>	<u>\$ 9,858</u>	<u>\$ 6,696</u>
Step 2: Undeveloped Property	\$ -	\$ -	\$ -	\$ -	\$ -
Step 3: Increase Proportionately from					
Assigned Special Tax to					
Maximum Special Tax		\$ 2,914	\$ 3,104	\$ 3,286	\$ 3,348
Assigned Special Tax		<u>1,075</u>	<u>1,075</u>	<u>1,075</u>	<u>1,075</u>
Proportionate Increase		<u>\$ 3,132</u>	<u>\$ 3,336</u>	<u>\$ 3,532</u>	<u>\$ 3,599</u>
Levy per DU (b)		<u>218</u>	<u>232</u>	<u>246</u>	<u>251</u>
Increase per DU	<u>\$ 16,028</u>	<u>\$ 12,000</u>	<u>\$ 2,789</u>	<u>\$ 738</u>	<u>\$ 501</u>
Total Increase	<u>230,100</u>	<u>172,270</u>	<u>40,037</u>	<u>10,596</u>	<u>7,197</u>
Total Special Tax Requirement					
Maximum Special Tax Rate					
Maximum Special Tax Per DU		\$ 3,760	\$ 3,760	\$ 3,760	\$ 3,760
(i) Assigned Special Tax Per DU		\$ 2,914	\$ 3,104	\$ 3,286	\$ 3,348
(ii) Backup Special Tax Per DU		\$ 3,760	\$ 3,760	\$ 3,760	\$ 3,760

Backup Special Tax Per DU = 21.82 Acres times \$12,407 per Acre divided by 72 DUs.

- (a) This Table 2 is a hypothetical example for demonstrating the Proportionate levy of Special Taxes.
 (b) Increase in amount limited to Assessor's Parcel Maximum Special Tax.

E. EXEMPTIONS

No Special Tax shall be levied on up to 33.26 Acres in Improvement Area No. 1 of: (i) Public Property and/or (ii) Association Property. If the total Acres of Public Property and/or Association Property exceeds 33.26 Acres, the Acres exceeding such total shall be taxed as Taxable Association Property and/or Taxable Public Property. The District Administrator will assign tax-exempt status for these Acres in the chronological order in which property becomes Public Property or Association Property.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, that the District may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may foreclose on Assessor's Parcels having delinquent Special Taxes as permitted by the Act.

G. PREPAYMENT OF SPECIAL TAX

The Special Tax obligation for an Assessor's Parcel of Developed Property, Taxable Public Property, or Taxable Association Property may be prepaid. The City will allow the owner of an Assessor's Parcel to prepay in whole and satisfy the Special Tax obligation if the Council determines that such prepayment will not jeopardize the District's ability to collect and levy sufficient Special Taxes in any Fiscal Year to pay the required Special Tax Requirement.

H. TERM OF THE SPECIAL TAX

For each Fiscal Year that any Bonds are outstanding, the Special Tax shall be levied on all Assessor's Parcels of Taxable Property. If any delinquent Special Taxes remain uncollected prior to or after all outstanding Bonds are retired, the Special Tax may be levied to the extent necessary, up to the applicable Maximum Special Tax, to make up the deficiency resulting from such delinquent Special Taxes, but not later than the 2035-36 Fiscal Year.

**RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR
COMMUNITY FACILITIES DISTRICT NO. 2001-2 (CRESTA-GRANDE)
OF THE CITY OF CORONA
(IMPROVEMENT AREA NO. 2)**

A Special Tax (as hereinafter defined) shall be levied on all Assessor's Parcels of Taxable Property in Improvement Area No. 2 of Community Facilities District No. 2001-2 (Cresta-Grande) of the City of Corona (the "District") in each Fiscal Year, in an amount determined by the City Council of the City of Corona (the "Council" or the "City") through the application of the appropriate Special Tax for "Developed Property," "Undeveloped Property," "Taxable Association Property," or "Taxable Public Property" as provided below. All of the Assessor's Parcels in Improvement Area No. 2 of the District, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on the Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, lot line adjustment, condominium plan, or other recorded parcel map.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of the District and allocable to Improvement Area No. 2: the costs of computing the Special Taxes and preparing the annual Special Tax levy schedules (whether by the City, the District, or an agent thereof); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the fiscal agent or trustee; the costs of the fiscal agent or trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, the District or any agent thereof in complying with arbitrage rebate requirements; the costs to the City, the District or any agent thereof in complying with City, the District or obligated persons disclosure requirements associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, the District or any agent thereof related to an appeal of the Special Tax; the costs associated with the release of bond proceeds and earnings thereon from an escrow fund. Administrative Expenses shall also include amounts advanced by the City or the District for any other administrative purposes of the District, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure proceedings for the collection of delinquent Special Taxes.

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

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

"Association Property" means any property owned by, or irrevocably offered or dedicated to or for which an easement for purposes of right-of-way has been granted to a property owners association, including any master or sub-association.

"Assigned Special Tax" means the Special Tax for each Land Use Category of Developed Property, as contained in Table 1.

“Backup Special Tax” means the Special Tax amount determined for an Assessor’s Parcel pursuant to Section C.1.b. below.

“Backup Special Tax Per Acre” means \$12,385 per Acre.

“Bonds” means any bonds or other indebtedness (as defined in the Act), whether issued in one or more series, secured by the levy of Special Taxes on Assessor’s Parcels in Improvement Area No. 2.

“Developed Property” means all Assessor’s Parcels, exclusive of Association Property and Public Property, upon which completed Dwelling Units or non-residential buildings have been constructed or for which building permits have been issued as of March 1 of the Fiscal Year preceding the Fiscal Year for which Special Taxes are being levied.

“District Administrator” means an official of the City, or an agent thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

“Dwelling Unit” or **“DU”** means a single-family home or condominium unit.

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

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

“Improvement Area No. 2” means the area within Tract No. 29413 as shown on the boundary map of the District.

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

“Land Use Category” means for Assessor’s Parcels of Developed Property, the categories of Residential Property and Non-Residential Property identified in Table 1.

“Maximum Special Tax” means the Maximum Special Tax, determined as provided in Section C, which can be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property upon which completed non-residential buildings have been constructed or for which building permits have been or may be issued for construction of such buildings.

“Occupied Property” means all Assessor’s Parcels of Residential Property which are owned by homeowners.

“Public Property” means property owned by or irrevocably offered or dedicated to or for which an easement for purposes of public right-of-way has been granted to the federal government, the State of California, the County of Riverside, the City or any other local government or other public agency; provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be classified and taxed according to its use.

“Proportionately” means for Developed Property that the ratio of the amount of Special Tax levied to the Assigned Special Tax is the same for all Assessor’s Parcels of Developed Property within each Land

Use Category identified in Table 1. For Undeveloped Property, Taxable Public Property and Taxable Association Property, "Proportionately" means that the ratio of the amount of Special Tax levied per Acre to the Maximum Special Tax per Acre is the same for all Assessor's Parcels of Undeveloped Property, Taxable Public Property or Taxable Association Property.

"Residential Property" means all Assessor's Parcels of Developed Property upon which completed Dwelling Units have been constructed or for which building permits have been or may be issued for purposes of constructing one or more Dwelling Units.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement.

"Special Tax Requirement" means for Improvement Area No. 2, the amount required in any Fiscal Year for the District to: (i) pay debt service on all outstanding Bonds; (ii) pay periodic costs for the Bonds, including but not limited to, costs related to credit enhancement and rebate payments; (iii) pay Administrative Expenses; and (iv) pay any amounts required to replenish the reserve fund for the outstanding Bonds; less (v) a credit for funds which are available pursuant to the Indenture to pay debt service on the outstanding Bonds.

"Taxable Property" means all of the Assessor's Parcels within Improvement Area No. 2 which are not exempt from the Special Tax pursuant to the Act or Section E below.

"Taxable Association Property" means all Association Property which is not exempt from the Special Tax pursuant to Section E below.

"Taxable Public Property" means all Public Property which is not exempt from the Special Tax pursuant to Section E below.

"Undeveloped Property" means all Taxable Property not classified as Developed Property, exclusive of Taxable Association Property and Taxable Public Property.

B. CLASSIFICATION AND LAND USE CATEGORIZATION

For each Fiscal Year, all Assessor's Parcels of Taxable Property shall be classified as Developed Property, Undeveloped Property, Taxable Association Property, or Taxable Public Property and shall be subject to the levy of Special Taxes as determined pursuant to Sections C and D below. Developed Property which satisfies the criteria for categorization as Residential Property and Non-Residential Property shall be so categorized.

For purposes of determining the applicable Assigned Special Tax for Developed Property, each Assessor's Parcel of Residential Property shall be assigned to a Land Use Category based upon the square footage of the Dwelling Unit(s) constructed or to be constructed on the Assessor's Parcel. For Assessor's Parcels of Residential Property, the square footage of Dwelling Unit(s) constructed or to be constructed thereon shall be determined from the most recent building permit issued prior to the Assessor's Parcel being classified as Occupied Property, exclusive of garages or other structures which are not used as living space.

C. MAXIMUM SPECIAL TAX

1. Developed Property

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the applicable Assigned Special Tax or (ii) the amount of the Backup Special Tax therefor.

a. Assigned Special Tax

The Assigned Special Tax amounts for all Land Use Categories in Improvement Area No. 2 are specified in Table 1 below.

TABLE 1

**Assigned Special Taxes for Land Use Categories
of Developed Property
(Improvement Area No. 2)**

<i>Land Use Category</i>	<i>Taxable Unit</i>	<i>Square Feet of Dwelling Unit</i>	<i>Assigned Special Tax DU or Acre</i>
1 – Residential Property	DU	2,600 sq. ft. or less	\$ 2,282
2 - Residential Property	DU	2,601 sq. ft. to 2,800 sq. ft.	\$ 2,444
3 – Residential Property	DU	2,801 sq. ft. to 3,000 sq. ft.	\$ 2,534
4 - Residential Property	DU	3,001 sq. ft. to 3,200 sq. ft.	\$ 2,753
5 B Residential Property	DU	3,201 sq. ft. or greater	\$ 2,900
6 - Non-Residential Property	Acre	N/A	\$ 12,385

b. Backup Special Tax

The Backup Special Tax for a Final Subdivision of property in Improvement Area No. 2 shall be determined by multiplying the Acreage of all Assessor’s Parcels of Taxable Property, exclusive of the Acreage of any Taxable Association Property or Taxable Public Property, in the Final Subdivision by the Backup Special Tax Per Acre. If a Final Subdivision of property in Improvement Area No. 2 includes both Assessor’s Parcels of Residential Property and Assessor’s Parcels of Non-Residential Property, the Backup Special Tax for such Assessor’s Parcels of Residential Property shall be based only on the Acreage of those Assessor’s Parcels.

The Backup Special Tax for each Assessor’s Parcel of Residential Property in a Final Subdivision shall be computed by dividing the aggregate Backup Special Tax for all of the Assessor’s Parcels of Residential Property in the Final Subdivision, as determined pursuant to the preceding paragraph, by the number of such Assessor’s Parcels (i.e., the number of residential lots) within such Final Subdivision.

The Backup Special Tax for each Assessor’s Parcel of Non-Residential Property in a Final Subdivision shall be determined by multiplying the Acreage of the Assessor’s Parcel by the Backup Special Tax Per Acre.

Notwithstanding the foregoing, if Assessor’s Parcels of Residential Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, the Backup Special Tax shall be recalculated so that the aggregate amount of the Backup Special Tax for such Assessor’s Parcels after such change will be equal to the aggregate amount of the Backup Special Tax for such Assessor’s Parcels before such change occurred.

2. Undeveloped Property, Taxable Association Property and Taxable Public Property

The Maximum Special Tax for Undeveloped Property, Taxable Association Property and Taxable Public Property shall be \$12,385 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2002-03 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement and shall levy the Special Tax on all Assessor's Parcels of Taxable Property until the aggregate amount of the Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied for each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on all Assessor's Parcels of Developed Property up to 100% of the applicable Assigned Special Tax to satisfy the Special Tax Requirement;

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

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax to be levied on each Assessor's Parcel of Developed Property whose Maximum Special Tax is its Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Association Property and Taxable Public Property up to 100% of its Maximum Special Tax.

Notwithstanding the above, under no circumstances will the Special Taxes levied on any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) in any Fiscal Year as a consequence of delinquency or default in the payment of Special Taxes by the owner of any other Assessor's Parcel.

Table 2 contains an example of the apportionment of Special Taxes Proportionately under a hypothetical development scenario in which the number of Dwelling Units for all Land Use Categories of Residential Property is different than anticipated in the original development plan.

TABLE 2
Hypothetical Special Tax Apportionment (a)
(Improvement Area No. 2)

<i>Improvement Area No. 2</i>						
<i>Tract 29413-Vista Grande</i>						
	<u>Total</u>	<u><= 2600</u>	<u>2601-2800</u>	<u>2801-3000</u>	<u>3001-320</u>	<u>>= 3201</u>
Square Footage of Dwelling Unit	41	6	6	5	8	16
Anticipated Number of DUs	41	16	11	7	4	3
Hypothetical Number of DUs						
Apportionment						
Special Tax Requirement	\$ 109,450					
Step 1: Up to 100% of						
Assigned Special Tax	<u> </u>	<u>\$ 2,282</u>	<u>\$ 2,444</u>	<u>\$ 2,534</u>	<u>2,753</u>	<u>\$ 2,900</u>
	<u>\$ 100,846</u>	<u>\$ 36,512</u>	<u>\$ 26,884</u>	<u>\$ 17,738</u>	<u>11,012</u>	<u>\$ 8,700</u>
Step 2: Undeveloped Property	\$ -	\$ -	\$ -	\$ -		\$ -
Step 3: Increase Proportionately from						
Assigned Special Tax to						
Maximum Special Tax						
Assigned Special Tax		\$ 2,282	\$ 2,444	\$ 2,534	\$ 2,753	\$ 2,900
Proportionate Increase		<u>1,099</u>	<u>1,099</u>	<u>1,099</u>	<u>1,053</u>	<u>1,000</u>
Levy per DU (b)		\$ 2,507	\$ 2,685	\$ 2,784	\$ 2,900	\$ 2,900
Increase per DU		<u>225</u>	<u>241</u>	<u>250</u>	<u>147</u>	<u>-</u>
Total Increase	<u>\$ 8,604</u>	<u>\$ 3,608</u>	<u>\$ 2,656</u>	<u>\$ 1,753</u>	<u>\$ 588</u>	<u>\$ -</u>
Total Special Tax Requirement	<u>109,450</u>	<u>40,120</u>	<u>29,540</u>	<u>19,491</u>	<u>11,600</u>	<u>8,700</u>
Maximum Special Tax Rate						
Maximum Special Tax Per DU		\$ 2,900	\$ 2,900	\$ 2,900	\$ 2,900	\$ 2,900
(i) Assigned Special Tax Per DU		\$ 2,282	\$ 2,444	\$ 2,534	\$ 2,753	\$ 2,900
(ii) Backup Special Tax Per DU		\$ 2,900	\$ 2,900	\$ 2,900	\$ 2,900	\$ 2,900

Backup Special Tax Per DU = 9.60 Acres times \$12,385 per Acre divided by 41 DUs.

- (a) This Table 2 is a hypothetical example for demonstrating the Proportionate levy of Special Taxes.
(b) Increase in amount limited to Assessor's Parcel Maximum Special Tax.

E. EXEMPTIONS

No Special Tax shall be levied on up to 2.85 Acres in Improvement Area No. 2 of: (i) Public Property and/or (ii) Association Property. If the total Acres of Public Property and/or Association Property exceeds 2.85 Acres, the Acres exceeding such total shall be taxed as Taxable Association Property and/or Taxable Public Property. The District Administrator will assign tax-exempt status for these Acres in the chronological order in which property becomes Public Property or Association Property.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, that the District may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may foreclose on Assessor's Parcels having delinquent Special Taxes as permitted by the Act.

G. PREPAYMENT OF SPECIAL TAX

The Special Tax obligation for an Assessor's Parcel of Developed Property, Taxable Public Property, or Taxable Association Property may be prepaid. The City will allow the owner of an Assessor's Parcel to prepay in whole and satisfy the Special Tax obligation if the Council determines that such prepayment will not

jeopardize the District's ability to collect and levy sufficient Special Taxes in any Fiscal Year to pay the required Special Tax Requirement.

H. TERM OF THE SPECIAL TAX

For each Fiscal Year that any Bonds are outstanding, the Special Tax shall be levied on all Assessor's Parcels of Taxable Property. If any delinquent Special Taxes remain uncollected prior to or after all outstanding Bonds are retired, the Special Tax may be levied to the extent necessary up to the applicable Maximum Special Tax, to make up the deficiency resulting from such delinquent Special Taxes, but not later than the 2035-36 Fiscal Year.

APPENDIX B
SUMMARY APPRAISAL REPORT

(This Page Intentionally Left Blank)

SUMMARY APPRAISAL REPORT – COMPLETE APPRAISAL

**PROPOSED
COMMUNITY FACILITIES DISTRICT NO. 2001-2
OF THE CITY OF CORONA
(Cresta-Grande)**

Riverside County, State of California
(Appraiser's File No. 2002-06)

Prepared For

City of Corona
815 West Sixth Street
City of Corona

Prepared By

Bruce W. Hull & Associates, Inc.

1056 E. Meta Street, Suite 202
Ventura, California 93001
(805) 641-3275
(805) 641-3278 [Fax]

115 E. Second Street, Suite 100
Tustin, California 92780
(949) 581-2194
(949) 581-2198 [Fax]

BRUCE W. HULL & ASSOCIATES, INC.

REAL ESTATE APPRAISERS & CONSULTANTS

July 5, 2002

Mr. Gregory P. Irvine
Deputy City Treasurer
City of Corona
815 West Sixth Street
Corona, California 92878

Reference: Summary Appraisal Report – Complete Appraisal
Community Facilities District No. 2001-2
City of Corona, Riverside County, California

Dear Mr. Irvine:

At the City of Corona's request and authorization, I have completed a summary appraisal report for the above referenced project. There are two improvement areas located within Community Facilities District ("CFD") No. 2001-2. Improvement Area No. 1 is a 72-lot tract under construction. The site has been graded and utilities currently being installed. This development is referred to as Cresta Verde. Improvement Area No. 2 is a tract of recently constructed single-family homes that have been sold to individual homeowners. This development is referred to as Vista Grande.

As a result of my investigation, the concluded values for the Improvement Areas are as follows:

Improvement Area No. 1 – Cresta Verde has an estimated market value of

**EIGHT MILLION TWENTY THOUSAND DOLLARS
\$8,020,000**

Improvement Area No. 2 – Vista Grande has an estimated market value of

**THIRTEEN MILLION SEVEN HUNDRED NINETY FIVE THOUSAND DOLLARS
\$13,795,000**

The above values are stated subject to the Assumptions and Limiting Conditions of this report and the Appraiser's Certification as of July 1, 2002.

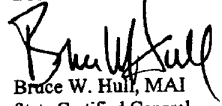
Mr. Gregory P. Irvine
City of Corona
July 5, 2002
Page Two

This report is a Summary Appraisal Report that is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

This letter of transmittal is part of the attached report, which sets forth the data and analyses upon which my opinion of value is, in part, predicated.

Respectfully submitted,

BRUCE W. HULL & ASSOCIATES, INC.


Bruce W. Hull, MAI
State Certified General
Real Estate Appraiser (AG004964)

BWH:dh
Attachment

TABLE OF CONTENTS

Assumptions and Limiting Conditions	i
Purpose of the Appraisal.....	1
The Subject Property.....	1
Intended Use of the Report	1
Definitions.....	2
Property Rights Appraised.....	2
Effective Date of Value	3
Date of Report.....	3
Appraisal Development and Reporting Process	3
General Area Description – Riverside County	6
City of Corona.....	10
Immediate Surroundings.....	15
Riverside County Housing Market	16
Community Facilities District No. 2001-2 (Cresta-Grande)	20
Site Description.....	22
Highest and Best Use Analysis.....	31
Scope of Appraisal Assignment.....	35
Valuation Analysis and Conclusion.....	36
Marketing and Exposure Time.....	43
Appraisal Report Summary.....	44
Appraiser's Certification.....	45

ADDENDA

Engineer's Report for Community Facilities District No. 2001-2 dated June 25, 2002
NMG Geotechnical Report dated October 27, 2000 (Text Only)
Development Agreement
Site Development Costs
Site Improvement Costs from Raw Land to Finished Lots
 Budget for Raw Land to Finished Lots
 Budget for Costs "In Ground" as of June 1 and July 1, 2002
 Costs Identified as Beyond a Typical Finished Lot
 Remaining Costs to Complete Lots to Finished Lot Condition as of July 1, 2002
Appraiser's Qualifications

ASSUMPTIONS AND LIMITING CONDITIONS

1. This report is a Summary Appraisal Report that is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. The property is appraised assuming Community Facilities District ("CFD") No. 2001-2 of the City of Corona is formed and that the assessments/fees listed in the Engineer's Report dated June 25, 2002 are funded as a result of this CFD.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.
7. It is assumed that 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 arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined, and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch included in this report may show approximate dimensions and is included only to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.
12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is not encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert relating to asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials, which may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
16. This report may be used in conjunction with the publishing of an Official Statement in the sales of CFD bonds.
17. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine whether the property is in conformity with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature and would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal report is to estimate the value of the fee simple interest, subject to a proposed lien of special taxes of the proposed Community Facilities District No. 2001-2 of the City of Corona ("CFD No. 2001-2"), for the subject project. The subject project consists of Tract Map 29813 and Tract Map 29413, the City of Corona, County of Riverside. Tract Map 29813 (Cresta Verde) is under construction for development to 72 single-family detached lots and eventually single-family homes. Tract Map 29413 (Vista Grande) is a residential development that has been constructed with single-family homes, which are occupied by homeowners. The subject developments will be valued as follows:

- A) Cresta Verde (Improvement Area No. 1) will be valued on a finished lot basis with a deduction for the costs to complete this project to a finished lot condition.
- B) Vista Grande (Improvement Area No. 2) will be valued via a Sales Comparison Approach for the each home with the emphasis being the subject transactions, which occurred between February and May 2002.

THE SUBJECT PROPERTY

The subject project consists of two residential developments - Cresta Verde and Vista Grande.

INTENDED USE OF THE REPORT

It is the appraiser's understanding that the client, City of Corona, will utilize this report in determining the feasibility of the sale of the CFD No. 2001-2 bonds. In addition, this report is intended to be used by the bond underwriter and may be published as a part of the Official Statement or similar document for the CFD bonds.

DEFINITIONS

Market Value

The term Market Value as used in this report is defined as:

"The most probable price which a specified interest in real property is likely to bring under all of the following conditions:

- 1. Consummation of sale occurs as of a specified date.*
- 2. An open and competitive market exists for the property interest appraised.*
- 3. The buyer and seller are each acting prudently and knowledgeably.*
- 4. The price is not affected by undue stimulus.*
- 5. The buyer and seller are typically motivated.*
- 6. Both parties are acting in what they consider their best interest.*
- 7. Marketing efforts were adequate and a reasonable time was allowed for exposure in the open market*
- 8. Payment was made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.*
- 9. 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."*

Finished Lot

A Finished Lot is defined as:

"A parcel which has legal entitlements created by a recorded subdivision map whose physical characteristics are a fine graded level pad with infrastructure contiguous to each individual lot, asphalt paved roads, and the necessary utilities. This term assumes the payment of all applicable development fees with the exception of building permit and plan check fees."

PROPERTY RIGHTS APPRAISED

The property rights being appraised are of a fee simple interest subject to existing easements of record and subject to the proposed CFD. The definition of "fee simple estate" is stated below.

¹ The Appraisal of Real Estate, 11th Edition (definition adopted by the Appraisal Institute in 1993).

"Ownership of a title in fee establishes the interest in property known as the fee simple estate – i.e., absolute ownership unencumbered by any other interest of estate, subject only to the limitation imposed by the governmental powers of taxation, eminent domain, police power, and escheat."²

EFFECTIVE DATE OF VALUE

The subject property is valued as of July 1, 2002.

DATE OF REPORT

The date of this report is July 5, 2002.

APPRAISAL DEVELOPMENT AND REPORTING PROCESS

As previously stated, the purpose of this appraisal is to report the appraiser's best estimate of the market value for the subject property. This report will be presented in the format described as follows:

- A regional and community description followed by a description of the immediate surroundings of the subject property.
- A Riverside County housing market analysis.
- A brief description of the proposed development.
- A property description of the subject properties.
- A highest and best use analysis.
- A valuation section.
- Appraisal report summary.

² The Appraisal of Real Estate, 11th Edition, 1996.

In valuing the subject properties, the value estimates will be based upon the highest and best use conclusion using the Sales Comparison Approach. The Sales Comparison Approach to value is defined as:

"The process in which a market value estimate is derived by analyzing the market for similar properties and comparing these properties to the subject property."³

The valuation method used included the Sales Comparison Approach. In the Sales Comparison Approach, market value is estimated by comparing similar properties to the subject that have recently been sold, are listed for sale, or are under contract. In the case at hand, residential lands (Cresta Verde) are typically bought in the subject market based on a finished lot price. The subject property is in a graded condition. The market data utilized within this report contains sales of lots ranging in number from 11 to 239. Therefore, it is not unusual for a buyer to purchase 72 lots in a single transaction, thus a discounting will not be considered. The Sales Comparison Approach for the Vista Grande development consists of the subject sales and comparable single-family home developments.

The due diligence of this appraisal assignment included the following.

1. Compiled certain demographic information and related data to the subject project in order to determine a feasibility/demand analysis.
2. Gathered and analyzed information on the subject marketplace, including reviewing several brokerage house publications on historical and projected growth in the subject market, researching the micro and macro economics within Riverside County and the City of Corona.
3. Inspected the subject project.
4. A review of the soils and environmental reports.
5. Interviewed the subject developer in order to obtain estimated costs relating to the development of the subject property (Improvement Area 1).
6. Retained a civil engineer, Gary Laughlin, P.E., to assist in reviewing the construction that has occurred on the Cresta Verde development.
7. Reviewed the Development Agreement between the City of Corona and Fieldstone Communities, Inc.

³ The Appraisal of Real Estate, 11th Edition, 1996.

8. Searched the area for comparable land sales, inspected and verified the relevant data.
9. Reviewed the cost estimates prepared by the developer in order to develop the subject tract into finished residential lots.
10. Searched the market for comparable residential projects to subject project and verified sales within these projects.

GENERAL AREA DESCRIPTION – RIVERSIDE COUNTY

General Surroundings

The subject project is located in the City of Corona (the "City") in the southern portion of Riverside County (the "County"). The County encompasses approximately 7,300 square miles and includes large expanses of undeveloped deserts, valleys, canyons, and mountains. It is situated north of San Diego and Imperial Counties and east of Los Angeles and Orange Counties. The County is the major recipient of outward urban pressure from Orange and Los Angeles Counties as well as the northerly growth from San Diego County. Although located at the periphery of most urban activity in Southern California, the County, in particular the westerly portion is clearly perceived by most observers as a major growth area well into the foreseeable future.

Population

Per the State of California the current population (January 2000) of the County is estimated at 1,522,900. The County experienced an increasing growth pattern for several decades, with the population more than doubling between 1960 and 1980. Between 1990 and 2000 the population increased by 412,879 or 37.2 percent. The current population reflects an average annual growth of 3.7 percent over the past ten years. The largest numerical gains in incorporated areas occurred by the communities of Moreno Valley, Corona, and Riverside. The largest population gains have been seen in the southwestern portion of the County that is comprised of either recently incorporated or unincorporated communities. This area involves all of the greater Temecula Valley, which includes the communities of Anza, Aguanga, Wildomar, Murrieta, Murrieta Hot Springs, and the rapidly growing community of Rancho California/Temecula. In addition, the City of Corona annexed several areas along with developing the southern portion from agricultural uses to residential development.

Economic

The Riverside, San Bernardino, Ontario Metropolitan Statistical Area ("MSA") has had a strong employment record over the past ten years. The most significant gains were seen in the areas of

construction finance, insurance, real estate services, and retail trade. The least amount of growth was seen in agriculture and wholesale trade. Mining showed a dramatic decline over the ten-year period. More than 250 manufacturing firms are located in the County. Leading classes of products include aerospace and aircraft parts, electronic components and systems, mobile homes, and aluminum mill machinery and products.

The unemployment rate for the Riverside/San Bernardino MSA is estimated at 5.1 percent (per the Employment Development Department - May 2002), which reflects an increase from May one year ago (4.4 percent), but a significant downturn from August 1995 (10 percent). Separately, the County has a current unemployment rate of 5.1 percent, while San Bernardino has a current unemployment rate of 5.1 percent. The current unemployment rate for the Riverside-San Bernardino MSA of 5.1 percent compares to the current California unemployment rate of 5.9 percent and the current U.S. unemployment rate of 6.2 percent. The following table depicts the County in relationship to the unemployment rates of surrounding counties and the state.

Jurisdiction	As of	Unemployment Rate
Los Angeles County	5/02	6.5%
Riverside County	5/02	5.1%
San Bernardino County	5/02	5.1%
State of California	5/02	5.9%

Source: State of California E.D.D.

The County compares favorably to San Bernardino County unemployment rates.

Transportation

Four major freeways bisect the County. The first, Interstate 15, travels in a northerly/southerly direction with access to Barstow and Nevada to the north and to San Diego to the south, where it approaches the international border with Mexico. The second, the 91 or Riverside Freeway, travels in an easterly/westerly direction and provides access to Orange and Los Angeles Counties to the west and connects with the 60 Freeway and Interstate 215 to the north in San Bernardino County. The third is the 60 Freeway, which provides access to Los Angeles to the west and to the

east where it combines with Interstate 10, providing access to Arizona. The last major freeway bisecting the County is Interstate 215, which travels in a northerly/southerly direction in the County providing access that generally parallels Interstate 15 to the east.

The County is also well served by Amtrak and Metrolink as well as by several rail freight lines. The Ontario International Airport provides air service and is located approximately 15 miles west of the subject in San Bernardino County.

Governmental/Environmental

The County is home to the Stephens Kangaroo Rat (“SKR”), which is listed on the endangered species list by the federal government. For the past 12 years the County has had a Habitat Preserve Agency (the “Agency”) in order to counter the extinction of this protected animal. In 1995 the Agency was designated a success with enough habitat lands under protection and thus, a reduction was made in the Agency. In order to obtain this degree of success the Agency required SKR acreage fees from developers in order to purchase conservation habitat acreage. Due to its success, the degree of urgency is considerably less than in previous years.

New possible endangered species that are affecting the County include the Coastal Sagebrush, which is the habitat for the California Gnatcatcher. Due to the County’s success with the SKR conservation, it is anticipated that, if needed, the County will perform the same function for similarly endangered species.

Summary

The decade of the 1990 saw the County experience substantial population growth. As a result, there was significant residential, industrial, and commercial development. The long term forecast is for more growth.

A recession that was declared in the last half of 2001 was considered to be “mild” and economists stated that economic recovery began in 2002. While this was a declared recession, it did not impact the County or the local housing market.

On a more localized focus, the County had been ranked eighth of the top ten "hottest" residential markets in the United States (Orange County Register).

CITY OF CORONA

General Area

The City is located approximately 45 miles southeast of Los Angeles and is the second largest city in Riverside County, with a present land area of approximately 34 square miles. It was incorporated in 1886 and had an early local economy based on agricultural production of citrus crops.

Population

The City has an estimated population of 127,000 as of January 1, 2001. This is an increase over the year 2000 estimate of 123,000. This indicates almost a 143 percent increase over the 1988 figure of 52,206, or a little over 11 percent annually. The largest of these gains occurred during 1988 and 1989, which reflected two annexations. From the January 1997 population estimate of 99,500 persons to the January 2000 population count reflects an average annual increase of 7.9 percent during the previous three years. Between January 2000 and January 2001 the increase was 3.2 percent. This slowdown reflects the essential build-out of the South Corona area.

The average age in the City is 28.6 years, lower than that of surrounding counties in Los Angeles and Orange. The City has a higher education than some surrounding counties with over 52 percent of its adults having attended college. In addition, the college degree attainment in the City is 40 percent higher than the average in the County.

Housing

Of the total dwelling units within the City approximately 65 percent are detached single-family residences ranging in age from new construction to in excess of 50 years. There are several new single-family subdivisions proposed or under construction providing housing in the \$250,000 to \$700,000 price range. The multi-residential neighborhoods offer one to two-bedroom apartments ranging from \$600.00 to \$950.00 per month. The average household occupancy in the City is 3.14 persons. This is higher in comparison with the County, which averages 2.68 persons per household, however was considered typical of many suburban markets.

The average cost of a new home is currently \$270,000 while the average cost of an existing home is \$193,000. Real estate costs are still approximately one-third less than in neighboring Orange County. The median household income is \$58,815 while the average household income is \$71,429. Over 23 percent of the households have earnings of \$100,000 or more.

Some of the newer areas of development include the planned communities of South Corona and Eagle Glen. Eagle Glen was annexed into the City in the late 1990s. Eagle Glen is one of the few communities in the City with land remaining for development.

Commercial Land Uses

Currently there are over 18 retail centers within the City, providing over 1,000,000 square feet of leaseable area. The occupancy rate is over 95 percent. There has been a substantial amount of retail construction located at the intersection of the 91 Freeway and McKinley Street, east of the subject property through the 1990s. This construction leased up with little to no vacancies apparent in the area. Several new neighborhood shopping centers have been constructed in the South Corona area within the past three years. All appear to be leasing quickly. Spendable income of the residents has increased 5 to 7 percent each year during the past decade. Taxable sales for the fiscal year ending June 30, 2000 were \$1.74 billion dollars.

Office space demand in the City was previously limited to local professionals. Offices were typically interspersed among the retail projects along strip commercial corridors. However, with the substantial amount of growth in the City, along with executive housing being constructed, there are three new three-story Class A office buildings totaling almost 200,000 square feet under construction. There are over 2,750 acres zoned for light, medium and heavy industrial uses within the city limits. This category includes freestanding light manufacturing, assembly, warehouse, distribution, R&D, and business park uses. Approximately 35 percent of the City's sales tax revenue is generated through the industrial base of over 27 million square feet of space.

Transportation

The City is well served by the California freeway system, being bisected by the 91 Freeway and Interstate 15. The 91 Freeway connects the City to Orange County on the southwest and to Riverside and San Bernardino Counties on the northeast. The 91 Freeway is one of the area's

busiest freeways with a substantial amount of congestion in the westbound direction during the morning hours and in the eastbound direction during the evening hours. This is due to the number of commuters living in Riverside County and employed in Orange and Los Angeles Counties. The express lanes on the 91 Freeway opened in 1997. These express lanes are a toll-road system that helped to alleviate the traffic congestion. In late 1998 the Eastern Transportation Corridor opened which is a direct connection from the 91 Freeway at the westernmost portion of the City to the Irvine Spectrum in Orange County. This connection made commuting to South Orange County a one-half hour commute rather than an hour or more due to traffic. This corridor is a part of the toll road system with tolls upwards of \$3.50 each way.

Interstate 15 connects the City to San Diego County to the south and to San Bernardino County to the north. Interstate 15 is a major freeway providing access to both the Canadian and the Mexican borders.

The City is contiguous to the main line of the Santa Fe Railroad and is served by 26 daily truck carriers. A new Metrolink line from Riverside to Orange County recently opened. Ontario International Airport is 15 miles to the northwest and is served by most major airlines. Corona Municipal Airport is available for general aviation use. In addition, John Wayne International Airport in Orange County is less than 30 minutes away.

Economy

The City, as well as most of Southern California, experienced a significant reduction in real estate prices between early 1990 and 1994. This is attributed to the national recession that occurred during that period. In 1988-89, it experienced a "boom" in real estate prices as the aforementioned South Corona area began developing. Developers viewed the City as a commuter area to Orange and Los Angeles Counties with less expensive land available for development. This originally was a "first-time buyer" area with cost being the main motivational factor. However, as real estate prices rose, the houses became a "move-up" area rather than affordable for first-time buyers. The reduction in real estate prices in the early 1990s, along with new products such as single-family detached condominiums, re-established the affordability of the area. In the late 1990s the market recovered and an upturning began which has not yet

slowed down. Demand is currently strong in the City's real estate market with prices surpassing the late 1980s peaks.

In addition, interest rates have played an important roll in the affordability of homes in the subject area as well as in other parts of the nation. In an effort to aid the economy, the federal government acted to reduce interest rates during the years 1991-94. Short-term rates were pushed down sharply; long-term rates declined, although less dramatically, since the Federal Reserve Board has less control over these rates. From late 1990 through 1993, the bank prime interest rate fell from 10 to 6 percent, and the 30-year U.S. Treasury bond yield fell from 8.5 to 6.3 percent over the same period. Short-term rates were raised five times in 1994, once in 1995, once in March 1997, lowered in the latter part of 1998, and then raised three times in 2000. The rates were cut 11 times last year, lowering the federal funds rate target from 6.5 to 1.75 percent, the lowest level in four decades. Thirty-year treasury yields are currently 5.41 percent, steady for the most part, over the last six months.

The years 1998 through 2001 saw a substantial increase in land values in the area. This was partially due to the strong economic climate and the limited land remaining to be developed in Corona. Overall sales were exceptionally strong in 1998 and 1999; however, 2000 saw a slowdown as product sold out. The limited land availability has brought stronger growth to the areas with land remaining for development. It has become evident the last six months have seen a strong price appreciation in both land and home prices.

Summary

The City has been transformed over the past 10 years. Previously a first-time homebuyer area offering an affordable housing alternative to Los Angeles and Orange Counties, the City now has executive homes selling faster than affordable homes. The average household income is substantially higher than that of the County. Business within the City is booming with several office and retail centers currently under construction with good pre-leasing underway. The slowdown of the early 1990s is history now without any lingering effects on the economy. The City's location, midway between Orange, Los Angeles and San Diego Counties, makes it a good location for industry. The majority of the master planned communities (Chase Ranch, Mountain

Gate, Corona Ranch) are essentially built-out with little land remaining to be developed. Land available for residential development has become a sought after commodity within the City.

On a long-term basis, most facets of the City's economy point toward growth throughout the year 2002. The County has been designated by the California Department of Finance as one of the fastest growing metropolitan areas in California. The City, with its western entrance from northern Orange/Los Angeles Counties, is an ideal location for growth. Recent freeway expansion is helping to alleviate the traffic congestion in the area and promote commuting to and from the area. While there was a declared national recession in 2001 the immediate area did not appear to be effected. The first six months have indicated a stronger housing market with homes prices increasing substantially.

IMMEDIATE SURROUNDINGS

Improvement Area No. 1

The Cresta Verde development is located in the northern portion of the City of Corona and is surrounded by existing residential neighborhoods and Cresta Verde Park. This park is improved with a basketball court, picnic areas, children's tot lot, and a large grass area. A number of mature trees surround the perimeter of the park. The northern boundary line is undeveloped land that is to remain open space.

Shopping and freeway access are within proximity, both being within 1-1/2 miles of the subject property. An onramp to Highway 91 is located south of the subject property with access via Promenade Avenue and McKinley Street. Major shopping, including a number of major retailers, is also located within proximity.

Schools serving the area are Centennial High School, Auburndale Intermediate School, and McKinley Elementary School. McKinley is one of the top ranked elementary schools in the City. A new high school is proposed for the Corona Ranch development (approximately 1 mile northeast) within the next several years.

Improvement Area No. 2

The Vista Grande development is located in the South Corona area east of Rimpau Avenue, north of Taber Street, and west of California Avenue. The South Corona area has developed over the last ten years and the housing is newer, good quality single-family homes. There have been a number of schools and shopping constructed to accommodate the new housing.

RIVERSIDE COUNTY HOUSING MARKET

Per the County of Riverside Economic Development Department, the current population of the County is 1,522,900. An influx of residents from Orange and Los Angeles Counties looking for more affordable housing was instrumental in population increases within the County. The County is one of the fastest growing regions in the United States.

In reviewing housing activity in the Corona market, it is obvious that a resurgence in sales has occurred. The following table, provided by the City of Corona Building Department, indicates the new housing units (single-family dwellings) that were city authorized via building permits.

Year	No. of Permits
1990	1,219
1991	712
1992	436
1993	467
1994	830
1995	1,339
1996	1,789
1997	1,977
1998	1,483
1999	1,657
2000	1,323

It is interesting to note that the number of building permits for housing increased by 7.1 percent from 1992 to 1993, when, at the same time, the County was showing a decrease of 11.1 percent, proving that the Corona area was a "pocket of development" even during the early-1990s recession. In today's market, the Corona area is extremely strong; however, land ready for development is becoming extremely limited. The subject property is located within the sub-area known as Northwest Riverside, along with Corona, Norco and Riverside. Per The Meyers Group

First Quarter 2002 reports, the northwest sub-market is responsible for almost 30 percent of the new home sales activity in all of Riverside County during that time period, and over 30 percent of the new homes sales over the past year. In addition, the northwest sub-market has the highest median base price of \$267,323 compared to an overall County median base price of \$240,623.

The preceding table also shows the volatility of building permits due to the national recession. Per this activity, the bottom "hit" sometime in 1992-1993, with an increase in 1994 and 1995, significant increases in 1996 and 1997, and further increases in 1998 throughout 2001. The increases can be attributed to several factors. During 1996, 1997, 1998 and 1999, these factors included lower interest rates, detached housing prices in the \$150,000 to \$250,000 price range, a completion of improvements funded by Mello-Roos districts in South Corona (an area in which the majority of the residential development from 1995 to 2000 occurred), an end to the 1994 recession, and a more general "upbeat" economic climate. The decline in 1998 was due more to a limited inventory rather than a slowdown in market demand. The year 1999 showed a significant increase, while 2000 showed a decline in number of sales, due not to the economy within the market area, but rather to a dwindling supply of land available for development. Per The Meyers Group First Quarter 2002 New Home Executive Summary Report for the Inland Empire, the northwest sub-market (of which Corona comprises approximately 75 percent) had a median price of \$267,323 for new, detached homes, which is an increase of 53 percent from three years previous when the median price was \$173,990. As of the end of the first quarter 2002, the median price was based on an average 2,647-square foot home compared to an average 1,973-square foot home 36 months previous. This suggests that the detached price per square foot has not actually increased 53 percent, but rather an increase in the sales of larger homes or more executive-type homes in this market area.

The supply of new homes in the County dropped slightly during the first quarter of 2002. Per The Meyers Group, there are 85 active projects within the northwest sub-market compared to 87 as of the end of the fourth quarter 2001. The current inventory is 519 detached homes (standing and under construction) as of the end of the first quarter of 2002 in the subject northwest market, while sales for the quarter totaled 1,198. At the end of the first quarter 2002, standing and under construction inventory for the County was at 2,068 units, while sales were 3,853. These

numbers suggest that there is an approximate 6.4-week inventory based on the County inventory, while in the subject northwest sub-market there is a 5.2-week supply. These are considered low compared to previous inventories over the past year.

Per The Meyers Group, the sales price increases in the northwest sub-market are partially due to the price increases in neighboring Orange and Los Angeles Counties and partially due to pent-up demand for move-up housing. This has been evidenced by the larger homes and higher sales prices consistently over the past three years until this quarter. Per first quarter statistics the sizes of the homes appear to be smaller by approximately 6 percent. Another factor that fueled this sub-market area was the opening (in 1998) of the new transportation corridor connecting the 91 Freeway to Irvine. This new toll road has made commuting to northwest Riverside County from Orange County much easier.

Attached housing sales decreased substantially as the detached condominium market appeared. Detached condominiums are detached homes on condominium mapped lots. This product has put the attached market at a disadvantage. While 1,198 detached new home sales occurred in the northwest sub-market during the first quarter of 2002, none of the sales were of attached product. Additionally, there is no inventory of attached product within the subject's sub-market. While for the previous years the detached market in Corona was extremely price sensitive, the more recent demand appears to be for the larger homes. The past four years of appreciation has allowed some previous homebuyers to become "move-up" buyers. These families are growing and need expanding space within their homes. Thus, the larger homes saw a sharp increase in both demand and supply within the subject area at this time.

Sales of homes are still strong within the subject market. Although there has been a slowdown in land sales of raw land in the past few months, land that is entitled and partially finished (i.e., blue-top that is mass graded) or finished lots are still in demand. Raw land without entitlements or land with entitlements and no approved grading plans are taking longer to sell in today's market.

In summary, 1997 continued the up-trending since the 1991-94 recession, with 1998 showing a slight decline in sales numbers, but a strong increase in sales prices in the subject market. The year 1999 saw strong increases in both price and size of the average home within South Corona, with demand keeping up and sometimes outpacing the supply. The year 2000 saw a slowdown in sales, but a continued increase in pricing. Currently, signs suggest that the northwest sub-market is experiencing strong demand. Executive and move-up housing was strong in the market through 2000 and 2001, with the average base sales price of new, detached homes rising over 6 percent between the last quarter of 2000 and the last quarter of 2001. Although prices dropped between the fourth quarter 2001 and the first quarter 2002, this is due to smaller homes (from 2,839 average square feet to 2,769 average square feet) while there still was an increase in sales price per square foot. Price still appears to be a major factor in drawing buyers to the Riverside/Corona marketplace.

On a more local level, home prices have increased dramatically in the City of Corona and its immediate area. Fieldstone Communities, Inc. has a project in the Eagle Glen master planned community. This project has had increases of \$37,000 to \$52,000 since sales began in July 2001. This represents increases ranging from 14.9 to 19.3 percent. Similar price increases in the Eastvale area (\$40,000 increase) and even south of the City, in the master planned community of Horsethief Canyon (price increases of ±\$25,000 to \$50,000 in the last year). The housing market for the immediate area appears to be stronger than the overall County.

COMMUNITY FACILITIES DISTRICT NO. 2001-2 (CRESTA-GRANDE)

I have reviewed an Engineer's Report⁴ for Community Facilities District No. 2001-2 (Cresta-Grande) dated June 13, 2002. The report is included in the Addenda for the reader's review. Some of the more pertinent information is listed below:

Parts Two and Three refer to information regarding the proposed CFD tax as a percent of home value. Part Two is in reference to Cresta Verde where the CFD 2001-2 special tax will range from .911 to .916 percent of home value. The total tax rate including ad valorem tax would be 2.00 percent of home value. Part Three references Vista Grande where the special tax ranges from .824 to .8404 percent of home value. The total tax rate including ad valorem taxes is estimated at 2.00 percent.

Part Six of the Engineer's Report calculates the bond issue size based on the special tax rates. The bond size is divided between Improvement Area No. 1 (Cresta Verde) and Improvement Area No.2 (Vista Grande). The maximum bond issue was estimated to be \$2,494,207 for Improvement Area No.1 and \$1,061,908 for Improvement Area No.2.

Part Nine of the Engineer's Report is a preliminary cost of estimate in priority of funding for each improvement area. Improvement Area No. 1 has a total construction budget of \$1,966,738 and a cost of issuance of \$614,506. Of the construction budget the largest amount is for delinquent Assessment District installments of \$1,321,503 with additional amounts from remaining and delinquent assessments. The items that would benefit Improvement Area No. 1 are as follows:

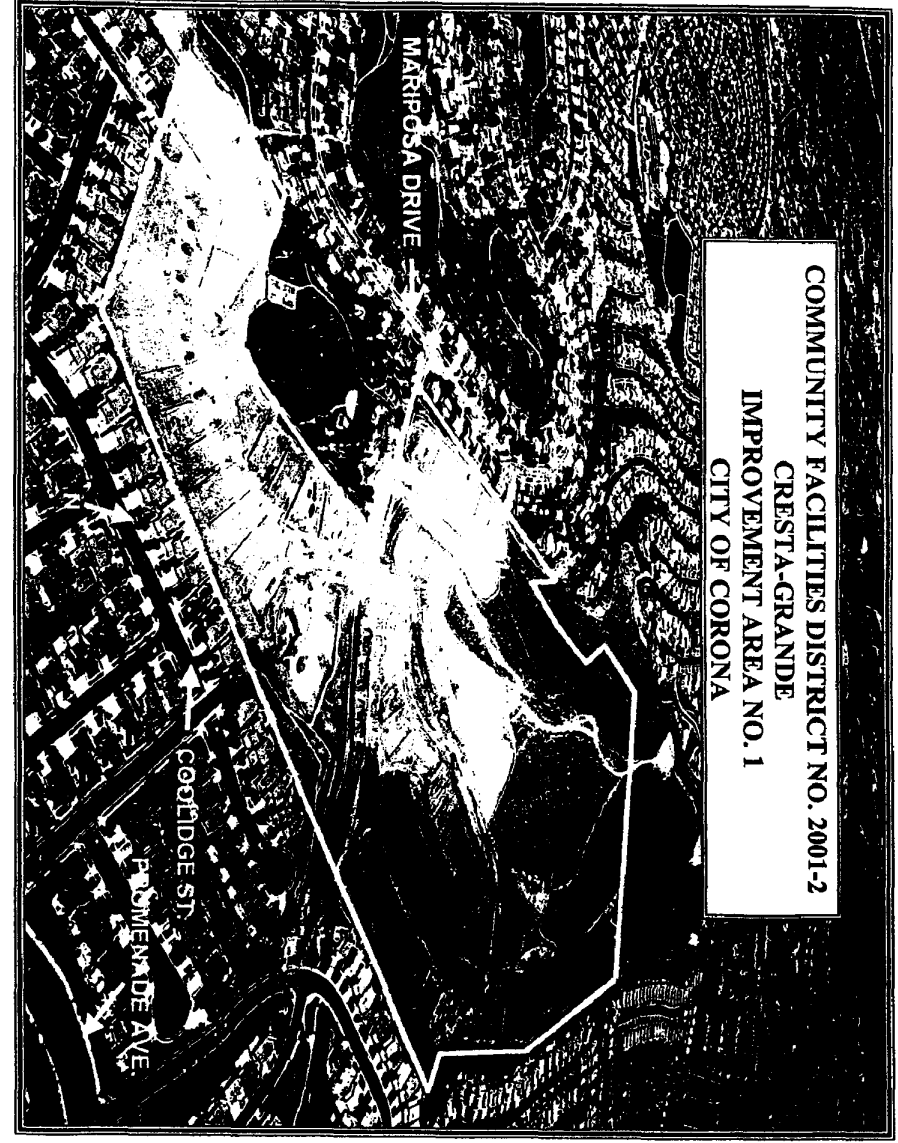
Water Improvement Fee Zone 3	\$ 13,594
Water Improvement Fee Zone 4	\$125,582
Quimby Fee	<u>\$ 42,718</u>
Total	\$181,894

⁴ Prepared by Galen Peterson, Consulting Engineer, and dated June 25, 2002.

Facilities that would benefit Improvement Area No. 2 are as follows:

Water Improvement Fee Zone 4 (3/4")	\$118,314
Water Improvement Fee Zone 4 (1")	\$102,452
Sewer Connection Fee	\$100,737
Street and Signal Maser Plan Improvements	\$187,066
Street Fee in South Corona	\$250,392
Traffic Signal Mitigation Fee in South Corona	\$ 16,384
Drainage Fee	\$ 76,011
Parkland Open Space Fee	\$ 16,923
Total	\$867,650

Bruce W. Hull & Associates, Inc.



Aerial Photo - Aerial Eye Inc. - 6/5/02

SITE DESCRIPTION

Cresta Verde Development

Fieldstone Communities, Inc. ("Fieldstone"), a California corporation, owns the Cresta Verde development. This development required significant grading, with estimates of approximately 500,000 cubic yards of raw earthwork as well as remedial grading occurring on site.

The Cresta Verde development has good to excellent views that have been manufactured by a large scale grading operation. This grading consisted of cut and fill slopes that ranged from 5 to 100 feet. The site is unusual in the respect that 1:5 to 1 slopes are not typical in the City of Corona.

An easement, approximately 120 feet wide, containing two 30-inch diameter natural gas pipelines and an oil pipeline, extends across the site from east to west, through adjoining neighborhoods.

Improvement Area No. 1 (Tract Map 29813)

Location: Tract Map 29813 is located at the terminus of a number of existing streets (Collett Avenue, Wheeler Circle, Harding Road, and Stonehaven Drive) in the northern portion of the City of Corona, County of Riverside.

APN/Three Year Sales History: APN 115-100-009. Fieldstone purchased this property in March 2000. The original purchase price was \$850,000. There were three amendments for which \$10,000 was paid at each time. This adjusted the price to \$880,000. In addition, delinquent ad valorem taxes were paid, which brings the total acquisition price to ±\$1,077,000.

Size/Shape: Per Tract Map 29813, the site is irregular in shape and consists of 55.2 acres.

Zoning: The site is located within the Northeast Specific Plan. Current zoning is Single-family Residential (SFR-5) and Medium Density Residential (MDR-7).

Entitlements: Tract Map 29813 covers the subject site and divides the site into 73 numbered lots and four lettered lots. Lot 73 and Lot D were granted to the City at the time of recordation. The tract map and a development agreement between Fieldstone and the City were recorded in Book 320, Pages 51 through 61 of the County of Riverside on June 27, 2002.

Topography and Drainage: The site has been graded to seventy two lots. Hunsaker and Associates has certified 66 of these lots as being in a rough graded condition (June 20, 2002). Drainage for the development is being engineered into a street system, which is being constructed.

Soils: The appraiser has reviewed a geotechnical report on the site prepared by NMG Geotechnical, Inc. ("NMG") of Irvine dated October 27, 2000. The report concluded that the site is suited for the proposed development from a geotechnical engineering and engineering geology viewpoint. The report also stated that all recommendations presented within the report should be incorporated into the final design, grading and construction phases of site development. A slope stability analysis was performed. In order to achieve a 1.5:1 slope safety factor, the geotechnical consultants recommended a surficial geogrid reinforcement, as installed, as outlined in Section 3.4 of their report. I have also retained Gary Laughlin, P.E., to consult with due to the magnitude of the grading and other issues relating to site development. Please refer to discussion later in this report entitled "other".

Seismic: Within the above referenced geotechnical report was a seismic study. The site is within 4 miles of the Chino Fault zone. A discussion of the Chino Fault is within the report along with a historical site seismicity evaluation and a probabilistic seismic hazards analysis. The report concluded that the upper bound of the maximum magnitude for the Chino Fault was 6.7. The report indicates that there is a 10 percent chance of an earthquake exceeding that in 50 years.

Flood Hazards: The land lies within Flood Zone "X", areas determined to be outside a 500-year flood zone per Federal Insurance Rate Map (FIRM) Community Panel No.060250005F.

Environmental: The appraiser has reviewed the Phase I Study and Analysis dated March 8, 2000 and prepared by Aqua Science Engineers. This study concluded that, based on their site reconnaissance, an aerial photograph review, historical map review, agency file review, and business directory review, no environmental issues of concern were identified on the subject property.

Streets/Access: Access to the subject property is via the 91 Freeway to McKinley Street to Promenade to Stonehaven Drive.

Utilities: The following utility and public service companies will provide services to the subject development.

Water/Sewer: City of Corona
 Electricity: Southern California Edison
 Natural Gas: The Gas Company
 Fire: City of Corona Fire Department
 Police: City of Corona Police Department
 Telephone: Pacific Telephone Company
 School District: Corona Norco Unified School District

Miscellaneous: As part of the review of this project, I retained Laughlin & Associates, Civil Engineers, to review the site improvement plans and various supporting documents for Tract No. 29813. The following statement was made by Laughlin & Associates.

“The improvements for the property involve substantial grading including the construction of manufactured slopes approaching 100 feet in vertical height. Some of these slopes were constructed at a horizontal to vertical ratio of 1.5:1. Further, some of the 1.5:1 slopes are fill slopes, which used a geotextile fabric to satisfy the slope stability concerns of the design geotechnical engineer and the City of Corona. The highest manufactured slope, adjacent to Lucy Lane northeast of Brianna Way, does not include terrace drains or down drains to convey tributary runoff from the slope face. A single toe ditch along the toe of slope is proposed to convey runoff from the slope. A french drain, with a single perforated 4 in. diameter PVC drain along the base of the slope, is shown on the grading plans. The parkway on the slope side of Lucy Lane does not contain any sidewalk improvements and does contain a debris wall. Construction features such as these for a hillside residential development are unusual in the opinion of Mr. Gary J. Laughlin, P.E. of Laughlin & Associates.

Notwithstanding the foregoing, Hunsaker & Associates Irvine, Inc. and NMG Geotechnical, Inc., the design civil and geotechnical engineers, respectively, prepared and processed the improvements plan for Tr. 29813. Hunsaker & Associates has also now certified the grading of approximately 90% of the lots for Tr. 29813 and the City has provided construction inspection for these improvements. The design review and approval, as well as the construction inspection, by the City of Corona indicate that the project satisfies the requirements of the City of Corona.”

Views: The subject has been graded with a number of the lots having good to excellent views. The following table lists each of the subject lots with its view amenity

Lot No.	Pad Area	Comments
1	8,523 sf	Larger lot, backs to golf course
2	7,731 sf	Backs to golf course
3	9,125 sf	Larger lot, backs to golf course
4	13,162 sf	Large lot, backs to open space land, sides to park area
5	10,274 sf	Irregular lot, backs to basketball courts
6	9,030 sf	Larger lot within proximity to parking lot
7	10,866 sf	Sides to parking lot entrance, backs to parking lot
8	9,865 sf	Elevated pad, park view, sides to parking lot
9	8,963 sf	Elevated pad, park view
10	12,057 sf	Elevated pad, park view, larger lot
11	11,472 sf	Elevated pad, park view, larger lot
12	9,853 sf	Elevated pad, park view, sides paseo
13	8,727 sf	Elevated pad, park/distant golf course views
14	9,346 sf	Elevated pad, distant golf course view
15	10,023 sf	Elevated pad, distant golf course view
16	10,044 sf	Elevated pad, distant golf course view
17	7,650 sf	Elevated pad, distant golf course view
18	8,859 sf	Elevated pad, distant golf course view
19	11,766 sf	Elevated pad, park/distant golf course views
20	9,133 sf	Elevated pad, park/distant golf course views
21	13,735 sf	Elevated pad, distant golf course view
22	8,913 sf	Elevated pad, backs paseo views
23	19,978 sf	Elevated pad, backs paseo, southerly city lights view
24	14,445 sf	Elevated pad, backs paseo, city lights view
25	18,075 sf	Elevated pad, backs paseo, city lights view
26	10,578 sf	Elevated pad, backs paseo, city lights view
27	8,591 sf	Elevated pad, backs paseo, city lights view
28	8,529 sf	Elevated pad, backs paseo, city lights view
29	8,971 sf	Elevated pad, backs paseo, city lights view
30	9,433 sf	Elevated pad, backs paseo, city lights view
31	9,433 sf	Elevated pad, backs paseo, city lights view
32	9,368 sf	Elevated pad, backs paseo, city lights view
33	9,627 sf	Elevated pad, backs paseo, city lights view
34	10,603 sf	Elevated pad, backs paseo, city lights view
35	11,153 sf	Elevated pad, backs paseo, city lights view
36	8,732 sf	Elevated pad, backs to existing SFR, city lights
37	7,471 sf	Elevated pad, backs to existing SFR, city lights

Lot No.	Pad Area	Comments
38	7,645 sf	Elevated pad, backs to existing SFR, city lights
39	7,422 sf	Elevated pad, backs to existing SFR, city lights
40	7,200 sf	Elevated pad, backs to existing SFR, city lights
41	7,317 sf	Elevated pad, backs to existing SFR, city lights
42	7,587 sf	Elevated pad, backs to existing SFR, city lights
43	8,716 sf	Elevated pad, backs to existing SFR, city lights
44	8,480 sf	Elevated pad, backs to existing SFR, city lights
45	7,638 sf	Elevated pad, backs to existing SFR, city lights
46	7,400 sf	Elevated pad, backs to existing SFR, city lights
47	7,200 sf	Elevated pad, backs to existing SFR, city lights
48	7,400 sf	Elevated pad, backs to existing SFR, city lights
49	8,604 sf	Elevated pad, backs to existing SFR, city lights
50	10,217 sf	Elevated pad, backs to existing SFR, city lights
51	8,548 sf	Elevated pad, backs to existing SFR, city lights
52	7,459 sf	Elevated pad, backs to existing SFR, city lights
53	7,459 sf	Elevated pad, backs to existing SFR, city lights
54	7,413 sf	Elevated pad, backs to existing SFR, city lights
55	7,677 sf	Elevated pad, backs to existing SFR, city lights
56	7,431 sf	Elevated pad, backs to existing SFR, city lights
57	8,023 sf	Elevated pad, backs to existing SFR, sides Stonehaven Drive
58	9,101 sf	Backs paseo, corner lot, cul-de-sac location
59	10,559 sf	Elevated pad, cul-de-sac location

Lot No.	Pad Area	Comments
60	12,626 sf	Backs paseo, large lot, southerly views
61	12,475 sf	Elevated pad, city lights, cul-de-sac location
62	8,670 sf	Elevated pad, backs to existing SFR, southerly views
63	7,501 sf	Elevated pad, backs to existing SFR, southerly views
64	7,329sf	Elevated pad, backs to existing SFR, southerly views
65	7,527 sf	Elevated pad, backs to existing SFR, southerly views
66	7,672 sf	Elevated pad, backs to existing SFR
67	8,105 sf	Elevated pad, backs to existing SFR
68	9,397 sf	Elevated pad, larger lot
69	11,069 sf	Elevated pad, larger lot
70	8,798 sf	Elevated pad
71	7,578 sf	Elevated pad, distant southerly view
72	7,871 sf	Elevated pad, distant southerly view

**Easements
and Encumbrances:**

The appraiser has reviewed the ALTA/ACSM Land Title Survey prepared by Development Resource Consultants, Inc. of Santa Ana dated September 7, 2000. The following exceptions were noted:

Item Nos. 1 through 3 refer to tax statements.

Item No. 4 refers to Municipal Improvement Bond 79-2/80-1,79-2 filed in the Office of Treasurer of the City of Corona.

Item No. 5 refers to an easement in favor of the public over any portion of the subject property included within the public roads.

Item No. 6 refers to an easement for water pipes, ditches, flumes, conduits purposes to the South Riverside Land and Water Company and conveyed to Temescal Water Company.

Item No. 7 refers to a right of way reserved to the South Riverside Land and Water Company, its successors or assigns, for the construction and maintenance of all necessary water pipes, ditches, flumes and conduits, for all purposes of irrigation and domestic use.

Item No. 8 refers to an easement for water ditches, canals, pipelines, flumes, and conduit purposes to the Twin Buttes Water Company per a document recorded August 11, 1919 in Book 509, Page 101, of deeds.

Item No. 9 refers to an easement for pipes, poles, wires, and ditch purposes per a document recorded February 13, 1925 in Book 629, Page 218 of deeds.

Item No. 10 refers to an easement for pipeline purposes to Dan Gilkey and Eva A. Gilkey per a document recorded November 17, 1925 in Book 655 Page 517 of deeds.

Item No. 11 refers to an easement for water pipe lines, ditches, or flume purposes to Citizens Domestic Water Company.

Item No. 12 refers to an easement for pipeline purposes to the Southern California Gas Company.

Item No. 13 refers to an easement for pipelines purposes to the Southern California Gas Company.

Item No. 14 refers to an easement for pipeline purposes to the Four Corners Pipeline Company.

Item No. 15 refers to an easement for grading purposes to the John Laing Homes, Inc.

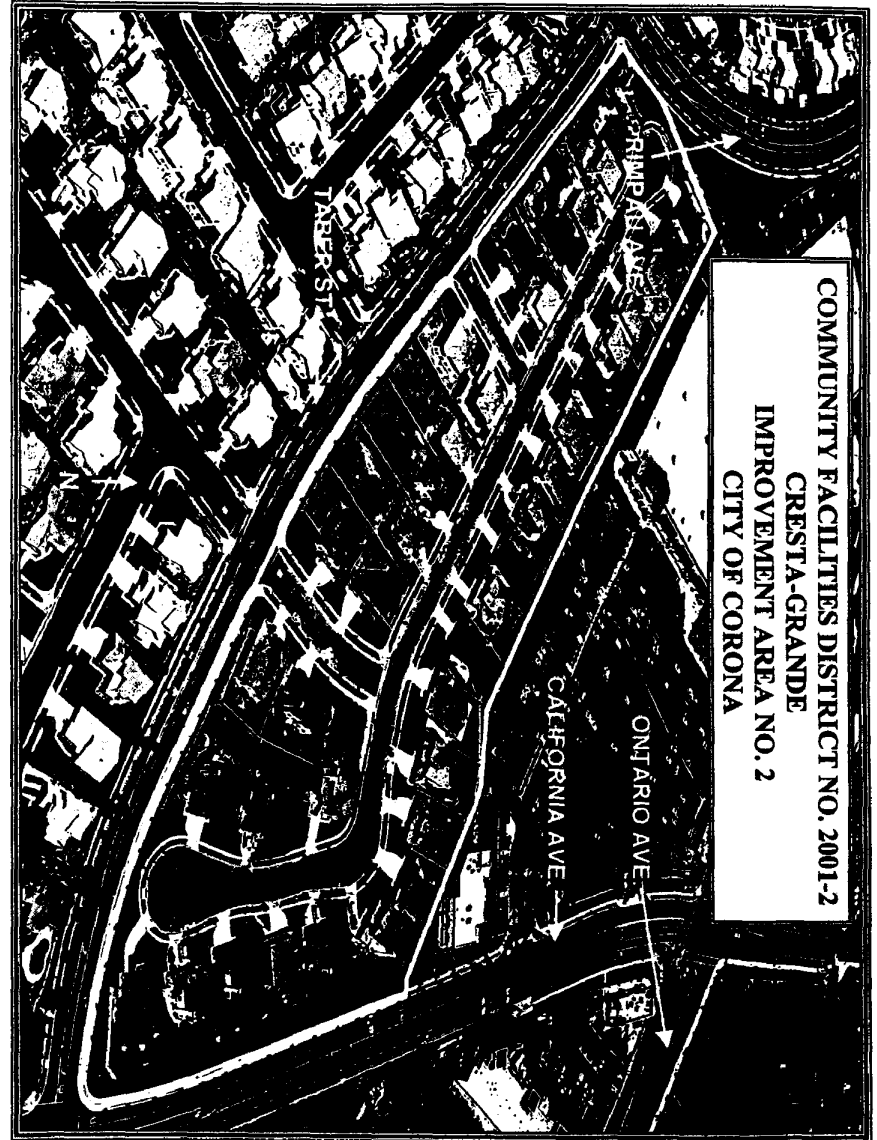
Lot Sizes: The average lot size is 13,399 square feet with an average pad area of 9,272 square feet.

Costs to Complete To Finished Lots: The appraiser has received cost estimates prepared by the property owner to construct the subject site from a raw land condition to a finished lot condition. These costs detailed in the Addenda of this report and are summarized as follows:

Consultant Fees and Services	\$ 750,620
Fees, Deposits and Permits	\$ 1,624,035
Bonds	\$ 65,794
Reproductions Blueprints	\$ 14,400
Aerial Photographs	\$ 6,585
Site Preparation	\$ 83,302
Offsite Preparation	\$ 221,264
Rough Grading	\$ 2,484,471
Erosion Control	\$ 87,066
Precise Grading	\$ 176,400
Storm Drain System	\$ 224,188
Sanitary Sewer System	\$ 174,814

Bruce W. Hull & Associates, Inc.

Aerial Photo - Aerial Eye Inc. - 6/5/02



Water Distribution System	\$ 288,008
Street Improvements-Concrete	\$ 325,871
Street Improvements-Paving	\$ 380,868
Perimeter/retaining walls	\$ 651,165
Landscaping	\$ 757,675
Utilities	\$ 438,090
Subtotal Hard Costs	\$ 8,754,616
Indirects	\$ 123,208
Less Reimbursables	(\$ 7,734)
Contingency	\$ 959,620
Total Budget	\$ 9,829,710
Less Costs Beyond a Finished Lot ⁵	(\$ 1,148,035)
Total Improvements	\$ 8,681,675
Total Improvements Per Lot	\$ 120,578

Remaining Costs: The remaining costs to complete the lot to a finished lot condition total \$4,580,782; say \$4,580,000 (refer to the Addenda of this report).

Vista Grande Development

Fieldstone Communities, Inc. ("Fieldstone"), a California corporation, developed Vista Grande, a residential development. The development has been completed with good quality single-family homes.

Consisting of 41 single-family detached residential lots these homes range in size from 2,323 to 3,522 square feet. The development has been sold to individual homeowners.

Tract Map 29413 (Improvement Area No. 2)

Location: Tract Map 29413 is located west of Rimpau Avenue, north of Taber Avenue, and west of California Avenue in South Corona.

APN/Three Year Sales History: Fieldstone has constructed homes and sold them to individual homeowners with the recording taking place from February through May, 2002.

Size/Shape: Per Tract Map 29413, the site is irregular in shape and consists of 12.45 acres.

⁵ There are a number of costs associated with the merchant builder's cost. These are detailed in the Addenda.

Zoning: The site is located within the South Corona Specific Plan. Current zoning is Single-family Residential (SFR-5) and Medium Density Residential (MDR-7).

Entitlements: Tract Map 29413 covers the subject site and divided the site into 41 numbered lots.

Topography and Drainage: The site has been developed to 41 single-family lots with single-family homes. The lots have been graded to street level and drainage is into an engineered storm drain.

Soils: No soils report was reviewed. An assumption of this report is that the soils are adequate to support the highest and best use (existing single-family homes).

Flood Hazards: The land lies within Flood Zone "X", areas determined to be outside a 500-year flood zone per Federal Insurance Rate Map (FIRM) Community Panel No.060250005F.

Streets/Access: Access to the subject development is via I-15 to Ontario Avenue, west to Rimpau Avenue, and south to Santana Way.

Utilities: The following utility and public service companies will provide services to the subject development.

- Water/Sewer: City of Corona
- Electricity: Southern California Edison
- Natural Gas: The Gas Company
- Fire: City of Corona Fire Department
- Police: City of Corona Police Department
- Telephone: Pacific Telephone Company
- School District: Corona Norco Unified School District

Lot Sizes: The lot sizes range from 7,640 to 14,581 square feet.

Current Status: Five model homes were used in the construction of the 41 homes. All have been sold to homeowners. These are described as follows.

<u>Plan</u>	<u>Room Count</u>	<u>Square Footage</u>	<u>Average Sales Price</u>
2323	7-3-2	2,233	\$ 274,000
2764	8-4-2.5	2,764	\$ 286,260
2872	8-5-3	2,872	\$ 288,000
3103	9-5-3	3,103	\$ 314,000
3,522	9-5-3	3,522	\$ 328,000

HIGHEST AND BEST USE ANALYSIS

The highest and best use is a basic concept in real estate valuation due to the fact it represents the underlying premise (i.e. land use) upon which the estimate of value is based. In this report the highest and best use is defined as:

"The reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value"⁶

Proper application of this analysis requires the subject property to first be considered as vacant in order to identify the "ideal" improvements in terms of use, size and timing of development. Secondly, the existing improvements (if any) are compared to the "ideal" improvements to determine if the use should be continued, altered or demolished preparatory to redevelopment of the site with a more productive or ideal use. The subject property is unimproved, therefore, only the as vacant analysis will be presented.

In the following analysis the appraiser has considered the site's probable use, or those uses which are physically possible; the legality of use, or those uses which are allowed by zoning or deed restrictions; the financially feasible use, or those uses which generate a positive return on investment; and the maximally productive use, or those probable permissible uses which combine to give the owner of the land the highest net return on value in the foreseeable future.

Physically Possible Uses

Cresta Verde – Improvement Area No. 1

The site has been graded. There are 66 lots that have been certified by Hunsaker Engineering as being rough graded. A significant amount of grading was required on the site for residential development to occur. NMG has prepared a report dated October 27, 2000 (its file number 00008-01), which contains a number of findings and recommendations. The text version from this report is included in the Addenda of this report. The appraiser has also relied on their

⁶ The Appraisal of Real Estate, 11th Edition, 1996

findings that the site is geotechnically feasible for the proposed residential development. Also, relied upon is an environmental report that was prepared on the subject project. It is assumed that there are no environmental issues that would slow or thwart development of the subject site. In addition, I have retained a civil engineer, Gary Laughlin, P.E., to consult with regards to the development of the property. The scope of his work, as requested by me, was to determine whether geotechnical reports, soils reports, and improvement plans were reviewed and signed by the City of Corona in accordance with the standard of care that is typical in the industry. He has also contacted the City of Corona grading inspector to ascertain if there was any unusual occurrence in the grading operation.

Access is considered to be average to good via the 91 Freeway to McKinley Street, north to McKinley Street, then west on Promenade Avenue to Stonehaven Drive. The major entrance to the model complex will be via Stonehaven Drive, although streets will be extended from existing subdivisions via Wheeler Circle and Collett Avenue as well as Harding Road.

The size and shape of the subject site make it physically suited for various land uses. The physical condition of the 55-acre is raw, undeveloped and hilly. Development required substantial grading; although because the site is surrounded on three sides by residential use this would be the most logical development.

Based on this analysis, the subject site is suitable for various land uses; however, the surrounding land use of the 55-acre site suggests residential development.

Vista Grande – Improvement Area No. 2

This is a 41 lot residential development that has been constructed with single-family homes.

Legality of Use

The subject project (Cresta-Grande) is located within the boundaries of the City of Corona, the entity responsible for regulating land use through the implementation of a general plan and zoning ordinance. The project is zoned Single-family Residential (SFR-5) and Medium Density Residential (MDR-7), City of Corona.

Based on the legality of use analysis, the type of development for which the subject project can be utilized is limited to residential use. This is consistent with the findings of the physically possible uses.

Feasibility of Development

The third and fourth considerations in the highest and best use analysis are economic in nature, i.e. the use that can be expected to be most profitable. Residential subdivisions re-emerged in the subject marketplace after the recession of the early 1990s. The late 1980s were characterized by rapidly escalating prices, good pre-sale activity, and a strong resale market providing move-up buyers. Throughout 2000 and 2001 the market saw a lessening of supply, which created significant appreciation in land prices and a substantial increase in new homes sales in South Corona. The area is becoming essentially built-out. The current new home market in Corona is strong.

In light of the current sales activity in the Corona marketplace, coupled with the aforementioned analysis, it is the appraiser's opinion, the Cresta Verde (Improvement Area No. 1) site is feasible for the proposed residential community with an adequate profit level to entice an experienced builder.

Vista Grande (Improvement Area No. 2) is built out with existing single-family homes sold to homeowners.

Highest and Best Use Conclusion

As Vacant

The final determinant of highest and best use as vacant is the interaction of the previously discussed factors (i.e. physical, legal, financial feasibility and maximum productivity considerations). Based upon the foregoing analysis, it is the appraiser's opinion that the highest and best use for the Cresta Verde site, as vacant, is for the proposed development of 72 residential units.

As Improved

The Vista Grande site is improved with new, good quality single-family homes. The highest and best use, as improved, is for the continued use as single-family homes.

RESIDENTIAL LOT SALES SUMMARY CHART

Data No.	Location/Buyer/Seller	Sales Date	No. of Lots	Lot Size	Sales Price	Price/Lot	Finished Price/Lot	Comments
1	Green River and Cattle Run "Sierra Park" / N.A. / JHP	Negs.	90	14,000 sf	N/A	N/A	\$218,000	Pad area estimated at 7000 to 8000 SF. Excellent views available from one-third of the lots. Backs to the Cleveland National Forest.
2	Norco Hills Road, Norco Ridge Ranch / Sunco / N/A	Current Escrow	239	20,000 sf	N/A	N/A	\$175,000 and \$185,000	Two transactions, buyers currently in escrow. Refer to narrative.
3	NW of Eagle Glen master planned community, South Corona / Pulce / Triple M	07/01	93 105 19	11,000 sf 12,000 sf 20,000 sf	\$11,500,000	\$52,995	\$125,000 \$132,000 \$160,000	This property will have access from both South Corona and through Eagle Glen. Refer to narrative.
3A	NW of Eagle Glen master planned community, South Corona / Amberhill Aviana	12/01	19	20,000 sf	N/A	N/A	\$210,000	This property will have access from both South Corona and through Eagle Glen. Refer to narrative.
3B	NW of Eagle Glen master planned community, South Corona / Pulce / Confidential	10/01	105	12,000 sf	N/A	N/A	\$132,000	This project will have access from both South Corona and through Eagle Glen. Refer to narrative.
4	NS Masters Drive, W/O Bennett Tract 28575 and portion of Tract 28575-1, Eagle Glen/Fieldstone / Country Club Estates	06/01	69	7,200 sf	N/A	N/A	\$108,000	Per seller the actual finished lot price is closer to \$111,000.
5	NW/C Mangular Avenue and Chase Drive, South Corona / D.R. Horton / Fieldstone	3/01	79 11	8,400 sf 9,600 sf	N/A	N/A	\$160,000	Harten Hills project. Sold in finished lot condition. Hillside project. Excellent views with view premiums up to \$100,000. Seventy-two of the lots have views.
6	N/O Fairway Drive, W/O Eagle Glen Parkway, Eagle Glen / MBK / Lennar	11/00	73	9,600 sf	N/A	N/A	\$125,000	Lennar purchased from Corona Country Club Estates in 1/99 based on a finished lot of \$102,000.

SCOPE OF APPRAISAL ASSIGNMENT

The appraisal assignment is to value Improvement Area Nos. 1 and No. 2. Improvement Area No.1 is under construction with grading virtually complete. The valuation will first value the lots on the basis of a finished lot condition and then make a deduction for the costs remaining taking into consideration the proposed fees/improvements of the CFD bond issue.

Improvement Area No. 2 is completed homes. Each will be an assigned a value based on the subject transactions as well as sales from competing developments within the surrounding areas.

The Sales Comparison Approach will be utilized in the valuation analysis for the finished lots. This approach is based upon the principal of substitution that states a buyer will pay no more for a particular piece of real estate than the cost of acquiring a similar one. This approach is defined as

*"A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison."*⁷

A detailed search will be conducted to identify sales of similar properties within the subject's immediate and surrounding areas. The search will include public records and other published periodicals in order to further identify these sales. Also interviews with brokers, property owners, and developers within the market area will be conducted. An effort will be made to verify sales prices, terms, and motivation surrounding each sale. The most pertinent of the comparable data will be compared to the subject property with appropriate adjustment made for various factors. After consideration for each difference in comparison to the subject, a range of value for the subject will then be indicated. The final estimate of value is emphasized from the most similar sales.

⁷ The Dictionary of Real Estate Appraisal, Third Edition

Data No.	Location/Buyer/Seller	Sales Date	No. of Lots	Lot Size	Sales Price	Price/Lot	Finished Price/Lot	Comments
7	Tract Map 29644/Phase 3 W/S Knabe Road at Hunt Road, Riverside County	To Close 07/02	53	7,200 sf	N/A	N/A	\$147,000	Portion of Lee Lake CFD.
8	Confidential Transaction Corona	Option	62	8,400 sf	N/A	N/A	\$152,000	Refer to narrative.
9	Confidential Transaction Corona	Letter of Intent	47	8,400 sf	N/A	N/A	\$175,000	Refer to narrative.
10	Confidential Transaction Corona	Letter of Intent	23	8,400 sf	N/A	N/A	\$142,000	Refer to narrative.
11	Confidential Transaction Corona	Letter of Intent	26	8,400 sf	N/A	N/A	\$165,000	Refer to narrative.

VALUATION ANALYSIS AND CONCLUSION

Finished Lot Value

In the Sales Comparison Approach market value is estimated by comparing properties similar to the subject property that have recently been sold, are listed for sale, or are under contract (i.e. for which purchase offers and a deposit have been recently submitted). In the subject market area residential lots are bought and sold on the basis of a "finished lot". That is, even if the property is raw lands (such as the ±55-acre subject site) the sales price to a builder is determined by agreeing on a "finished lot" price and then deducting the finishing costs to conclude on the actual sales price for the property in its condition at time of sale. The appraiser has reviewed the lot development costs for the subject property. It is an assumption of this report that the improvements and/or benefits to be funded by the proposed CFD are installed or have accrued to the property.

Market Data Discussion (Detached Single-Family Lot Sales)

I have searched the area and found 11 residential lot sales to be comparable to the subject lots. These are summarized on facing charts and further discussed below.

The Subject Property was purchased in a raw condition in March 2000. The acquisition price of \$1,077,000 plus site improvement costs of \$8,681,675 equates to \$9,758,675 or \$135,537 per lot. The buyer processed a tract map and development agreement.

Data No. 1 pertains to the current joint venture agreement on a tract located above Sierra del Oro in South Corona. The average gross area of the lots is 14,040 square feet with the usable pad being 7,000 to 8,000 square feet. Approximately 33 percent of the lots have northerly views. The remaining lots back to the Cleveland National Forest.

Data No. 2 relates to current transactions occurring in the Norco Ridge Ranch area, located approximately 1 mile from the subject property. This data involves two transactions and two buyers. Lot sizes are 20,000 square feet (gross) with pad areas being approximately 13,000

square feet. One buyer is purchasing 118 lots on a \$175,000 per finished lot basis while the second purchase is for 122 lots at \$185,000 per finished lot. Both buyers have submitted money into escrow that is non-refundable.

Data No. 3, 3A and 3B pertain to a transaction for lands adjacent to the Eagle Glen project. This property is also owned by Triple M Development and is contiguous to the Eagle Glen Specific Plan. This transaction pertains to 217 lots of which 93 are 11,000 square feet; 105 are 12,000 square feet; and 19 are 20,000 square feet in size. The original transaction was in July 2001. Subsequently, the buyer (Pulte Homes) has sold the 20,000 square foot lots at \$210,000 per lot. These lots are approximately 80 percent usable, six of which have views. In addition, Pulte resold 105 lots (12,000 sf) to Brookfield at \$132,000 per finished lot. There are no views and the pad area is approximately 10,000 square feet for these lots.

Data No. 4 refers to the recent sale of 69 lots within the first portion of the Eagle Glen project, which is reaching build-out. Fieldstone purchased the 69 lots each with a minimum size of 7,200 square feet on the basis of \$108,000 per finished lot. Per the seller, the lots will actually finish closer to \$111,000 per lot. This sale was also involved in the negotiation as Data No. 1 and the price per finished lot is an average for the larger sized lots for Data No. 1 and these lots.

Data No. 5 refers to a 2001 sale of 90 single-family lots located on a hillside in South Corona. This hillside location provided for excellent city views for 72 of the 79 lots. There are 11 lots with no views, but with larger lot sizes of 9,600 square feet (minimum size of 8,400 square feet). View premiums on the lots are anticipated to be as high as \$100,000 per lot. Fieldstone purchased the lots for approximately \$2,700,000 and finishing costs were estimated at about \$100,000 per lot suggesting a \$130,000 per finished lot price estimate at Fieldstone's time of purchase in May 1998. They finished the lots and resold them to D.R. Horton for \$160,000 in a finished condition. The seller indicated finished lot costs might be closer to \$165,000 to \$170,000.

Data No. 6 pertains to an older transaction in the Eagle Glen project. The seller, Lennar Homes, purchased the lands in July 1999 (price negotiated approximately 18 months earlier) on the basis

of \$102,000 per finished lot. Lennar Homes then finished the lots and resold them to MBK Homes in November 2000. The resale price of \$125,000 suggests a significant amount of appreciation in Eagle Glen over the past several years. This is an older sale requiring a time adjustment when compared to the subject.

Data No 7 is located south of Eagle Glen Master Planned Development, in the unincorporated area of Riverside County. The development is referred to as Montecito Ranch and is being developed by Citation Homes. They sold a portion of the development (53 lots) that is currently scheduled to close escrow in July 2002. When offered for sale there were 18 offers submitted to the seller.

Data No. 8 is reported as a confidential transaction due to a pledge that was given to the buyer, who disclosed the information to this appraiser. The 62 lots are being purchased on the basis of \$152,000, and the buyer is assuming they can annex to the Corona-Norco Unified School District CFD for a total tax rate of 1.4 percent.

Data No. 9 is reported as a confidential transaction due to a pledge that was given to the buyer, who disclosed the information to this appraiser. The 47 lots are being purchased on the basis of \$152,000, and the buyer is assuming they can annex to the Corona-Norco Unified School District CFD for a total tax rate of 1.4 percent.

Data No. 10 is reported as a confidential transaction due to a pledge that was given to the buyer, who disclosed the information to this appraiser. The 47 lots are being purchased on the basis of \$142,000, and the buyer is assuming they can annex to the Corona-Norco Unified School District CFD for a total tax rate of 1.4 percent.

Data No. 11 is reported as a confidential transaction due to a pledge that was given to the buyer, who disclosed the information to this appraiser. The 47 lots are being purchased on the basis of \$165,000, and the buyer is assuming they can annex to the Corona-Norco Unified School District for a total tax rate of 1.4 percent.

Market Data Analysis

The best data are Nos. 1, 2, 3A, 5, and 6 through 11. Data No. 3A is given weight since it was a 2001 transaction. This sale is considered superior in lot size, location, and approximately 33 percent of the lots have views. It is considered inferior for time of sale. In addition, there are 19 lots as opposed to the 72 residential lots. Overall, this is superior to the subject. Data No. 3B is a resale of 105 lots (12,000 sf) on the basis of \$132,000 per finished lot. This sale is inferior in views and time of sale. Data No. 5 represents a transaction in the South Corona area of similar lots with views. The views are considered slightly superior with northerly views, which includes Mt. Baldy as well as lots that back to open space and U.S. Forestry lands. The sale requires an upward adjustment for time. Data No. 6 is an older sale, which requires a significant time adjustment upward. This development has excellent views of the golf course at Eagle Glen. Data No. 7 is a recent transaction and is considered inferior to the subject in location and views. This sale is indicative of how strong the residential land market is in the Corona area. Data Nos. 8 through 11 is confidential information that was obtained from the buyers of these properties. These are current escrows/options and letters of intent on properties located within Corona. This also indicates that the market for residential lots has increased substantially in the last six months. A comparison of Data No. 3 indicating lot prices in the \$130,000 price range (non views) now indicates a price range of \$150,000 (non views) based on the most recent market data.

This appraiser has also considered other transactions outside of the Corona market. Sales are occurring in the Eastvale area, north of Corona /Norco which is being developed to single-family developments. This area, inferior to the subject location, has seen lot values for 7,200 square foot lots increased from \$80,000 to \$110,000 in the last year. The sales information for these transactions have been retained in my files and while not directly comparable, this data is used to indicate market trends.

Summary

Data No. 3B is an older transaction involving similar sized lots (10,000 sf pad vs. subject 9,272 sf pad). This represents a 2001 transaction in the Corona area; although, it does not have the benefit of views that will be available from the subject. The market (merchant builders) recognizes lot premiums in a bulk purchase of the lots. According to builders and land brokers this ranges from 33 to 50 percent of the individual retail lot premiums. Utilizing 50 percent⁸ would result in a \$20,000 lot adjustment to Data No. 3B and with a time adjustment would reflect a finished lot value of \$170,000+ for the subject.

Data No. 5 is a recorded transaction that is located in South Corona. Seventy-two of the lots have views. This sale is considered inferior to the subject due to time and would be adjusted upward from \$160,000.

Data Nos. 7 through 11 indicate the strong increase in lot values within the last few months. Most weight is given to Data No. 7, which is scheduled to close upon map recordation in three weeks. Using this sale and the sale analysis for Data No. 3B would indicate a lot value for the subject of \$170,000. The balance of the data would support a higher per lot price range of \$175,000 to \$180,000.

According to a representative for Fieldstone, an unsolicited offer based on \$160,000 per lot was submitted approximately six months ago. Fieldstone did not respond to the offer.

Value Conclusion Finished Lot

The data suggests a finished lot value in the \$170,000 to \$180,000 range for the residential lots. The appraiser has concluded at a value of \$175,000 per lot resulting in the following calculation.

$$72 \text{ Residential Lots} \times \$175,000 \text{ Per Lot} = \$12,600,000$$

⁸ The subject is estimated to have retail lot premiums averaging \$39,930 per lot.

As Is Value

As discussed earlier in this report there remain costs to complete. These have been estimated at \$4,580,000⁹, which needs to be deducted from the finished lot value to arrive at an "as is" value. This calculates to \$8,020,000.

Vista Grande - Improvement Area No. 2

This 41-lot development is a recently completed single-family home development. The homes have been sold to individual homeowners. There are five floor plans as follows:

Plan	Room Count	Square Footage	Average Base Sales Price	Price/SF
2323	7-3-2	2,323	\$ 274,000	\$118.00
2764	8-4-2.5	2,764	\$ 286,000	\$103.47
2872	8-5-3	2,872	\$ 288,000	\$100.28
3103	9-5-3	3,103	\$ 314,000	\$101.19
3,522	9-5-3	3,522	\$ 328,000	\$ 93.13

I have collected sales of comparable projects that are being marketed in the Corona market place. A list of these eight projects is located in the Addenda of this report. A graph indicating the subject base prices (excludes lot premiums, options and upgrades) compared to the comparables is shown on the facing page. As indicated by this graph, the base prices are at the lower end of the comparables. As a result I have formed the opinion that the subject sales prices represent market value. On the following page is a summary of the sales within Improvement Area No. 2.

⁹ Refer to the Addenda.

Tract	Lot No.	Address	Plan	Base Sales Price	Price/SF Base Price	Options	Total Sales Price	COE	Price/SF Sales Price
29413	1	1309 Radcliffe Cir.	2764	\$ 295,990	\$ 107.09	\$ 12,025	\$ 308,015	2/08/2002	\$ 111.44
29413	2	1321 Radcliffe Cir.	2323	277,990	119.67	19,170	297,160	2/01/2002	127.92
29413	3	1329 Radcliffe Cir.	3522	329,990	93.69	20,055	350,045	2/05/2002	99.39
29413	4	1345 Radcliffe Cir.	3522	326,990	92.84	32,860	359,850	2/22/2002	102.17
29413	5	1353 Radcliffe Cir.	3103	314,990	101.51	12,905	327,895	2/08/2002	105.67
29413	6	1367 Radcliffe Cir.	3522	321,490	91.28	39,065	360,555	2/08/2002	102.37
29413	7	1373 Radcliffe Cir.	2323	272,990	117.52	11,095	284,085	2/08/2002	122.29
29413	8	1381 Radcliffe Dr.	3522	332,490	94.40	123,482	455,972	2/15/2002	129.46
29413	9	1395 Radcliffe Dr.	3103	299,490	96.32	34,270	333,760	2/15/2002	107.56
29413	10	1403 Radcliffe Dr.	2764	287,990	104.19	17,900	305,890	3/22/2002	110.67
29413	11	1425 Radcliffe Dr.	3522	323,990	91.99	48,470	372,460	3/22/2002	105.75
29413	12	1447 Radcliffe Dr.	2872	294,990	102.71	14,650	309,640	3/18/2002	107.81
29413	13	1453 Radcliffe Dr.	2323	289,990	124.83	32,515	322,505	4/10/2002	138.83
29413	14	1461 Radcliffe Dr.	3522	343,990	97.67	43,965	387,955	4/12/2002	110.15
29413	15	1475 Radcliffe Dr.	2872	299,990	104.45	30,460	330,450	4/12/2002	115.06
29413	16	1487 Radcliffe Dr.	2764	282,990	102.38	20,115	303,105	4/12/2002	109.66
29413	17	2335 Cornell Cir.	2872	289,990	100.97	22,545	312,535	4/11/2002	108.82
29413	18	2345 Cornell Cir.	3522	332,990	94.55	21,470	354,460	4/26/2002	100.64
29413	19	2355 Cornell Cir.	2764	298,990	108.17	20,021	319,011	4/24/2002	115.42
29413	20	2365 Cornell Cir.	3522	340,990	96.82	15,320	356,310	5/07/2002	101.17
29413	21	2375 Cornell Cir.	3103	318,990	102.80	16,840	335,830	5/02/2002	108.23
29413	22	2385 Cornell Cir.	2323	270,990	116.66	20,010	291,000	4/30/2002	125.27
29413	23	2380 Cornell Cir.	3522	331,990	94.26	32,570	364,560	5/03/2002	103.51
29413	24	2350 Cornell Cir.	3103	313,990	101.19	26,245	340,235	5/06/2002	109.65
29413	25	2330 Cornell Cir.	3522	352,990	100.22	66,655	419,645	5/03/2002	119.15
29413	26	2371 Notre Dame	2764	279,990	101.30	21,340	301,330	4/15/2002	109.02
29413	27	2391 Notre Dame	2323	255,990	110.20	17,090	273,080	4/12/2002	117.55
29413	28	2384 Notre Dame	3522	310,990	88.30	43,530	354,520	4/12/2002	100.66
29413	29	2366 Notre Dame	2872	282,990	98.53	20,255	303,245	4/12/2002	105.59
29413	30	1438 Radcliffe Dr.	3522	347,990	98.80	57,255	405,245	3/22/2002	115.06
29413	31	1414 Radcliffe Dr.	3103	330,990	106.67	26,440	357,430	3/21/2002	115.19
29413	32	1398 Radcliffe Dr.	3522	345,990	98.24	88,535	434,525	3/22/2002	123.37
29413	33	2367 Higinbotham	3522	306,990	87.16	17,650	324,640	1/18/2002	92.17
29413	34	2377 Higinbotham	3522	304,990	86.60	21,500	326,490	1/25/2002	92.70
29413	35	2360 Higinbotham	2764	272,990	98.77	2,270	275,260	1/25/2002	99.59
29413	36	2370 Higinbotham	2872	275,990	96.10	17,035	293,025	1/25/2002	102.03
29413	37	1350 Radcliffe Cir.	2323	277,990	119.67	10,030	288,020	1/29/2002	123.99
29413	38	1348 Radcliffe Cir.	3103	306,990	98.93	23,385	330,375	1/25/2002	106.47
29413	39	1334 Radcliffe Cir.	3103	325,990	105.06	22,340	348,330	2/08/2002	112.26
29413	40	1326 Radcliffe Cir.	3103	302,990	97.64	18,725	321,715	1/25/2002	103.68
29413	41	1312 Radcliffe Cir.	3522	308,990	87.73	47,125	356,115	3/08/2002	101.11
Totals				\$12,587,090		\$ 1,209,183	\$ 13,796,273		

MARKETING AND EXPOSURE TIME

It is the appraiser's estimation that both the marketing and exposure time for the subject project would be nine months if placed on the open market in today's market conditions at the concluded market value, subject to the Assumptions and Limiting Conditions of this report.

APPRAISAL REPORT SUMMARY

In this report the appraiser prepared estimates of value for two Improvement Areas. Each is summarized as follows.

Improvement Area No.1 (Cresta Verde) is a 72 single-family lot development under construction with grading nearly complete. A finished lot value was estimated with remaining costs deducted to arrive at an "as is" value of **\$8,020,000**.

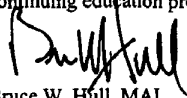
Improvement Area No.2 (Vista Grande) consists of 41 single-family homes that are complete and occupied by individual homeowners. The subject sales prices were compared to competing developments. The analysis indicated the subject sales prices represented market value and as a result are reported as such. This resulted in a total value of **\$13,796,276; say \$13,795,000**.

All statements, opinions and conclusions of value reported within this report are made subject to the Assumption and Limiting Conditions and Appraiser's Certification as of the date of value.

APPRAISER'S CERTIFICATION

I certify to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
4. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
5. This appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of any specified amount.
6. My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
7. I have made a personal inspection of the property that is the subject of this report.
8. No one provided significant professional assistance to the person signing this report.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. As of the date of this report, Bruce W. Hull has completed the requirements of the continuing education program of the Appraisal Institute.



Bruce W. Hull, MAI
State Certified General
Real Estate Appraiser (AG004793)

ADDENDA

CITY OF CORONA

**ENGINEER'S REPORT FOR
COMMUNITY FACILITIES DISTRICT NO. 2002-1
(Dated June 25, 2002)**

ENGINEER'S REPORT

FOR

**COMMUNITY FACILITIES DISTRICT NO. 2001-2
(CRESTA-GRANDE)**

June 25, 2002

Prepared by

**GALEN N. PETERSON
Consulting Engineer
San Diego, California
(858) 487-7000**

**ENGINEER'S REPORT
PART 1**

**CITY OF CORONA
COMMUNITY FACILITIES DISTRICT NO. 2001-2
(CRESTA-GRANDE)**

GOALS/CRITERIA/ASSUMPTIONS

1. Public facilities financed to be consistent with the City's current policy titled "Goals and Policies Concerning the Use of the Mello-Roos Community Facilities Act of 1982 to Finance Public Facilities and Services" and the Corona Hills Settlement Agreement dated January 3, 2001("Agreement").
2. The value to lien ratio of all bonded indebtedness shall be equal to or greater than 3:1. Pursuant to Section 6 of the Agreement, if the value to lien ratio is less than 3:1, the City may consider allowing Fieldstone to post a letter of credit to cover the portion of the bonds not supported by the value to lien requirement.
3. The assigned or backup special tax rate for debt service will not escalate for developed property.
4. General property taxes plus other special taxes (including CFD 2001-2) will not exceed 2% of the full cash value for homes valued in excess of \$250,000 within an improvement area.
5. Capitalized interest will generally not exceed one year, unless the City determines a longer term is financially prudent.
6. Special tax will be reflective of general benefit.
7. Provide at least 110% coverage ratio of special tax revenues above maximum annual debt service on bonds.
8. Property is considered developed property in the current fiscal year when a building permit, showing the square footage of the residential unit, is issued prior to March 1st of the previous Fiscal Year.
9. City will decide the amount of bond issue and improvements that are eligible using sound municipal practices.
10. The Rate and Method of Apportionment will Provide for a back-up tax for developed property based on an amount per unit determined upon recordation of a final subdivision or parcel map and applicable to all parcels within such final map.
11. The Assigned Special Tax rates for developed property shall vary based on the house size categories.
12. The Maximum Special Tax for each Assessor's Parcel classified as developed property shall be the greater of:
 - a. the Assigned Special Tax, or
 - b. the Backup Special Tax
13. Special Taxes will be apportioned according to the following priority:
 - a. First priority of tax levied on developed property at up to 100% of the Assigned Special Tax rate.
 - b. Second priority of tax levied on undeveloped property at up to 100% of the Maximum Special Tax for Undeveloped Property.
 - c. Third priority of tax levied on developed property whose maximum annual tax is derived through application of the Backup Special Tax. proportionately from the Assigned Special Tax to up to 100% of the Backup Special Tax.
 - d. Fourth priority of tax levied proportionately on Taxable Association Property and Taxable Public Property up to 100% of the applicable Maximum Special Tax.
14. Developer will construct all improvements, except for the improvements paid by fees, payment of delinquent assessment liens, prepayment of assessment liens and legal fees.
15. Developer constructed improvements are to be acquired by City.

Engineer'sReport14.xls - Goals

Prepared by Galen N. Peterson

6/25/02

**ENGINEER'S REPORT
CITY OF CORONA
COMMUNITY FACILITIES DISTRICT NO. 2001-2
(CRESTA-GRANDE)**

TABLE OF CONTENTS

DESCRIPTION	PART	NUMBER
Goals/Criteria/Assumptions	1	1
Information from Developer regarding Improvement Area No. 1 - Tract 29813 (Cresta Verde Hills)	2	
Information from Developer regarding Improvement Area No. 2 - Tract 29413 (Vista Grande)	3	
Information from Developer regarding Sales Contract Summary for Improvement Area No. 2 - Tract 29413 (Vista Grande)	4	
Base Home Values for Improvement Area No. 1 - Tract 29813 (Cresta Verde Hills) per Report Dated 10/29/01 from Empire Economics	5	
Special Tax Rates for Calculation of Bond Issue Size	6	
Derivation of Undeveloped Property and Backup Tax Rates	7	
Acreage Calculations	8	
Preliminary Cost Estimate in Priority of Funding	9	
Preliminary Bond Issue Size	10	
EXHIBITS		
Street and Signal Master Plan Improvements for Improvement Area No. 2 - Tract 29413		1

**ENGINEER'S REPORT
PART 3
CITY OF CORONA
COMMUNITY FACILITIES DISTRICT NO. 2001-2
(CRESTA-GRANDE)**

**INFORMATION FROM DEVELOPER REGARDING
IMPROVEMENT AREA NO. 2 - TRACT 29413 (VISTA GRANDE)**

Home Square Foot category	<= 2600	2601-2800	2801-3000	3001-3200	>= 3201	Totals
Estimated Home size	2323	2764	2872	3103	3522	
Estimated Home value, per the developer	\$ 277,056	\$ 293,977	\$ 303,477	\$ 326,426	\$ 360,646	
Ad valorem Tax Rate (1.00%)	\$ 2,771	\$ 2,940	\$ 3,036	\$ 3,264	\$ 3,606	
City of Corona Debt Service (0.01351%)	a) \$ 37	\$ 40	\$ 41	\$ 44	\$ 49	
Corona/Norco Unified School Dist G.O. Bond (0.02362%)	b) \$ 65	\$ 69	\$ 72	\$ 77	\$ 85	
MWD Debt Service (0.0088%)	c) \$ 24	\$ 26	\$ 27	\$ 29	\$ 32	
MWD Standby Charge	d) \$ 9	\$ 9	\$ 9	\$ 9	\$ 9	
Riv Co. Flood Control Stormwater/Cleanwater	e) \$ 5	\$ 5	\$ 5	\$ 5	\$ 5	
Riv Co. CSA 152	f) \$ 6	\$ 6	\$ 6	\$ 6	\$ 6	
N.W. Mosquito & Vector Control	g) \$ 12	\$ 12	\$ 12	\$ 12	\$ 12	
City of Corona Lighting LMD 84-1	h) \$ 39	\$ 39	\$ 39	\$ 39	\$ 39	
City of Corona Landscaping LMD 97-1	i) \$ -	\$ -	\$ -	\$ -	\$ -	
City of Corona proposed Landscaping CFD 2001-1	j) \$ 290	\$ 290	\$ 290	\$ 290	\$ 290	
Subtotal	\$ 3,259	\$ 3,436	\$ 3,535	\$ 3,775	\$ 4,133	
Proposed CFD 2001-2 assigned special tax k)	\$ 2,282	\$ 2,444	\$ 2,534	\$ 2,753	\$ 2,900	<< Max Disclosed Rate
Total Annual Property Tax	\$ 5,541	\$ 5,880	\$ 6,069	\$ 6,528	\$ 7,033	
Subtotal Tax as a percent of Home Value	1.176%	1.169%	1.165%	1.157%	1.146%	
Proposed CFD 2001-2 special tax as a percent of Home Value	0.824%	0.831%	0.835%	0.843%	0.804%	
Total Tax as a percent of Home Value	2.000%	2.000%	2.000%	2.000%	1.950%	
Proposed Units	6	6	5	8	16	41
Total CFD Annual Tax	\$ 13,892	\$ 14,664	\$ 12,670	\$ 22,024	\$ 46,400	\$ 109,450

Notes:

- a) The .01351% is charged by the City of Corona to repay outstanding G.O. bond debt.
- b) The .02362% charged by the Corona/Norco Unified School District to service outstanding general bond obligation.
- c) A tax of .0088% is charged by the MWD to all property within their boundary to fund capital projects.
- d) A tax is assessed by MWD at a rate of \$9.22 per acre, or \$9.22 per parcel if less than an acre to fund projects such as the Eastside Reservoir.
- e) A tax is assessed by the County of Riverside for flood control at a rate of \$5.34 per acre, or \$5.34 per parcel if less than an acre.
- f) A tax is assessed by the County of Riverside for CSA 152 (storm drains) at a rate of \$5.81 per acre, or \$5.81 per parcel if less than an acre.
- g) A tax is assessed by the North West Mosquito & Vector control at a rate of \$12.00 per acre.
- h) City of Corona Lighting Maintenance District 84-1 0001 assessment.
- i) City of Corona CFD 97-1 0001 annual assessment. CFD 97-1 maintains landscaping in South Corona and has a 2% annual increase in the CFD tax rate. However, this CFD will be supplanted by proposed CFD 2001-1.
- j) This amount represents the proposed annual special tax of proposed CFD 2001-1
- k) This amount represents the proposed annual assigned special tax of proposed CFD 2001-2

**ENGINEER'S REPORT
PART 2
CITY OF CORONA
COMMUNITY FACILITIES DISTRICT NO. 2001-2
(CRESTA-GRANDE)**

**INFORMATION FROM DEVELOPER REGARDING
IMPROVEMENT AREA NO. 1 - TRACT 29413 (CRESTA VERDE HILLS)**

Home Square Foot category	<= 2900	2901-3400	3401-3900	>= 3901	Totals
Estimated Home size	2790	3323	3636	4011	
Estimated Home value, per Empire Economics	\$ 320,000	\$ 340,000	\$ 356,000	\$ 365,500	
Ad valorem Tax Rate (1.00%)	\$ 3,200	\$ 3,400	\$ 3,560	\$ 3,655	
City of Corona Debt Service (0.01351%)	a) \$ 43	\$ 46	\$ 49	\$ 49	
Corona/Norco Unified School Dist G.O. Bond (0.02362%)	b) \$ 78	\$ 80	\$ 85	\$ 86	
MWD Debt Service (0.0088%)	c) \$ 28	\$ 30	\$ 32	\$ 32	
MWD Standby Charge	d) \$ 9	\$ 9	\$ 9	\$ 9	
Riv Co. Flood Control Stormwater/Cleanwater	e) \$ 5	\$ 5	\$ 5	\$ 5	
Riv Co. CSA 152	f) \$ 6	\$ 6	\$ 6	\$ 6	
N.W. Mosquito & Vector Control	g) \$ 12	\$ 12	\$ 12	\$ 12	
City of Corona Landscaping LMD 84-2, Zone 6	h) \$ 68	\$ 68	\$ 68	\$ 68	
City of Corona Lighting LMD 84-1	i) \$ 39	\$ 39	\$ 39	\$ 39	
Subtotal	\$ 3,498	\$ 3,696	\$ 3,894	\$ 3,982	
Proposed CFD 2001-2 assigned special tax j)	\$ 2,814	\$ 3,104	\$ 3,288	\$ 3,348	
Total Annual Property Tax	\$ 6,400	\$ 6,800	\$ 7,180	\$ 7,310	
Subtotal Tax as a percent of Home Value	1.060%	1.087%	1.085%	1.084%	
Proposed CFD 2001-2 special tax as a percent of Home Value	0.911%	0.913%	0.915%	0.918%	
Total Tax as a percent of Home Value	2.000%	2.000%	2.000%	2.000%	
Proposed Units	11	20	21	20	72
Total CFD Annual Tax	\$ 32,054	\$ 62,080	\$ 69,006	\$ 66,060	\$ 230,100

Notes:

- a) The .01351% is charged by the City of Corona to repay outstanding G.O. bond debt.
- b) The .02362% charged by the Corona/Norco Unified School District to service outstanding general bond obligation.
- c) A tax of .0088% is charged by the MWD to all property within their boundary to fund capital projects.
- d) A tax is assessed by MWD at a rate of \$9.22 per acre, or \$9.22 per parcel if less than an acre to fund projects such as the Eastside Reservoir.
- e) A tax is assessed by the County of Riverside for flood control at a rate of \$5.34 per acre, or \$5.34 per parcel if less than an acre.
- f) A tax is assessed by the County of Riverside for CSA 152 (storm drains) at a rate of \$5.81 per acre, or \$5.81 per parcel if less than an acre.
- g) A tax is assessed by the North West Mosquito & Vector control at a rate of \$12.00 per acre.
- h) City of Corona Landscape Maintenance District 84-2, Zone 6, 0001 assessment.
- i) City of Corona Lighting Maintenance District 84-1 0001 assessment.
- j) This amount represents the proposed annual assigned special tax of proposed CFD 2001-2

ENGINEER'S REPORT
PART 4

CITY OF CORONA
COMMUNITY FACILITIES DISTRICT NO. 2001-2
(CRESTA-GRANDE)

INFORMATION FROM DEVELOPER REGARDING
SALES CONTRACT SUMMARY FOR IMPROVEMENT AREA NO. 2 - TRACT 29413 (MSTA GRANDE)

Lot No	Lot Sq. Ft.	Home Plan	Home Sq. Ft.	Base Purchase Price (1)	Options/ Adjustments	Total Purchase Price	Less: Seller Paid Costs/ Incentives	Full Cash Value
27	9,003	2,323	2,323	\$ 255,890	\$ 7,865	\$ 263,855	\$ (6,000)	\$ 257,855
22	13,107	2,323	2,323	270,890	1,530	272,520	(6,000)	266,520
7	8,888	2,323	2,323	272,990	10,335	283,325	(6,000)	277,325
37	10,817	2,323	2,323	277,990	10,030	288,020	(6,000)	282,020
2	9,068	2,323	2,323	262,890	6,733	269,723	(6,000)	263,723 (2)
13	10,292	2,323	2,323	296,890	4,105	301,095	(6,000)	295,095
				\$ 276,323	\$ 6,733	\$ 283,056	\$ (6,000)	\$ 277,056
35	8,715	2,764	2,764	\$ 272,990	\$ 1,750	\$ 274,740	\$ (6,000)	\$ 268,740 (2)
26	8,636	2,764	2,764	279,890	19,760	299,750	(6,000)	293,750
16	7,640	2,764	2,764	262,990	19,935	302,925	(6,000)	296,925
1	12,796	2,764	2,764	292,990	11,645	304,635	(6,000)	298,635
10	8,537	2,764	2,764	287,990	18,010	306,000	(6,000)	300,000
19	9,927	2,764	2,764	296,990	12,820	311,810	(6,000)	305,810
				\$ 285,990	\$ 13,987	\$ 299,977	\$ (6,000)	\$ 293,977
36	6,506	2,872	2,872	275,990	16,755	292,745	(6,000)	286,745
29	10,390	2,872	2,872	282,990	20,095	303,085	(6,000)	297,085
12	8,421	2,872	2,872	294,990	13,560	308,570	(6,000)	302,570
17	13,239	2,872	2,872	289,990	22,485	312,475	(6,000)	306,475
15	8,598	2,872	2,872	299,990	30,520	330,510	(6,000)	324,510
				\$ 288,790	\$ 20,687	\$ 309,477	\$ (6,000)	\$ 303,477
5	8,783	3,103	3,103	308,990	11,325	320,315	(6,000)	314,315 (2)
40	9,079	3,103	3,103	302,990	18,725	321,715	(6,000)	315,715
39	9,926	3,103	3,103	306,990	21,865	328,855	(6,000)	322,855 (2)
38	10,422	3,103	3,103	306,990	22,485	329,475	(6,000)	323,475
24	10,709	3,103	3,103	313,990	19,215	333,205	(6,000)	327,205
9	8,537	3,103	3,103	298,490	34,420	333,910	(6,000)	327,910
21	9,977	3,103	3,103	321,990	12,560	334,550	(6,000)	328,550
31	14,152	3,103	3,103	330,990	28,390	359,380	(6,000)	353,380
				\$ 311,553	\$ 30,873	\$ 342,426	\$ (6,000)	\$ 336,426
33	8,992	3,522	3,522	306,990	17,410	324,400	(6,000)	318,400
34	9,053	3,522	3,522	299,990	28,140	328,130	(6,000)	322,130
3	9,001	3,522	3,522	331,990	-	331,990	(6,000)	325,990
18	10,102	3,522	3,522	332,990	16,200	349,190	(6,000)	343,190
20	10,233	3,522	3,522	340,990	8,200	349,190	(6,000)	343,190
23	14,394	3,522	3,522	328,990	25,310	354,300	(6,000)	348,300
28	10,574	3,522	3,522	310,990	43,370	354,360	(6,000)	348,360
41	10,457	3,522	3,522	368,990	47,045	356,035	(6,000)	350,035
4	8,857	3,522	3,522	326,990	32,860	359,850	(6,000)	353,850
6	8,887	3,522	3,522	321,490	43,625	365,115	(6,000)	359,115
14	10,378	3,522	3,522	343,990	24,215	368,205	(6,000)	362,205
11	8,536	3,522	3,522	323,990	45,070	369,060	(6,000)	363,060
25	14,049	3,522	3,522	352,990	30,405	383,395	(6,000)	377,395
30	14,581	3,522	3,522	347,990	57,255	405,245	(6,000)	399,245
8	8,540	3,522	3,522	332,490	102,445	434,935	(6,000)	428,935
32	13,486	3,522	3,522	345,990	92,945	438,935	(6,000)	432,935
				\$ 329,615	\$ 36,218	\$ 365,833	\$ (6,188)	\$ 360,645

Note (1): Base Price includes Base Home Sales Price, Lot Premium and Elevation Premium.

Note (2): This home is plotted but unsold. The base price, option amount, etc. reflect developers anticipated scenarios.

ENGINEER'S REPORT
PART 5

CITY OF CORONA
COMMUNITY FACILITIES DISTRICT NO. 2001-2
(CRESTA-GRANDE)

BASE HOME VALUES FOR IMPROVEMENT AREA NO. 1 - TRACT 29813 (CRESTA VERDE HILLS)
PER REPORT DATED 10/29/01 FROM EMPIRE ECONOMICS
AND INFORMATION FROM THE DEVELOPER

Living Area (square feet)	Units	Base Price per Empire Economics	Base Price per Developer
2790	11	\$ 320,000	\$ 339,990
3323	20	\$ 340,000	\$ 361,990
3836	21	\$ 359,000	\$ 384,990
4011	20	\$ 365,500	\$ 391,990
	72		

ENGINEER'S REPORT
PART 5

CITY OF CORONA
COMMUNITY FACILITIES DISTRICT NO. 2001-2
(CRESTA-GRANDE)

BASE HOME VALUES FOR IMPROVEMENT AREA NO. 1 - TRACT 29813 (CRESTA VERDE HILLS)
PER REPORT DATED 10/29/01 FROM EMPIRE ECONOMICS
AND INFORMATION FROM THE DEVELOPER

Living Area (square feet)	Units	Base Price per Empire Economics	Base Price per Developer
2790	11	\$ 320,000	\$ 339,990
3323	20	\$ 340,000	\$ 361,990
3836	21	\$ 359,000	\$ 384,990
4011	20	\$ 365,500	\$ 391,990
	72		

ENGINEER'S REPORT
PART 6

CITY OF CORONA
COMMUNITY FACILITIES DISTRICT NO. 2001-2
(CRESTA-GRANDE)

SPECIAL TAX RATES
FOR CALCULATION OF BOND ISSUE SIZE

	Improvement Area No. 1 Tract 29813 Tax Rate		Improvement Area No. 2 Tract 29413 Tax Rate		Totals	Bond Issue (1)
	Residential		Residential			
Number of Units or Acres	72		41		113	
Minimum Lot size (in square feet)		9,000		7,200		
Assigned Special Tax, sq ft range 1	\$	2,914	\$	2,282		
Assigned Special Tax, sq ft range 2	\$	3,104	\$	2,444		
Assigned Special Tax, sq ft range 3	\$	3,286	\$	2,534		
Assigned Special Tax, sq ft range 4	\$	3,348	\$	2,753		
Assigned Special Tax, sq ft range 5	\$	-	\$	2,900		
Annual Tax Revenue	\$	230,100	\$	109,450	\$	339,550
Less Annual Administration	\$	20,000	\$	20,000	\$	40,000
Net Annual Tax Revenue	\$	210,100	\$	89,450	\$	299,550
Estimated Maximum Bond Issue (1)	\$	2,494,207	\$	1,061,908	\$	3,556,115

Notes:

- (1) Assume Bond issue has a 30 year term at 6.5% interest rate (crf = 0.07658)
Estimate Maximum Bond Issue size equals Net Annual Tax Revenue divided by 1.10 and 0.07658 to account for 110% coverage
- (2) Home Values, are shown in Parts 4 and 5
- (3) Home Values utilized in this Engineer's Report are as follows:

	Units	Home Value	Home (sq. ft.)	\$ per sq. ft.
Tract 29813	11	\$ 320,000	2,790	\$ 114.70
	20	\$ 340,000	3,323	\$ 102.32
	21	\$ 359,000	3,836	\$ 93.59
	20	\$ 365,500	4,011	\$ 91.12

	Units	Home Value	Home (sq. ft.)	\$ per sq. ft.
Tract 29413	6	\$ 277,056	2,323	\$ 119.27
	6	\$ 293,977	2,764	\$ 106.36
	5	\$ 303,477	2,872	\$ 105.67
	8	\$ 326,426	3,103	\$ 105.20
	16	\$ 380,646	3,522	\$ 102.40

**ENGINEER'S REPORT
PART 7

CITY OF CORONA
COMMUNITY FACILITIES DISTRICT NO. 2001-2
(CRESTA-GRANDE)**

DERIVATION OF UNDEVELOPED PROPERTY AND BACKUP TAX RATES

I. Calculation of Net Taxable Acres:

	<u>Imp. Area No. 1</u>	<u>Imp. Area No. 2</u>
Improvement Area		
Gross Acres (per TM 29813 and FM 29413)	55.08	12.45
Exempt Acres (i.e., Streets, Open Space and Communications Antenna Site)	<u>33.26</u>	<u>2.85</u>
Net Taxable Acres (See Schedule A)	<u>21.82</u>	<u>9.60</u>

II. Calculation of Undeveloped Property and Backup Tax Rate:

Total Developed Property Revenues from Table 1 of RMA	\$ 230,100	\$ 109,450
Net Taxable Acres	21.82	9.60
Less: Contingency Factor Percent	15.000%	7.934%
Less: Contingency Factor Acres	<u>(3.27)</u>	<u>(0.76)</u>
Net Taxable Acres (Adjusted)	<u>18.55</u>	<u>8.84</u>
Undeveloped Property and Backup Tax per Acre	<u>\$ 12,407</u>	<u>\$ 12,385</u>

**ENGINEER'S REPORT
PART 8

CITY OF CORONA
COMMUNITY FACILITIES DISTRICT NO. 2001-2
(CRESTA-GRANDE)**

ACREAGE CALCULATIONS

Improvement Area No. 1				Improvement Area No. 2			
Cresta Verde Hills				Vista Grande			
Tract No. 29813 (a)				Tract No. 29413 (b)			
Lot	Lot Sq. Ft.	Lot	Lot Sq. Ft.	Lot	Lot Sq. Ft.	Lot	Lot Sq. Ft.
1	9,585	42	11,692	1	12,796		
2	9,180	43	11,849	2	9,068		
3	9,305	44	11,529	3	9,001		
4	16,088	45	10,176	4	8,857		
5	11,556	46	10,059	5	8,763		
6	9,720	47	10,352	6	8,687		
7	10,620	48	10,704	7	8,686		
8	11,122	49	16,538	8	8,540		
9	9,264	50	15,370	9	8,537		
10	11,438	51	13,274	10	8,537		
11	11,218	52	11,307	11	8,538		
12	9,565	53	10,969	12	8,421		
13	21,065	54	10,807	13	10,292		
14	12,740	55	10,647	14	10,378		
15	12,658	56	10,631	15	8,598		
16	11,881	57	12,680	16	7,640		
17	10,031	58	9,055	17	13,239		
18	10,640	59	11,290	18	10,102		
19	25,488	60	39,478	19	9,927		
20	14,257	61	16,303	20	10,233		
21	22,945	62	11,961	21	9,977		
22	11,498	63	9,925	22	13,107		
23	11,576	64	9,210	23	14,394		
24	15,132	65	9,001	24	10,709		
25	21,378	66	9,546	25	14,049		
26	23,967	67	9,001	26	8,636		
27	15,037	68	10,899	27	9,003		
28	14,779	69	12,860	28	10,574		
29	14,977	70	10,910	29	10,380		
30	14,900	71	9,465	30	14,581		
31	14,824	72	12,692	31	14,152		
32	14,747			32	13,486		
33	14,671			33	8,982		
34	14,610			34	9,053		
35	22,065			35	8,715		
36	18,702			36	8,508		
37	11,237			37	10,917		
38	11,526			38	10,422		
39	11,838			39	9,826		
40	11,340			40	9,079		
41	11,347			41	10,457		
Net Taxable Lot Area (Sq. Ft.)	<u>670,117</u>		<u>380,279</u>		<u>418,127</u>		
Total Net Taxable Lot Area (Sq. Ft.)			<u>950,396</u>		<u>418,127</u>		
Net Taxable Lot Area (Acres)			<u>21.82</u>		<u>9.60</u>		
Public - City communications antenna site	73	86,438					
Open Space/assessment area	A	15,940					
Open Space/assessment area	B	65,714					
Open Space	C	990,585					
Public Street	D	7,187					
Public Street	AA	90,208					
Public Street	BB	57,745					
Public Street	CC	98,658					
Public Street	DD	11,343					A
Public Street	EE	24,836					B
Public Street	FF	14,233					C
							D
Total Non-Taxable Exempt Lot Area (Sq. Ft.)		<u>1,448,987</u>			<u>124,190</u>		
Total Non-Taxable Exempt Lot Area (Acres)		<u>33.26</u>			<u>2.85</u>		
Total Area		<u>55.08</u>			<u>12.45</u>		

Source:
(a) Hunsaker and Associates
(b) K&A Engineering



October 27, 2000

Project No. 00008-01

**NMG GEOTECHNICAL REPORT (TEXT ONLY)
(Dated October 27, 2000)**

To: Fieldstone Communities
14 Corporate Plaza
Newport Beach, California 92660

Attention: Ms. Jo Domingo

Subject: Geotechnical Investigation and 40-Scale Grading Plan Review, Proposed Residential Development, Tentative Tract 29813, Corona, County of Riverside, California

In accordance with your request and authorization, NMG Geotechnical, Inc. (NMG), has performed a geotechnical investigation and 40-scale grading plan review for the residential development planned for Tentative Tract 29813. The site is located immediately northwest of the intersection of Stonehaven and Avondale Drives in the City of Corona (Figure 1).

The purpose of our geotechnical investigation was to review the planned grading as shown on the 40-scale grading plan prepared by Hunsaker and Associates (Sheets 1 through 7 of 7, dated September 28, 2000) in light of the geologic conditions at the site. Sheets 1 through 3 of the plan contain the index map, general grading notes and detailed drawings. The interpreted geologic conditions at the site and recommended remedial measures have been superimposed on the grading plan, Sheets 4 through 6 (Plates 1 through 3) and are depicted on the accompanying cross-sections (Figures 2 through 4 and Plates 4 through 7). Sheet 7 depicts the erosion control plan.

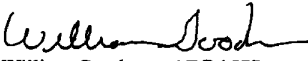
Our review is based on NMG's previous geotechnical investigation related to the 100-scale tentative tract map (NMG, 2000b) and our prior work on the adjacent Tract 27796 for Pacific Gateway Homes. For this report, we have conducted additional field exploration and updated the prior findings and data for use during grading and construction. Our overall scope of work included background research, site reconnaissance and geologic field mapping, review of historic aerial photographs, review of city files, seismic refraction study, hydraulic rotary borings, bucket-auger borings, backhoe trench excavation, laboratory testing, geotechnical analysis, determination of remedial grading measures, and preparation of this report with accompanying illustrations.

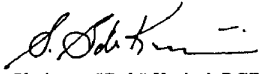
Based on our study and review of the 40-scale grading plan, the proposed grading and residential development is considered geotechnically feasible. It is our opinion that the subject site can be developed from a geotechnical viewpoint, provided the recommendations of this report are implemented during grading, design, and construction.

If you have any questions regarding this report, please contact our office. We appreciate the opportunity to provide our services.

Respectfully submitted,

NMG GEOTECHNICAL, INC.


William Goodman, CEG 1577
Principal Geologist


Shahrooz "Bob" Karimi, RCE 54250
Project Engineer

BO/WG/SBK/er

- Distribution: (10) Addressee
(3) Mr. Larry Cooley, City of Corona
(1) Mr. Brad Hay, Hunsaker and Associates
(1) Mr. Barry Gross, Developer's Research
(1) Mr. Todd Chelini, California Drilling and Blasting

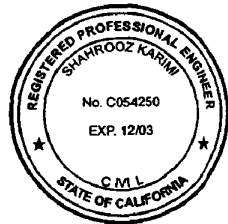
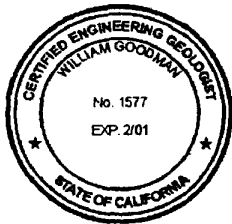


TABLE OF CONTENTS

1.0	INTRODUCTION	1
1.1	Purpose and Scope	1
1.2	Site Location and Description	1
1.3	Site History	3
1.4	Previous Studies	3
1.5	Field Investigation	3
1.6	Proposed Grading and Development	4
2.0	FINDINGS	6
2.1	Geologic Setting	6
2.2	Earth Units	6
2.3	Geologic Structure	7
2.4	Regional Faulting and Seismicity	7
2.5	Groundwater	8
2.6	Laboratory Testing	8
2.7	Slope Stability	8
2.8	Settlement Considerations	10
2.9	Rippability and Generation of Oversize Material	10
2.10	Expansive Soil Characteristics	11
2.11	Soluble Sulfate Contents	12
2.12	Earthwork Bulking/Shrinkage and Subsidence	12
2.13	Liquefaction Potential	12
2.14	Existing Utilities and Structures	12
3.0	CONCLUSIONS AND RECOMMENDATIONS	14
3.1	General Conclusion	14
3.2	Site Clearing and Preparation	14
3.3	Remedial Removals	14
3.4	Slope Stabilization	15
3.5	Settlement	16
3.6	Subdrainage	16
3.7	Fill Placement	16
3.8	Rippability and Placement of Oversize Material	17
3.9	Lot Capping/Overexcavation	17
3.10	Selective Grading	18
3.11	Protection of Existing Utilities	18
3.12	Lateral Earth Pressures and Bearing Capacity	18
3.13	Foundations	19
3.14	Structural Slabs-on-Grade	19
3.15	Foundation Setbacks	20
3.16	Expansion Potential	20
3.17	Cement Type for Construction	20
3.18	Preliminary Pavement Design	20
3.19	Surface Drainage	21
3.20	Maintenance of Graded Slopes	21



TABLE OF CONTENTS (Cont'd)

3.21	Utility Construction	22
3.22	Geotechnical Observation and Testing During Grading.....	22
3.23	Geotechnical Review of Future Plans.....	22

List of Illustrations and Appendices

Figures

- Figure 1 – Site Location Map - Page 2
- Figures 2 through 4 – Geotechnical Cross-Sections – Rear of Text
- Figure 5 – Geogrid-Reinforced Slope Detail – Rear of Text
- Figure 6 – Retaining Wall Drainage Detail

Appendices

- Appendix A – References and Aerial Photographs Reviewed
- Appendix B – Boring and Trench Logs
- Appendix C – Laboratory Test Results
- Appendix D – Seismicity Data
- Appendix E – Slope Stability Analysis
- Appendix F – Seismic Refraction Surveys
- Appendix G – General Earthwork and Grading Specifications

Plate

- Plates 1 through 3 – Geotechnical Map - In Pocket
- Plates 4 through 7 – Geologic Cross-Sections

1.0 INTRODUCTION

1.1 Purpose and Scope

NMG Geotechnical, Inc. (NMG), has performed a geotechnical investigation and 40-scale grading plan review for Tentative Tract 29813, city of Corona, county of Riverside. The 40-Scale Preliminary Grading Plan, prepared by Hunsaker and Associates (received by NMG on October 3, 2000), was reviewed and utilized as a base map to present our Geotechnical and Remedial Measures Map (Plates 1 through 3).

NMG had previously prepared a geotechnical report related to the 100-scale Tentative Tract Map for this project (NMG, 2000a). The prior report included presentation of the site geotechnical findings, conclusions, and preliminary recommendations. This report contains the findings and data from previous NMG (2000a,b) reports and includes updated findings, conclusions and recommendations based on our review of the subject 40-scale mass grading plan.

Our scope of work for this study included:

- Geotechnical review of the 40-scale plan;
- Transfer of recent previous geotechnical data to the plan;
- Preparation of cross-sections;
- Meetings with project team;
- Additional subsurface exploration;
- Laboratory testing;
- Geotechnical analysis;
- Evaluation of remedial grading measures; and,
- Preparation of this report, including illustrations.

1.2 Site Location and Description

The subject site is roughly a rectangular parcel of approximately 55 acres of land located immediately northwest of Avondale and Stonehaven Drives, in the city of Corona. The site is bounded on the east and south by existing residential developments, on the west by residential developments and Cresta Verde Park, and on the north by a vacant natural area (Figure 1).

The site topography consists of a north-south-trending ridgeline in the central portion of the site with moderate slopes to the west, east, and south. There are various small canyon drainages that extend down from the western and eastern slopes. Elevations at the site range from 1,081 feet at the north end to 724 feet at the southwest corner resulting in approximately 357 feet of overall relief (Plates 1 through 3).

The site is generally in its natural condition. Locally, a small amount of grading has occurred along the ridgeline in which a cleared pad was cut at the top. An access road was bulldozed along the ridgeline from the pad to the south, joining an existing dirt road adjacent to the pipeline easement. There are several dirt roads crossing the site for access and a concrete structure on the location of future Lot 59. Currently, the site vegetation consists of low grasses and weeds.



A high-pressure gas line and an oil pipeline cross the central portion of the site in an east-west direction. Southern California Gas Company maintains the gas pipeline, and the oil pipeline was previously operated by Four Corners Pipeline Company and is now maintained by Quest Star. Currently, this oil pipeline is believed to be inactive. In addition, locally, abandoned furniture, water heaters, car batteries, and other miscellaneous materials were observed at the site.

1.3 Site History

The lower portion of the site was previously utilized as ranch land for cattle grazing. Our review of historic aerial photographs dating back to the late 1940s revealed the following:

- In the late 1940s, the site was essentially undeveloped.
- An oil pipeline and high-pressure gas pipeline were laid across the site in 1947. A concrete bunker was present just south of the pipeline.
- In the early 1950s, the Mariposa Drive residential community, golf course, and Cresta Verde Park were constructed to the west of the site.
- By 1967, a few trails and dirt roads are visible to the northwest of the site.
- Orchard farming northeast of the site began by 1970.
- By 1986, a cleared pad is visible on the central peak with a bulldozed access road to the pad. There is also an increase in the number of trails and roads over the entire site.
- The remainder of the existing residential areas were graded and constructed after 1986.
- Between 1990 and 1993, a large water tank was constructed on the ridge north of the site.

1.4 Previous Studies

The California Division of Mines and Geology (CDMG) initially studied this area in 1975, and conducted further work in 1995. In those studies, they mapped the granodiorite bedrock in the ridge and the colluvium in the drainages and lower portions of the site. A rippability study was performed by Highland Soils in 1988 (Highland, 1988). The United States Geological Survey (USGS, 1999) compiled and included the previous CDMG mapping of the Corona North quadrangle in the digital geologic map of the Santa Ana 30-minute by 60-minute quadrangle. A due diligence study and 100-scale grading plan review of the tentative tract plan for the subject site were prepared by NMG (2000a and 2000b). The findings from these studies are incorporated in this report for ease of reference. A complete list of the referenced reports is included in Appendix A.

1.5 Field Investigation

Our initial subsurface exploration for the site was performed between March 2, 2000, and July 14, 2000. The exploration consisted of five bucket-auger borings (B-1 through B-5), eleven hydraulic rotary borings (RW-1 through RW-11), and seventeen backhoe trenches (T-1

through T-17). In addition, six seismic refraction lines were conducted (SL-1 through SL-6). On September 18, 2000, an additional eight backhoe trenches (T-18 through T-25) were excavated. The bucket auger borings were drilled in the natural drainages off the ridgeline to sample and log the colluvial materials, ascertain the colluvial thickness, and obtain geologic data of the granodiorite. These borings were drilled to depths ranging from 15 to 25 feet. The hydraulic rotary borings were drilled to evaluate the hardness and rippability of the crystalline bedrock materials throughout the site. These borings ranged in depth from 22 to 72 feet. The seismic lines were used to determine subsurface compressional velocities, which relate to hardness and rippability. The geologic models developed from interpretation of the seismic data are provided in Appendix F. Backhoe trenches were excavated to supplement and verify anticipated removal depths and mapped geologic units. The trenches ranged from 3 to 15.5 feet in depth. The approximate locations of our borings, trenches, and seismic lines are shown on Plates 1 through 3. Our field representatives logged the borings and trenches, classified the soils encountered, and obtained soil samples for laboratory testing. The geotechnical boring and trench logs for this investigation are included in Appendix B.

Relatively undisturbed soil ring samples were obtained from the exploratory borings with a 2.5-inch-inside-diameter, split-barrel sampler. The drive samples were also used to obtain a measure of resistance of the soil to penetration (recorded as blows-per-foot on our geotechnical boring logs). The Kelly bar was utilized for driving the sampler for drive samples collected from the bucket auger borings. The telescoping weights are provided on the boring logs (Appendix B).

To supplement soil samples collected from the borings, relatively undisturbed soil samples were also collected from selected trench excavations. The samples were collected manually with a 2.5-inch-diameter core barrel sampler attached to a slide hammer.

1.6 Proposed Grading and Development

The proposed development will involve significant grading, with approximately 500,000 cubic yards of combined raw earthwork and remedial grading, including cuts of up to 80± feet deep and design fills of up to 40± feet thick. The majority of fill slopes range from 5 to 30 feet in height throughout the site. Two additional slopes, over 30 feet high, are also planned at the site. The slopes along the rear of Lots 19 through 21 and 26 through 34 are up to 39 feet and 51 feet high, respectively. The cut slopes generally range from 15 to 50 feet high. The two cut slopes adjacent to "B" street are up to 90 and 100 feet high, respectively. The majority of cut and fill slopes at the site are proposed to be constructed at slope ratios of 1.5:1 (H:V) as shown on the Grading Plans (Plates 1 through 3). A few slopes at 2:1 inclinations are also proposed at the site.

The proposed development consists of construction of 72 detached residential units with interior streets and adjacent slopes (Hunsaker, 2000). The majority of the ridge and adjacent slopes (Lot "C") are to remain natural. Cut slopes into the hill will be required to achieve design grade for "A" street, a portion of "C" street, and the end of "E" street. Access to the site will be from extensions of Harding Road to the south, Stonehaven to the east, and Collett Avenue to the West. An easement, approximately 120 feet wide, containing a 30-inch-diameter natural gas pipeline and the Four Corners oil pipeline, extends across the site from the east, near the intersection of



Stonehaven to Avondale Drive to the west adjacent to Cresta Verde Park. The perimeter of the project will be bounded by existing residential developments, except to the north, where the area will remain undeveloped. Also, the planned development wraps around Cresta Verde Park at the southwest corner of the project. Several low retaining walls are proposed between the lots south of the pipeline easement. Heights of these retaining walls range from 1.5 to 4 feet with 1.5:1 fill slopes extending above the top of the walls. The proposed walls are located adjacent to Lots 1 through 3, 9, 11, and 62 through 72.

In addition, the existing parking area adjacent to Collett Avenue in the western portion of the site is proposed to be reconstructed. A separate parking area in the southwestern portion of the site is also proposed.

2.0 FINDINGS

2.1 Geologic Setting

The subject site is located in the northwestern portion of the San Jacinto Mountains, in the Peninsular Range Province of Southern California. These hills were formed since the Tertiary-age, by regional uplift along northwest trending faults, including the seismically active Chino Fault, which lies approximately 4 miles southwest of the site. The subject site is mainly underlain by Cretaceous-age crystalline bedrock partially concealed by minor amounts of colluvium and residual soils. The site has been regionally uplifted and undergone both erosional and depositional cycles. The site is currently in an erosional cycle, with deep gullies and canyons bisecting the colluvium and the bedrock.

2.2 Earth Units

The bedrock underlying the subject site consists of Cretaceous-age plutonic bedrock with local dike intrusions of undetermined age. Colluvial deposits are found on the slopes down from the main ridgeline.

Cretaceous Granodiorite (Map Symbol Kg): The exposed rock on the flanks of the main ridge and at depth is mapped by USGS (1999) as the granodiorite facies of the Cajalco Pluton. The USGS now includes this unit in the Woodson Mountain Granodiorite (Larsen, 1948).

Two rock samples from our bucket-auger borings at depths of 7 feet (B-1) and 14 feet (B-2), and one outcrop sample from the road cut, northeast of Cresta Verde Park, were collected to determine the composition of the fine to medium grained igneous rock. Petrographic analysis indicated that the bedrock is a greenish gray fine- to medium-grained biotite granodiorite. Surface exposures are generally weathered and friable. At depth, the bedrock becomes very hard with less jointing.

A finer-grained zone (younger intrusive dike) within the bedrock unit exposed along the main ridgeline is resistant to weathering and is very hard. One outcrop sample from the access road leading up the main ridgeline was obtained for compositional analysis. The analysis of this rock reveals that it is greenish tan to gray fine-grained biotite aplite. This rock is similar in composition to the host rock, with only 10 to 20 percent difference in mineral constituents. The main petrographic difference between the bedrock on the flanks and that of the ridgeline is the finer texture due to quicker cooling history.

Based on recent seismic refraction surveys and hydraulic rotary borings, the bedrock is very hard and non-rippable along and adjacent to the main ridgeline and at depth in the vicinity of "B" and "C" streets, and Lots 10 to 12.

Colluvium (Map Symbol Qcol): The colluvial material is mapped on the lower sides of the eastern and southern slopes and is formed by soil development and downward creep movement due to gravity. The colluvium consists of relatively dry, loose, organic silty sands and sandy silts, with occasional clayey zones and angular to subangular fragments of bedrock-derived



materials. These deposits are generally porous and considered unsuitable to leave in place below structural areas.

Undocumented Fill (Map Symbol: Afu) These materials occur within the pipeline easement across the central portion of the site and adjacent to dirt access roads throughout the site. These fills are loose and unsuitable to leave in place.

2.3 Geologic Structure

The general geologic structure at the site consists of intrusive Granodiorite and Aplite bedrock unconformably overlain by colluvial deposits. The fine to medium grained granodiorite and fine-grained Aplite is moderately fractured down to the depth where the rock becomes less weathered and very hard. The colluvial deposits range from 4 to 10 feet thick, with local pockets up to 15± feet and gently slope away from the ridgeline.

2.4 Regional Faulting and Seismicity

Due to the absence of active or major faults at the site (CDMG, 1997) the potential for primary ground rupture at the site considered to be low. The primary seismic hazard for this site is ground shaking due to a future earthquake on one of the major regional active faults, such as the Chino, Whittier-Elsinore, San Andreas or San Jacinto faults.

The closest major active fault is the Chino Fault, located approximately 4 miles southwest of the site. This fault is capable of generating moderate to high ground accelerations at the site. Deterministic site parameters were evaluated, based on the computer program EQFAULT (Version 2.20) (Blake, 1996a), and ground acceleration attenuation curves developed by Boore et al. (1997), for soft rock and hard rock sites. The site accelerations based on the maximum probable earthquake event are on the order of 0.46 g. These are horizontal accelerations and the vertical accelerations could be of equal intensity due to the close proximity to the Chino Fault.

The computer program EQSEARCH (Version 2.20) (Blake, 1996b) was utilized to review the estimates of peak historic ground accelerations at the site based on historic earthquake events on regional faults. Based on this program, the estimated maximum acceleration at the site during the time period 1800 to 1999 was 0.37 g. This acceleration is attributed to a 7.0 magnitude earthquake, which occurred in 1858 approximately 7.8 miles north of the site, near the Santa Ana River.

Probabilistic earthquake ground accelerations were also calculated using the computer program FRISKSP (Version 2.20) (Blake, 1996c). The maximum moment magnitude for the Chino fault is 6.7. The upper bound earthquake has a 10 percent chance of being exceeded in 50 years. The peak ground accelerations from this event using the attenuation curves by Boore et al. (1997) are on the order of .50 g for the subject site. The computer output from our seismic analysis is presented in Appendix D.



The seismic design parameters, in accordance with UBC 1997, are as follow:

SEISMIC DESIGN PARAMETERS BASED ON UBC 1997	
Seismic Zone from Figure 16-2	4
Soil Profile Type from Table 16-J	S _D
Seismic Source Type from Table 16-U	B
Distances to known Source	4 miles
Closest Known Seismic Sources	Chino Fault (Elsinore)

2.5 Groundwater

Minor seepage was observed in one exploratory trench, T-14, at a depth of 15 feet. No groundwater was encountered in any borings or other trenches during our field investigation

2.6 Laboratory Testing

Limited laboratory testing was performed on representative samples of onsite soils collected during our field investigation to characterize their soil engineering properties.

The testing program included the following:

- In-place moisture content and dry density;
- Consolidation;
- Direct shear (remolded samples);
- Grain-size distribution (passing #200 sieve);
- Maximum dry density and optimum moisture;
- Expansion index; and
- Soluble sulfate content.

Laboratory tests were conducted in general conformance with applicable ASTM and UBC test standards. Laboratory test results are presented in Appendix C. In-situ moisture content and dry density data are included on the geotechnical boring and trench logs (Appendix B).

2.7 Slope Stability

The soil strength parameters utilized in our stability analyses were based on our laboratory strength testing of selected soil samples (soil) and evaluation of the quality of the rock and joint spacing/orientation for the granodiorite.



The results of our slope stability analysis are included in Appendix E. The following soil strength parameters were utilized in our analysis:

<i>Earth Unit</i>	<i>Friction Angle (Degrees)</i>	<i>Cohesion (psf)</i>
Colluvium (Qool)	30	150
Granodiorite/Aplite (Kg)	36	500

Fill Slopes: Design fills and fill-over-cut slopes are planned along the perimeter of the site. The majority of the design fill slopes range from 5 to 30 feet in height. The fill slope adjacent to Lots 26 to 34 ranges from 35 to 51 feet in height. The fill slope adjacent to Lots 19 to 21 ranges from 32 to 39 feet in height. In performing slope stability analysis, we initially evaluated the stability of the fill slopes using a typical 30-foot-high slope utilizing the strength parameters specific to the onsite soils. The slope stability analysis was performed for a 1.5:1 (H:V) slope ratio and resulted in a minimum factor of safety of 1.5 for gross stability. In order to provide an adequate safety factor for surficial stability, we recommend that surficial geogrid reinforcement be installed, as outlined in Section 3.4.

The surficial stability of fill slopes will be affected by the material placed as compacted fill near the face of the slope. Efforts should be made to place material with at least 12 percent fines (passing the No. 200 sieve) within 10 feet of the face of fill slopes. Sandy material exposed at the slope face may require additional measures such as jute matting, polymer coating, and early landscaping (vegetation) to minimize erosion potential.

For fill slopes greater than 30 feet in height constructed at a 1.5:1 (H:V) slope ratio, the safety factor for gross stability is less than 1.5. To mitigate this condition, primary geogrid enhancement would be required to achieve a 1.5 safety factor for gross stability. Specific details of the geogrid design are provided in Section 3.4.

Fill-Over-Cut Slopes: There are several fill-over-cut slopes planned within the site development. They are located adjacent to Lots 7, 20, 21, 25, 28, 29 and 35. One sliver fill over an existing cut slope was identified adjacent to Lot 64.

Cut Slopes: There are several interior cut and fill-over-cut slopes planned within the site development. These slopes generally range from 15 to 50 feet in height. The two slopes adjacent to "B" street are approximately 90 to 100 feet high. Most of the cut slopes will expose Granodiorite/Aplite bedrock, with varying degrees of weathering and fracturing. Site specific evaluation of this rock indicates slopes cut at 1.5:1 (H:V) slope ratios will be stable as designed.

Natural Slopes: Much of the main ridgeline above the planned development is proposed to remain natural. This hillside is underlain by Granodiorite and Aplite bedrock. As there are no known bedrock landslides at the site, the natural hillside is considered grossly stable.

Existing Slopes: Several existing graded slopes along the southeastern boundary of the subject site, south of the easement, were graded during development of the adjacent site. These are 2:1 (H:V) cut slopes that expose the granodiorite in the slope face. These slopes are considered

grossly stable. Fill is proposed to be placed over a majority of these slopes, except the cut slope immediately adjacent to the intersection of the pipeline easement and the eastern site boundary, which will remain in its current configuration.

2.8 Settlement Considerations

Based on our evaluation of the subsurface conditions, the consolidation test results, and the planned site development, the topsoil and colluvium are generally not suitable to be left in place under structural fill. Unsuitable materials should be removed and replaced with compacted fill. Based on the anticipated removals and design fill depths, the maximum fill thickness should be on the order of 55 feet thick. In estimating the anticipated settlement at the site, we assume that the remedial removals presented in Section 3.3 are performed, the maximum fill thickness will not exceed 55 feet, and structures will consist of one- to two-story, wood-framed residential buildings. Our preliminary analysis indicates a total settlement of 1 inch and differential settlement on the order of 1/4 inch over 40 feet may be anticipated at the site. In order to reduce potential damage to the existing pipelines, removals should not encroach within the pipeline easement. Thus, the anticipated settlement over the pipeline easement, along the southeastern portion of Lot 19 and south of the intersection of "E" street and Collett Avenue, may be more than estimated settlement discussed above.

2.9 Rippability and Generation of Oversize Material

The rippability characteristics of bedrock depend upon the rock type and hardness, depth of weathering, degree of fracturing, and structure of the rock. The main ridgeline is underlain by hard Granodiorite and Aplite rock that is very difficult to rip to non-rippable. Seismic refraction surveys were performed at the site during this investigation (Appendix F). This survey consisted of six lines (SL-1 through SL-6, each 250 feet in length) in the areas of the deepest planned cut (cuts of 30 to 80 feet deep). The survey results indicate that the rock is generally very hard at depths below 60 to 70 feet, with velocities of approximately 9,400 feet per second (fps). Based on the 1997 Caterpillar Handbook, velocities above 7,000 fps are marginally rippable to non-rippable with a D-9 dozer. Above 60 to 70 feet, the velocities range between 2,700 and 7,300 fps. These velocities are considered moderately easy to difficult to rip with a D-9 dozer. The seismic refraction survey confirmed a local reversal in hardness along the main ridgeline where higher velocity rock is overlying lower velocity rock.

Earlier seismic refraction surveys by Highland Soils (1988) found that the seismic velocities were relatively low (rippable) to depths of 10 to 42 feet, and increased to 4,400 to 10,000 fps between depths of 10± and 68± feet. These earlier seismic surveys consisted of 12 lines at six different locations.

Hard rock borings drilled in the Granodiorite/Aplite rock by NMG, utilizing a hydraulic rotary drill rig, reached total depths of 22 feet to 72 feet below existing ground surface and became increasingly harder with depth. Rippability of the rock was determined by qualitative analysis by California Drilling and Blasting, based upon these borings and their experience in the vicinity (Appendix B).



RW-1 was excavated in the vicinity of Lots 10 through 12, where granodiorite is exposed at the ground surface. The planned cuts in this area are up to 20 feet deep. Also, utilities planned in "A" street may be up to 10 feet deep. The combination of design cut and utility depth would be approximately 22 feet below existing grade in the street. The upper 24 feet has been classified as difficult workability and blasting may be needed in this area.

RW-2 through RW-5 were excavated into the ridge above Lots 22 through 31. Granodiorite/Aplite is exposed along the entire ridge. The planned cuts in this area are up to 75 feet deep. In the vicinity of RW-5, the rock should be rippable to 46 feet, then moderately rippable to 72 feet. RW-4 is located within the planned street approximately 100 feet north of RW-5. At this location, there is hard rock within the upper 12 feet that may require blasting. The rock is considered rippable from 12 to 50 feet, and then blasting is anticipated below 50 feet. RW-3 is located in the cut slope approximately 160 feet north of RW-4. The maximum cut planned at this location is approximately 50 feet deep. The upper 40 feet is anticipated to require blasting, followed by a rippable zone from 40 to 55 feet. Blasting should be anticipated if the cut were to extend below 55 feet. RW-2 is located on the edge of the planned cut slope. In this area, the upper 12 feet has been classified as difficult to rip and blasting may be needed. The rock should be rippable from 12 to 30 feet, and then blasting is anticipated below 30 feet.

RW-6 was excavated near the base of the cut slope planned at the end of "E" street. Although the rock is classified as hard, it is anticipated to be rippable to design grade. RW-7 was excavated at the base of the cut slope adjacent to "C" street down from Lot 27. This rock is very hard and blasting should be anticipated from the surface down to design grade. RW-8 through RW-10 were excavated near the base of the cut slopes adjacent to "B" and "C" streets. At the RW-8 and RW-9 locations, the rock should be rippable down to 24 and 22 feet, respectively. Blasting should be anticipated below those depths. RW-10 indicates the upper 35 feet of rock should be rippable. Cuts below that are anticipated to require blasting. RW-11 is located on Lot 12. The rock here is classified as hard and marginally rippable at the ground surface.

In general, hard rock exposed at finish grade will be very difficult, if not impossible, to excavate with normal backhoes or heavy equipment. Excavation for future grading, foundations and utility installation would be impacted and special equipment may be needed to break or cut through the rock. Therefore, consideration should be given to overexcavation of lots and portions of streets exposing hard rock while the larger earthmoving equipment is present at the site, and while there are large, deeper fills available for disposal of the oversized rocks.

Significant amounts of oversized rocks (greater than 12 inches in size) will be generated during excavation at the site. The deepest planned cut into the Granodiorite/Aplite is the 100-foot-high slope along the southern end of the main ridgeline that will produce the most oversize rock. Recommendations for placement of oversized material are presented in Section 3.7.

2.10 Expansive Soil Characteristics

Based on the results of our laboratory testing and experience with similar soil types, the expansion potential for soils at the site following completion of rough grading operations is anticipated to vary from very low to medium.

2.11 Soluble Sulfate Contents

Generally, low soluble sulfate contents (less than 0.1 percent) are anticipated for the onsite soils.

2.12 Earthwork Bulking/Shrinkage and Subsidence

Due to the inherent variability of bedrock and soil materials, earthwork volume changes are difficult to accurately quantify. The following estimates are based on our experience with similar materials.

<i>Material</i>	<i>Approximate Percent Shrinkage/Bulking</i>
Colluvium, and Topsoil materials	5 to 15 percent shrinkage
Weathered Granodiorite Rock (less than 20 feet deep)	4 to 8 percent bulking
Granodiorite/Aplite Rock (greater than 7,500 fps, and deeper than 20 feet)	8 to 10 percent bulking

Ground subsidence at the site is estimated to be less than 0.1 foot.

2.13 Liquefaction Potential

Liquefaction occurs when loose, cohesionless, saturated soils are subjected to strong seismic ground motion. Liquefaction is generally known to be a problem in earthquake-prone areas where conditions that promote liquefaction are present in the upper 50 feet of earth.

No significant layers of loose, cohesionless soils were encountered in our investigation. This finding together with the absence of a shallow groundwater table, indicates that the potential for liquefaction at the site is not considered significant.

2.14 Existing Utilities and Structures

A high-pressure gas pipeline, owned by Southern California Gas Company (SCG) and an oil pipeline, currently owned by Quest Star, cross the central portion of the site. The oil pipeline is believed to be inactive at this time. These pipelines are expected to be protected in place.

The proposed grading extends into the pipeline easement in the western portion of the tract, immediately adjacent to Cresta Verde Park, where the Collett Avenue extension intersects "A" street, and also at the toe of the descending slope of Lot 19. In addition, along the eastern boundary of the site, a small portion of the Stonehaven extension will encroach upon the easement. Depths of burial of the pipelines in these areas are uncertain. The planned grading in these areas will not exceed more than 10 feet of fill or cut. This grading will probably require the use of smaller equipment and should be performed under the observation of the utility companies' representatives. Prior to grading, the pipelines should be potholed to verify position and depth.



Along the eastern perimeter, the existing gunite V-ditches, located below future Lots 36 through 49 and 69 through 72, are planned to be removed and replaced following completion of grading operations. The existing V-ditch drain along the perimeter near future Lots 50 through 57 is to be protected in place.

3.0 CONCLUSIONS AND RECOMMENDATIONS

3.1 General Conclusion

Based on our findings, the site is considered geotechnically feasible for the proposed residential development, provided the recommendations of this report are implemented during design, rough grading, and construction. Our recommendations are considered minimum and may be superseded by more stringent requirements of others. The grading and construction should be performed in accordance with the City of Corona Grading Manual and Specifications and the recommendations presented in this report. Our conclusions and recommendations should be reviewed and verified during site grading.

3.2 Site Clearing and Preparation

Significant vegetation, miscellaneous abandoned materials, concrete structures and other deleterious materials should be removed and discarded offsite prior to the start of grading operations.

3.3 Remedial Removals

The unsuitable earth materials should be removed prior to placement of fill materials. Unsuitable materials at the site include topsoil, colluvium, and weathered bedrock. Estimated removal depths generally vary from 0 to 10 feet deep. Locally, pockets of unsuitable material may be up to 15 feet deep. The removal bottom should expose competent material and be reviewed and accepted by the geotechnical consultant prior to subdrain installation, removal bottom preparation, and placement of compacted fill.

Estimated depths of remedial removals are depicted on the geotechnical maps (Plates 1 through 3). These depths are based on interpretation of the subsurface data, exposed field conditions and laboratory testing. The actual depths and lateral limits of remedial removals should be determined in the field during grading based on the exposed conditions.

Removals within the existing pipeline easement will be limited by the presence of the pipelines. At minimum, scarification, moisture-conditioning and recompaction of the upper 8 to 12 inches should be performed prior to fill placement or street subgrade preparation. Removals and fill key excavations adjacent to the utility easement should be started a minimum of 10 feet from the pipeline and excavated down at a maximum 1:1 projection to competent materials (estimated between 3 and 10 feet deep) to reduce adverse impact on the pipelines.

Removals along the perimeter of the project will be limited due to the existing structures and property limits. A 1:1 projection down from the existing property line to the removal bottom is typically the extent of encroachment allowed.



3.4 Slope Stabilization

Cut Slopes: There are several large cut slopes planned in the central and northern portion of the site. The majority of these slopes will expose massive Granodiorite/Aplite bedrock. The proposed slopes are planned to be excavated at a slope ratio of 1.5:1 (H:V). Representative joint attitude and rock material data was collected in the areas of the proposed large cut slopes. Based on our evaluation of the rock quality, weathering, joint spacing orientation and condition, the slopes cut into the Granodiorite/Aplite bedrock will be grossly stable at a 1.5:1 (H:V) slope ratio.

Fill-Over-Cut Slopes: There are several fill-over-cut slopes planned through the central and southern portions of the site. These slopes range from 3 to 50 feet in height. A stabilization fill key, minimum 15 feet wide by 3 feet deep and a 1-foot tilt-back, is recommended for the slopes adjacent to Lots 20–21, 25, and 28–29. The key will be located along the fill-bedrock transition across the slope face (Plate 2). A canyon-type subdrain (9 cubic feet per foot) is recommended in the heel of the keys with outlets as shown on the Geotechnical Map (Plate 2). The bedrock exposed in the cut portion of the slope is anticipated to be similar to that described in the previous cut slope section.

The backcut for the stabilization fill key adjacent to Lots 7 (Plate 1) and 35 (Plate 3) will remove the sliver cut portion of the slope resulting in a fill slope. The dimension of the key and subdrain are similar to that described above.

The slope adjacent to Lots 62 through 66 is a combination cut-over-fill/fill-over-cut and sliver-fill-over existing cut slope (Plate 1). A stabilization fill key, minimum of 15 feet wide by 3 feet deep is recommended for this slope. The backcut for the key will eliminate the cut portions of the design slope resulting in a fill slope (Cross-Section A-A'). A canyon-type subdrain is recommended in the heel of the key with one outlet, as shown on the Geotechnical Map (Plate 1).

Minor fill-over-cut and cut-over-fill slopes are planned between Lots 9 and 10, Lots 65 and 66, Lot 61 and "D" street, Lot 22 and "B" street, and Lot 57 and "C" street (Plate 1). The cut portions of these slopes should be converted to fill during overexcavation of the adjacent lots.

Fill Slopes: There are several planned perimeter and interior fill slopes ranging from 5 to 30 feet in height. The slope adjacent to Lots 26 through 34 is proposed to be 35 to 50 feet high and the slope adjacent to Lots 19 through 21 ranges from 32 to 39 feet in height. These slopes are also planned to have a horizontal to vertical ratio of 1.5:1 (H:V). These slopes should be constructed utilizing geogrid reinforcement. For slopes up to 30 feet in height, we recommend Mirafi 2XT or equivalent geogrid reinforcement be placed at a maximum vertical spacing of 24 inches and a minimum horizontal embedment, from the finished slope face, of 6.5 feet for the entire slope height for surficial stability. For fill slopes between 30 and 40 feet in height, the primary reinforcement should consist of Mirafi 10XT or equivalent geogrid placed at a maximum vertical spacing of 4 feet and a minimum horizontal embedment of 40 feet measured from the finished slope face. Three layers of geogrid should be placed from approximately 4 feet above the toe of the slope. For slopes between 40 and 50 feet in height, the primary reinforcements should consist of five layers of Mirafi 10XT or equivalent placed at a maximum vertical spacing of 4 feet and a minimum horizontal embedment of 40 feet. In addition, secondary geogrid

reinforcement for surficial stability, as discussed above, should be placed between the primary reinforcement extending to the top of the slope (Figure 5). The geogrid-reinforced slopes should be overbuilt and trimmed back to the compacted slope.

Fill keys are recommended at the toes of all fill slopes. These keys should be excavated 3 feet into competent material, approximately 15 feet wide, with a 1-foot tilt-back at the heel of the key. Subdrains are recommended for most fill keys depending on the actual topographic conditions.

3.5 Settlement

The total and differential settlement for the majority of the site, where removals (described in Section 3.3) are performed, are estimated to be 1 inch and ½ inch over a span of 40 feet, respectively. In areas where removals cannot be made, such as within the pipeline easements, larger settlements may occur. Two areas significantly affected by this condition are: 1) along the southeastern portion of Lot 19, where 10- to 15-foot-high slopes are proposed near the easement; and 2) south of the intersection of "E" street and Collett Avenue, where a 10-foot-high fill slope is proposed. The structures within Lot 19 should be set back a minimum of 30 feet from the top of the slope, along the southeastern portion of the lot (Plate 1).

In addition, the pipeline owners should be made aware of the settlement potential in the easement area.

3.6 Subdrainage

The canyon bottoms and stabilization fill keys should be provided with subdrainage after removals/excavation and prior to fill placement. Due to the topographic conditions, canyon-type subdrains are recommended to be installed as shown on the Geotechnical Map (Plates 1 through 3). These subdrains should consist of 4-inch-diameter, Schedule 40 perforated pipe surrounded in 9 cubic feet per linear foot of ½ to 1½-inch gravel wrapped in geotextile filter fabric. Where the run of subdrain exceeds 500 feet, the pipe size should be increased to 6 inches in diameter beyond that point. The approximate flow line elevation and outlet locations are depicted on the Geotechnical Map (Plates 1 through 3). The subdrains should be installed with a minimum of 1-percent fall and outlet with solid (non-perforated) pipe through the slope face into a proper drainage-collection device where possible. The subdrain outlet should be protected in place with an outlet marker. Sufficient survey staking should be provided to verify line-and-grade of the flow line of the pipe.

Subdrain locations may be modified, or additional subdrains may be recommended, based on the actual field conditions encountered during grading.

3.7 Fill Placement

Grading and excavations should be performed in accordance with the City of Corona Grading Code and the General Earthwork and Grading Specifications in Appendix G. Clearing and grubbing of the vegetation should be performed, with the vegetation and any other debris



removed from the site. After removals, the bottom should be scarified, moisture-conditioned where needed, and recompacted prior to placement of fill. Fill should be placed in nearly horizontal loose lifts less than 8 inches in thickness, moisture-conditioned and compacted to a minimum 90 percent of the maximum density as determined by Test Method ASTM 1557. A significant portion of the fill is anticipated to have oversize material requiring special placement as discussed in Section 3.8. Fills placed against ground sloping more than 5:1 (H:V) should be keyed and benched into competent material.

In general, the outer zone of fill slopes and stabilization fills should be constructed with materials having a minimum of 12 percent clayey fines. Fines are defined as the material that passes Number 200 sieve, or approximate equivalent. The slope face should be compacted to a minimum 90 percent relative compaction. The slopes should be either overbuilt and trimmed back to the compacted slope face, or built at grade with backrolling every 4 vertical feet and subsequently rolled with a vibratory sheepsfoot and grid roller.

3.8 Rippability and Placement of Oversize Material

Bedrock along the central ridgeline and hillsides generally consists of hard Granodiorite and Aplite. Below depths of 60 to 70 feet, this rock has seismic velocities in excess of 9,000 feet per second. Based on the Caterpillar Handbook, these velocities indicate the rock will be non-rippable. Hard rock drilling by California Drilling and Blasting determined that the depth of the very hard to non-rippable rock is shallower than the depths indicated from the seismic lines. In addition, at three locations investigated, non-rippable rock is anticipated at the ground surface. Larger equipment (D-9 and D-10 dozers) will probably be necessary to rip the rock, and production rates may be very low. It is anticipated that blasting will be necessary in the deeper cuts and locally starting at the ground surface.

Significant amounts of oversize rock will be generated from the bedrock cuts. Additional effort will be necessary to break these rocks. Oversize rock should be kept at a depth of more than 15 feet below finish grade elevation. In addition, oversized rock should be placed in accordance with the guidelines presented in the General Earthwork and Grading Specifications in Appendix G. Due to the anticipated large volume of oversize materials, it may be difficult to have enough fines to make a fill, especially since the hard rock and oversize will be encountered in the deepest cuts. Grading logistics should take into account the need for fills to place the oversize materials in, especially the need for finer materials to fill the voids. Rock crushing and/or other methods to generate more fines should be considered.

Since blasting is anticipated at the site, protection of nearby oil and gas lines and the adjacent houses will be of great importance. Blasting should be maintained at a distance from these structures consistent with the standard of practice. Proper monitoring (i.e., seismographs) should be installed at appropriate locations.

3.9 Lot Capping/Overexcavation

The proposed mass grading will create exposed cut and fill transitions at finish grade for many of the lots. Transition conditions are anticipated for Lots 1, 3 through 5, 7, 9, 10, 17, 18, 21 through

23, 28, 35, 40 through 47, 57 through 59, 61, 62, 65, and 66. The cut portion of these lots, as well as those areas where less than 3 feet of fill is expected, should be overexcavated to a minimum depth of 3 feet below finish pad grade and replaced with compacted fill.

In areas where hard rock is exposed at finish grade and cannot be excavated with normal earthmoving equipment or backhoes, overexcavation to a minimum depth of 3 feet within the lots, and 10 feet within the streets (or to the deepest utility line) is recommended to facilitate future precise grading, foundation construction, and utility installation. The lots impacted by this condition include Lots 2, 4, 11, 12, and 23 through 27. The streets impacted include portions of "A," "B," "C," and "E" streets. A variable overexcavation is recommended in the hard rock areas transitioning from the street (10 feet) to the adjacent lot (3 feet) to facilitate installation of the future utility laterals (Figure 2).

3.10 Selective Grading

Significant amounts of oversize rock (greater than 12 inches in size) will be generated during excavation at the site. The deepest planned cuts and recommended pad and slope overexcavation (typically excavated last) will produce the most oversize rock. Grading logistics should be planned so that there are deep fills remaining in which to place the oversize rock. Depending upon the grading logistics and operations, additional measures (such as rock crushing or blasting) may be needed to produce enough granular fill materials to accommodate rocks in the fill. The sandy soils will be needed for placement of the oversize rock and the silts and clays (cohesive materials) will be needed to create slope faces.

3.11 Protection of Existing Utilities

Existing utilities should be located and remain marked during mass grading operations. Grading and construction activities over the pipelines should be performed with care. Stockpiling of soils over these lines should not be allowed without prior acceptance by the utility company. Excavations adjacent to the oil and gas pipeline easement should be performed with care, so as not to undermine or destabilize the adjacent ground. Operation of heavy equipment and crossings over these lines with heavy equipment should be in conformance with SCG and Quest Star guidelines (e.g., ramps, plating, etc.).

3.12 Lateral Earth Pressures and Bearing Capacity

Preliminary lateral earth pressures for retaining structures with approved onsite soils are as follows:

Conditions	Equivalent Fluid Pressure (psf/ft)		
	Level	2:1 Slope	1.5:1 slope
Active	40	65	75
At Rest	60	85	--
Passive	360	135	90



Soils with Medium to High expansion potential should not be used for backfill materials. To design an unrestrained retaining wall, such as a cantilever wall, the active earth pressure may be used. For a restrained retaining wall, such as a vault or at restrained wall corners, the at-rest pressure should be used. Passive pressure is used to compute lateral soils resistance developed against lateral structural movement. Further, for sliding resistance the friction coefficient of 0.38 may be used at the concrete and soil interface. In combining the total lateral resistance, either the passive pressure or the frictional resistance should be reduced by 50 percent. In addition, the passive resistance is taken into account only if it is ensured that the soil against embedded structure will remain intact with time. Drainage behind retaining walls should also be provided in accordance with Figure 6.

3.13 Foundations

Shallow foundations and slabs-on-grade (including post-tensioned slabs) may be used for low rise structures. Our preliminary evaluation of the near-surface soils indicates that the expansion potential may range from "very low" to "medium." The 1997 Uniform Building Code (UBC) requires specific foundation and slab design for soils having expansion index of 21 (low) or greater. Principally, the design must be post-tensioned slabs per the Post-Tensioning Institute (PTI) method or slab-on-grade per the Wire Reinforcement Institute (WRI) method. Any other foundation and slab designs must be specifically submitted by the geotechnical and structural engineers and approved by the Building Official.

Additional soil sampling and laboratory testing should be performed during rough grading to verify the expansion potential of onsite soils and to provide additional design parameters (particularly if the PTI or WRI methods are to be implemented).

Preliminary sizing of foundations may be based on an allowable bearing capacity of 1,800 psf for a 12-inch-wide footing embedded 12 inches below nearest adjacent grade. This may be increased by 300 psf for every additional foot of width and/or embedment depth up to a maximum of 3,000 psf. The allowable bearing pressure may be increased by one-third for wind and seismic loading. The coefficient of resistance of 0.38 against sliding for concrete in contact with native soil may be used.

Final foundation design is the purview of the geotechnical consultant and structural engineer of the home builder.

3.14 Structural Slabs-on-Grade

Slabs-on-grade should be designed per the 1997 UBC. They should be a minimum of 4 inches thick. One inch of sand over a moisture barrier (minimum 10 mil plastic sheeting) with 2 inches of sand underneath is also recommended under living area slabs. Sand should be non-angular, clean sand, having a sand equivalent of 30 or greater.

With the advent of water-based flooring adhesives, some floor coverings are considerably more sensitive to slab moisture. Concrete mix design, especially the water/cement ratio, should take this into consideration.

Slab subgrades should be at the moisture contents described in the table below just prior to placement of concrete.

Expansion Potential:	<i>Very Low</i> (EI = 0 to 20)	<i>Low</i> (EI = 21 to 50)	<i>Medium</i> (EI = 51 to 90)	<i>High and Above</i> (EI > 91)
Molsture Content:	Near optimum	1.2 x optimum	1.3 x optimum	1.4 x optimum
Depth of Penetration:	6 inches	12 inches	18 inches	24 inches

Presoaking of the soil may be necessary to achieve these moisture contents. Placement of fill at or near this moisture content generally is helpful in reducing (in some cases considerably) the amount of effort required during presoaking.

3.15 Foundation Setbacks

Footings of structures (interpreted to also include retaining walls) located above a slope having a total height of 10 feet or less should have a minimum setback of 5 feet. This setback measured from the outside edge of the footing bottom along a horizontal line to the face of the slope should be maintained. For footings above slopes having a total height greater than 10 feet, the setback should be equal to half of the total height of the slope, but need not exceed 10 feet. For slopes in excess of 30 feet in height, the UBC setback criteria should be applied (one-third of the slope height, maximum setback 40 feet). Also, structures on Lot 19 should be set back a minimum of 30 feet from the top of slope along the southeastern portion of the lot (Plate 1).

3.16 Expansion Potential

Foundation recommendations should be based on expansion testing and classification of the finished pads after completion of grading. Based on our experience with similar soils and due to the variability in soils, expansion potential may vary locally from Very Low to Medium.

3.17 Cement Type for Construction

The near-surface earth materials are anticipated to have soluble sulfate contents that are classified as negligible to moderate in accordance with 1997 UBC. The final determination of the cement type should be based on testing and classification after completion of grading.

3.18 Preliminary Pavement Design

Future subgrade materials within the planned road alignment are expected to be somewhat granular with moderately good subgrade characteristics. The following preliminary pavement sections are based on a traffic index (TI) of 6.0 and a conservative R-value of 20.



Preliminary Structural Pavement Section	
Asphalt Concrete (AC) Thickness	Aggregate Base (AB) Thickness
0.35 foot	0.70 foot
0.40 foot	0.55 foot

Final pavement sections should be based on R-value testing of street subgrade material following completion of mass grading and the design TI (provided by the Traffic Engineer). If the roads will be used for heavy construction traffic during development, the structural pavement section may need to be increased; otherwise some pavement distress should be anticipated.

Aggregate base (AB) can be crushed aggregate base or crushed miscellaneous base in accordance with Standard Specifications for Public Works Construction (The Green Book). The material should be free of any detrimental quantity of deleterious materials. The AB should be observed and tested by the geotechnical consultant, to verify that it is compacted to a minimum of 95 percent relative compaction, based on ASTM Test Method D1557.

Street subgrade should have uniform soil and moisture conditions. The subgrade should be observed and tested by the geotechnical consultant prior to placement of any base or concrete material to verify that it is firm, unyielding and compacted to a minimum of 90 percent relative compaction (based on ASTM Test Method D1557).

3.19 Surface Drainage

Inadequate control of surface runoff or heavy irrigation after development of the site may result in nuisance seepage conditions and/or erosion. Maintaining adequate surface drainage, proper disposal of runoff water and control of irrigation will help reduce the potential for future moisture-related problems. Ponding of water on the pads should not be allowed.

Surface drainage should be carefully taken into consideration during all grading, landscaping, and building design and construction. Positive surface drainage should be provided to direct runoff away from slopes and structures and toward the street or suitable drainage devices.

3.20 Maintenance of Graded Slopes

To reduce the erosion and slumping potential of the graded slopes, permanent manufactured slopes should be protected from erosion by planting with appropriate ground cover or suitable erosion protection should be applied as soon as is practical. Proper drainage should be designed and maintained to collect surface waters and direct them away from slopes. A rodent-control program should be established and maintained as well, to reduce the potential for damage related to burrowing. In addition, the design and construction of improvements and landscaping should also provide appropriate drainage measures.

3.21 Utility Construction

The majority of utility trench excavations should encounter compacted fill materials, after grading and overexcavation is completed during mass grading. The trenches are not anticipated to encounter significant amounts of groundwater. Trench excavations should be performed in accordance with the CalOSHA Title 8 California Code of Regulations Construction Safety Orders (Sections 1504, 1539-1543). Soils across most of the site are anticipated to be classified as Type B for CalOSHA trench excavation requirements. Some trenches may encounter rocky fills with occasional oversize rocks.

Native soils should be suitable for use as trench backfill. Native backfill materials should be compacted to a minimum of 90 percent relative compaction. Select granular backfill may be used in lieu of native soils, but should be mechanically compacted.

3.22 Geotechnical Observation and Testing During Grading

The findings, conclusions and recommendations in this report are based upon interpretation of data and data points having limited spatial extent. Verification and refinement of actual geotechnical conditions during grading is very important, especially where slope stabilization is involved. At minimum, geotechnical observation and testing should be conducted during grading at the following stages:

- Following clearing and grubbing, prior to site processing or fill placement;
- During and following cutting of slopes, remedial removals and excavation of slope stabilization measures;
- During installation of subdrains;
- During fill placement;
- During and after excavations for storm drain structures;
- During backfill behind structures; and
- When any unusual or unexpected geotechnical conditions are encountered during grading and construction.

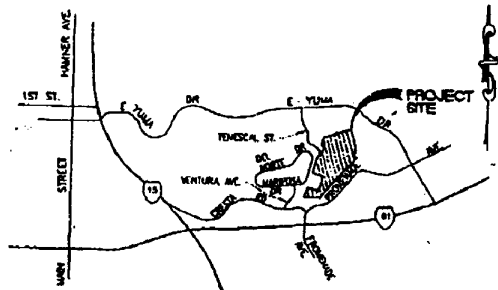
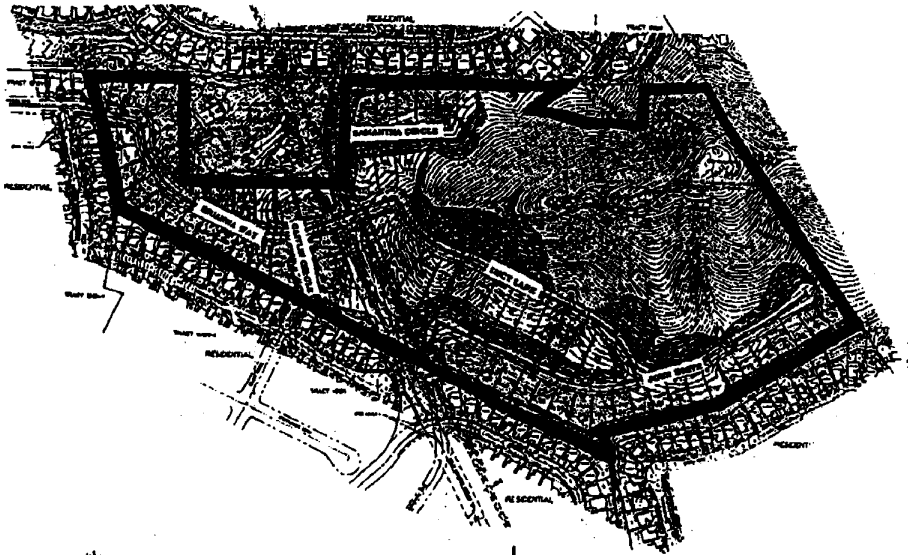
3.23 Geotechnical Review of Future Plans

Future grading plans and any revisions/changes in the current plan for the site should be reviewed and accepted by the geotechnical consultant prior to grading. A geotechnical report with recommendations specific to the grading plan and construction should be issued.



EXHIBIT B TO
TRACT 29813 DEVELOPMENT AGREEMENT

Map Showing Property and its Location



VICINITY MAP
NOT TO SCALE

RVTUBJPMAG28126

Exhibit B

EXHIBIT C TO
TRACT 29813 DEVELOPMENT AGREEMENT

Existing Development Approvals

1. Tentative Tract Map 29813
2. Precise Plan 01-001

RVTUBJPMAG28126

Exhibit C

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Corona
815 West Sixth Street
Corona, CA 91718-0940
Attn: City Clerk

[Fee Exempt - Gov't Code -

22283]

(Space above for Recorder's Use)

DEVELOPMENT AGREEMENT

TRACT 29813 DEVELOPMENT AGREEMENT

between

THE CITY OF CORONA
a municipal corporation

and

FIELDSTONE COMMUNITIES, INC.
a California corporation

{Dated _____, 2002, for reference purposes only}

ARTICLE 1. PARTIES AND DATE.

This Tract 29813 Development Agreement ("Agreement") is entered into between (i) the City of Corona ("City"), a municipal corporation, and (ii) Fieldstone Communities, Inc. ("Owner"), a California corporation. This Agreement shall become effective on the Effective Date defined in Section 3.1.8 below.¹

ARTICLE 2. RECITALS.

2.1 The City is authorized to enter into binding development agreements with persons having legal or equitable interests in real property for the development of such property, pursuant to Section 65864, et seq. of the Government Code; and

2.2 The City has adopted rules and regulations for consideration of development agreements, pursuant to Section 65865 of the Government Code; and

2.3 The Owner has requested that the City enter into a development agreement, and proceedings have been taken in accordance with the rules and regulations of the City; and

2.4 By entering into this Agreement, the City binds future City Councils of the City by the obligations specified herein, and limits the future exercise of certain governmental and proprietary powers of the City; and

2.5 The terms and conditions of this Agreement have undergone extensive review by the City and the City Council and have been found to be fair, just and reasonable; and

2.6 All of the requirements of the California Environmental Quality Act ("CEQA") have been met with respect to the Project and the Agreement and the City has previously reviewed, considered and adopted a Mitigated Negative Declaration and Mitigation Monitoring Program for the Project in compliance with CEQA; and

2.7 The City has also previously reviewed, considered, and approved Tentative Tract Map 29813 and Precise Plan 01-001 for the Project; and

2.8 This Agreement and the Project are consistent with the Corona General Plan and the Northeast Corona Specific Plan; and

2.9 All actions taken and approvals given by the City have been duly taken or approved in accordance with all applicable legal requirements for notice, public hearings, findings, votes, and other procedural matters; and

¹All article, section, and exhibit references in this Agreement are to articles, sections, and exhibits of this Agreement unless otherwise expressly provided.

2.10 Development of the Property in accordance with this Agreement will provide substantial benefits to the City, will further important policies and goals of the City; and will generally serve the purposes for which development agreements authorized under Sections 65864, et seq. of the Government Code are intended; and

2.11 The Owner has incurred and will in the future incur substantial costs in order to assure development of the Property in accordance with this Agreement.

ARTICLE 3. GENERAL TERMS.

3.1 **Definitions and Exhibits.** The following terms when used in this Agreement shall be defined as follows:

3.1.1 "Agreement" means this Tract 29813 Development Agreement.

3.1.2 "City" means the City of Corona, a municipal corporation.

3.1.3 "Days" means calendar days unless otherwise specified.

3.1.4 "Development" means the improvement of the Property for the purposes of completing the structures, improvements and facilities comprising the Project including, but not limited to: grading, the construction of infrastructure and public facilities related to the Project whether located within or outside the Property, the construction of buildings and structures, and the installation of landscaping. "Development" includes the right to maintain, repair, or reconstruct any private building, structure, improvement or facility after the construction and completion thereof; provided, however, that such maintenance, repair, or reconstruction takes place within the term of this Agreement on parcels subject to it.

3.1.5 "Development Approvals" means all permits and other entitlements required for the Development of the Property, and all conditions imposed pursuant thereto, and which are subject to approval or issuance by the City in connection with Development of the Property including, but not limited to:

- (i) General Plan amendments;
- (ii) Specific plans and specific plan amendments;
- (iii) Zoning;
- (iv) Tentative and final subdivision and parcel maps;
- (v) Conditional use permits, but only as to those conditions and requirements pertaining to the Development of the Property;
- (vi) Design review approvals; and

- (vii) Grading and building permits.

"Development Approvals" specifically do not include this Agreement.

3.1.6 "Development Exactions" means, except as otherwise provided in this Agreement, all exactions, in lieu fees or payments (including but not limited to capital facilities fees, impact mitigation fees, and service connection fees) or dedication or reservation of land requirements, obligations for on-site or off-site improvements or construction requirements including dedications consistent with the Development Plan which have a direct nexus with the subdivision and which may be set forth in subdivision improvement agreements, mitigation measures in connection with environmental review, or impositions made under other rules, regulations, or official policies of the City or in order to make a Project approval consistent with the City's General Plan or the Northeast Corona Specific Plan, including without limitation, any requirements of the City in connection with or pursuant to any Land Use Regulation or Development Approval for the development of land, the construction of improvements for public facilities, or the payment of fees in order to lessen, offset, mitigate or compensate for the impacts of development on the environment or other public interests. Development Exactions shall not include filing fees or other Processing Fees.

3.1.7 "Development Plan" means the Existing Development Approvals applicable to Development of the Property.

3.1.8 "Effective Date" means the date which is thirty days after the second reading of the City Council ordinance which adopts and approves this Agreement, unless timely referendum proceedings to set aside the ordinance adopting this Agreement are commenced, in which case the occurrence of the Effective Date shall be postponed until the final disposition of the referendum, including the disposition of any judicial proceedings commenced with respect thereto.

3.1.9 "Existing Development Approvals" means all Development Approvals approved or issued prior to the Effective Date. Existing Development Approvals includes the approvals incorporated herein as Exhibit C and all other approvals which are a matter of public record on the Effective Date.

3.1.10 "Existing Land Use Regulations" means all Land Use Regulations in effect on the Effective Date. Existing Land Use Regulations include all regulations which are a matter of public record on the Effective Date, as they may be modified by the Existing Development Approvals.

3.1.11 "Land Use Regulations" means all ordinances, resolutions, codes, rules, regulations and official policies of the City governing the development and use of land, including, without limitation, the permitted use of land, the density or intensity of use, subdivision requirements, the maximum height and size of proposed buildings, the provisions for reservation or dedication of land for public purposes, and the design, improvement and construction and initial occupancy standards and specifications applicable to the Development of the Property. "Land Use Regulations" include those Land Use Regulations in the Northeast Corona Specific Plan but do not include any City ordinance, resolution, code, rule, regulation or official policy, governing:

- (i) The conduct of businesses, professions, and occupations;

(ii) Other than as provided in this Agreement, taxes and assessments of general application upon all residents of the City, provided that the taxes and assessments are not imposed for the purpose of taxing the right, power or privilege of developing or improving land (e.g. excise tax) or to directly finance the construction or maintenance of any public improvement in respect of which the Owner is paying any fee or providing any improvement pursuant to Article 5 hereof;

- (iii) The control and abatement of nuisances;

(iv) The granting of encroachment permits and the conveyance of rights and interests which provide for the use of or the entry upon public property; or

- (v) The exercise of the power of eminent domain.

3.1.12 "Mortgagee" means a mortgagee of a mortgage, a beneficiary under a deed of trust or any other security-device lender.

3.1.13 "Owner" means Fieldstone Communities, Inc. and its successors in interest to all or any part of the Property.

3.1.14 "Processing Fees" means the normal and customary application, filing, plan check, permit fees for land use approvals, design review, tree removal permits, building permits and other similar permits and entitlements, and inspection fees, which fees the City has determined are charged to reimburse the City's expenses attributable to such applications, processing, permitting, review and inspection and which are in force and effect on a general basis at such time as said approvals, permits, review, inspection or entitlement are granted or conducted by the City.

3.1.15 "Project" means the future Development of the entirety of the public and private improvements on the Property, in a manner consistent with the Development Plan, as such Development Plan may be further defined, enhanced or modified pursuant to the provisions of this Agreement.

3.1.16 "Property" means the real property described on Exhibit A and shown on Exhibit B.

3.1.17 "Reservations of Authority" means the rights and authority excepted from the development assurances and rights provided to the Owner under Article 4 and reserved to the City as described in Section 4.5.

3.1.18 "Subsequent Development Approvals" means all Development Approvals required subsequent to the Effective Date in connection with Development of the Property, including without limitation, subdivision improvement agreements which require the provision of bonds or other securities. Subsequent Development Approvals include, without limitation, all excavation,

grading, building, construction, encroachment or street improvement permits, occupancy certificates, utility connection authorizations, or other non-discretionary permits or approvals necessary, convenient or appropriate for the grading, construction, marketing, use and occupancy of the Project within the Property at such times and in such sequences as Owner may choose consistent with the Development Plan and this Agreement.

3.1.19 "Subsequent Land Use Regulations" means any Land Use Regulations adopted and effective after the Effective Date.

Other initially capitalized terms appearing in this Agreement shall have the meaning given to them at the point at which they first appear.

3.2 Exhibits. The following documents are attached to and, by this reference, made a part of this Agreement:

- Exhibit A -- Legal Description of the Property.
- Exhibit B -- Map showing Property and its location.
- Exhibit C -- Existing Development Approvals.

3.3 Binding Effect of Agreement. The Property is hereby made subject to this Agreement. Development of the Property shall, except as otherwise provided in this Agreement, be carried out only in accordance with the terms of this Agreement.

3.4 Ownership of Property. The Owner represents and covenants that it is the owner of fee simple title to the Property.

3.5 Term. The term of this Agreement shall commence on the Effective Date and shall continue for a period of ten (10) years thereafter.

3.6 Amendment or Cancellation of Agreement. This Agreement may be amended, modified or canceled in whole or part only by mutual written consent of both the City and the Owner pursuant to Government Code Section 65868, following all required public notices and hearings and City Council approval; provided, however, that within the limits of the authority granted to him or her, the City's Planning Director may make the following minor modifications to this Agreement without the need for formal action by the City's Planning Commission or City Council:

- a. Minor modifications such as are permitted or specified in the Northeast Corona Specific Plan; and
- b. Minor modifications of schematic plans previously approved by the City; and
- c. Minor modifications that do not alter the term of this Agreement, the permitted uses, density or intensity of uses, maximum height or size of buildings, provisions for reservations or dedication of land, conditions, terms, restrictions and requirements relating to Subsequent Development Approvals, and monetary contributions by the Owner.

3.7 Automatic Termination. This Agreement shall automatically terminate upon the occurrence of any of the following events:

- (i) Expiration of the stated term of this Agreement as set forth in Section 3.5; or
- (ii) Entry of a final judgment setting aside, voiding or annulling the adoption of the ordinance approving this Agreement; or
- (iii) The adoption of a referendum measure pursuant to Government Code Section 65867.5 overriding or repealing the ordinance approving this Agreement; or
- (iv) Completion of the Project in accordance with the terms of this Agreement including issuance of all required occupancy permits and acceptance by the City or other applicable public agency of all required dedications and improvements.

Termination of this Agreement shall not constitute termination of any other land use entitlements approved for the Property unless such land use entitlements are conditioned upon the continued existence of this Agreement or upon the construction of the improvements or the payment of the fees described in this Agreement. Upon the termination of this Agreement, no party shall have any further right or obligation hereunder except with respect to any obligation to have been performed prior to such termination, or with respect to any default in the performance of the provisions of this Agreement which has occurred prior to such termination, or with respect to any obligations which are specifically set forth as surviving this Agreement.

3.8 Notices.

3.8.1 As used in this Agreement, "notice" includes, without limitation, the communication of notice, request, demand, approval, statement, report, acceptance, consent, waiver, appointment or other communication required or permitted hereunder.

3.8.2 All notices shall be in writing and shall be considered given: (i) when delivered in person to the recipient named below; or (ii) three days after deposit in the United States mail, postage prepaid, addressed to the recipient named below; or (iii) on the date of delivery shown in the records of the telegraph company after transmission by telegraph to the recipient named below; or (iv) on the date of delivery by facsimile transmission to the recipient named below. All notices shall be addressed as follows:

If to City:

City Manager
City of Corona
815 West Sixth Street
Corona, CA 91718-0940
Facsimile: (909) 350-6613

With Copy to:

Dean R. Derleth, Esq.
Best Best & Krieger LLP
3750 University Avenue
P.O. Box 1028
Riverside, CA 92502-1028
Facsimile: (909) 686-3083

If to Owner:

Fieldstone Communities, Inc.
14 Corporate Plaza
Newport Beach, CA 92660
Attn: Jo Domingo
Facsimile: (949) 721-9652

With Copy to:

Clayson, Mann, Yaeger & Hansen
601 South Main Street
Corona, CA 92882-3497
Attn: David Saunders
(909) 737-4384

3.8.3 Either party may, by notice given at any time, require subsequent notices to be given to another person or entity, whether a party or an officer or representative of a party, or to a different address, or both. Notices given before actual receipt of notice of change shall not be invalidated by the change.

3.9 **Validity of This Agreement.** The Owner and the City each agree that neither party has made any representations to the other concerning the enforceability or validity of any one or more provisions of this Agreement.

ARTICLE 4. DEVELOPMENT OF THE PROPERTY.

4.1 **Rights to Develop.** The Owner shall, subject to the terms of this Agreement, have a vested right to develop the Property in accordance with and to the extent of the Development Plan. Unless otherwise specifically provided in this Agreement, the Property shall remain subject to all Subsequent Development Approvals required to complete the Project as contemplated by the Development Plan, and which are consistent with Existing Land Use Regulations. Except as otherwise provided in this Agreement, the permitted uses of the Property, the density and intensity of use, the maximum height and size of proposed buildings, and provisions for reservation and dedication of land for public purposes and other terms and conditions of Development applicable to the Property shall be those set forth in the Development Plan.

4.2 **Effect of Agreement on Land Use Regulations.** Except as otherwise provided by

this Agreement, the rules, regulations and official policies and conditions of approval governing permitted uses of the Property, the density and intensity of use of the Property, the maximum height and size of proposed buildings, and the design, improvement, occupancy and construction standards and specifications applicable to development of the Property shall be the Existing Land Use Regulations. Except as otherwise provided in this Agreement, the City shall only charge those fees, assessments and amounts which are in effect as of the date of the City's Approval of Tentative Tract Map No. 29813, to wit, August 16, 2000. No additional Development Exactions through the exercise of either the police power or the taxing power shall be imposed by the City on the Development of the Property other than those already established as conditions of approval for Tract Map 29813 and Precise Plan 01-001. Since the California Supreme Court held in Pardee Construction v. City of Camarillo (1984) 37 C.3d 465, that the failure of the parties therein to provide for the timing of development resulted in a later adopted initiative restricting the timing of development to prevail over such parties' agreement, it is the intent of the parties herein to cure that deficiency by acknowledging and providing that Owner shall have the right to develop the Property in accordance with this Agreement.

4.3 **Extension of Tentative Tract Map No. 29813.** Pursuant to Government Code section 66452.6, Tentative Tract Map No. 29813 shall be automatically extended for the term of this Development Agreement.

4.4 **Changes and Amendments to Existing Development Approvals.** The parties acknowledge that development of the Project may require Subsequent Development Approvals. In the event the Owner finds that a change in the Existing Development Approvals is necessary or appropriate, the Owner shall apply for a Subsequent Development Approval to effectuate such change and the City shall act on such application in accordance with the Subsequent Land Use Regulations and Reservations of Authority, except as otherwise provided by this Agreement. If approved by the City, in a form requested or approved by Owner, any such change in the Existing Development Approvals shall be incorporated as an addendum to Exhibit C, and may be further changed from time to time as provided in this Section 4.4.

4.5 **Reservations of Authority.** Any other provision of this Agreement to the contrary notwithstanding, Subsequent Land Use Regulations are limited to the following, which shall apply to the Development of the Property:

(i) Processing Fees imposed by the City to cover the estimated or actual costs to the City of processing applications for Development Approvals or for monitoring compliance with any Development Approvals granted or issued, which fees are charged to reimburse the City's expenses attributable to such applications, processing, permitting, review and inspection and which are in force and effect on a general basis at such time as said approvals, permits, review, inspection or entitlement are granted or conducted by the City.

(ii) Procedural regulations applicable City-wide on a general basis relating to hearing bodies, petitions, applications, notices, findings, records, hearings, reports, recommendations, appeals and any other matter of procedure.

(iii) Regulations governing engineering and construction standards and

specifications, for Public Improvements and private improvements, including, any and all uniform codes adopted by the City, including local amendments to those codes pursuant to state law allowing for such amendments; provided that such codes are uniformly applied to all new development projects of similar type as the Project within the City. Such codes include, without limitation, the City's Uniform Building Code, Plumbing Code, Mechanical Code, Electrical Code, Fire Code and Building Security Code.

(iv) Regulations which may be in conflict with the Development Plan but which are reasonably necessary to protect the public health and safety; provided, however, the following shall apply:

(a) That to the extent possible, such regulations shall be applied and construed so as to provide the Owner with the rights and assurances provided in this Agreement; and

(b) That such regulations apply uniformly to all new development projects of the same uses within the City; and

(c) That the City finds, based on substantial evidence, that such regulations are necessary to eliminate or reduce a public danger.

(v) Regulations which do not conflict with the Development Plan. Any regulation, whether adopted by initiative or otherwise, limiting the rate, timing, type or density of Development of the Property shall be deemed to conflict with the Development Plan and shall therefore not be applicable to the Development of the Property unless otherwise provided for in this Agreement or by statute. This Agreement shall not prevent the City, in acting on Subsequent Development Approvals, from applying Subsequent Land Use Regulations which do not conflict with the Development Plan, nor shall this Agreement prevent the City from denying or conditionally approving any Subsequent Development Approval on the basis of the Existing Land Use Regulations or any Subsequent Land Use Regulation not in conflict with the Development Plan.

The term "do not conflict" means new rules, regulations, and policies which: (a) do not modify the Development Plan, including, without limitation, the permitted land uses, the density or intensity of use, the phasing or timing of Development of the Project, the maximum height and size of proposed buildings on the Property, provisions for dedication of land for public purposes and Development Exactions, except as expressly permitted elsewhere in this Agreement, and standards for design, development and construction of the Project, except with respect to uniform codes as permitted elsewhere in this Agreement; (b) do not prevent Owner from obtaining any Subsequent Development Approvals, including, without limitation, all necessary approvals, permits, certificates, and the like, at such dates and under such circumstances as the Owner would otherwise be entitled by the Development Plan, or (c) do not prevent Owner from commencing, prosecuting, and finishing grading of the land, constructing public and private improvements, and occupying the Property, or any portion thereof, all at such dates and schedules as Owner would otherwise be entitled to do so by the Development Plan. Without limiting the foregoing, any Land Use Regulation limiting the rate, timing, type or density of Development of the Property shall be deemed to conflict with the Development Plan and shall therefore not be applicable to the Development of the Property, except as otherwise provided in this Agreement.

(vi) Regulations which are in conflict with the Development Plan provided that the Owner has given written consent to the application of such regulations to Development of the Property.

ARTICLE 5. PUBLIC BENEFITS.

5.1 **Intent.** The parties acknowledge and agree that development of the Property will result in substantial public benefits which justify the City's decision to execute this Agreement. These benefits include, but are not limited to, generation of additional property tax revenue, improvements to Cresta Verde Park, and provision of land for a public safety telecommunications site.

5.2 **Impact Fees.** Owner shall pay to City the following public facilities and services mitigation fees at the times provided therefor by the applicable City ordinance or resolution:

(a) Law Enforcement	\$131.38 per dwelling unit.
(b) Library Facilities	\$176.69 per dwelling unit.
(c) Fire Protection Facilities	\$402.40 per dwelling unit.
(d) Streets	\$405.12 per dwelling unit.
(e) Traffic Signals	\$155.48 per dwelling unit.
(f) Park Facilities	\$1,315.64 per dwelling unit.
(g) Drainage	\$0.13 per square foot of dwelling unit.
(h) Water Capital Improvement Fee	\$2,605 per dwelling unit.
(i) Sewer Capacity Fee	\$2,457 per dwelling unit.
(j) Quimby Act Fee	\$62,913.64 total for Project

Owner may, with the consent and authorization of City and any other applicable entity, construct public facilities and improvements in lieu of paying all or a portion of the applicable fees for said facilities and improvements. The identity and value of the offset against fees for the facilities and improvements shall be as determined by the City and the applicable entity. Nothing in this Section 5.2 shall be construed to require Owner to construct such facilities or improvements or to require City to agree to the construction of such improvements or facilities.

5.3 **Additional Obligations of Owner.**

5.3.1 **Dedication of Telecommunications Site.** Immediately after Owner records the final map for Tract 29813, Owner shall transfer to City, in a form acceptable to City's legal counsel, fee title to Lot 73 as shown on Tentative Tract Map 29813, together with all necessary and appropriate permanent rights of access thereto and utility easements ("Site"). Without limiting or

affecting Owner's obligations under Sections 8.3 and 8.4, Owner hereby grants to the City, its agents, contractors, employees and other representatives the right to enter upon the Property during reasonable business hours for purposes including, without limitation, the surveying, inspecting, photographing, sampling, and other testing necessary, in the City's absolute discretion, to the determination of whether hazardous or toxic pollutants, contaminants or materials (collectively, "environmental contaminants") are located upon the Site.

5.3.2 Improvements to Cresta Verde Park. Owner shall construct the improvements to Cresta Verde Park as required in the conditions of approval for Tentative Tract Map 29813.

ARTICLE 6. REVIEW FOR COMPLIANCE.

6.1 Periodic Review. The Planning Director, or his or her designee, shall review this Agreement annually, on or before each anniversary of the Effective Date, in order to ascertain the Owner's good faith compliance with this Agreement. The Owner shall submit an annual monitoring report, in a form acceptable to, and containing such information as may be requested by, the Planning Director, within 30 days after written notice from the City.

6.2 Special Review. The Planning Commission or City Council may order a special review of compliance with this Agreement at any time. The Planning Director or his or her designee shall conduct such special review. If the special review is held because of a default by the Owner in the performance of any term of this Agreement, then the City shall provide written notice to the Owner of the nature of the alleged default.

6.3 Procedure for Review.

6.3.1 During either a periodic review or a special review, the Owner shall be required to demonstrate good faith compliance with the terms of the Agreement. The burden of proof on this issue shall be on the Owner.

6.3.2 Upon completion of a periodic review or a special review, the Planning Director or his or her designee shall submit a report to the Planning Commission setting forth the evidence concerning good faith compliance by the Owner with the terms of this Agreement and his/her recommended finding on that issue.

6.3.3 If the Planning Commission finds on the basis of substantial evidence that the Owner has complied in good faith with the terms and conditions of this Agreement, the review shall be concluded.

6.3.4 If the Planning Commission makes a preliminary finding that the Owner has not complied in good faith with this Agreement and is in default hereunder, then the City shall provide written notice to the Owner of the default, setting forth the nature of the default and the actions required by Owner to cure such default. The City may not proceed with modification or termination of this Agreement pursuant to Section 6.4 if, within thirty (30) days after receipt of the foregoing notice, the Owner commences to cure the default and diligently prosecutes such cure to

completion within sixty (60) days after the notice is given or such additional period as is reasonably necessary to complete the cure.

6.4 Procedure for Modification or Termination. Upon a preliminary determination pursuant to Section 6.3.4 and the owner's subsequent failure to commence and/or cure the default as provided herein, the Planning Commission may determine to proceed with modification or termination of this Agreement by giving written notice to the Owner of its intention to do so at a public hearing noticed in accordance with the provisions of the City's Municipal Code. The notice to the Owner shall be given at least ten (10) calendar days prior to the scheduled hearing and shall contain:

- (i) The time and place of the hearing; and
- (ii) A statement as to whether or not the Planning Commission proposes to terminate or to modify the Agreement; and
- (iii) Such other information as is reasonably necessary to inform the Owner of the claimed default and the nature of the proceeding.

6.5 Hearing on Modification or Termination. At the time and place set for the hearing on modification or termination, the Owner shall be given an opportunity to be heard. The Owner shall be required to demonstrate good faith compliance with this Agreement. The burden of proof on this issue shall be on the Owner. If the Planning Commission properly finds, based upon substantial evidence, that the Owner has not complied in good faith with the terms or conditions of this Agreement, the Planning Commission may terminate this Agreement notwithstanding any other provision of this Agreement to the contrary, or modify this Agreement and impose such conditions as are reasonably necessary to protect the interests of the City. The Owner may appeal any determination of the Planning Commission to the City Council in accordance with the City's Municipal Code. The decision of the City Council shall be final, subject only to judicial review pursuant to Code of Civil Procedure Section 1094.5.

ARTICLE 7. DEFAULTS AND REMEDIES.

7.1 Remedies in General. It is acknowledged by the parties that the City would not have entered into this Agreement if it were to be liable in damages under this Agreement, or with respect to this Agreement or the application thereof.

In general, each of the parties hereto may pursue any remedy at law or equity available for the breach of any provision of this Agreement, except that the City shall not be liable in monetary damages, including, without limitation, attorneys' fees and litigation costs, to the Owner, to any mortgagee or lender, or to any successor in interest of the Owner or mortgagee or lender, or to any other person, and the Owner covenants on behalf of itself and all successor in interest to the Property or any portion thereof, not to sue for damages or claim any damages:

- (i) For any breach of this Agreement or for any cause of action which arises out of this Agreement; and

(ii) For the impairment or restriction of any right or interest conveyed or provided under, with, or pursuant to this Agreement, including, without limitation, any impairment or restriction which the Owner characterizes as a regulatory taking or inverse condemnation; and

(iii) Arising out of or connected with any dispute, controversy or issue regarding the application or interpretation or effect of the provisions of this Agreement.

Nothing contained herein shall modify or abridge the Owner's rights or remedies (including its rights for damages, if any) resulting from the exercise by the City of its power of eminent domain; provided, however, that such exercise must result in a physical occupation of the Property or portion thereof. Except as set forth in the preceding sentence, the Owner's remedies shall be limited to those set forth in this Section 7.1 and Section 7.2.

7.2 Specific Performance. The parties acknowledge that money damages and remedies at law generally are inadequate, and specific performance and other non-monetary relief are particularly appropriate remedies for the enforcement of this Agreement and should be available to all parties for the following reasons:

(i) Money damages are unavailable against the City as provided in Section 7.1 above.

(ii) Due to the size, nature and scope of the Project, it may not be practical or possible to restore the Property to its natural condition once implementation of this Agreement has begun. After such implementation, the Owner may be foreclosed from other choices it may have had to use the Property or portions thereof. The Owner has invested significant time and resources and performed extensive planning and processing of the Project in agreeing to the terms of this Agreement and will be investing even more significant time and resources in implementing the Project in reliance upon the terms of this Agreement, and it is not possible to determine the sum of money which would adequately compensate the Owner for such efforts; the parties acknowledge and agree that any injunctive relief may be ordered on an expedited, priority basis.

7.3 Release. Except for non-damage remedies, including the remedy of specific performance as provided for in Section 7.2, the Owner, for itself, its successors and assigns and all successors-in-interest to all or any portion of the Property, hereby releases the City, its officers, agents and employees from any and all claims, demands, actions, or suits of any kind or nature arising out of any liability, known or unknown, present or future, including, but not limited to, any claim or liability, based or asserted, pursuant to Article I, Section 19 of the California Constitution, the Fifth Amendment of the United States Constitution, or any other law, ordinance or judicial decision which seeks to impose any other liability or damage, whatsoever, upon the City.

The release provided pursuant to this Section 7.3 is limited to those claims, demands, actions, suits and liabilities which are imposed or asserted against the City because it entered into this Agreement or which are founded upon the terms of this Agreement. Subject to the foregoing limitation, Owner hereby waives, releases and foregoes any rights which it may have pursuant to California Civil Code section 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

In addition to waiving the provisions of California Civil Code section 1542, the Owner hereby waives, releases and foregoes the provisions of any federal or state statute or judicial decision of similar effect.

7.4 Termination of Agreement for Default of the City. The Owner may terminate this Agreement only in the event of a default by the City in the performance of a material term of this Agreement and only after providing written notice to the City of default setting forth the nature of the default and the actions, if any, required by the City to cure such default and, where the default can be cured, the City has failed to take such actions and cure such default within 60 days after the effective date of such notice or, in the event that such default cannot be cured within such 60 day period but can be cured within a longer time, has failed to commence the actions necessary to cure such default within such 60 day period and to diligently proceed to complete such actions and cure such default.

ARTICLE 8. THIRD PARTY LITIGATION.

8.1 General Plan Litigation. The City has determined that this Agreement is consistent with its General Plan. The Owner has reviewed the General Plan and concurs with the City's determination. The City shall have no liability under this Agreement or otherwise for any failure of the City to perform under this Agreement, or for the inability of the Owner to develop the Property as contemplated by the Development Plan, which failure to perform or inability to develop is as the result of a judicial determination that the General Plan, or portions thereof, are invalid or inadequate or not in compliance with law, or that this Agreement or any of the City's actions in adopting it were invalid, inadequate, or not in compliance with law.

8.2 Third Party Litigation Concerning Agreement. The Owner shall defend, at its expense, including attorneys' fees, indemnify, and hold harmless the City, its agents, officers and employees from any claim, action or proceeding against the City, its agents, officers or employees to attack, set aside, void, or annul the approval of this Agreement or the approval of any permit granted pursuant to this Agreement. The City shall promptly notify the Owner of any such claim, action or proceeding, and the City shall cooperate in the defense. If the City fails to promptly notify the Owner of any such claim, action or proceeding, or if the City fails to cooperate in the defense, the Owner shall not thereafter be responsible to defend, indemnify or hold harmless the City. The City may in its discretion participate in the defense of any such claim, action or proceeding.

8.3 Indemnity. In addition to the provisions of Sections 8.1 and 8.2 above, the Owner shall indemnify and hold the City, its officers, agents, employees and independent contractors free and harmless from any liability whatsoever, based or asserted upon any act or omission of the Owner, its officers, agents, employees, subcontractors and independent contractors, for property damage, bodily injury or death (the Owner's employees included) or any other element of damage

of any kind or nature, relating to or in any way connected with or arising from the activities contemplated hereunder, including, but not limited to, the study, design, engineering, construction, completion, failure and conveyance of the Public Improvements, save and except claims for damages arising through the negligence or willful misconduct of the City. The Owner shall defend, at its expense, including attorneys' fees, the City, its officers, agents, employees and independent contractors in any legal action based upon such alleged acts or omissions. The City may in its discretion participate in the defense of any such legal claim, action or proceeding.

8.4 Environmental Contamination. The Owner shall indemnify and hold the City, its officers, agents, and employees free and harmless from any liability, based or asserted, upon any act or omission of the Owner, its officers, agents, employees, subcontractors, predecessors in interest, successors, assigns and independent contractors, excepting any acts or omissions of City as successor to any portions of the Property transferred to City by Owner, for any violation of any federal, state or local law, ordinance or regulation relating to industrial hygiene or to environmental conditions on, under or about the Property, including, but not limited to, soil and groundwater conditions, and the Owner shall defend, at its expense, including attorneys, fees, the City, its officers, agents and employees in any action based or asserted upon any such alleged act or omission. The City may in its discretion participate in the defense of any such claim, action or proceeding.

8.5 The City to Approve Counsel. With respect to Sections 8.1 through 8.4 herein, the City reserves the right to either (i) approve the attorney(s) which the Owner selects, hires or otherwise engages to defend the City hereunder, which approval shall not be unreasonably withheld, or (ii) conduct its own defense; provided, however, that the Owner shall reimburse the City forthwith for any and all reasonable expenses incurred for such defense, including attorneys' fees, upon billing and accounting therefor.

8.6 Survival. The provisions of Sections 8.1 through 8.6 inclusive, shall survive the termination or expiration of this Agreement.

ARTICLE 9. MORTGAGEE PROTECTION.

The parties hereto agree that this Agreement shall not prevent or limit the Owner, in any manner, at the Owner's sole discretion, from encumbering the Property or any portion thereof or any improvement thereon by any mortgage, deed of trust or other security device securing financing with respect to the Property. The City acknowledges that the lenders providing such financing may require certain interpretations and modifications of this Agreement and agrees upon request, from time to time, to meet with the Owner and representatives of such lenders to negotiate in good faith any such request for interpretation or modification. The City will not unreasonably withhold its consent to any such requested interpretation or modification provided such interpretation or modification is consistent with the intent and purposes of this Agreement, provided, further, that any modifications of this Agreement are subject to the provisions of Section 3.6 of this Agreement. Any Mortgagee shall be entitled to the following rights and privileges:

(i) Neither entering into this Agreement nor a breach of this Agreement shall defeat, render invalid, diminish or impair the lien of any mortgage on the Property made in good faith and for value; and

(ii) Any Mortgagee which has submitted a written request to the City in the manner specified herein for giving notices shall be entitled to receive written notification from the City of any default by the Owner in the performance of the Owner's obligations under this Agreement.

(iii) If the City timely receives a request from a Mortgagee requesting a copy of any notice of default given to the Owner under the terms of this Agreement, the City shall provide a copy of that notice to the Mortgagee within ten (10) days of sending the notice of default to the Owner. The Mortgagee shall have the right, but not the obligation, to cure the default during the remaining cure period allowed the Owner under this Agreement.

(iv) Any Mortgagee who comes into possession of the Property, or any part thereof, pursuant to foreclosure of the mortgage or deed of trust, or deed in lieu of such foreclosure, shall take the Property, or part thereof, subject to the terms of this Agreement. Notwithstanding any other provision of this Agreement to the contrary, no Mortgagee shall have an obligation or duty under this Agreement to perform any of the Owner's obligations or other affirmative covenants of the Owner hereunder, or to guarantee such performance. However, to the extent that the performance of such obligation by the Owner is a condition precedent to the performance of any act by the City, the City shall have no obligation to perform such act hereunder unless and until the Mortgagee performs the covenant of the Owner which is the condition precedent to the City's performance. Although a Mortgagee is not obligated to perform the obligations and covenants of the Owner hereunder, if the Mortgagee elects to so perform, such performance shall be in full accordance with the terms of this Agreement.

ARTICLE 10. MISCELLANEOUS PROVISIONS.

10.1 Recordation of Agreement. This Agreement and any amendment or cancellation thereof shall be recorded with the County Recorder by the City Clerk within the period required by Section 65868.5 of the Government Code.

10.2 Entire Agreement. This Agreement sets forth and contains the entire understanding and agreement of the parties, and there are no oral or written representations, understandings or ancillary covenants, undertakings or agreements which are not contained or expressly referred to herein. No testimony or evidence of any such representations, understandings or covenants shall be admissible in any proceeding of any kind or nature to interpret or determine the terms or conditions of this Agreement.

10.3 Severability. If any term, provision, covenant or condition of this Agreement shall be determined invalid, void or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement.

10.4 Interpretation and Governing Law. This Agreement and any dispute arising hereunder shall be governed and interpreted in accordance with the laws of the State of California. This Agreement shall be construed as a whole according to its fair language and common meaning.

to achieve the objectives and purposes of the parties hereto, and the rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in interpreting this Agreement, all parties having been represented by counsel in the negotiation and preparation hereof.

10.5 Section Headings. All section headings and subheadings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

10.6 Singular and Plural. As used herein, the singular of any word includes the plural.

10.7 Joint and Several Obligations. If at any time during the term of this Agreement any individual parcel within the Property is jointly owned by more than one Owner, all obligations of such Owners under this Agreement as to that parcel of the Property shall be joint and several, and the default of any such Owner shall be the default of all such Owners.

10.8 Time of Essence. Time is of the essence in the performance of the provisions of this Agreement as to which time is an element.

10.9 Waiver. Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by the other party, or the failure by a party to exercise its rights upon the default of the other party, shall not constitute a waiver of such party's right to insist and demand strict compliance by the other party with the terms of this Agreement thereafter.

10.10 No Third Party Beneficiaries. This Agreement is made and entered into for the sole protection and benefit of the parties and their successors and assigns. No other person shall have any right of action based upon any provision of this Agreement.

10.11 Force Majeure. Neither party shall be deemed to be in default where failure or delay in performance of any of its obligations under this Agreement is caused by floods, earthquakes, other Acts of God, fires, wars, riots or similar hostilities, strikes and other labor difficulties beyond the party's control, (including the party's employment force), government regulations, court actions (such as restraining orders or injunctions), or other causes beyond the party's control. If any such events shall occur, the term of this Agreement and the time for performance by either party of any of its obligations hereunder may be extended by the written agreement of the parties for the period of time that such events prevented such performance, provided that the term of this Agreement shall not be extended due to force majeure under any circumstances for more than three (3) years. No extensions may be granted due to the Owner's inability to obtain financing with respect to acquisition or Development of the Project.

10.12 Mutual Covenants. The covenants contained herein are mutual covenants and also constitute conditions to the concurrent or subsequent performance by the party benefited thereby of the covenants to be performed hereunder by such benefited party.

10.13 Successors in Interest. The burdens of this Agreement shall be binding upon, and the benefits of this Agreement shall inure to, all successors in interest to the parties to this Agreement. All provisions of this Agreement shall be enforceable as equitable servitudes and

constitute covenants running with the land. Each covenant to do or refrain from doing some act hereunder with regard to development of the Property: (a) is for the benefit of and is a burden upon every portion of the Property; (b) runs with the Property and each portion thereof; and, (c) is binding upon each party and each successor in interest during ownership of the Property or any portion thereof.

10.14 Counterparts. This Agreement may be executed by the parties in counterparts, which counterparts shall be construed together and have the same effect as if all of the parties had executed the same instrument.

10.15 Jurisdiction and Venue. Any legal action or proceeding concerning this Agreement shall be filed and prosecuted in the appropriate California state court in the County of Riverside. Each Party hereto irrevocably consents to the personal jurisdiction of that court. The City and the Owner each hereby expressly waive the benefit of any provision of federal or state law or judicial decision providing for the filing, removal, or change of venue to any other court or jurisdiction, including, without implied limitation, federal district court, due to any diversity of citizenship between the City and the Owner, due to the fact that either the City or the Agency is a party to such action or proceeding or due to the fact that a federal question or federal right is involved or alleged to be involved. Without limiting the generality of the foregoing, the Owner and the City specifically waive any rights provided to it pursuant to California Code of Civil Procedure Section 394. The Owner acknowledges that the provisions of this Section 12.15 are material consideration to the City for its entry into this Agreement, in that the City will avoid the potential cost, expense and inconvenience of litigating in a distant forum.

10.16 Project as a Private Undertaking. It is specifically understood and agreed by and between the parties hereto that the development of the Project is a private development, that neither party is acting as the agent of the other in any respect hereunder, and that each party is an independent contracting entity with respect to the terms, covenants and conditions contained in this Agreement. No partnership, joint venture or other association of any kind is formed by this Agreement. The only relationship between the City and the Owner is that of a government entity regulating the development of private property and the owner of such property.

10.17 Further Actions and Instruments. Each of the parties shall cooperate with and provide reasonable assistance to the other to the extent contemplated hereunder in the performance of all obligations under this Agreement and the satisfaction of the conditions of this Agreement. Upon the request of either party at any time, the other party shall promptly execute, with acknowledgment or affidavit if reasonably required, and file or record such required instruments and writings and take any actions as may be reasonably necessary under the terms of this Agreement to carry out the intent and to fulfill the provisions of this Agreement or to evidence or consummate the transactions contemplated by this Agreement.

10.18 Eminent Domain. No provision of this Agreement shall be construed to limit or restrict the exercise by the City of its power of eminent domain.

10.19 Authority to Execute. The person or persons executing this Agreement on behalf of the Owner warrants and represents that he/she/they have the authority to execute this Agreement

on behalf of his/her/their corporation, partnership or business entity and warrants and represents that he/she/they has/have the authority to bind the Owner to the performance of its obligations hereunder.

10.20 Subsequent Amendment to Authorizing Statute. This Agreement has been entered into in reliance upon the provisions of the statute governing development agreements (Sections 65864 through 65869.5 inclusive) in effect as of the Effective Date. Accordingly, to the extent the subsequent amendment to the Government Code would affect the provisions of this Agreement, such amendment shall not be applicable to the Agreement unless necessary for this Agreement to be enforceable or unless so provided by the amendments or Section 4.5 hereof.



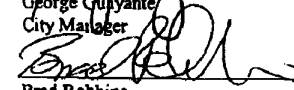
10.21 No Personal Obligation/No Completion Obligation. This Agreement in and of itself does not represent a personal obligation of individual members of Owner, its successors or assigns. Nothing herein contained shall in and of itself be deemed to create an obligation of the Owner, its successors or assigns to complete the development of the entire Project as contemplated, or any particular portion thereof. No officer, official, employee, agent, contractor or attorney of the City shall have any personal liability or obligation for the performance of the City's obligations hereunder.

[SIGNATURES ON FOLLOWING PAGE]

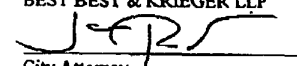
CITY OF CORONA
a California municipal corporation

By: 
Darrell Talbert
Mayor


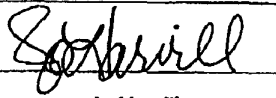
ATTEST:


Victoria J. Wasko
City Clerk

George Quiyante
City Manager

Brad Robbins
Planning Director

APPROVED AS TO LEGAL FORM:

BEST BEST & KRIEGER LLP

City Attorney

FIELDSTONE COMMUNITIES, INC.
a California corporation

By: 
Name: ~~Stephen C. Cameron~~ Stephen C. Cameron
Division President
Title:
By: 
Name: Jo Harvill
Assistant Secretary
Title: _____

ACKNOWLEDGMENT

CALIFORNIA

COUNTY OF Orange

On April 30, 2002, before me, the undersigned notary public, personally appeared Melvin C. Craven, a personally known to me OR proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

CAPACITY CLAIMED BY SIGNER:
 Individual(s)
 Corporate Officer(s)
 Partner(s)
 Attorney-in-Fact
 Trustee(s)
 Subscribing Witness
 Guardian/Conservator
 Other
SIGNER IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(IES)

WITNESS my hand and official seal.

Diane H. Hauser
Signature of Notary



CALIFORNIA

COUNTY OF Orange

On April 30, 2002, before me, the undersigned notary public, personally appeared Melvin C. Craven, a personally known to me OR proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

CAPACITY CLAIMED BY SIGNER:
 Individual(s)
 Corporate Officer(s)
 Partner(s)
 Attorney-in-Fact
 Trustee(s)
 Subscribing Witness
 Guardian/Conservator
 Other
SIGNER IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(IES)

WITNESS my hand and official seal.

Diane H. Hauser
Signature of Notary



RVPUDJPM628126

EXHIBIT A TO
TRACT 29813 DEVELOPMENT AGREEMENT

Legal Description of the Property

THOSE PORTIONS OF RANCHO EL SOBRANTE DE SAN JACINTO, AS SHOWN BY MAP ON FILE IN BOOK 1 PAGE 8 OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA, AND LOTS 13 AND 14 IN BLOCK 64 OF LANDS OF THE RIVERSIDE LAND AND IRRIGATING COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 1 PAGE 70 OF MAPS, RECORDS OF SAN BERNARDINO COUNTY CALIFORNIA, DESCRIBED AS FOLLOWS:

COMMENCING AT THE CORNER COMMON TO SECTION 19 AND 30, TOWNSHIP 3 SOUTH, RANGE 6 WEST, AND TO SECTIONS 24 AND 25, TOWNSHIP 3 SOUTH, RANGE 7 WEST, SAN BERNARDINO BASE AND MERIDIAN, BEING ALSO THE NORTHWEST CORNER OF RANCHO EL SOBRANTE DE SAN JACINTO AND THE SOUTHWEST CORNER OF RANCHO LA SIERRA AS PATENTED BY UNITED STATES OF AMERICA;

THENCE NORTH 71° 32' 00" EAST, 2763.78 FEET FOLLOWING THE BOUNDARY LINE BETWEEN THE AFORESAID TWO RANCHOS; THENCE NORTH 71° 30' 45" EAST, 4744.94 FEET ALONG THE SAME RANCHO LINE TO A TWO-INCH PIPE WHICH IS THE TRUE POINT OF BEGINNING; THENCE SOUTH 15° 31' 03" WEST, A DISTANCE OF 260.07 FEET TO A POINT ON THE NORTHEASTERLY LINE OF THAT CERTAIN PARCEL CONVEYED TO THE CITY OF CORONA BY DEED RECORDED MARCH 29, 1965 AS INSTRUMENT NO. 35020 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA; THENCE SOUTH 74° 28' 57" EAST, A DISTANCE OF 140.00 FEET; THENCE SOUTH 15° 31' 03" WEST, A DISTANCE OF 160.00 FEET; THENCE SOUTH 25° 12' 19" WEST, A DISTANCE OF 231.80 FEET; THENCE NORTH 19° 47' 42" WEST, A DISTANCE OF 90.00 FEET; THENCE NORTHWESTERLY ON A CURVE CONCAVE TO THE SOUTHWEST HAVING A RADIUS OF 685.00 FEET, THROUGH AN ANGLE OF 06° 34' 10", AN ARC LENGTH OF 78.54 FEET. THE INITIAL RADIAL LINE BEARS NORTH 70° 12' 18" EAST. THE PRECEEDING FIVE COURSES AND DISTANCE ARE ALONG THE WESTERLY, EASTERLY AND NORTHERLY LINE OF SAID PARCEL CONVEYED TO THE CITY OF CORONA; THENCE SOUTH 15° 31' 03" WEST, A DISTANCE OF 1830.00 FEET; THENCE SOUTH 88° 36' 00" EAST, A DISTANCE OF 550.00 FEET; THENCE NORTH 41° 01' 05" EAST, A DISTANCE OF 2071.20 FEET; THENCE NORTH 88° 36' 00" WEST, A DISTANCE OF 100.00 FEET; THENCE NORTH 01° 24' 00" EAST, A DISTANCE OF 461.70 FEET; THENCE NORTH 16° 48' 00" WEST, A DISTANCE OF 611.10 FEET TO THE NORTHERLY LINE OF SAID RANCHO EL SOBRANTE DE SAN JACINTO; THENCE SOUTH 71° 30' 45" WEST, ALONG THE NORTHERLY LINE OF SAID RANCHO, A DISTANCE OF 1072.13 FEET TO THE POINT OF BEGINNING;

EXCEPTING PARCEL 1 OF PARCEL MAP 16758 AS SHOWN BY PARCEL MAP ON FILE IN BOOK 89 PAGE 53 OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

RVPUDJPM628126

Exhibit A

**SITE DEVELOPMENT COSTS
FROM RAW LAND TO FINISHED LOTS**

- Budget for Raw Land to Finished Lots
- Budget for Costs "In Ground" as of June 1 and July 1, 2002
 - Costs Identified as Beyond a Typical Finished Lot
- Remaining Costs to Complete Lots to Finished Lot Condition
as of July 1, 2002

Budget from Raw Land to Finished Lots

1	Tract 29813	06/18/01				Total
2	Cresta Verde Hills / Corona Hill	Updated Assumptions				Budget
3	DESCRIPTION	Quantity	Unit	Unit Price	Amount	06/18/00
747	SUMMARY OF IMPROVEMENT COSTS					
748	Consultant Fees and Services					\$769,820
749	Fees, Deposits, Permits					\$1,824,036
750	Bonds					\$65,794
751	Reproduction - Blueprints and Plans					\$14,400
752	Aerial Photographs					\$6,565
753	Site Preparation					\$83,302
754	Offsite Site Preparation					\$221,264
755	Rough Grading					\$2,484,471
756	Erosion Control					\$87,966
757	Final Grading					\$176,400
758	Storm Drain System:					\$224,188
759	Sanitary Sewer System					\$174,814
760	Water Distribution System:					\$288,008
761	Street Improvements - Concrete					\$328,871
762	Street Improvements - Paving					\$380,858
763	Perimeter/Retaining Walls - Fences					\$651,165
764	Landscape: New Items & Quantities 6/28/01					\$757,878
765	Utilities					\$438,090
766	Sub-total Hard Costs (201)					\$8,754,614
767	Indirects					\$123,208
768	Reimbursables					(\$7,734)
769	SOFT CONTINGENCY					\$172,148
770	HARD CONTINGENCY					\$787,471
771	Sub-total Soft Costs (20)					\$1,878,093
772	Total Improvements					\$9,829,707
773	Total Improvements Per Lot:					\$136,524
800	Less Fees Paid at BP:					\$1,291,901
801	Total Improvements prior to Building Permit:					\$8,537,806
802	Improvements Per Lot Prior to Building Permit:					\$118,581

1	Tract 29813	06/18/01				Total
2	Cresta Verde Hills / Corona Hill	Updated Assumptions				Budget
3	DESCRIPTION	Quantity	Unit	Unit Price	Amount	06/18/00
4	LAND					
5	HARD COSTS					
6	Consultant Fees and Services					\$182,012
7	Engineering - Civil - Office					
8	ALTA Survey					
9	Topographic Survey					
10	Land Planning					
11	Civil Engineering - Office	72	DU	\$2,458.50	\$177,012	
12	Prepare Vacation Documents	1	LS	\$5,000.00	\$5,000	
13	Engineering - Civil - Field					\$185,234
14	Civil Engineering - Field	72	DU	\$1,864.50	\$134,124	
15	Engineering - Civil - Mello Room					
16	Engineering - Civil - Redevelopment					
17	Engineering - Civil - Staking					
18	Survey Monuments	6	EA	\$600.00	\$3,600	
19	Survey-Rock/Blasting-6 lines	6	EA	\$3,500.00	\$21,000	
20	Survey-Gas/Oil lines-grading clearance	1	LS	\$1,500.00	\$1,500	
21	Survey-Park Improvements/	1	LS	\$7,040.00	\$7,040	
22	Survey-Rock Placement - topo	1	LS	\$2,250.00	\$2,250	
23	Humaker 8/28/00 Proposal \$123,443.00					\$60,000
24	Engineering - Soils & Geology - Prelim.					
25	Preliminary Soils & Geology/40scale data:	1	DU	\$60,000	\$60,000	\$25,000
26	Engineering - Soils & Geology - Office					
27	Office Soils - Final Report	72	DU	\$347.22	\$25,000	\$237,134
28	Engineering - Soils & Geology - Field					
29	Field Soils - Residential	147	Days	\$1,021.00	\$150,087	
30	Engineering - Soils & Geology - Mello R.					
31	Engineering - Soils & Geology - Reclav.					
32	Lab testing during rough grading	1	LS	\$2,787.00	\$2,787	
33	Engineering - Blasting Control	92	Days	\$0.00		
34	Engineering - Other Rock Placement	147	Days	\$300.00	\$44,100	
35	Engineering - Contingency					
36	Engineering - Utility Inspection Streets					
37	Engineering - Utility Inspection Lots					
38	Engineering - Subgrade Inspection					
39	Consultant - Political					
40	Associate Principal	65	hr	\$110.00	\$7,150	
41	Report Preparation (2 reports)	1	LS	\$8,000.00	\$8,000	
42	Rock Blasting Monitoring-Inductons	1	LS	\$25,000	\$25,000	
43	Consultant - Planning					
44	Consulting - Planning Chapman					
45	Consultant - Legal Acquisition					
46	Consultant - Environmental					
47	Consulting Aborist					
48	Consulting Biologist					
49	Consulting - Phase 1 Env. Assessment					
50						
51	Consultant - Architectural					
52	Consultant - Traffic					
53	Consulting Traffic Study					
54						
55	Consultant - Acoustic					
56	Acoustical Consultant	72	DU	\$100.00	\$7,200	\$7,200
57	Consultant - Archaeological					
58	Consultant - Archaeological					

1	Tract 29613		06/19/01		Total	
2	Cresta Verde Hills / Corona Hill		Updated Assumptions		Budget	
3	DESCRIPTION	Quantity	Unit	Unit Price	Amount	06/19/00
60	Consultant - Utilities					\$14,740
61	Utility Consulting	72	DU	\$204.72	\$14,740	
62	Electrical Engineer					
63	Structural Engineer					
64	BJ Palmer 028700 Contract \$14,740					
65	Consultant - Landscape					\$44,300
66	Create Dev. & Paseo Landcap Plans	1	LS	\$22,350.00	\$22,350	
67	Cresta Verde Park Landcap Plans	1	LS	\$7,250.00	\$7,250	
68	Mobile Complex Design & Const. Plans - 4 Units.	1	LS	\$11,250.00	\$11,250	
69	Consultant - City req'd. front yard landcap	1	LS	\$1,950.00	\$1,950	
70	Consultant - City req'd. mandatory site opserv.	1	LS	\$1,500.00	\$1,500	
71						\$25,000
72						
73	Consultant-Legal & CFD	1	LS	\$25,000.00	\$25,000	
74	Consultant - Other					
75	Project Office Consultant - Dev. Research					
76	DRE Consultant					
77	DRE Consultant Fee					
78	Miscellaneous Fees					
79	Consultant - Contingency					
80	Fees, Deposits, Penalties					
91	Fees - Tentative Map					\$28,798
82	Corona Architectural Review	1	EA	\$2,225.00	\$2,225	
83	Corona Board of Zoning Adjustment	1	EA	\$285.00	\$285	
84	Corona Env. Impact Assessment	1	EA	\$800.00	\$800	
85	Corona Fish and Game	1	EA	\$78.00	\$78	
86	Corona Trest Map Review Base Fee	1	EA	\$3,570.00	\$3,570	
87	Corona Trest Map Review Per Lot	72	DU	\$23.00	\$1,656	
88	Corona Review of Conditions of Approval	1	EA	\$500.00	\$500	
89	Corona Tentative Map - DPR	1	LS	\$2,905.00	\$2,905	
90	Corona Tentative Map - PRC	1	LS	\$4,995.00	\$4,995	
91	Corona Final Map					
92	Corona Final Map					
93	Corona TTM (Basic)	1	LS	\$7,125.00	\$7,125	
94	Corona TTM (Per Lot)	72	DU	\$27.00	\$1,944	
95	Corona Homeowner Assoc. Review	1	EA	\$1,015.00	\$1,015	
96	Fees - Grading Plan Check					\$10,798
97	Corona Grading Plan Check	1	LS	\$5,985.00	\$5,985	
98	Corona Grading Plan Check \$4.00 per CY					
99	Corona Erosion Control Plan Check Permit	1	LS	\$1,000.00	\$1,000	
100	Corona Erosion Control Plan Check (Over 50 AC)					
101	Corona Erosion Control Plan Check (Over 50 AC)					
102	Corona Precise Grading Plan Check	1	LS	\$3,800.00	\$3,800	
103	Fees - Final Map					
104	Fees - Grading Deposit					
105	Fees - Grading					\$5,930
106	Corona Grading Inspection	1	LS	\$5,930.00	\$5,930	
107	Fees - Consultant Plan Check					\$178,904
108	Fees - Sewer					
109	Corona Sewer Connection Fee (Ord 2343)	72	DU	\$2,457.00	\$178,904	(Paid at BP)
110	Corona Sewer Capacity Credit AD 79-2	1	LS	80		
111	Fees - Sewer Connection					
112	Fees - Water					\$223,847
113	Corona Water Meter Jumper Fee	72	DU	\$61.00	\$4,392	(Paid at BP)
114	Corona Water Conn. Fees Ord 2342 3/4"	72	DU	\$2,605.00	\$187,560	(Paid at BP)
115	Corona Water Meter 3/4"	72	DU	\$255.00	\$18,360	(Paid at BP)
116	Corona Water Set-up Fee	72	DU	\$15.00	\$1,080	(Paid at BP)
117	Corona Water Prepayment 3/4"	72	DU	\$45.00	\$3,240	(Paid at BP)
118	Corona Water Conn. Fees Ord 2342 1-1/2"	1	EA	\$8,675.00	\$8,675	
119	Corona Water Meter 1-1/2"	1	EA	\$540.00	\$540	
120	Fees - Water Service Connection					
121	Fees - Storm Drain					

1	Tract 29613		06/19/01		Total	
2	Cresta Verde Hills / Corona Hill		Updated Assumptions		Budget	
3	DESCRIPTION	Quantity	Unit	Unit Price	Amount	06/19/00
123	NPDES Fee					
124	SWPPP					
125	Corona Drainage Fee	252,000	SF	\$0.13	\$32,760	
126	Fees - Street					\$34,848
127	Corona Street Cut Deposit	1	LS	\$1,800.00	\$1,800	
128	Corona Street Cut Deposit	1	LS	\$1,800.00	\$1,800	
129	Corona Street Fee (Ord 2300)	72	DU	\$405.12	\$29,169	(Paid at BP)
130	Corona Street Sign Fee	8	EA	\$280.00	\$2,240	
131	Fees - Improvement Plans - Redevelopment					
132	Fees - Walls					
133	Fees - Landscape					
134	Fees - Street Light Energy					
135	Fees - Other Fees					\$4,835
136	Corona Model Home Permit	1	EA	\$970.00	\$970	
137	Corona Model Home Plan Check Grading	1	EA	\$2,850.00	\$2,850	
138	Corona HOA Document Initial Review Fee	1	LS	\$1,015.00	\$1,015	
139	Fees - Erosion Control Inspection					
140	Fees - Plan Check					\$48,910
141	Corona Precise Plan Review Base Fee	1	EA	\$4,135.00	\$4,135	
142	Corona Precise Plan Review per DU	72	DU	\$10.00	\$720	(Paid at BP)
143	Corona Improvement Plan Check	1	LS	\$42,000.00	\$42,000	
144	Corona Landscape (LMD) Review	1	LS	\$475.00	\$475	
145	Corona Scanning Fee	1	LS	\$585.00	\$585	
146	Corona Traffic Plan Check	1	LS	\$865.00	\$865	
147	Fees - Construction Perm					
148	Fees - Construction Inspection					\$73,500
149	Street Improvements Storm Drain, Lights					
150	Grading Inspection (Allowance)					
151	Grading Inspection \$4.50 per 1000 CY's					
152	Landscape & Irrigation Inspection					
153	Water Inspection					
154	Sewer Inspection					
155	Miscellaneous Inspection Fees					
156	Corona Improvement Inspection	1	LS	\$72,000.00	\$72,000	
157	Fees - Mello Roos					
158	Assessment District Consultants	1	LS	\$1,500.00	\$1,500	
159	Fees - CFD Reimbursement					
160	Fees - School					\$628,044
161	Corona School Fees	255,828	SF	\$2.45	\$628,044	(Paid at BP)
162	Fees - Library					\$12,722
163	Corona Library Fee	72	DU	\$178.69	\$12,722	
164	Fees - Park					\$194,328
165	Corona Quilty Act	0.83	AC	\$120,000	\$99,600	
166	Corona Park Fee (Ord. 2300)	72	DU	\$1,315.84	\$94,728	(Paid at BP)
167	Fees - Traffic					\$875
168	Corona Traffic Study Review	1	LS	\$875.00	\$875	
169	Fees - Road					
170	Fees - Fire and Sheriff					\$38,432
171	Corona Fire Station Fee (Ord. 2300)	72	DU	\$402.40	\$28,973	(Paid at BP)
172	Corona Police Fees	72	DU	\$131.38	\$9,459	(Paid at BP)
173	Fees - Environmental/Permit					\$964
174	Fish & Game	1	LS	\$464.00	\$464	
175	NPDES Permit	1	LS	\$500.00	\$500	
176	Fees - Other Non Construction					
177	Fees - Erosion Control Plan Check					
178	Landscape Improvement Fee					
179	Fees - Strong Motion					
180	Fees - Residential Construction Tax					\$100,080
181	Corona Occupancy Permit	72	DU	\$430.00	\$30,960	(Paid at BP)
182	Corona Property Development Tax	72	DU	\$690.00	\$49,680	

1	Tract 28613	06/18/01	Updated Assumptions		Total Budget	
2	Cresta Verde Hills / Corona Hill		Quantity	Unit	Unit Price	Amount
3	DESCRIPTION					06/18/00
314	Street Finish	1	ls	\$20,000.00	\$20,000	grading contr.
315	Slope Finish	1	ls	\$75,000.00	\$75,000	grading contr.
316	Buttress Sub-Drain - 4" Solid subdrain	145	LF	\$7.50	\$1,088	grading contr.
317	Buttress Sub-Drain - 6" Solid	80	#	\$8.50	\$680	
318	Buttress Sub-Drain - 4" Perforated	3,645	LF	\$16.00	\$58,320	grading contr.
319	Buttress Sub-Drain - 6" Perforated	145	LF	\$17.00	\$2,465	grading contr.
320	Geogrid 2X1 or equivalent	1	ls	\$140,000.00	\$140,000	grading contr.
321	Geogrid 10X1 OR Equivalent	1	ls	\$85,500.00	\$85,500	grading contr.
322	Interceptor Drain	2,174	LF	\$10.00	\$21,740	grading contr.
323	Terrace Drains w=24"	1,000	LF	\$15.00	\$15,000	grading contr.
324	Down Drain w=24"	163	LF	\$13.00	\$2,119	grading contr.
325	10x10' 1.4" rip rap pad end of E street	2	EA	\$750.00	\$1,500	grading contr.
326	Down Drain in Parkway underdrain 'g'	5	EA	\$300.00	\$1,500	grading contr.
327	French Drain	4,500	LF	\$12.00	\$54,000	grading contr.
328	Toe Drains w=24"	1,560	LF	\$12.50	\$19,500	grading contr.
329	Splash Wall	68	LF	\$18.00	\$1,224	grading contr.
330	Downdrain to pipe transition	2	EA	\$1,800.00	\$3,600	grading contr.
331	18" CMP	14	LF	\$85.00	\$1,190	grading contr.
332	Curb Outlet	1	EA	\$1,600.00	\$1,600	grading contr.
333	Toe Drain @ Access Rd.	2,030	LF	\$20.00	\$40,600	grading contr.
334	4" SUBDRAIN	1,872	LF	\$4.10	\$7,685	grading contr.
335	6" SUBDRAIN	480	LF	\$6.34	\$3,043	grading contr.
336	3" ABS	57	LF	\$4.10	\$234	grading contr.
337	Access Road	1,316	LF	\$11.25	\$14,805	grading contr.
338	Traffic Control for 6" water tie	1	EA	\$0.00	\$0	
339	Detention Basin	11,800	CY	\$0.00	\$0	
340	Rock Catchment at base of rock slopes	740	LF	\$22.00	\$16,280	
341	RG - Removals/Relocations				\$0	
342	RG - Excavation				\$0	
343	RG - Over-Excavation		CY	\$1.25	\$0	
344	RG - Cut for Retaining Wall				\$0	
345	RG - Import				\$0	
346	RG - Export				\$0	
347	RG - Rock/Rock Damage				\$0	
348	Stabilized Construction Entrance	2	ea	8,000	\$16,000	grading contr.
349	RG - Sub-Drains				\$0	
350	RG - 6" Sub-Drains				\$0	
351	RG - Terrace Drain/Rip Rap				\$0	
352	RG - 3" Bow Ditch (Surcharge)				\$0	
353	RG - Brew Ditch - berm	7,800	LF	\$2.40	\$18,720	
354	RG - Pad Grading				\$0	
355	RG - Finish Fill Slopes				\$0	
356	RG - Park Grading				\$0	
357	RG - Csp Archaeological Site				\$0	
358	RG - Strip/Recompaction				\$0	
359	RG - Contingency				\$0	
360	RG - Rip Rap (Surcharge)				\$0	
361	RG - Inlet CMP	14	LF	\$42.00	\$588	
362	RG - Outlet CMP				\$0	
363	RG - Inlet Apron				\$0	
364	RG - Lot Capping				\$0	
365	RG - Blasting				\$0	
366	RG - Heavy Ripping				\$0	
367						
368						
369	Erosion Control					\$87,066
370	SDM - Storm Damage Grading	1	ls	\$1,000.00	\$1,000	
371	SDM - Storm Damage Improvement				\$0	
372	SDM - Rip Rap Place 10 X 10 X 1.4	2		750	\$1,500	
373	SDM - Rip Rap Place/Remove				\$0	
374	SDM - Terrace Drains				\$0	
375	SDM - Slope Drains				\$0	
376	SDM - Drainage Swales				\$0	
377	SDM - Energy Dissipaters				\$0	
378	Erosion Control Maintenance	1		10,000	\$10,000	
379	SDM - Temporary Debris Basins				\$0	
380	SDM - Temporary Diversion Drain				\$0	
381	Stabilized Rock Entrance + maintenance				\$0	

1	Tract 28613	06/18/01	Updated Assumptions		Total Budget	
2	Cresta Verde Hills / Corona Hill		Quantity	Unit	Unit Price	Amount
3	DESCRIPTION					06/18/00
382	Contractor Conc. Dump pit, swcep eqmt.	1			2,500	\$2,500
383	Sandbags	29,328			1	\$29,328
384	Sandbags @ toe of slopes	10,200			1	\$10,200
385	Sandbags Check Dams	7			350	\$2,450
386	Sandbags After Street Improvements	15,000			1	\$15,000
387	Silt Fencing	3,560			1.25	\$4,450
388	Testing Non-Visible Pollutants (SWRCB)	1	ls		\$5,000.00	\$5,000
389	Precise Grading					
390	PRG - Pregrade After Slab					\$108,000
391	Pregrade After Slab - Rough Pull	72	DU		\$1,500.00	\$108,000
392	PRG - Rip Rap Place/Remove					
393	PRG - Terrace Drains					
394	PRG - Slope Drains					
395	PRG - Drainage Swales					
396	PRG - Precise Grade Export					\$14,400
397	Precise Grade Export Rough Pull Disposal	72	DU		\$200.00	\$14,400
398	PRG - Grading Erosion Control					
399	Erosion Control					
400	Silt Fence					
401	PRG - Hydroseeding					
402	PRG - Precise Grade Site Clean					\$43,200
403	Precise Grade Site Clean Lot Finish	72	DU		\$600.00	\$43,200
404	Precise Grade Site Clean Street Finish					
405	PRG - Precise Grade Other					\$10,800
406	Misc. Grading after completion of R. Grade	72	DU		\$150.00	\$10,800
407	Lot Area Drains					
408	Storm Drain System:					\$224,188
409	Repairs for Bond Release	253,830	%		3.00%	\$7,815
410	Mobilization	3	EA		\$1,000	\$3,000
411	Remove and Replace Pavement	220	SF		\$18.00	\$3,960
412	Remove Pavement		SF		\$0.00	\$0
413	18" RCP	342	LF		\$42.50	\$14,535
414	24" RCP	1,678	LF		\$46.00	\$77,188
415	24" RCP W/A 6" Extra Cover	38	#		\$80.00	\$3,040
416	Down Drain to Pipe Transition Structure	5	EA		\$1,650.00	\$8,250
417	CL 2 beam backfill trench	50	cy		\$18.00	\$900
418	36" RCP					
419	Collar - Concrete under pipe	8	EA		\$485.00	\$2,810
420	Slope Anchors					
421	Connect to Existing	1	EA		\$750.00	\$750
422	Storm Drain Cleanout	1	EA		\$2,500.00	\$2,500
423	Manhole #1 - one riser included	1	EA		\$5,200.00	\$5,200
424	Remove Plug & Join Existing	2	EA		\$1,100.00	\$2,200
425	CMP Riser		EA		\$1,450.00	\$0
426	Remove Exist. Inlet & Join	1	EA		\$2,500.00	\$2,500
427	Manhole #2 #251-one riser included	10	EA		\$2,475.00	\$24,750
428	Manhole Adjust to Grade		EA		\$300.00	\$0
429	Catch Basin Ty A W-14"	4	EA		\$4,765.00	\$18,060
430	Catch Basin Ty A W-21"	4	EA		\$5,285.00	\$21,140
431	Catch Basin Ty B W- 14"	1	EA		\$4,765.00	\$4,765
432	Catch Basin Ty B W - 21"	3	EA		\$5,285.00	\$15,855
433	Local Depression-storm drains		EA		3,500.00	\$0
434						
435	Catch Basin w=30" X 30" w/steel Trai grate	1	EA		\$1,950.00	\$1,950
436	Camera Storm Drain	1	LS		\$2,000	\$2,000
437	Sanitary Sewer System					\$168,308
438	Repairs for Bond Release	228,448	%		3.00%	\$6,853
439	Mobilization		EA		\$1,000	\$0
440	Pavement Removal and Replacement	2	EA		\$1,625.00	\$3,250
441	Remove Plug and Join	1	EA		\$800.00	\$800
442	VCP - 8"	5,250	LF		\$16.50	\$86,625
443	Clean and Test					

1	Tract 29813	06/01/01			Total	
2	Cresta Verde Hills / Corona Hill	Updated Assumptions			Budget	
3	DESCRIPTION	Quantity	Unit	Unit Price	Amount	06/19/00
444	Manholes	29	EA	\$1,675.00	\$48,575	
445	Manholes and Existing Main					
446	Manholes Adjust to Grade		EA	\$300.00		
447	Backflow Preventers					
448	Class 2 base b/t trench	1	ls	\$2,850	\$2,850	
449	Backflow Preventers	5	EA	\$25	\$125	
450	Thrust Blocks					
451	Cleanouts					
452	Cleanouts (Flush Main Line)	1	EA	\$900.00	\$900	
453	Connect to Existing	1	EA	\$2,250	\$2,250	
454	AC R/R for main connection	10	sf	\$205.00	\$2,050	
455	Sewer PVC House Laterals		EA	\$14		
456	Sewer PVC House Laterals					
457	Traffic Control		EA	\$3,000.00		
458	SW - Sewer Contract					
459	SW - 12" PVC					
460	SW - Other Pipe I:					
461	SW - Other Pipe II					
462	SW - 6" PVC House Lateral					
463	Camera Sewer	1	LF	\$3,500	\$3,500	
464	SW - Sewer Clean & Repair					\$5,805
465	SW - Standard Manholes					
466	SW - Join Existing Manhole					
467	SW - Restore Existing Manhole					
468	SW - Cleanouts					
469	SW - Sewer Other					
470	SW - Backflow Preventers					
471	SW - Sewer Contingency					
472	SW - Tie to Existing					
473	SW - Adjust Manholes to Grade					
474	SW - Pressure Reducing Station					
475	SW - Boring, Jacking, Tunneling					
476	SW - Special Structures					
477	Repairs for Bond Release	216,849	%	3.00%	\$6,505	
478	Water Distribution System:					\$280,591
479	Repairs for Bond Release	300,204	%	3.00%	\$9,006	c
480	Mobilization		EA	\$1,000		
481	Pavement Removal and Replacement	388	sf	\$15	\$5,820	
482	6" PVC Pipe with fittings	5,340	LF	\$15.50	\$82,770	
483	12" PVC pipe	1,175	sf	\$25.00	\$29,375	
484	12" DIP Pipe along at exist. 16" gas main	58	lf	\$90.00	\$5,240	
485	Chlorinate and Pressure Test	6,282	LF	\$0.85	\$5,340	c
486	Fire Hydrant Assembly	19	EA	\$1,895.00	\$37,715	
487	Fire Hydrant Valve Cap Adjust to Grade		EA	\$200.00		
488	Install Blue Dot 4 fire Hydrants	19	EA	\$65.00	\$1,235	c
489	Air/Vac Release - 1"	4	EA	\$1,375.00	\$5,500	
490	Remove Existing Water Line 6"	140	lf	\$12.00	\$1,680	
491	Cut-In 10"x10" Tee on Existing main	1	EA	\$3,500.00	\$3,500	
492	Class 2 base b/t trench	40	cy	\$24.00	\$960	
493	Misc. Fittings & Thrust Bils as Required	1	lf	\$7,800.00	\$7,800	
494	12" Gate Valve w/ V.B.	8	EA	\$1,350.00	\$10,800	
495	10" Gate Valve W/V.B.					
496	Blow Off Assembly - 2"	2	EA	\$1,500.00	\$3,000	
497	Gate Valves - 8" RS	9	EA	\$890.00	\$7,740	
498	Valves Adjust to Grade		EA	\$200.00		
499	Service Laterals - 1"	72	EA	\$565.00	\$40,680	
500	Service Laterals - 2"	1	EA	\$1,400.00	\$1,400	
501	Water Meter 1" - Purchase from City	72	EA	\$255.00	\$18,360	c
502	Water Meter Boxes/Adjust to grade		EA	\$250.00		
503	Concrete Thrust Blocks		LF	\$200.00		
504	Concrete Thrust Blocks 8" with Bond					
505	Connect to Existing 8" Main	2	EA	\$750.00	\$1,500	
506	Hot Tap Assembly - 8"	1	EA	\$2,850.00	\$2,850	
507	Traffic Control		EA	\$3,000		

1	Tract 29813	06/01/01			Total	
2	Cresta Verde Hills / Corona Hill	Updated Assumptions			Budget	
3	DESCRIPTION	Quantity	Unit	Unit Price	Amount	06/19/00
510	Repairs for Bond Release	247,219	%	3.00%	\$7,417	
511	WTR - Retention Vitrinite					
512	WTR - Hot Tap Assembly					
513	WTR - Blow Off Assembly					
514	WTR - Cap Assembly					
515	WTR - Connect to Existing					
516	WTR - Fire Hydrant Assembly					
517	WTR - Boat Docks					
518	WTR - Services & Boxes					
519	WTR - 2" Landscape Service & Box					
520	WTR - Contingency					
521	WTR - 2" Air/Vac Relief					
522	WTR - Special Encasement					
523	WTR - Special Bedding					
524	WTR - Adjust Valves to Grade					
525	Street Improvements - Concrete					\$317,375
526	Repairs for Bond Release	307,138	%	3.00%	\$9,214	
527	Mobilization	3	EA	\$1,000	\$3,000	
528	Concrete - Remove Exst. Curb & Gutter	98	LF	\$8.00	\$788	
529	Concrete-Remove Sidewalk	328	SF	\$5.00	\$1,640	
530	Sidewalk - subgrade	65,232	sf	\$0	\$7,828	
531	Sidewalk - 4' wide - 4" Thick	45,244	SF	\$1.60	\$72,390	
532	Concrete Roadway 5-1/2" Thick - 36 sec.	22,480	SF	\$2.70	\$60,720	
533	Concrete Roadway Subgrade Preparation	22,480	SF	\$0	\$6,747	
534	6" Curb and Gutter	11,310	LF	\$6.70	\$75,777	
535	6" Curb only	498	LF	\$7.80	\$3,887	
536	Curb & Gutter - Base (Cul Subgrade)	11,778	LF	\$0.50	\$5,889	
537	Cross Gutter	4,072	SF	\$5.00	\$20,360	
538	Transition Curb/Gutter at Locals	115	lf	\$13.00	\$1,495	
539	Local Depression					
540	Driveway Approaches - 4" Thick		SF	\$3.80		
541	Driveway Approaches - 6" Thick	19,988	SF	\$2.35	\$46,972	
542	Driveway Approach - Subgrade Preparation		SF	\$0.3		
543	Post Chop at Stone/curb Drive					
544	Handicap Access Ramp	7	EA	\$125.00	\$875	
545	STC - Concrete Contract					
546	STC - 6" Curb and Gutter					
547	STC - 6" Curb Only Median					
548	STC - Base Under Curb & Gutter					
549	STC - Cross Gutter					
550	STC - Concrete Replace Curb & Gutters					\$8,498
551	STC - Pedestrian Ramp					
552	STC - Curb Drain					
553	STC - Curb Outlet					
554	STC - Concrete Replace Sidewalk Approach					
555	STC - Concrete Redevelopment					
556	STC - Concrete Grade					
557	STC - Concrete Paves - Interlocking					
558	STC - Concrete Other					
559	STC - Sidewalk					
560	STC - Driveway Approaches					
561	STC - Base Under Sidewalk/Driveway App.					
562	STC - Concrete Contingency Streets					
563	Repairs for Bond Release	283,184	%	3.00%	\$8,466	
564	Street Improvements - Paving					\$374,799
565	Repairs for Bond Release	317,408	%	3.00%	\$9,522	
566	Mobilization	2	EA	\$3,000.00	\$6,000	
567	Mobilization for Cap	3	EA	\$1,000.00	\$3,000	
568	3" AC/PAB - Local - 36 Fl Section	202,305	SF	\$1.23	\$247,624	
569	6" PCC Roadway					
570	AC Subgrade Preparation	202,305	SF	\$0.07	\$14,161	
571	AC Cap w/rog Seal - 1"	202,305	SF	\$0.34	\$68,784	
572	Stop Sign & Legend	8	EA	\$385.00	\$2,310	
573	Street Name Stone w/Base					

1	Tract 28613	06/16/01			Total
2	Cresta Verde Hills / Corona Hill	Updated Assumptions			Budget
3	DESCRIPTION	Quantity	Unit	Unit Price	Amount
					06/16/00
676	Remv. AC Berm	360	EA		\$1,800
677	Remv. Existing Pavement at Road, Parking Lot	7,557	SF	\$0.55	\$4,172
677	Stand and Cap 1" dp x 5/8" dia 4 smooth join	1	ln	\$2,500.00	\$2,500
678	Traffic Control		EA	\$1,000.00	
679	Street Cleaning for AC Cap	72	EA	\$50.00	\$3,600
680	STP - Temporary A.C. Parking Lot				
681	STP - Traffic Striping				
682	STP - Traffic Control Signs/BA	1	EA	\$200	\$200
683	STP - AC/Asph				
684	STP - Paving Contract				
685	DG at rock barrier wall vs. landscp	4,070	SF	\$2	\$7,326
686	STP - Paving Grade				
687	STP - Paving Redevelopment Asphalt				
688	STP - Variable Thickness AC/Feather Edge				
689	STP - Subgrade Preparation				
690	STP - Paving Repair Asphalt				\$6,068
691	Repairs for Bond Release	202,305	%	3.00%	\$6,068
692	STP - Traffic Control/Baricade				
693	STP - Guard Rails				
694	STP - Street Signs/Monuments				
695	STP - Traffic Signs				
696	STP - Survey Monument				
697	STP - Prime Coat				
698	STP - Congregency Streets Paving				
699	STP - Seal Coat				
700	STP - AC Berms				
701	Perimeter/Retaining Walls - Fences				\$851,165
702					
703					
704	Retaining Wall	6,215	SF	\$18.00	\$111,440
705	Stough Wall if lot #3, port'n of lot 4	225	SF	\$12.00	\$2,700
706	Steel View Fence - 8' High		SF	\$18.50	
707	Debris Wall at rock slopes Wrough Ir (2034+5.5')	11,167	SF	\$2.30	\$25,730
708					
709	Non-retaining MASONRY WALL	9,039	LF	\$40	\$361,560
710	Wrought Iron view fence. (stand alone fence)	6,270	LF	\$17	\$106,590
711	Gate	72	EA	\$200	\$14,400
712	Corner Masonry	330	LF	\$36	\$11,880
713					
714	Landscaping: New Items & Quantities 6/28/01				\$787,676
715	Hydroseed Groundcover	252,659	SF	\$0.10	\$25,266
716	Non-ir. Hydroseed Slope	228,679	SF	\$0.10	\$22,868
717	Gr. Cover Handplanted	267,841	SF	\$0.45	\$120,519
718	Bark Mulch	15,282	SF	\$0.30	\$4,585
719	Turf Sod	23,174	SF	\$0.65	\$15,063
720	15 Gallon Trees	642	EA	\$85.00	\$54,370
721	24" Box Street Trees	153	EA	\$250.00	\$38,250
722	5 Gallon	2,844	SF	\$18.00	\$51,192
723	1 Gallon	4,683	EA	\$8.00	\$37,464
724	Tree Planters lump sum	1	EA	\$1,500.00	\$1,500
725	Planting	23,174	SF	\$1.10	\$25,491
726	Groundcover	267,841	SF	\$0.80	\$214,353
727	Crushed Rock	2,067	SF	\$5.00	\$10,435
728	Decomposed Granite (4" thick-739 Tons @ \$35.00/Ton)	37,319	SF	\$0.75	\$27,989
729	Mow Curb	2,147	LF	\$0.60	\$1,288
730	Concrete Bench & Trash cans	4	EA	\$800.00	\$3,200
731	Front yard Landscaping on site cost				
732	Rollards	16	EA	\$500.00	\$8,000
733	Finish Grading	519,794	SF	\$0.10	\$51,979
734	Soil Amendments	519,794	SF	\$0.06	\$31,188
735	Maintenance - fuel modification zone-dry	78,497	SF	\$0.35	\$27,474

1	Tract 28613	06/16/01			Total
2	Cresta Verde Hills / Corona Hill	Updated Assumptions			Budget
3	DESCRIPTION	Quantity	Unit	Unit Price	Amount
					06/16/00
636	Utility - Electric				\$72,389
637	Net fee - non-municipal	1	ln	\$72,389	\$72,389
638	Structure Credits	0	LS	(\$3,659.00)	
639	Palmer 9/22/00 Estimate:				
640	Utility - Gas				\$61,328
641	Gas Advance	1	ls	\$61,328	\$61,328
642	Gas Conduit				
643	Gas CIAC				
644	Gas Deposits - Distribution Footage Taxes				
645	Gas Deposits - Joint Reimbursement				
646	Gas Deposits - Footage Advancement Taxes				
647	Gas Meter / Regulator Advancement				
648	Service Extension				
649	Regulator Deposit				
650	Utility - Street Lights				\$103,250
651	Street Lights - City Owned System 5800 LUMENS	28	EA	\$2,450.00	\$68,600
652	Street Lights - City Owned System 9500 LUMENS	9	EA	\$3,850.00	\$34,650
653	Street Light Conduits - 1 - 2" Primary				
654	Palmer 9/22/00 Estimate:			\$58,900	
655	Utility - Trenching				\$193,995
656	Exc+Prov-Elec. 10 1/2 X 17 X 24 SA Handhole	0	EA	\$185.00	
657	Exc+Prov-Elec. 13 X 24 X 24 Handhole	21	EA	\$165.00	\$3,465
658	Exc + Prov-Elec. 17 X 30 X 24 Pull Box	3	EA	\$450.00	\$1,350
659	Exc + Prov-Elec. 17 X 30 HH	2	EA	\$285.00	\$570
660	Miscellaneous Service (Pedestal)	4	EA	\$225	\$900
661	Main Line Trench	5,320	LF	\$3.00	\$15,960
662	Trench, Conduit, Wire, poles, Luminaires Etc.				
663	12" Sand Shade Electric	5,320	LF	\$1.30	\$6,916
664	8" Sand Shade Telephone	5,320	LF	\$0.90	\$4,788
665	12" Sand Shade Gas	5,320	LF	\$1.30	\$6,916
666	2" Street Light Conduit	5,320	LF	\$0.85	\$4,522
667	3" Electric Conduit	5,320	LF	\$1.65	\$8,778
668	2" Telephone Conduit	910	LF	\$2	\$1,820
669	2" Gas Conduit	350	LF	\$3	\$1,050
670	4" Gas Sleeve (for crossings)	290	LF	\$6	\$1,740
671	Electric Conduit 1 - 2" Service				
672	Electric Handholes				
673	House Services	72	LF	\$400	\$28,800
674	Trench Joint - Elec / Tele / CATV / Gas	5,340	LF	\$4.00	\$21,360
675	Trench Joint - Gas / Oil Encasements	80	L	\$35.00	\$2,800
676	Trench Joint - Elec / Tele / CATV		LF	\$9.50	
677	Trench Sole - Electric	330	LF	\$4.00	\$1,320
678	Trench Sole - Telephone				
679	Trench Sole - CATV				
680	Trench Sole - Gas	565	LF	\$4.00	\$2,260
681	Sand Base - 3 Inch				
682	Sand Shade 12 Inch over Electric	5,750	LF	\$1.70	\$9,775
683	Sand Shade 8 Inch over Telephone / CATV	0	LF	\$0.00	
684	Sand Shade 12 Inch over Gas	6,005	LF	\$1.70	\$10,209
685	Sand Shade 3 Inch (E, T, TV, G)	6,335	L	\$0.65	\$4,118
686	Silty Under Curbs at Street Crossings	15	EA	\$550.00	\$8,250
687	Opti Cut (Mortars & Collets) Gas	160	EA	\$55.00	\$8,800
688	Red Oxide Encasements at Gas/Oil Encasements	80	EA	\$55.00	\$4,400
689	Electrical Conduit - 1-3 Inch	2,085	LF	\$2.35	\$4,900
690	Electrical Conduit - 1-4 Inch	840	LF	\$2.50	\$2,100
691	Electrical Conduit - 1-5 Inch	710	LF	\$2.80	\$1,988
692	4' X 4.5' Pad	7	EA	\$750.00	\$5,250
693	Meter Pedestal	0	EA	\$2,800.00	
694	Meter Pedestal Excavation	21	EA	\$75.00	\$1,575
695	Temp Barr - E - Pad	7	EA	\$100.00	\$700
696	Temp Barr - E - HH	28	EA		

1	Tract 22613	06/10/01				Total
2	Cresta Verde Hills / Corona Hill	Updated Assumptions				Budget
3	DESCRIPTION	Quantity	Unit	Unit Price	Amount	06/10/00
698	Rock Contingency (25% @ 1 Foot)	1,370	LF	\$9.00	\$12,330	
699	Utility - Miscellaneous Offsite					\$7,128
700	Line Extension by Utility	-	L	\$13.00		
701	CIAC Tie/ Const. Charges	-	%	\$0.34		
702	Telephone Line Extension by Utility	-	L	\$0.00		
703	Telephone CIAC Tie/ Const. Charges	-	%	\$0.33		
704	Utility - Street Light Energy	584	MO	12	\$7,128	
705	Energy Advance - 18 Months					
706	Reclaimed Water					
707	Sub-total Hard Costs (201)					
708						
709	Soft Costs (250)					
710	Indirects					
711	Indirect - Superintendent Salaries	7	MO	10,000.00	\$70,000	\$70,000
712	Indirect - Construction Water Meter					
713	Domestic Construction Water Meter Permit (included in gas)	-	LS	2,400.00		
714	Construction Water Grading (included in grading)	-	LS	28,000.00		
715	Indirect - Other Salaries					
716	Indirect - Payroll Tax, Insurance					
717	Indirect - Construction Office	7	MO	500.00	\$3,500	\$3,500
718	Indirect - Telephone	7	MO	400.00	\$2,800	\$2,800
719	Indirect - Maintenance & Repairs					\$7,000
720	Maintenance & Repairs	7	MO	500.00	\$3,500	
721	Vehicle	7	MO	500.00	\$3,500	
722	Indirect - Equipment Rental	7	MO	500.00	\$3,500	\$3,500
723	Indirect - Small Tools & Supplies	7	MO	500.00	\$3,500	\$3,500
724	Indirect - Temporary Utilities	7	MO	1,000.00	\$7,000	\$7,000
725	Indirect - Security	7	MO	500.00	\$3,500	\$3,500
726	Indirect - Dust Control					\$12,380
727	Dust Control	43.9	AC	200.00	\$8,780	
728	Water Truck - Street Cleanup	72.0	DU	50.00	\$3,600	
729	Indirect - Temporary Fencing					\$10,028
730	Temporary Construction Fencing	6,985	LF	\$2	\$10,028	
731						
732	Reimbursables:					
733	Reimbursable - Electric					
734	Palmer 9/22/00 Estimate: None	1	L	(\$86,400)	(\$86,400)	
735	Reimbursable - Telephone					(\$68,970)
736	Palmer 9/22/00 Estimate: -\$3,885.00	1	L	(\$68,970)	(\$68,970)	
737	Reimbursable - Gas					\$61,236
738	Palmer 9/22/00 Estimate: -\$61,328.00	1	LS	(\$3,543)	(\$3,543)	
739						
740	Sub-total Soft Costs (250)					\$115,474
741						
742	Other Contingency					\$959,620
743	Indirect Cost Contingency - 10%	113,180	%	0.1000	\$11,318	
744	Direct Cost Contingency - 125%	6,290,768	%	0.1250	\$787,471	
745	Land Acquisition, Technical Contingency - 5%	2,924,203	%	0.0500	\$146,210	
746						

Budget for Costs "In Ground" as of June 1 and July 1, 2002

SF-FEES-(Hold for Special)	1	EA	2080	2,080	HISTORICAL DATA
OTHER MIS C. FEES				0	
DEVELOPMENT FEE		EA		0	
SCHOOL FEE SPECIAL TAX A	0	DU	0.00	0	
TITLE REPORT	1	EA	2,862.00	2,862	HISTORICAL DATA
WATER FACILITIES FEE	0	DU	0.00	0	
SEWER FACILITIES FEE	0	DU	0.00	0	
STORM DRAIN FACILITIES FEE	0	DU	0.00	0	
HYDROLOGY PLAN CHECK FEE	0	EA	0.00	0	
ASSESSMENT SEGREGATION	1	LS	6,490.00	6,490	
TRAF SIG.MITIGATION FEE	1	LS	8,280.00	8,280	
CCR REVIEW DEPOSIT	1	LS	1,300.00	1,300	
SEWER PLAN CHECK FEE	0	EA	0.00	0	
SWYPRING FEE	0	EA	0.00	0	
BOND PREPARATION FEE	0	EA	0.00	0	
RECORDING FEE	0	EA	0.00	0	
FIRE REVIEW FEE	0	EA	0.00	0	
LUCR FEE (PRECISE GRADING PLANS)	0	EA	0.00	0	
PRECISE GRADING PLAN CHECK & PERMIT FEE	0	EA	0.00	0	
TRAFFIC SIGNAL FEE PARTICIPATION	0	EA	0.00	0	
QUALITY CONTROL ENGINEER (GRADING)	0	EA	0.00	0	
CONTROL CONSULTANT (GRADING)	0	EA	0.00	0	
EXISTING INFRASTRUCTURE FEE	0	DU	0.00	0	
PARK AND RECREATION FEE	1	EA	387.00	387	HISTORICAL DATA
LAW INFORDEMENT	72	EA	0.00	0	
COMMUNITY PARK FEE	0	DU	0.00	0	
QUIMBY WALLEY FEE	1	LS	82,813.64	82,814	
SEWER CAP FEE	72	DU	0.00	0	
WATER CAP FEE	72	DU	0.00	0	
SEWER INSPECTION FEE	0	DU	0.00	0	
IRRIGATION WATER METER FEES (2 INCH)	0	EA	0.00	0	
WATER FEE MISCELLANEOUS	0	DU	0.00	0	

AGENCE FEE SUBTOTAL

268,599

CIVIL ENGINEERING FEES

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
PRELIMINARY ENGINEERING(TOPO, BDY. ETC.)	0	DU	282.00	0	
FINAL ENGINEERING-office	72	DU	685.18	49,332	Historical data run 5/14/02
FINAL ENGINEERING-field	72	DU	2,202.00	158,544	Historical data run 5/14/02
CONSTRUCTION SURVEYING	0	DU	2,784.00	0	
STAKING ADDENDUMS	0	DU	300.00	0	
PLOT AND PRECISE GRADING PLANS / EXHIBITS	0	DU	475.00	0	
ARCHITECTURAL REVIEW PLOT PLANS	0	DU	100.00	0	
SETTLEMENT MONITORING/REMEDIAL SURVEYS	0	LS	1,000.00	0	
SUBTOTAL				207,876	

SOILS AND GEOLOGY

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
PRELIMINARY INVESTIGATION	72	DU	180.00	12,960	
FINAL SOILS ENGINEERING	72	DU	958.00	69,032	Historical data run 5/14/02
SEISMIC STUDY	0	DU	0.00	0	
FINAL SOILS REPORT	0	DU	320.00	0	
UTILITY BACKFILL REPORTS	0	DU	350.00	0	
R VALUE TESTS	0	DU	100.00	0	
ROUGH GRADING INSPECTION	0	CY	0.10	0	
BLASTING MONITORING	0	LS	0.00	0	
SUBTOTAL				81,792	

OTHER CONSULTANTS

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
DRY UTILITY CONSULTANT	72	DU	178.82	12,954	
ACCOUSTICAL CONSULTANT	0	DU	50.00	0	
SWRCB(SWPPP) Update manual	72	DU	50.00	3,600	
WETLANDS CONSULTANT	72	DU	0.00	0	
LANDSCAPE ARCHITECT	72	DU	818.00	58,772	
PLANNING CONSULTANT	72	DU	75.00	5,400	
BLUEPRINTS AND REPRODUCTION	72	DU	55.00	3,960	
TRAFFIC ENGINEER	72	EA	0.00	0	
AERIAL PHOTOS	72	EA	64.51	4,645	
SUBTOTAL				89,311	

Consultants Subtotal

378,978

ITEM

ITEM	QUANTITY	UNIT	UNIT PRICE	COST	COMMENTS
CLEARING, DEMO, RELOCATION					

FIELDSTONE COMMUNITIES

Offsite Engineering

and

Construction

DETAIL SHEETS

LAND CLEARING(INCLUDES TREE REMOVAL)	0.00	AC	1.00	0
LAND CLEARING(INCLUDES TREE REMOVAL)	0	AC	1.00	0
REMOVE EXISTING DOWNTERACE DRAINS	0	LF	1.00	0
WATER WELL ABANDONMENT	0	EA	1.00	0
RELOCATE EXISTING WATERLINES	0	LF	1.00	0
REPAIR EXISTING TERRACE DRAIN	0	LF	1.00	0
REMOVE CONCRETE CHANNEL(PICASSO)	0	SF	1.00	0
SUB TOTAL				0

GRADING-rough and finish

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
12102 MOVE IN	1	LS	55,000.00	55,000	100% COMPLETE
15004 CLEAR AND GRUB	34	AC	1,250.00	42,500	100% COMPLETE
15100 MASS EXCAVATION AND COMPACTION	238,400	CY	1.30	309,920	80% COMPLETE
Blasting	40,000	CY	5.10	204,000	85% COMPLETE
PAD OVEREX OVER STABILITY FILLS	0	CY	1.09	0	
ALLUVIUM REMOVAL AND REPLACEMENT	246,327	CY	1.15	283,268	90% COMPLETE
ALLUVIUM -SATURATED	0	CY	4.40	0	
COLLUVIUM REMOVAL	0	CY	0.00	0	
OLDER ALLUVIUM REMOVAL	0	CY	0.00	0	
Move Concrete Foundation	1	CY	500.00	500	100% COMPLETE
F# Slope Stabilization	8,000	CY	1.85	14,800	100% COMPLETE
STOCK PILE CRST	67,352	CY	1.15	77,455	100% COMPLETE
Geo Grid Material	1	ls	140,000.00	140,000	
GEO GRID MATL	1	ls	85,500.00	85,500	
ARTIFICIAL FILL REMOVAL	0	CY	0.00	0	
CAP/TRANSITION LOTS	0	CY	1.70	0	
BUTTRESSING & STABILIZATION FILLS	0	CY	1.98	0	
SPECIAL HANDLING OF OVERSIZE MATL.	0	CY	9.75	0	
STABILIZATION FILL	3,800	CY	1.85	8,270	100% COMPLETE
ROAD UNDERCUT @ ROCK MASS-LINE BLAST	10,000	CY	1.50	35,000	100% COMPLETE
SPECIAL BLASTING ADJ GAS LINE	1	LS	10,000.00	35,000	
FINISH PADS	0	EA	750.00	0	
FINISH FILL SLOPE	0	SF	0.15	0	
FINISH STREETS	0	SF	0.05	0	
CMP INLET PER DETAIL ON SHEET 2/0	0	EA	1.00	0	
SPLASH WALLS	0	LF	35.00	0	
CHIMNEY DRAINS	0	LF	31.00	0	
BACKDRAINS 4" SOLID	0	LF	0.00	0	
SUBDRAINS #4 PERFORATED	0	LF	16.75	0	
SUBDRAINS #4 PERFORATED BUTTRESS BACK D	145	LF	1.50	1,088	100% COMPLETE
SUBDRAINS #4 PERFORATED BUTTRESS BACK D	3,845	LF	16.00	58,320	100% COMPLETE
SUBDRAINS #4 PERFORATED BUTTRESS BACK D	80	LF	8.50	960	100% COMPLETE
SUBDRAINS #4 PERFORATED BUTTRESS BACK D	145	LF	17.00	2,465	100% COMPLETE
15404 PCC SLOPE TERRACE DRAINS	145	LF	17.00	2,465	100% COMPLETE
PCC DOWNDRAINS	0	LF	15.85	0	
GEO GRID MATL	1	LS	140,000.00	140,000	100% COMPLETE
GEO GRID MATL	1	LS	85,500.00	85,500	100% COMPLETE
PCC BROW DITCH	0	LF	12.95	0	
CONCRETE DRAINS	0	LF	8.00	0	
Terrace Drains w-24	1,000	LF	15.00	15,000	100% COMPLETE
DOWN DRAIN TRANSITIONS	0	EA	1,100.00	0	
DOWN DRAIN TO PIPE TRANSITION	0	EA	1,000.00	0	
DOWN DRAIN INCLUDING ANCHORS	0	LF	13.00	0	
15408 INTERCEPTOR DRAINS	2,174	LF	10.00	21,740	100% COMPLETE
15412 RIP RAP	0	SF	8.00	0	
EROSION CONTROL	1	LS	454.50	455	95% COMPLETE
OVERSIZE ROCK	1	LS	8,755.00	8,755	100% COMPLETE
TEST DRILLING	1	LS	1,280.00	1,280	100% COMPLETE
PUSH OUT WATER & MIX	1	LS	350.00	350	100% COMPLETE
DEVELOP WATER OFFSITE OF TRACT	1	LS	18,089.00	18,089	100% COMPLETE
DUST CONTROL	1	LS	4,883.00	4,883	90% COMPLETE
ADDL HAND'D ROCK & DRY MATL.	1	LS	21,849.00	21,849	100% COMPLETE
ADDL ALLIUMAL AS REQUIRED BY GEOTECHS	1	LS	810.00	810	100% COMPLETE
ADDITIONAL SCHL 40 4" PVC	3,790	LS	0.90	3,411	100% COMPLETE
BLOCK SPLASH WALLS	0	LF	21.00	0	
STREET BALANCE	0	SF	0.20	0	
CURB GRADE	0	LF	0.75	0	
SIDEWALK GRADE	0	SF	0.12	0	
ROUGH LOT PULLS	0	DU	0.50	0	
FINAL LOT PULLS	0	DU	500.00	0	
SPIN PADS	0	EA	200.00	0	
REMOVE EXISTING CMP AND PLUG	0	EA	0.00	0	
CORE DRILL CATCH BASIN WALL	0	EA	0.00	0	
DOWNDRAIN ANCHORS	0	EA	0.00	0	
CONCRETE DRAIN TOE DRAIN	0	LF	0.00	0	
INTERCEPTOR DRAINS	0	LF	10.00	0	
INSTALL 18" RCP	0	LF	35.00	0	
Demo Exist Park Parking Lot	1	LS	15,000.00	15,000	
SEED MIX WITH COPOLYMER	0	SF	0.034	0	
addition to the contract.	1	ls	20,059.00	20,059	100% COMPLETE
Change Orders-Extras & Additions(to date)				408,000	100% COMPLETE

FIELDSTONE COMMUNITIES

Offsite Engineering

and

Construction

DETAIL SHEETS

SUBTOTAL 2,110,521

CONSTRUCTION WATER

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
METER DEPOSIT AND RENTAL	0	EA	2,000.00	0	
CONSTRUCTION WATER ON-SITE	20	ACFT	425.00	8,500	
TRENCH BACKFILL WATER	72	DJ	25.00	1,800	
SPRINKLER RENTAL	0	LS	0.00	0	
GRADING WATER	0	CY	0.06	0	
SUBTOTAL				10,300	

EROSION AND DUST CONTROL

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
SAND BAGS	-	EA	2.00	0	
DESILTING BASINS (MINOR)	-	EA	5,000.00	0	
STREET SWEEPING/WASHING	-	LS	100.00	0	
SWRCB(SWPPP) Lap Testing	-	LS	5,000.00	0	
POLYMER COATING	-	SF	0.005	0	
SILT FENCE	-	LF	2.75	0	
			0.00	0	
SUBTOTAL				0	

STORM DRAIN SYSTEM...On Site

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
16008 18" RCP RCP add wtr tight	85	LF	42.50	3,613	
16006 24" RCP - T&G 1350d	8	EA	80.00	640	APPROXIMATELY 25% OF
16004 24" RCP	425	LF	46.00	19,550	ALL STORM DRAIN HAS
16020 30" T&G 1350d					BEEN BUILT TO DATE.
16022 30" RCP add wtr tight	0	LF	81.00	0	(June 30th).
16024 30" RCP add "D" load	0	LF	72.00	0	
16026 42" RCP RCP T&G 1350d	0	LF	84.00	0	
16030 48" RCP RCP - T&G 1350d	0	LF	92.00	0	
16032 48" RCP add wtr tight					
54" RCP	0	LF	125.00	0	
60" RCP	0	LF	150.00	0	
84" RCP	0	LF	245.00	0	
4" PVC	0	LF	0.00	0	
16402 RAISE MH TO GRADE (1ST LIFT)	0	EA	300.00	0	
RAISE MH TO GRADE (2ND LIFT)	0	EA	300.00	0	
CATCH BASIN WLD W=4'	0	EA	5,285.00	0	
CATCH BASIN WLD W=7'	0	EA	0.00	0	
CATCH BASIN WLD W=14'	0	EA	4,500.00	0	
CATCH BASIN WLD W=21'	0	EA	0.00	0	
JUNCTION STRUCTURE NO. 1	0	EA	1,400.00	0	
JUNCTION STRUCTURE NO. 2	0	EA	0.00	0	
TRANSITION STRUCTURE NO. 1	0	EA	0.00	0	
TRANSITION STRUCTURE NO. 2	0	EA	0.00	0	
MANHOLE	3	EA	2,475.00	7,425	
Join 18"RCP to Exis't'g Inlet	1	EA	750.00	750	
CATCH BASIN FILTERS	0	EA	200.00	0	
Concrete Collars	2	EA	485.00	970	
30x30 Catch Basin	1	EA	1,950.00	1,950	
Down-Drain To Pipe Ties	2	EA	1,850.00	3,700	
AC ACCESS ROADS	0	SF	0.00	0	
REMOVE EXISTING PLUG	1	EA	2,500.00	2,500	
Street work R&R	55	SF	19.00	1,045	
CMP RISER	0	EA	250.00	0	
6" HIGH CHAIN LINK FENCE	0	LF	0.00	0	
ENERGY DISSIPATER	0	EA	0.00	0	
SUBTOTAL				41,743	

STORM DRAIN SYSTEM...Arterial and Collector Road:

Table with columns: ITEM, QUANTITY, UNIT, PRICE, COST, COMMENTS. Lists items like 16006 18" RCP add wtr light, 16004 24" RCP, etc. Subtotal is 0.

SANITARY SEWER SYSTEM...Arterial & Collector highway.

Table with columns: ITEM, QUANTITY, UNIT, PRICE, COST, COMMENTS. Lists items like 17002 4" VCP, 17004 8" VCP, etc. Subtotal is 0.

SANITARY SEWER SYSTEM...On Site

Table with columns: ITEM, QUANTITY, UNIT, PRICE, COST, COMMENTS. Lists items like 17002 4" VCP, 17004 8" VCP, etc. Subtotal is 43,360.

WATER SYSTEM...arterial and collector highway

Table with columns: ITEM, QUANTITY, UNIT, PRICE, COST, COMMENTS. Lists items like 18016 6" PVC CL200 WITH FITTINGS, 18018 8" PVC CL200 WITH FITTINGS, etc. Subtotal is 0.

WATER SYSTEM...ON-SITE

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
8" PVC CL200 WITH FITTINGS	1,300	LF	15.50	20,150	
8" PVC CL200 WITH FITTINGS	0	LF	18.00	0	
8" PVC CL200 WITH FITTINGS	0	LF	0.00	0	
12" PVC CL200 WITH FITTINGS	300	LF	25.00	7,500	APPROXIMATELY 25% OF ALL WATER HAS BEEN BUILT TO DATE. (June 30th).
12" DIP Pipe Siphon at Exd. 18" Gas Main	58	LF	90.00	5,220	
8" CML&W WITH FITTINGS	0	LF	0.00	0	
8" CML&W WITH FITTINGS	0	LF	24.00	0	
12" CML&W WITH FITTINGS	0	LF	35.00	0	
14" CML&W WITH FITTINGS	0	LF	0.00	0	
4" GATE VALVE	0	EA	0.00	0	
8" GATE VALVE	0	EA	0.00	0	
8" GATE VALVE	3	EA	860.00	2,580	
10" GATE VALVE	1	EA	1,150.00	1,150	
14" GATE VALVE	0	EA	0.00	0	
2" BLOWOFF ASSEMBLY	1	EA	1,500.00	1,500	
4" BLOWOFF ASSEMBLY	0	EA	800.00	0	
8" BLOWOFF ASSEMBLY	0	EA	0	0	
AIR RELIEF VALVE	0	EA	1,400.00	0	
18202 FIRE HYDRANT ASSEMBLY	8	EA	1,885.00	11,810	
HOUSE WATER SERVICE	18	DU	865.00	10,170	
LANDSCAPE WATER SERVICE	0	EA	900.00	0	
RAISE GATE VALVE COVERS TO GRADE FIRST LI	0	EA	75.00	0	
RAISE GATE VALVE COVERS TO GRADE	0	EA	75.00	0	
HOT TAP WITH FITTINGS	0	EA	4,500.00	0	
REMOVE AND REPLACE PAVING	0	SF	1.50	0	
THRUST BLOCKS	0	EA	125.00	0	
Streetwork R&R w/Base AC	90	LF	14.50	1,305	
Cl II Base Backfill Trench	10	CY	24.00	240	
Join Existing " Water Line	1	EA	750.00	750	
Misc. Fittings & ThrustBlock	1	EA	1,800.00	1,800	
Air Vac Assembly	2	EA	1,375.00	2,750	
Remove Existing 8" Waterline	140	EA	12.00	1,680	
2" Irrigation Serv.	1	EA	1,400.00	1,400	
8" x 8" Hot Tap	1	EA	2,850.00	2,850	
PRESSURE REDUCER STATION	0	EA	0.00	0	
Jumpar Fee F	0	EA	86.00	0	
JOIN EXISTING	0	EA	0.00	0	
SUBTOTAL				87,735	

STREET IMPROVEMENTS...arterial and collector highway

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
6" CURB AND 18" GUTTER	0	LF	0.00	0	
6" CURB AND 24" GUTTER	0	LF	0.00	0	
6" AC BERM ONLY(BY OTHERS)	0	LF	0.00	0	
6" CURB ONLY	0	LF	0.00	0	NO STREET IMPROVEMENTS
VARIABLE HEIGHT CURB AND GUTTER	0	LF	0.00	0	TO DATE
VARIABLE HEIGHT CURB ONLY	0	LF	0.00	0	
CONCRETE CROSS GUTTER	0	SF	6.00	0	
CONCRETE DRIVE APPROACH	0	SF	0.00	0	
CONCRETE SIDEWALK	0	SF	0.00	0	
ALLEY GUTTER (3' WIDE)	0	SF	0.00	0	
4" AC OVER 6" AB	0	SF	0.00	0	
1" AC FINISH LIFT	0	SF	0.00	0	
4" AC OVER 6" AB	0	SF	0.00	0	
1" AC FINISH LIFT	0	SF	0.00	0	
AC BERM(BY OTHERS)	0	LF	0.00	0	
HANDICAP RAMPS	0	EA	0.00	0	
RAISE MANHOLES TO GRADE SECOND LIFT	0	EA	0.00	0	
RAISE MANHOLES TO GRADE FINAL LIFT	0	EA	0.00	0	
ADJUST WATER VALVE COVERS TO GRADE	0	EA	0.00	0	
ADJUST WATER VALVE COVERS TO GRADE	0	EA	0.00	0	
RAISE STORM DRAIN MANHOLES TO GRADE	0	EA	0.00	0	
RAISE STORM DRAIN MANHOLES TO GRADE	0	EA	0.00	0	
SAWCUT AND REMOVE AC PAVEMENT	0	SF	0.00	0	
SAWCUT AND REMOVE CURB AND GUTTER	0	LF	0.00	0	
REMOVE SIDEWALK	0	SF	0.00	0	
BUTTERFIELD RANCH ROAD MEDIAN CUT	0	LS	0.00	0	
POINT AND PATCH	0	%	0.00	0	
SUBTOTAL				0	

STREET IMPROVEMENTS...ON-SITE

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
6" CURB AND 18" GUTTER	0	LF	6.50	0	
6" CURB AND 24" GUTTER	0	LF	0.00	0	
6" CURB ONLY	0	LF	0.00	0	
REDWOOD HEADER	0	LF	2.50	0	
VARIABLE HEIGHT CURB AND GUTTER	0	LF	0.00	0	
6" PCC PAVING	0	SF	2.25	0	
CONCRETE CROSS GUTTER	0	SF	0.00	0	
CONCRETE DRIVE APPROACH	0	SF	2.10	0	
CONCRETE SIDEWALK	0	SF	1.75	0	
ALLEY GUTTER (3' WIDE)	0	SF	0.00	0	
2" AC OVER 4" AB	0	SF	0.00	0	
3" AC OVER 5" AB	0	SF	0.95	0	
4" AC OVER 6" AB	0	SF	0.00	0	
1" AC FINISH LIFT	0	SF	0.28	0	
AC BERM	0	LF	0.00	0	
HANDICAP RAMPS	0	EA	300.00	0	
RAISE MANHOLES TO GRADE SECOND LIFT	0	EA	0.00	0	
RAISE MANHOLES TO GRADE FINAL LIFT	0	EA	0.00	0	
ADJUST WATER VALVE COVERS TO GRADE	0	EA	0.00	0	
ADJUST WATER VALVE COVERS TO GRADE	0	EA	0.00	0	
RAISE STORM DRAIN MANHOLES TO GRADE	0	EA	0.00	0	
RAISE STORM DRAIN MANHOLES TO GRADE	0	EA	0.00	0	
SAWCUT AND REMOVE AC PAVEMENT	0	SF	2.00	0	
REMOVE CURB AND GUTTER	0	LF	8.00	0	
REMOVE SIDEWALK	0	SF	2.00	0	
LANDSCAPED PARKWAY	0	SF	0.00	0	
POINT AND PATCH	0	DU	8.00	0	
SUBTOTAL				0	

STREET LIGHTS AND TRAFFIC SIGNALS

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
STREET NAME SIGNS	0	EA	285.00	0	
STOP SIGNS	0	EA	125.00	0	
TRAFFIC CONTROL SIGNS	0	EA	200.00	0	
REFLECTOR PANELS	0	EA	0.00	0	
STRIPPING	0	LS	5,000.00	0	
STOP BAR STRIPPING	0	EA	225.00	0	
BARRICADE GUARD RAILS	0	EA	0.00	0	
STREET LIGHTS - 5800 LUMEN	0	EA	1,375.00	0	
STREET LIGHTS - 9500 LUMEN	0	EA	1,500.00	0	
ENERGY CHARGES	0	EA	0.00	0	
RELOCATE STREET LIGHT	0	EA	0.00	0	
TRAFFIC SIGNAL	0	EA	0.00	0	
SUBTOTAL				0	

WALLS AND FENCES

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
ENTRY MONUMENTATION	0	EA	10,000.00	0	
6" MASONRY BLOCK WALL	0	LF	42.00	0	
PreCast Conc.Cap	0	LF	9.00	0	
PRODUCTION SIDEYARD GATE	0	EA	0.00	0	
16"x24" PLASTERS	0	EA	750.00	0	
LOW 16"x24" PLASTERS	0	EA	250.00	0	
TUBULAR STEEL FENCING	0	LF	28.00	0	
LOW MASONRY WALLS	0	LF	24.00	0	
VIEW WALLS 12" MASONRY/48" TUBULAR STEEL	0	LF	24.00	0	
VIEW SOUND WALLS 36" MASONRY/24" STEEL	0	LF	37.50	0	
CONCRETE MOWSTRIP	0	LF	7.00	0	
CONCRETE TURF BLOCK	0	LF	0.00	0	
SIDEYARD WALLS	0	LF	0.00	0	
REAR YARD WALLS	0	LF	0.00	0	
FIRE ACCESS GATES	0	EA	1,000.00	0	
SUBTOTAL				0	

LANDSCAPING

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
2" IRRIGATION METER AND CONTROLLER	0	EA	36,338.00	0	
HOA SLOPE IRRIGATION WITH ROTORS	0	SF	0.40	0	
TEMP. IRRIGATION OFF SITE & BACK CUT	0	SF	0.25	0	
GROUND COVER ROOTED CUTTINGS	0	SF	0.20	0	
FINE GRADE	0	SF	0.12	0	
WEED GROW AND KILL	0	SF	0.03	0	
ORNAMENTAL SLOPE HYDROSEEDING	0	SF	0.07	0	
NATIVE GRASSLAND HYDROSEED	0	SF	0.08	0	
TURF HYDROSEEDING	0	SF	0.06	0	
COMPOSTED LANDSCAPE MULCH 3" DEEP	0	SF	0.24	0	
72" BOX TREES AT PRIMARY ENTRY	0	EA	2,000.00	0	
36" BOX TREES	0	EA	600.00	0	
24" BOX TREES	0	EA	225.00	0	
18 GAL STREET TREES	0	EA	85.00	0	
15 GALLON SLOPE TREES	0	EA	85.00	0	
8 GALLON TREES	0	EA	85.00	0	
15 GALLON SHRUBS	0	EA	18.50	0	
8 GALLON SHRUBS	0	EA	8.50	0	
1 GALLON SHRUBS	0	EA	8.50	0	
PARK DEMO.	1	EA	55,875.00	55,875	
1 GALLON VINES	0	EA	8.50	0	
FUEL MODIFICATION	0	SF	0.07	0	
90 DAY MAINTENANCE	0	SF	0.12	0	
	0	SF	0.00	0	
SUBTOTAL				55,875	

FIELDSTONE COMMUNITIES
Office Engineering
and
Construction

DETAIL SHEETS

UTILITY TRENCHING

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
ELECTRIC MAIN AND STUBS	0	DU	1,265.00	0	
ELECTRIC TRANSFORMERS	0	DU	115.00	0	
NON REFUNDABLE CONSTRUCTION	0	DU	80.00	0	
BACKBONE SYSTEMS	0	DU	0.00	0	
PRIMARY TRANSFORMERS / SPLICE PITS	0	EA	0.00	0	
PRIMARY TRANSFORMERS / SPLICE PITS	0	EA	0.00	0	
SUBTOTAL				0	

UTILITY COMPANY CONTRACTS

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
EDISON	0	DU	2,485.00	0	
TELEPHONE	0	DU	0.00	0	
GAS	0	DU	810.00	0	
CABLE TV	0	DU	0.00	0	
	0		0.00	0	
	0		0.00	0	
SUBTOTAL				0	

CIVIL ENGINEERING FEES

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
PRELIMINARY ENGINEERING(TOPO, BDY, ETC.)	0	DU	119.00	0	
FINAL ENGINEERING	0	DU	1,438.00	0	
CONSTRUCTION SURVEYING	0	DU	1,038.00	0	
Geo Technical Engineer - Office			\$	\$	
Geo Technical Engineer - field			\$	\$	
STAKING ADDENDUMS	0	DU	300.00	0	
PLOT AND PRECISE GRADING PLANS / EXHIBITS	0	DU	475.00	0	
ARCHITECTURAL REVIEW PLOT PLANS	0	DU	100.00	0	
SETTLEMENT MONITORING/REMEDIAL SURVEYS	0	LS	100,000.00	0	
SUBTOTAL				0	

SOILS AND GEOLOGY

ITEM	QUANTITY	UNIT	PRICE	COST	COMMENTS
PRELIMINARY INVESTIGATION	0	DU	0.00	0	
SEISMIC STUDY	0	DU	0.00	0	
FINAL SOILS REPORT	0	DU	300.00	0	
UTILITY BACKFILL REPORTS	0	DU	350.00	0	
R VALUE TESTS	0	DU	100.00	0	
ROUGH GRADING INSPECTION	0	CY	0.10	0	
	0		0.00	0	
SUBTOTAL				0	

FIELDSTONE COMMUNITIES
Office Engineering
and
Construction

DETAIL SHEETS

OTHER CONSULTANTS

ITEM	QUANTITY	UNIT	UNIT PRICE	COST	COMMENTS
DRY UTILITY CONSULTANT	0	DU	100.00	0	
ACOUSTICAL CONSULTANT	0	DU	50.00	0	
SWRC(SWPPP) Update manual	0	DU	50.00	0	
WETLANDS CONSULTANT	0	DU	0.00	0	
LANDSCAPE ARCHITECT	0	DU	450.00	0	
PLANNING CONSULTANT	0	DJ	75.00	0	
BLUEPRINTS AND REPRODUCTION	0	DU	200.00	0	
TRAFFIC ENGINEER	0	EA	0.00	0	
SUBTOTAL				<u>0</u>	

INDIRECT ALLOCATIONS

ITEM	QUANTITY	UNIT	UNIT PRICE	COST	COMMENTS
GRADING	0.00	LS	1,111.00	0	
STORM DRAIN	0.00	LS	0.00	0	
SEWER	0.00	LS	0.00	0	
WATER	0.00	LS	0.00	0	
SIDEYARD WALLS	0.00	LS	0.00	0	
REAR YARD WALLS	0.00	LS	0.00	0	
TRAFFIC SIGNAL PARTICIPATION	0.00	LS	0.00	0	
SUBTOTAL				<u>0</u>	

REIMBURSEMENTS

ITEM	QUANTITY	UNIT	UNIT PRICE	COST	COMMENTS
EDISON	0	DU	-1,950.00	0	
TELEPHONE	0	DU	-55.00	0	
GAS	0	DU	-810.00	0	
JOINT TRENCH REFUND	0	DU	-7.00	0	
SLATE DRIVE STORM DRAIN	0	%	0.00	0	
SLATE DRIVE WATER	0	%	0.00	0	
SUBTOTAL				<u>0</u>	

BONDS

ITEM	QUANTITY	UNIT	UNIT PRICE	COST	COMMENTS
MONUMENT BOND	0	LS	800.00	0	
FAITHFUL PERFORMANCE	0	%	660,832.00	0	
MAINTENANCE BOND	0	%	66,083.00	0	
LETTER OF CREDIT	0	LS	0	0	
GRADING BOND	0	%	1,626,016.00	0	
LANDSCAPE BOND	0	%	1,626,016.00	0	
LANDSCAPE MAINTENANCE BOND	0	%	403,775.00	0	
SUBTOTAL				<u>0</u>	

**City of Corona CFD No. 2001-2 (Cresta-Grande)
Costs Beyond Finished Lot In Development Budget**

Costs Identified As Beyond A Typical Finished Lot

Line	Description	Amount	Category	
68	Model Complex Design	\$ 11,250	Consultant,fees	
69	Consultant - City req'd front yard landscp	1,950	Consultant,fees	
113	Corona Water Meter Jumper Fee	4,392	Fees, Permits	
116	Corona Water Set-Up Fees	1,080	Fees, Permits	
117	Corona Water Prepayment 3/4"	3,240	Fees, Permits	
136	Corona Model Home Permit	970	Fees, Permits	
137	Corona Model Home Plan Check Grading	2,850	Fees, Permits	
166	Corona Park Fee (Ord 2300)	94,726	Fees, Permits	
180	Fees - Residential Construction Tax	100,080	Fees, Permits	
389	Precise Grading			
390	PRG - Pregrade After Slab	108,000	Precise Grading	
396	Precise Grade Export Rough Pull Disposal	14,400	Precise Grading	
402	Precise Grade Site Clean Lot Finish	43,200	Precise Grading	
405	PRG - Precise Grade Other	10,600	Precise Grading	72,390
531	Sidewalk-4" Wide - 4" Thick	72,390	Street Imps-Concrete	46,972
541	Driveway Approaches - 6" Thick	46,972	Street Imps-Concrete	119,362
609	Non-Retaining MASONRY WALL	361,580	Walls, Fencing	
611	Gate	14,000	Landscaping	
673	House Services	28,800	Consultant,fees	
	Subtotal	920,460		
744	Direct Cost Contingency	10.0%	92,046	
	Total	\$ 1,012,506		(1)
711	Indirect - Superintendent Salaries	\$ 70,000		
717	Indirect - Construction Office	3,500		
718	Indirect - Telephone	2,600		
722	Indirect - Equipment Rental	3,500		
719	Indirect - Maintenance & Repairs	7,200		
723	Indirect - Small Tools & Supplies	3,500		
725	Indirect - Security	3,500		
724	Indirect - Temporary Utilities	7,000		
726	Indirect - Dust Control	12,380		
730	Indirect - Temporary Construction Fencing	10,028		
	Subtotal	123,208		
743	Indirect - Contingency	10.0%	12,321	
	Total	\$ 135,529		(1)
	Total (1)s	\$ 1,148,035		

CFD 2001-2
Cresta Verde Hills, Tract 29813
Improvement Budget Costs to Complete

	Original Budget			As of June 1			As of July 1		
	Total Budget	Less Costs Above Finished Lot	Finished Lot Budget	"In Ground"	Cost to Complete	Percent Complete	"In Ground"	Cost to Complete	Percent Complete
d Costs:									
Consultant Fees and Service	\$ 750,620	\$ (42,000)	\$ 708,620	\$ 458,538	\$ 250,082	65%	\$ 492,772	\$ 215,848	70%
Fees, Deposits, Permits	\$ 1,624,035	\$ (207,338)	\$ 1,416,697	\$ 260,509	\$ 1,156,188	18%	\$ 260,509	\$ 1,156,188	18%
Bonds	\$ 65,794		\$ 65,794	\$ -	\$ 65,794	0%	\$ 44,837	\$ 21,157	68%
Reproduction	\$ 14,400		\$ 14,400				\$ 14,400		
Aerial Photos	\$ 6,585		\$ 6,585				\$ 6,585		
Site Preparation	\$ 83,302		\$ 83,302	\$ 83,302	\$ -	100%	\$ 83,302	\$ -	100%
Offsite Site Preparation (Park)	\$ 221,264		\$ 221,264				\$ 221,264		
Rough Grading	\$ 2,484,471		\$ 2,484,471	\$ 2,037,519	\$ 446,952	82%	\$ 2,312,736	\$ 171,735	93%
Erosion Control	\$ 87,066		\$ 87,066	\$ -	\$ 87,066	0%	\$ 6,500	\$ 80,566	7%
Precise Grading	\$ 176,400	\$ (176,200)	\$ 200				\$ 200		
Storm Drain	\$ 224,188		\$ 224,188	\$ 41,743	\$ 182,445	19%	\$ 102,969	\$ 121,219	46%
Sewer	\$ 174,814		\$ 174,814	\$ 43,360	\$ 131,454	25%	\$ 124,729	\$ 50,085	71%
Water	\$ 288,008		\$ 288,008	\$ 67,735	\$ 220,273	24%	\$ 126,210	\$ 161,798	44%
Street Improvements, Concre	\$ 325,871	\$ (119,362)	\$ 206,509	\$ -	\$ 206,509	0%	\$ 29,406	\$ 177,103	14%
Street Improvements, Asphalt	\$ 380,868		\$ 380,868	\$ -	\$ 380,868	0%	\$ -	\$ 380,868	0%
Walls and Fences	\$ 651,165	\$ (361,560)	\$ 289,605	\$ -	\$ 289,605	0%	\$ 16,800	\$ 272,805	6%
Landscaping	\$ 757,675	\$ (14,000)	\$ 743,675	\$ 55,875	\$ 687,800	8%	\$ 55,875	\$ 687,800	8%
Utilities	\$ 438,090		\$ 438,090	\$ -	\$ 438,090	0%	\$ -	\$ 438,090	0%
	\$ 8,754,616	\$ (920,460)	\$ 7,834,156	\$ 3,048,581	\$ 4,543,126	39%	\$ 3,656,445	\$ 4,177,711	47%
l Costs:									
Indirect Costs	\$ 123,208	\$ (123,208)	\$ -	\$ -	\$ (7,734)	0%	\$ -	\$ (7,734)	0%
Reimbursables	\$ (7,734)		\$ (7,734)	\$ -	\$ (7,734)	0%	\$ -	\$ (7,734)	0%
Soft Contingency	\$ 172,149	\$ (12,321)	\$ 159,828	\$ -	\$ 159,828	0%	\$ -	\$ 159,828	0%
Hard Contingency	\$ 787,471	\$ (92,046)	\$ 695,425	\$ -	\$ 695,425	0%	\$ -	\$ 695,425	0%
	\$ 1,075,094	\$ (227,575)	\$ 847,519	\$ -	\$ 847,519	0%	\$ -	\$ 847,519	0%
al Improvements	\$ 9,829,710	\$ (1,148,035)	\$ 8,681,675	\$ 3,048,581	\$ 5,390,645	35%	\$ 3,656,445	\$ 5,025,230	42%
uction in Contingency due to project progress:									
Soft Cost Contingency Reduction due to Development Agreement (locks in fees):				\$ (119,871)			\$ (119,871)		
Hard Cost Contingency Reduction due to Project Progress/Contracting:				\$ (270,617)			\$ (324,577)		
				\$ (390,488)			\$ (444,448)		
aised Costs to Complete:				\$ 5,000,157			\$ 4,580,782		

e: Soft Cost Contingency Reduction is 75% due to lock in of fees in development agreement, which was lion's share of soft costs.
e: Hard Cost Contingency Reduction is same as percentage complete on hard costs, i.e. 47%.

Remaining Costs to Complete Lots to Finished Lot Condition as of July 1, 2002

QUALIFICATIONS OF BRUCE W. HULL, MAI

Business Locations: 1056 E. Meta Street, Suite 202
Ventura, California 93001
(805) 641-3275 * Facsimile (805) 641-3278
E-Mail Address - Bhull86686@aol.com
Direct Correspondence to Ventura Location

115 E. Second Street, Suite 100
Tustin, California 92780
(949) 581-2194 * Facsimile (949) 581-2198

APPRAISER'S QUALIFICATIONS

Bruce W. Hull & Associates, Inc. is an appraisal firm that provides a wide variety of appraisal assignments for public agencies, developers and financial institutions.

The principal, Bruce W. Hull, MAI, has been in the appraisal field since graduation in 1969 from Westmont College, Santa Barbara. After being employed by the Ventura County Assessor's Office for five years, he established an appraisal company in Orange County in 1974. In August of 1995 he established an office in Ventura while maintaining an Orange County location. While most of the appraisal assignments are in Southern California, assignments have been completed in areas from San Francisco/Bay Area and Lake Tahoe to San Diego.

The appraisal assignments completed have been diverse in nature, including such property types as large masterplanned developments, shopping centers, large retail uses, and mitigation land. A brief summary of the more challenging assignments is given on the following pages.

MASTERPLANNED DEVELOPMENT

These are typically more than 1,000 acres in size and have a wide variety of residential product, often ranging from condominiums to large estate type of properties. In addition, there is often a commercial use within the development. I have been involved in the following projects.

Lake Sherwood, Hidden Valley
Wood Ranch, Simi Valley
Rancho San Clemente, San Clemente
Towne Center, Rancho Santa Margarita
Rancho Trabuco North and South, Rancho Santa Margarita
Hunters Ridge, Fontana
The Corona Ranch, Corona
Mountain Cove, Temescal

Mountain Gate, South Corona
The Foothill Ranch, Corona
Orangecrest, City of Riverside
Aliso Viejo, County of Orange
Talega Valley, City of San Clemente/County of Orange
Otay Ranch, City of Chula Vista

RETAIL USE

Consultant to City of Long Beach regarding a 30 acre site (Long Beach Naval Hospital) which the City was acquiring from the US Navy for inclusion in a 100 acre shopping center site.

Towne Center, Rancho Santa Margarita, is a masterplanned project which contains two shopping centers (Towne Center, 160,000 SF plus a Target Store, 122,000 SF; Plaza Antonio, 165,000 SF).

Mission Grove, City of Riverside, is a 395,362 SF center which included a K-Mart Department Store among the major tenants.

Victoria Gardens Masterplan was a proposed mixed use project consisting of 3,065 acres of land which included a mixture of residential (2,150 acres); commercial (335 acres of which 91.9 acres was a regional center site); schools; parks; and open space for the remainder of the lands.

Menifee Village, Riverside County, is a 1977 acre masterplanned development which had approvals for 5,256 units. The assignment included the valuation of Planning Area 2-7 which was a commercial site that had been developed with a Target Store, Ralph's Market, and in-line stores (190,000 SF with eventually being a 257,000 SF center).

MITIGATION LANDS

These assignments involved valuing lands that are considered mitigation lands which are often acquired by public agencies or nonprofit organizations.

Bolsa Chica, Huntington Beach, a 42-acre site which was part of a larger wetlands conservation program. This particular acreage was unique since it was subject to "tidal flushing" and had both fresh and saltwater impacting the lands. This assignment was completed for Metropolitan Water District.

San Joaquin Marsh, City of Irvine, consisted of approximately 289 acres of wetlands which were acquired for use as a "buffer" zone by the Irvine Ranch Water District.

Eagle Valley, a 1072-acre parcel near Lake Matthews in Riverside County, was acquired by Metropolitan Water District for use as a water treatment plant and buffer zone.

Poormans Reservoir, Moreno Valley, a 38-acre site acquired by the City of Moreno Valley for preservation/open space use.

ASSESSMENT DISTRICTS/BOND ISSUES

Have been involved in the appraisals of the following Bond Issues regarding Community Facilities Districts and/or Assessment Districts. (This represents a partial list of assignments completed from 1990 thru Present.)

CFD No. 9 (Orangecrest - Impr. Areas 1, 3 & 5); City of Riverside
CFD No. 2000-1 (Crosby Estate @ Rancho Santa Fe); Solana Beach
CFD No. 2001-01 (Murrieta Valley U.S.D.); Murrieta
CFD No. 90-1 (Lusk-Highlander); City of Riverside
Otay Ranch SPA I - CFD No. 99-2; City of Chula Vista
CFD No. 7 (Victoria Grove); County of Riverside
CFD No. 10 (Fairfield Ranch); City of Chino Hills
CFD No. 2000-1; Tejon Industrial Complex; Lebec
CFD No. 99-1; Santa Margarita Water District
CFD No. 97-3; City of Chula Vista
CFD No. 2 (Riverside Unified School District); City of Riverside
CFD No. 89-1; City of Corona
Lake Sherwood A.D. Refunding; County of Ventura
CFD No. 9; City of Chino Hills
CFD NO. 88-12; City of Temecula
CFD No. 90-1 (Refunding); City of Corona
A.D. No. 97-1-R; City of Oxnard
A.D. No. 96-1; Valley Center Municipal Water District; San Diego County
A.D. No. 96-1; City of Oxnard
CFD No. 88-1 (Saddleback Valley Unified School Dist.); Rancho Santa Margarita
CFD No. 89-2 (Saddleback Valley Unified School Dist.); Rancho Santa Margarita
CFD No. 89-3 (Saddleback Valley Unified School Dist.); Rancho Santa Margarita
Centex A.D. No. 95-1; City of Corona
Coyote Hills A.D. No. 95-1; City of Fullerton
Sycamore Creek A.D. No. 95-1; City of Orange
Prop. CFD No. 2 (Riverside Unified School District); City of Riverside
CFD No. 91-1; City of Rancho Cucamonga
Prop. CFD No. 2; City of Chino
CFD No. 9; County of San Bernardino
A.D. No. 89-1; City of Corona
CFD No. 87-1 (Series B); City of Moreno Valley
CFD No. 90-1; City of Corona

CFD No. 89-1; (Saddleback Valley Unified School District); Orange County
A.D. No. 96-1; City of Oxnard
A.D. Nos. 86-3, 87-1 and 89-1 (Refunding); City of Oxnard
CFD No. 90-1; City of Corona
CFD No. 1 (Refunding); City of Jurupa
CFD No. 88-12; City of Temecula

PARTIAL LIST OF CLIENTS

Have completed appraisal assignments for a wide variety of clients. A partial list of these includes the following.

Anaheim City Unified School District
Bank of America NT & SA
Bank of Montreal
Bear, Stearns & Co., Inc.
Best Best & Krieger LLP (Law Firm)
Carpinteria Valley Unified School District
Chino Unified School District
Citicorp, N.A.
City of Brea
City of Chino
City of Chino Hills
City of Chula Vista
City of Colton
City of Corona
City of Fullerton
City of Huntington Beach
City of Jurupa
City of Mission Viejo
City of Moreno Valley
City of Orange
City of Oxnard
City of Rancho Cucamonga
City of Riverside
City of San Bernardino
City of San Marcos
City of Temecula
Coast Federal Bank
Colton Joint Unified School District
County of Los Angeles
County of Orange
County of Riverside
County of San Bernardino
County of Ventura

Downey Savings and Loan
Federal National Mortgage Association (FNMA)
Federal Deposit Insurance Corporation (FDIC)
Fieldman, Rolapp & Associates (Financial Consultants)
Irvine Ranch Water District
Irvine Unified School District
Jurupa Community Services District
Metrobank
Metropolitan Water District
Meserve, Mumper & Hughes (Law Firm)
Munger, Tolles & Olson LLP (Law Firm)
Murrieta Valley Unified School District
Rialto Unified School District
Riverside Unified School District
Saddleback Valley Unified School District
Santa Margarita Water District
Sidley & Austin (Law Firm)
Solana Beach Unified School District
Southern California Edison Company
Stone & Youngberg LLC (Bond Underwriters)
Talmantz Aviation
The Irvine Company
Wells Fargo Bank
Wells Fargo Mortgage Company
Weyerhaeuser Mortgage Company

COURT EXPERIENCE

Qualified Expert Witness in the following courts:

United States District Court/Central District of California, Los Angeles
Los Angeles County Superior Court
Orange County Superior Court
Riverside County Superior Court
Ventura County Superior Court

ORGANIZATIONS

Member - Appraisal Institute (No. 6894)

LICENSES

Real Estate Broker - State of California
Certified General Real Estate Appraiser - State of California
(Certificate: AG004964)

GUEST SPEAKER (for)

UCLA Symposium on Mello Roos Districts - 1988

"Exploring the Rumors & Realities of Land Secured Debt in California" -
Conference sponsored by Stone & Youngberg, LLC, bond underwriters, held in
Los Angeles on January 15, 1992

"Appraisals for Land Secured Financing" presentation for Stone & Youngberg, LLC,
bond underwriters, held at San Francisco Headquarters on March 5, 1998

UCLA Symposium on Mello-Roos Districts - 2001

MISCELLANEOUS

Member Advisory Panel to California Debt Advisory Commission regarding Appraisal
Standards for Land Secured Financing (May, 1994)

APPENDIX C

GENERAL INFORMATION CONCERNING THE CITY OF CORONA

The following information concerning the City of Corona ("Corona"), the County of Riverside (the "County") and the State of California (the "State") are presented as general background information. The Bonds are limited obligation of Corona and are not an obligation of the County or the State and the taxing the power of Corona, the County and the State are not pledged to the payment of the Bonds.

General

Corona is located in Western Riverside County 45 miles southeast of Los Angeles along State Route 91 and U.S. Interstate 15. Corona is approximately 34.61 square miles in area.

Incorporated in 1896, Corona operates as a general law city. It has a council-manager form of government, with the five City Council members elected at large for staggered four-year terms. The City Council elects one of the Council members as Mayor.

Corona provides police protection, fire protection, animal control, building safety regulation and inspection, street lighting, beautification, water and sewer service, electricity to new residents, refuse collection, land use planning, and zoning, housing and community services, maintenance and improvement of streets and related structures, traffic safety maintenance and improvement and recreational and cultural programs for citizen participation.

Population

During the 1990's, Corona was one of the fastest growing cities in the County. The population of Corona doubled between 1987 through January 1, 2000 according to the State Department of Finance. The following table offers population figures for Corona, the County and the State for 1998 through 2002.

<i>Area</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
City of Corona	112,200	118,500	123,700	129,200	134,000
County of Riverside	1,451,400	1,490,500	1,533,800	1,583,600	1,644,300
State of California	32,657,000	33,140,000	33,753,000	34,385,000	35,037,000

Source: California State Department of Finance, E-4 Revised Historical City, County and State Population Estimates, 1991-2000, with 1990 and 2000 Census Counts and E-1 City/County Population Estimates, with Annual Percent Change, January 1, 2001 and 2002.

Construction Activity

The following table shows building permit valuations and new housing units in Corona for 1997 through 2001.

CITY OF CORONA Building Permit Valuation and New Housing Units (Dollar Volume in \$1,000's)

	1997	1998	1999	2000	2001
Residential					
Single Family	\$323,889.4	\$254,759.0	\$371,678.1	\$300,887.7	\$270,310.0
Multi-Family	0.0	9,827.6	0.0	0.0	0.0
Alteration/Additions	1,932.0	1,616.2	2,076.0	2,001.4	238.7
Total	\$325,821.4	\$266,202.7	\$373,754.1	\$302,889.1	\$272,696.8
Non-Residential					
New Commercial	\$3,518.6	\$ 11,710.6	\$ 22,288.7	\$ 22,983.6	\$ 38,631.1
New Industry	45,510.8	45,803.4	22,685.0	24,413.5	37,638.8
Other ⁽¹⁾	4,959.6	9,791.2	9,770.9	15,679.2	25,300.2
Alteration/Additions	8,232.9	18,996.5	16,550.7	33,482.8	14,240.8
Total	\$86,301.6	\$ 71,295.3	\$ 71,295.3	\$ 96,559.1	\$115,811.1
Total All Industry	\$352,504.4	\$445,049.4	\$445,049.4	\$399,448.3	\$388,507.9
New Housing Units					
Single Family Units	1,977	1,483	1,657	1,323	1,090
Multi-Family Units	0	200	0	0	0
Total	1,977	1,683	1,657	1,323	1,090

⁽¹⁾ Includes churches and religious building, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

Source: Construction Industry Research Board.

The following represents the number of median and average values on new homes sold in the County for the last five years:

COUNTY OF RIVERSIDE New Homes Sold⁽¹⁾

	1997	1998	1999	2000	2001
Median Values					
Median Price	\$152,200	\$170,100	\$184,700	\$225,500	\$239,100
Living Area per Square Feet	1,885	2,000	2,030	2,540	2,470
Price per Square Feet	\$80.74	\$85.05	\$90.98	\$88.78	\$96.80
Average Values					
Average Price	\$171,200	\$181,800	\$210,800	\$249,900	\$252,700
Living Area per square Feet	2,040	2,080	2,200	2,485	2,495
Price per Square Feet	\$83.92	\$87.40	\$95.64	\$100.56	\$101.28

⁽¹⁾ Not adjusted for inflation

Source: Construction Industry Research Board

Employment

The following table sets forth the major employers located in Corona as of June 30, 2001:

<i>Company Name</i>	<i>Number of Employees</i>
Corona-Norco School District	3,200
Watson Pharmaceuticals	1,000
Corona Regional Medical Center	700
City of Corona	700
Fender Musical Instruments	650
Kaiser Permanente	550
Uniweb, Inc.	350
Circle Seal Controls	280
Golden Cheese Co. of Calif.	250
International Food Source	250

Source: City of Corona, Economic Development Program.

The following table sets forth the major employers located in the County as of March 25, 2002:

COUNTY OF RIVERSIDE Major Employers⁽¹⁾

<i>Company Name</i>	<i>Product/Service</i>	<i>Number of Employees</i>
County of Riverside	Government	16,762
University of California, Riverside	Higher Education	9,822
Stater Bros. Markets	Supermarkets	5,320
Corona-Norco Unified School District	Education	4,800
Riverside Unified School District	Education	3,906
Wal-Mart Stores	Retail	3,550
Riverside Community College District	Higher Education	3,350
Guidant Corp.	Medical Devices	3,300
Kaiser Permanente Medical Center	Health care	2,886
Moreno Valley Unified School District	Education	2,836
City of Riverside	Government	2,600
Murrieta Valley Unified School District	Education	2,305
Valley Health System	Health Care	2,200
Hemet Unified School District	Education	2,000
Eisenhower Medical Center	Health Care	1,900
Temecula Valley Unified School District	Education	1,888
Lake Elsinore Unified School District	Education	1,863
Jurupa Unified School District	Education	1,792
Casino Morongo	Indian Gaming Casinos	1,650
Palm Springs Unified School District	Education	1,606
Riverside County Office of Education	Education	1,600
Alvord Unified School District	Education	1,590
Fleetwood Enterprises	Manufacturing	1,550
KSL Desert Resorts Inc.	Resort	1,525
Desert Regional Medical Center	Health Care	1,500

⁽¹⁾ The County itself does not directly maintain employment records, but relies upon a variety of independent surveys, as well as upon its own surveys to identify major employers.

Source: *The Business Press*.

Employment and Industry

Employment data by industry is not separately reported on an annual basis for Corona but is compiled for the Riverside-San Bernardino Primary Metropolitan Statistical Area (the "PMSA"), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the PMSA has large and growing commercial and service sector employment, as reflected in the table below. Overall, in the past five years, total employment rose approximately 17.7%, while population increased approximately 8.7% in the PMSA.

The following table represents the Annual Average Labor Force and Industry Employment for the PMSA:

RIVERSIDE-SAN BERNARDINO PRIMARY METROPOLITAN STATISTICAL AREA Annual Average Labor Force And Industry Employment

<i>INDUSTRY</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Agriculture	21,700	21,600	21,300	21,700	19,900
Construction	52,100	60,800	70,800	78,900	86,600
Finance, Insurance and Real Estate	29,800	30,600	31,900	31,900	33,800
Government	171,600	174,700	183,100	192,100	200,700
Manufacturing:					
Nondurables	70,500	76,100	80,400	84,700	84,700
Durables	34,300	35,300	37,400	39,900	40,100
Mining	1,200	1,000	1,000	1,100	1,200
Retail Trade	177,800	181,000	188,500	199,500	208,300
Services	221,500	234,900	251,500	261,700	272,100
Transportation and Public Utilities	42,500	45,700	49,100	50,500	52,300
Wholesale Trade	40,200	42,200	45,200	48,200	49,400
Total, All Industries	863,100	903,800	960,300	1,010,100	1,049,100

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, *Riverside-San Bernardino PMSA Annual Average Labor Force and Industry Employment, March 2001 Benchmark*.

The following table summarizes the labor force, employment and unemployment figures over the past five years for Corona, the PMSA, the State and the nation as a whole.

**CITY OF CORONA, RIVERSIDE-SAN BERNARDINO PMSA,
STATE OF CALIFORNIA AND UNITED STATES
Average Annual Civilian Labor Force, Employment and Unemployment**

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment⁽¹⁾</i>	<i>Unemployment⁽²⁾</i>	<i>Unemployment Rate (%)⁽³⁾</i>
1997				
Corona	48,570	45,570	3,000	6.2
Riverside — San Bernardino	1,352,300	1,259,200	93,100	6.9
California	15,947,200	14,942,500	1,004,700	6.3
United States ⁽⁴⁾	136,297,000	129,558,000	6,739,000	4.9
1998				
Corona	50,220	47,470	2,750	5.5
Riverside – San Bernardino	1,388,700	1,303,800	84,900	6.1
California	16,336,500	15,367,500	969,000	5.9
United States ⁽⁴⁾	137,673,000	131,463,000	6,210,000	4.5
1999				
Corona	52,810	50,450	2,360	4.5
Riverside – San Bernardino	1,450,500	1,376,500	74,100	5.1
California	16,596,500	15,731,700	864,800	4.7
United States ⁽⁴⁾	139,368,000	133,488,000	5,880,000	4.2
2000				
Corona	55,370	52,870	2,500	4.5
Riverside – San Bernardino	1,520,900	1,442,400	77,700	5.1
California	17,090,800	16,245,600	845,200	4.9
United States ⁽⁴⁾	140,863,000	135,208,000	5,655,000	4.0
2001				
Corona	56,960	54,510	2,450	4.3
Corona	1,565,200	1,487,200	77,900	5.0
Riverside – San Bernardino	17,362,200	16,435,200	927,100	5.3
California	141,815,000	135,073,000	6,742,000	4.8
United States ⁽⁴⁾				

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

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

(4) Not strictly comparable with data for prior years.

Source: California Employment Development Department, based on March 2001 benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other than labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, nontax payments, fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

**CITY OF CORONA, COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA AND THE UNITED STATES**
Total Effective Buying Income and Median Household Effective Buying Income
For the Years 1996 through 2000⁽¹⁾

	<i>Total Effective Buying Income (000s Omitted)⁽²⁾</i>	<i>Median Household Effective Buying Income</i>
1996		
City of Corona	\$ 1,321,660	\$41,077
Riverside County	18,120,962	31,337
California	492,516,991	35,216
United States	4,161,512,384	33,482
1997		
City of Corona	\$ 1,489,664	\$42,992
Riverside County	19,477,361	32,690
California	524,439,600	36,483
United States	4,399,998,035	34,618
1998		
City of Corona	\$ 1,630,002	\$43,804
Riverside County	20,543,675	33,089
California	551,999,317	37,091
United States	4,621,491,173	35,377
1999		
City of Corona	\$ 2,002,743	\$47,347
Riverside County	22,453,426	35,145
California	590,376,663	39,492
United States	4,877,786,658	37,233
2000		
City of Corona	\$ 2,170,520	\$52,577
Riverside County	25,144,120	39,293
California	652,190,282	44,464
United States	5,230,824,904	39,129

⁽¹⁾ Not comparable with prior years. Effective Buying Income is now based on money income (which does not take into account sale of property, taxes and social security paid, receipt of food stamps, etc.) versus personal income.

⁽²⁾ Dollars in thousands.

Source: "Survey of Buying Power," *Sales & Marketing Management Magazine*, dated 1996, 1997, 1998, 1999 and 2000.

Property Values and Property Taxes

The following table summarizes the assessed value of Corona for Fiscal Years 1997-98 through 2001-02.

CITY OF CORONA Assessed Valuations For Fiscal Years 1997-98 through 2001-02

	<i>Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
1997-98	\$5,275,442,363	\$4,431,561	\$420,503,099	\$5,700,377,023
1998-99	5,696,008,917	5,586,668	526,987,398	6,228,582,983
1999-00	6,374,680,877	5,910,474	586,599,969	6,967,191,320
2000-01	7,260,439,095	5,077,555	675,937,849	7,941,454,499
2001-02	8,092,014,776	5,158,324	773,508,181	8,870,681,281

Source: California Municipal Statistics, Inc.

Retail Sales

The table below presents Corona's retail sales for the years 1996 through 2000.

CITY OF CORONA Taxable Transactions For Years 1996 through 2000 (in Thousands)

	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Apparel stores	\$ 22,914	\$ 26,217	\$ 27,055	\$ 21,690	\$ 19,187
General merchandise stores	109,188	129,619	140,824	156,646	187,257
Drug stores	13,303	-- ⁽¹⁾	-- ⁽¹⁾	-- ⁽¹⁾	-- ⁽¹⁾
Food stores	49,743	54,544	55,008	61,914	64,688
Package liquor stores	2,445	-- ⁽¹⁾	-- ⁽¹⁾	-- ⁽¹⁾	-- ⁽¹⁾
Eating and drinking places	82,575	87,610	97,517	108,175	120,627
Home furnishings and appliances	34,582	40,693	40,636	44,035	48,176
Building materials and farm implements	108,022	120,285	129,313	155,176	181,340
Automobile dealers and auto supplies	168,219	183,526	202,052	221,264	233,599
Service stations	89,540	89,795	78,312	104,480	122,186
Other retail stores	<u>83,344</u>	<u>92,289</u>	<u>96,271</u>	<u>108,502</u>	<u>120,637</u>
Total Retail Outlets	763,875	824,578	866,988	981,882	1,097,697
All Other Outlets	<u>310,091</u>	<u>356,102</u>	<u>416,300</u>	<u>521,187</u>	<u>634,060</u>
Total All Outlets	<u>\$1,073,966</u>	<u>\$1,180,680</u>	<u>\$1,283,288</u>	<u>\$1,503,069</u>	<u>\$1,731,757</u>

⁽¹⁾ Changes in the Format Between 1996 and 1997: Drug stores have been merged with general merchandise stores and packaged liquor stores have been merged with other retail stores. There have been a number of cities and counties for which sales figures for drug stores and packaged liquor stores could not be shown in the past, since their publication would result in disclosing confidential information. The recent trend towards mergers of drug stores chains is likely to make the disclosure problem even more pronounced. The number of packaged liquor stores and their share of total alcoholic beverage sales has been declining for quite some time, making data for this type of business less meaningful than in the past.

Source: California State Board of Equalization.

(This Page Intentionally Left Blank)

APPENDIX D

SUMMARY OF FISCAL AGENT AGREEMENT

The following is a summary of certain provisions of the Fiscal Agent Agreement (the "Agreement") not otherwise described in the text of this Official Statement. This summary is not intended to be definitive, and reference is made to the text of the Fiscal Agent Agreement for the complete provisions thereof.

DEFINITIONS

The following are some of the terms which are defined in the Agreement.. Except as defined below, the terms previously defined in the is Official Statement have the meanings previously given.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds scheduled to be paid.

"Auditor" means the Auditor-Controller of the County of Riverside.

"Authorized Officer" means any officer or employee of the City authorized by the City Council or by an Authorized Officer to undertake the action referenced in the Agreement as required to be undertaken by an Authorized Officer.

"Bond Year" means the period beginning on the Closing Date and ending on September 1, 2002 and thereafter the period beginning on each September 2 and ending on the following September 1.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the State of California or in any state in which the Fiscal Agent has its Principal Office are authorized or obligated by law or executive order to be closed.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing payment of the purchase price of the Bonds by the Original Purchaser.

"Code" means the Internal Revenue Code of 1986, as amended.

"Debt Service" means the amount of interest and principal payable on the Bonds scheduled to be paid during the period of computation, excluding amounts payable during such period which relate to principal of the Bonds which are scheduled to be retired and paid before the beginning of such period.

"Defeasance Securities" means the following:

(i) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series - "SLGs");

(ii) Direct obligations of the United States Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities;

(iii) Resolution Funding Corporation (REFCORP) obligations; provided that only the interest component of REFCORP strips which have been stripped by request of the Federal Reserve Bank of New York in book-entry form are acceptable;

(iv) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by Standard & Poor's; provided, however, that if the issue is only rated by Standard & Poor's (*i.e.*, there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct United States or United States guaranteed obligations, or "AAA" rated pre-refunded municipal bonds; and

(v) Obligations issued by the following agencies which are backed by the full faith and credit of the United States of America:

- (a) U.S. Export-Import Bank
Direct obligations or fully guaranteed certificates of beneficial ownership
- (b) Farmers Home Administration
Certificates of beneficial ownership
- (c) Federal Financing Bank
- (d) General Services Administration
Participation certificates
- (e) United States Maritime Administration
Guaranteed Title XI financing
- (f) United States Department of Housing and Urban Development
Project notes
Local Authority Bonds
New Communities Debentures - United States government guaranteed debentures
United States Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds.

"Escrow Agent" means BNY Western Trust Company in its capacity as Escrow Agent under the Escrow Agreements.

"Escrow Agreements" means the Escrow Agreement Relating to Partial Defeasance and Redemption of Outstanding City of Corona Limited Obligation Refunding Bonds for Assessment District No. 79-2 and Assessment District No. 80-1 and the Escrow Agreement Relating to Partial Defeasance and Redemption of Outstanding City of Corona Limited Obligation Improvement Bonds for Assessment District No. 79-2, Series B, both dated as of August 1, 2002, between the City and the Escrow Agent.

"Escrow Funds" means the Escrow Funds to be established pursuant to the Escrow Agreements.

"Federal Securities" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(i) Cash; and

(ii) Direct general obligations of (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 CATS and TIGRS), or obligations, the payment of principal of and interest on which is unconditionally guaranteed by the United States of America.

"Fiscal Year" means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Independent Financial Consultant" means a firm of certified public accountants, a financial consulting firm, a consulting engineering firm or engineer which is not an employee of, or otherwise controlled by, the City.

"Investment Earnings" means all interest earned and any gains and losses on the investment of moneys in any fund or account created by the Agreement, excluding interest earned and gains and losses on the investment of moneys in the Rebate Fund.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

"Officer's Certificate" means a written certificate of the City signed by an Authorized Officer of the City.

"Original Purchaser" means the first purchaser of the Bonds from the City.

"Outstanding," when used as of any particular time with reference to the Bonds, means (subject to the provisions of the Agreement relating to Bonds owned by or held for the account of the City) all Bonds except:

(i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;

(ii) Bonds called for redemption which, for the reasons specified in the Agreement, are no longer entitled to any benefit under the Agreement other than the right to receive payment of the redemption price therefor;

(iii) Bonds paid or deemed to have been paid within the meaning of the section of the Agreement setting forth the conditions under which the City may discharge the entire indebtedness on all Outstanding Bonds; and

(iv) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City and authenticated by the Fiscal Agent pursuant to the Agreement or any Supplemental Agreement.

"Owner" means any person who shall be the registered owner of any Outstanding Bond.

"Permitted Investments" means:

(i) Federal Securities;

(ii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

- (a) U.S. Export-Import Bank
Direct obligations or fully guaranteed certificates of beneficial ownership
- (b) Farmers Home Administration
Certificates of beneficial ownership
- (c) Federal Financing Bank
- (d) Federal Housing Administration Debentures
- (e) General Services Administration
Participation certificates
- (f) Government National Mortgage Association (GNMA)
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations
- (g) U.S. Maritime Administration
Guaranteed Title XI financing
- (h) U.S. Department of Housing and Urban Development
Project Notes
Local Authority Bonds
New Communities Debentures - United States government guaranteed debentures
U.S. Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds;

(iii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- (a) Federal Home Loan Bank System
Senior debt obligations
- (b) Federal Home Loan Mortgage Corporation
Participation Certificates
Senior debt obligations

- (c) Federal National Mortgage Association
Mortgage-backed securities and senior debt obligations
- (d) Student Loan Marketing Association
Senior debt obligations
- (e) Resolution Funding Corporation
(REFCORP) obligations
- (f) Farm Credit System
Consolidated systemwide bonds and notes;

(iv) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of "AAAm-G," "AAA-m" or "AA-m" and, if rated by Moody's, rated "Aaa," "Aa1" or "Aa2" by Moody's, including funds for which the Fiscal Agent, its parent holding company, if any, or any affiliates or subsidiaries of the Fiscal Agent or such holding company provide investment management or other management services;

(v) Certificates of deposit secured at all times by collateral described in clauses (i) and/or (ii) above. Such certificates must be issued by commercial banks, including the fiscal agent and its affiliates, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Fiscal Agent on behalf of the Owners of the Bonds must have a perfected first security interest in the collateral;

(vi) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(vii) Investment agreements with domestic or foreign banks, insurance companies or corporations the long-term debt or claims paying ability of which or, in the case of a guaranteed corporation, the long-term debt, or, in the case of a guaranteed corporation, the long term debt of the guarantor or, in the case of a monoline financial guaranty insurance company, the claims paying ability or financial strength of the guarantor, is rated at least the double A category by Standard & Poor's and Moody's; provided that, by the terms of the investment agreement:

(a) interest payments are to be made to the Fiscal Agent at times and in amounts as necessary to pay Debt Service on the Bonds (if the funds invested pursuant to the investment agreement are from the Reserve Fund);

(b) the investment agreement shall provide that the invested funds are available for withdrawal without penalty or premium at any time upon not more than seven (7) days' prior notice (The City and the Fiscal Agent shall give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium payable.);

(c) the investment agreement shall provide that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) the City and the Fiscal Agent receive the opinion of domestic counsel (which opinion shall be addressed to the City and the Fiscal Agent) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the City and the Fiscal Agent;

(e) the investment agreement shall provide that if during its term

(1) the provider's (or its guarantor's) rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with the applicable state and federal laws (other than by means of entries on the provider's books) to the City, the Fiscal Agent or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims, the market value of which collateral is maintained at one hundred four percent (104%) of securities identified in clauses (i) and (ii) of this definition; or (ii) assign the investment agreement and all of its obligations thereunder to a financial institution mutually acceptable to the provider, the City and the Fiscal Agent which is rated either in the first or second highest category by Standard & Poor's and Moody's; and

(2) the provider's (or its guarantor's) rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the City or the Fiscal Agent, within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the invested funds, in either case with no penalty or premium to the City or the Fiscal Agent; and

(f) the investment agreement shall provide and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this shall mean the Holder of the Collateral is in possession of such collateral); and

(g) the investment agreement shall provide that if during its term

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the City or the Fiscal Agent, be accelerated and amounts invested and accrued but unpaid interest thereon shall be paid to the City or the Fiscal Agent, as appropriate; and

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be paid to the City or the Fiscal Agent, as appropriate;

(viii) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by Standard & Poor's;

(ix) Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one of the two highest rating categories assigned by them;

(x) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or better by Standard & Poor's;

(xi) Repurchase Agreements which satisfy the following criteria:

(a) Repurchase agreements must be between the City or the Fiscal Agent and an entity which is:

(1) A primary dealer on the Federal Reserve reporting dealer list which is rated "A" or better by Standard & Poor's and Moody's, or

(2) A bank rated "A" or above by Standard & Poor's and Moody's;

(3) A corporation the long-term debt or claims paying ability of which, or in the case of a guaranteed corporation, the long-term debt of the guarantor, or, in the case of a monoline financial guaranty insurance company, the claims paying ability or financial strength of the guarantor, is rated in at least the double A category by Standard & Poor's and Moody's.

(b) The written agreement must include the following:

(1) Securities which are acceptable for transfer are:

(A) direct obligations of the United States government, or

(B) obligations of federal agencies backed by the full faith and credit of the United States of America (or the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)),

(2) The collateral must be delivered to the City or the Fiscal Agent (if the Fiscal Agent is not supplying the collateral) or a third party acting as agent for the Fiscal Agent (if the Fiscal Agent is supplying the collateral) before or simultaneous with payment (perfection by possession of certificated securities),

(3) (A) The securities must be valued weekly, marked-to-market at current market price plus accrued interest, and

(B) The value of the collateral must be at least equal to one hundred four percent (104%) of the amount of money transferred by the Fiscal Agent to the dealer, bank or corporation under the agreement plus accrued interest. If the value of the securities held as collateral is reduced below one hundred four percent (104%) of the value of the amount of money transferred by the Fiscal Agent, then additional acceptable securities and/or cash must be provided as collateral to bring the value of the collateral to one hundred four percent (104%); provided, however, that if the securities used as collateral are those of FNMA or FHLMC, then the value of the collateral must equal to one hundred five percent (105%) of the amount of money transferred by the Fiscal Agent;

(xii) Forward delivery agreements (FDA) or forward purchase and sale agreements (FPSA) having as the underlying investment property investments of the type which are identified in clauses (i), (ii), (iii) or (viii) of this Section; and

(xii) the Local Agency Investment Fund in the State Treasury of the State of California as permitted by the State Treasurer pursuant to Section 16429.1 of the California Government Code.

"Proceeds," when used with reference to the Bonds, means the aggregate principal amount of the Bonds, plus accrued interest and premium, if any, less original issue discount, if any.

"Rebate Certificate" means the certificate delivered by the City upon the delivery of the Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate.

"Regulations" means the temporary and permanent regulations of the United States Department of the Treasury promulgated under the Code.

"Reserve Fund Replenishment Obligation" means an obligation of the City to levy an additional amount of Special Taxes on parcels of taxable property in Improvement Area No. 1 or Improvement Area No. 2 to replenish the Reserve Fund as a result of the transfer of moneys from the Reserve Fund to the Interest Account and the Principal Account to make up a deficiency in the amount on deposit in and available for transfer from the Improvement Area No. 1 Special Tax Account or the Improvement Area No. 2 Special Tax Account to the Interest Account and the Principal Account.

"Special Taxes" or "Special Tax" means the special taxes levied by the City Council on parcels of taxable property within the District pursuant to the Act and the Agreement.

"Special Tax Prepayments" means amounts received by the City as prepayments of all or a portion of the Special Tax obligation of a parcel of property in the District.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including any scheduled payments, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes in the amount of said lien and interest and penalties thereon.

"Surplus Sub-account" means the sub-accounts by that name established in the Improvement Area No. 1 Special Tax Account and in the Improvement Area No. 2 Special Tax Account.

"Tax Consultant" means an engineer or financial consultant or other such person or firm with expertise in the apportionment and levy of special taxes in community facilities districts which is employed by the City to assist the City in levying the Special Taxes.

**IMPROVEMENT FUND; SPECIAL TAX FUND;
ADMINISTRATIVE EXPENSE FUND; ESCROW FUND**

Improvement Fund

(A) Establishment of Improvement Fund. There is established, as a separate account to be held by the Fiscal Agent, the "Community Facilities District No. 2001-2 of the City of Corona Special Tax Bonds Improvement Fund." There are also hereby established as separate accounts in the Improvement Fund, to be held by the Fiscal Agent, the "Improvement Area No. 1 Improvement Account," and the "Improvement Area No. 2 Improvement Account." Moneys in the Improvement Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed, except as otherwise provided in subsection (D) of this Section, for the payment or reimbursement of the costs of the design, acquisition and construction of the Project and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(B) Procedure for Disbursement.

(1) Improvement Area No. 1 Improvement Account. Disbursements from the Improvement Area No. 1 Improvement Account shall be made by the Fiscal Agent upon receipt of an Officer's Certificate which shall:

(i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made and the person to which the disbursement is to be paid; and

(ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officer's Certificate previously filed with the Fiscal Agent requesting disbursement, and that the amount being requested is an appropriate disbursement from the Improvement Area No. 1 Improvement Account.

(2) Improvement Area No. 2 Improvement Account. Disbursements from the Improvement Area No. 2 Improvement Account shall be made by the Fiscal Agent upon receipt of an Officer's Certificate which shall:

(i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made and the person to which the disbursement is to be paid; and

(ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officer's Certificate previously filed with the Fiscal Agent requesting disbursement, and that the amount being requested is an appropriate disbursement from the Improvement Area No. 2 Improvement Account.

(C) Investment. Moneys in the Improvement Area No. 1 Improvement Account and the Improvement Area No. 2 Improvement Account shall be invested and deposited in accordance with the Agreement. Investment Earnings with respect to each such account shall be retained by the Fiscal Agent in such account to be used for the purposes of such account.

(D) Closing of Fund. Upon the filing of an Officer's Certificate stating that the construction and acquisition of the Project has been completed and that all costs of the Project have been paid or are not

required to be paid from the Improvement Fund, and further stating that moneys on deposit in the Improvement Fund are not needed to complete the Project or reimburse the cost thereof, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Principal Account of the Bond Fund to be used to pay the principal of the Bonds.

(E) Officer's Certificate. Upon receipt of an Officer's Certificate delivered pursuant to this Section, the Fiscal Agent is authorized to act thereon without further inquiry and shall not be responsible for the accuracy of the statements made in such Officer's Certificate or the application of the funds disbursed pursuant thereto, and shall be absolutely protected and incur no liability in relying on such Officer's Certificate.

Special Tax Fund

(A) Establishment of Special Tax Fund. There is established, as a separate account to be held by the Fiscal Agent, the "Community Facilities District No. 2001-2 of the City of Corona Special Tax Bonds Special Tax Fund" to the credit of which the City shall deposit, not later than ten (10) Business Days after receipt, all Special Tax Revenues received by the City and any amounts required by the Agreement to be deposited therein. There are hereby established in the Special Tax Fund as separate accounts, to be held by the Fiscal Agent, the "Improvement Area No. 1 Special Tax Account" and the "Improvement Area No. 2 Special Tax Account" to the credit of which the City shall deposit, within ten (10) Business Days after receipt, the Special Tax Revenues received by the City for Improvement Area No. 1 and Improvement Area No. 2, respectively (the City identifying in writing to the Fiscal Agent the amounts of such deposits), and any other amounts required to be deposited therein. There is hereby also established in the Improvement Area No. 1 Special Tax Account and the Improvement Area No. 2 Special Tax Account as a separate sub-account, to be held by the Fiscal Agent, a "Surplus Sub-account" to the credit of which amounts shall be deposited as provided in a specified section of the Agreement. Moneys in the Special Tax Fund, and all accounts and sub-accounts therein, shall be held in trust by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, shall be disbursed as provided below and, pending disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Notwithstanding the foregoing, any amounts received by the City which constitute Special Tax Prepayments shall be transferred by the City not later than ten (10) Business Days after receipt to the Fiscal Agent for deposit by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to the Agreement.

(B) Disbursements. As soon as practicable after the receipt from the City of any Special Tax Revenues, but no later than ten (10) Business Days after such receipt, the Fiscal Agent shall withdraw from the Improvement Area No. 1 Special Tax Account and the Improvement Area No. 2 Special Tax Account and deposit in the Administrative Expense Fund, Proportionate Amounts which in the aggregate are estimated by the City, in a written communication from an Authorized Officer delivered to the Fiscal Agent (upon which the Fiscal Agent may conclusively rely) to be sufficient, together with the amount then on deposit in the Administrative Expense Fund, to pay the Administrative Expenses during the current Fiscal Year; provided, however, that the amount deposited in the Administrative Expense Fund prior to the deposits to the Interest Account and the Principal Account of the Bond Fund, as provided below, shall not exceed \$40,000 for any Fiscal Year. From the amount then remaining on deposit in the Improvement Area No. 1 Special Tax Account and the Improvement Area No. 2 Special Tax Account, the Fiscal Agent shall, concurrently with the foregoing deposit, deposit in the Reserve Fund the amounts, if any, which the City shall direct in a written communication from an Authorized Officer delivered to the Fiscal Agent (upon which the Fiscal Agent may conclusively rely), to be withdrawn from the Improvement Area No. 1 Special Tax Account and the

Improvement Area No. 2 Special Tax Account to make the amount on deposit therein equal to the Reserve Requirement. The amount, if any, to be withdrawn from either such account and deposited in the Reserve Fund shall be determined for the City by the Tax Consultant based on the portion of the Special Tax Revenues for the Improvement Area which was included therein for deposit in the Reserve Fund as a result of delinquencies in the payment of Special Taxes levied on parcels of property in the Improvement Area. Thereafter, the Fiscal Agent shall deposit in the Interest Account and the Principal Account of the Bond Fund the entire remaining balance of the amount then on deposit in the Improvement Area No. 1 Special Tax Account and the Improvement Area No. 2 Special Tax Account. Notwithstanding the preceding provisions of this paragraph, if the amount of the Special Tax Revenues collected by the City for any Fiscal Year for Improvement Area No. 1 or Improvement Area No. 2 is less than the total amount of the Special Taxes which were levied on parcels of taxable property in the Improvement Area for such Fiscal Year, the City shall not direct the Fiscal Agent to transfer any amount from the Improvement Area No. 1 Special Tax Account or the Improvement Area No. 2 Special Tax Account, as appropriate, for deposit in the Reserve Fund but shall instead direct the Fiscal Agent to deposit the entire amount remaining in such account, after the appropriate transfer to the Administrative Expense Fund, to the Interest Account and the Principal Account as hereinafter provided.

Notwithstanding the preceding provisions of this subsection, if prior to the September 1 Interest Payment Date in any Bond Year the City determines that Special Tax Revenues will be sufficient to enable the Fiscal Agent to deposit in the Reserve Fund the amount, if any, which is necessary to make the amount on deposit therein equal to the Reserve Requirement and deposit in the Bond Fund the full amount required for deposit to the Interest Account and the Principal Account to pay the interest on and principal of the Bonds on such Interest Payment Date, the City may instruct the Fiscal Agent in an Officer's Certificate, upon which the Fiscal Agent may conclusively rely, to deposit an additional amount, not to exceed \$40,000, in the Administrative Expense Fund before making the required deposit to the Bond Fund, and the Fiscal Agent shall deposit such additional amount in the Administrative Expense Fund before depositing any amount to the Reserve Fund or Bond Fund.

On or before the March 1 Interest Payment Date in each Bond Year, if the amount of other moneys which is on deposit in the Improvement Area No. 1 Special Tax Account or the Improvement Area No. 2 Special Tax Account is less than the Proportionate Amount for such Improvement Area of the amount of the interest on the Bonds which is due on such Interest Payment Date, the Fiscal Agent shall transfer moneys from the Surplus Sub-account of the Improvement Area No. 1 Special Tax Account or the Improvement Area No. 2 Special Tax Account, as appropriate, to the extent of moneys on deposit therein and available for transfer, to and deposit such moneys in the Interest Account of the Bond Fund in an amount not to exceed the deficiency in the amount of other moneys which are on deposit in the Improvement Area No. 1 Special Tax Account or the Improvement Area No. 2 Special Tax Account, and available for transfer, to pay the full amount of the interest on the Bonds which is due and payable on such Interest Payment Date. On or before the September 1 Interest Payment Date in each Bond Year, if the amount of other moneys which is on deposit in the Improvement Area No. 1 Special Tax Account or the Improvement Area No. 2 Special Tax Account is less than the Proportionate Amount for such Improvement Area of the amount of the interest on and principal of the Bonds which is due on such Interest Payment Date, the Fiscal Agent shall transfer moneys from the Surplus Sub-account of the Improvement Area No. 1 Special Tax Account or the Improvement Area No. 2 Special Tax Account, as appropriate, to the extent of moneys on deposit therein and available for transfer, to and deposit such moneys in the Interest Account and the Principal Account in amounts not to exceed the amount of the deficiency in the amount of other moneys which are on deposit in the Improvement Area No. 1 Special Tax Account or the Improvement Area No. 2 Special Tax Account, and available for transfer, to pay the full amount of the interest on and principal of the Bonds which is due

and payable on such Interest Payment Date. On or before May 30 of each year, commencing on May 30, 2003, the Fiscal Agent shall notify the City of the amount which is then on deposit in the Surplus Account and of the aggregate amount of the principal of and interest on the Bonds which will become due and payable on the following September 1.

On September 2 of each year, beginning on September 2, 2003, the amount, if any, on deposit in the Improvement Area No. 1 Special Tax Account and the Improvement Area No. 2 Special Tax Account (including the amount on deposit in the Surplus Sub-accounts therein), together with the amount then on deposit in the Bond Fund (including the Principal Account therein but not including, however, the Interest Account or the Special Tax Prepayments Account), as determined by the City, shall not exceed the greater of (i) one year's earnings on such amounts, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year. If on September 2 of any year the amount on deposit in the Special Tax Fund (including all such accounts and sub-accounts), together with the amount then on deposit in the Bond Fund (other than such excluded amounts), exceeds the maximum amount allowable pursuant to the preceding sentence, as determined by the City and communicated in writing by an Authorized Officer to the Fiscal Agent (upon which the Fiscal Agent may conclusively rely), shall be transferred from the Improvement Area No. 1 Special Tax Account or the Improvement Area No. 2 Special Tax Account, as appropriate, to and deposited in the Reserve Fund to the extent that the amount on deposit therein is less than the Reserve Requirement, and to the extent that such deficiency in the Reserve Fund is attributable to a transfer or transfers of an amount or amounts from the Reserve Fund to the Interest Account and/or the Principal Account as a result of a deficiency in amount of moneys on deposit in the Improvement Area No. 1 Special Tax Account or the Improvement Area No. 2 Special Tax Account. Any such excess remaining in the Special Tax Fund after any such amount is transferred from the Improvement Area No. 1 Special Tax Account or the Improvement Area No. 2 Special Tax Account to the Reserve Fund shall be transferred from the appropriate accounts, as communicated in writing by an Authorized Officer to the Fiscal Agent (upon which the Fiscal Agent may conclusively rely), and deposited to the Administrative Expense Fund. For purposes of the Authorized Officer's written communications to the Fiscal Agent pursuant to this paragraph, the Tax Consultant shall calculate the amounts, if any, which are to be transferred from the Improvement Area No. 1 Special Tax Account or the Improvement Area No. 2 Special Tax Account to the Reserve Fund and the Administrative Expense Fund. On September 2 of each year, after any such excess amount has been transferred as hereinabove provided, the amount on deposit in the Special Tax Fund (including all accounts and sub-accounts therein), together with the amount then on deposit in the Bond Fund (other than such excluded amounts), shall not exceed in the aggregate the greater of (i) one year's earnings thereon, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year.

Administrative Expense Fund

(A) Establishment of Administrative Expense Fund. There is established, as a separate account to be held by the Fiscal Agent, the "Community Facilities District No. 2001-2 of the City of Corona Special Tax Bonds Administrative Expense Fund" to the credit of which deposits shall be made as required by the Agreement. Moneys in the Administrative Expense Fund shall be held in trust by the Fiscal Agent for the benefit of the City, and shall be disbursed as provided below.

(B) Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense (or a Cost of Issuance) and the nature of such Administrative Expense (or Cost of Issuance).

Annually, not later than the last day of each Fiscal Year, the Fiscal Agent shall withdraw any amount then remaining in the Administrative Expense Fund that has not been allocated by an Officer's Certificate received by the Fiscal Agent from the City to pay Administrative Expenses which are expected to be incurred in the succeeding Fiscal Year prior to the receipt by the City of Special Tax Revenues for such succeeding Fiscal Year and transfer such amount to the Special Tax Fund.

SPECIAL TAX REVENUES; BOND FUND; RESERVE FUND

Pledge of Special Tax Revenues

The Bonds shall be secured by a pledge of and lien upon (which shall be effected in the manner and to the extent provided in the Agreement) all of the Special Tax Revenues (except the initial amount, not to exceed \$40,000, which will be deposited in the Administrative Expense Fund for each Fiscal Year) and all moneys deposited in the Bond Fund and all moneys deposited in the Reserve Fund. The Bonds shall be equally secured by a pledge of and lien upon the Special Tax Revenues and such moneys without priority for number, date of Bond, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premium upon the redemption of any thereof shall be and is secured by a pledge of and lien upon the Special Tax Revenues and such moneys. The Special Tax Revenues and all moneys deposited into such accounts are dedicated in their entirety to the payment of the principal of the Bonds, and interest and any premium on, the Bonds, as provided in the Agreement and in the Act, until all of the Bonds have been paid and retired or until moneys or Defeasance Securities have been set aside irrevocably for that purpose in accordance with the Agreement.

Bond Fund

(A) Deposits. There is established, as a separate account to be held by the Fiscal Agent, the "Community Facilities District No. 2001-2 of the City of Corona Special Tax Bonds Bond Fund" to the credit of which deposits shall be made as required by the provision of the Agreement or the Act. There are established in the Bond Fund, as separate accounts to be held by the Fiscal Agent, the "Interest Account" and the "Principal Account." There is also established in the Bond Fund, as a separate account to be held by the Fiscal Agent, the "Special Tax Prepayments Account" to the credit of which deposits shall be made as required by the Agreement. There is also established in the Interest Account, as a separate sub-account to be held by the Fiscal Agent, the "Capitalized Interest Sub-account" to the credit of which a deposit shall be made as required by the Agreement. Moneys in the Bond Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(B) Disbursements. On or before each Interest Payment Date, the Fiscal Agent shall transfer from the Improvement Area No. 1 Special Tax Account and the Improvement Area No. 2 Special Tax Accounts (including the Surplus Sub-accounts therein) and deposit into the following respective accounts in the Bond Fund, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Special Tax Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(1) Interest Account. On or before each Interest Payment Date, the Fiscal Agent shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest

Account to equal the amount of interest becoming due and payable on the Bonds on such date. No deposit need be made into the Interest Account on any Interest Payment Date if the amount on deposit therein is at least equal to the interest becoming due and payable on the Bonds on such date. All moneys in the Interest Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All amounts on deposit in the Interest Account (excepting the Capitalized Interest Sub-account) on the first day of any Bond Year, to the extent not required to pay any interest then having become due and payable on the Outstanding Bonds shall be withdrawn therefrom by the Fiscal Agent and transferred in Proportionate Amounts, as directed in writing by an Authorized Officer (upon which direction the Fiscal Agent may conclusively rely), to the Surplus Sub-accounts; provided that the City shall not direct the Fiscal Agent to deposit any such Proportionate Amount in the Surplus Sub-account for an Improvement Area that has a Reserve Fund Replenishment Obligation.

(a) Capitalized Interest Sub-account. On or before the Interest Payment Dates which occur on March 1, 2003 September 1, 2003, the Fiscal Agent shall withdraw from the Capitalized Interest Sub-account and transfer to the Interest Account the amount which is necessary to cause the amount on deposit in the Interest Account to be equal to the amount of Debt Service which is due and payable on the Outstanding Bonds in such Interest Payment Date. The amount, if any, on deposit in the Capitalized Interest Sub-account on September 2, 2003 shall be withdrawn by the Fiscal Agent and transferred to the Surplus Sub-account in the Improvement Area No. 1 Special Tax Account and the Capitalized Interest Sub-account shall be closed.

(2) Principal Account. On or before each Interest Payment Date which occurs on September 1, the Fiscal Agent shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds becoming due and payable on such date, or the redemption price of the Bonds (consisting of the principal amount thereof and any applicable redemption premium) required to be redeemed on such date. All moneys in the Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of (i) paying the principal of the Bonds at the maturity thereof, or (ii) paying the principal of and premium (if any) on any Bonds upon the redemption thereof. All amounts on deposit in the Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having become due and payable, shall be withdrawn therefrom by the Fiscal Agent and transferred in Proportionate Amounts, as directed in writing by an Authorized Officer (upon which direction the Fiscal Agent may conclusively rely), to the Surplus Sub-accounts; provided that the City shall not direct the Fiscal Agent to deposit any such Proportionate Amount in the Surplus Sub-account for an Improvement Area that has a Reserve Fund Replenishment Obligation.

On the first Business Day following each Interest Payment Date, the Fiscal Agent shall transfer any moneys remaining on deposit in the Bond Fund (including the Interest Account and the Principal Account) other than moneys on deposit in the Special Tax Prepayments Account, in Proportionate Amounts, as directed in writing by an Authorized Officer (upon which direction the Fiscal Agent may conclusively rely), to the Surplus Sub-accounts; provided that the City shall not direct the Fiscal Agent to deposit any such Proportionate Amount in the Surplus Sub-account for an Improvement Area that has a Reserve Fund Replenishment Obligation.

In the event that moneys on deposit in the Improvement Area No. 1 Special Tax Account and the Improvement Area No. 2 Special Tax Account, including moneys on deposit in the Surplus Sub-accounts, will be insufficient on any Interest Payment Date for the Fiscal Agent to deposit the required amounts in the

Interest Account and the Principal Account, as provided above, the Fiscal Agent shall deposit the available funds first to the Interest Account up to the full amount required to cause the aggregate amount on deposit therein to equal the amount of interest becoming due and payable on the Bonds on the Interest Payment Date, and shall then deposit the remaining available funds in the Improvement Area No. 1 Special Tax Account and the Improvement Area No. 2 Special Tax Account to the Principal Account up to the full amount required to cause the aggregate amount on deposit therein to equal the amount, if any, of principal becoming due and payable on the Bonds on the Interest Payment Date. If, after making such deposits to the Interest Account and the Principal Account, and after transferring moneys from the Reserve Fund to such accounts, the amount on deposit in the Principal Account is insufficient to pay the full amount of the principal of each of the Bonds which is to be redeemed on the Interest Payment Date, the Fiscal Agent shall make a prorated payment of the principal of each of such Bonds as specified in an Officer's Certificate provided to the Fiscal Agent.

On September 2 of each year, beginning on September 2, 2003, the amount, if any, on deposit in the Bond Fund (including the amount on deposit in the Principal Account but not including, however, the amounts on deposit in the Interest Account and the Special Tax Prepayments Account) as determined by the City, together with the amounts then on deposit in the Improvement Area No. 1 Special Tax Account and the Improvement Area No. 2 Special Tax Account (including the Surplus Sub-accounts therein), shall not exceed the greater of (i) one year's earnings on such amounts, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year. If on September 2 of any year the amount on deposit in the Bond Fund (other than such excluded amounts), together with the amounts then on deposit in the Improvement Area No. 1 Special Tax Account and the Improvement Area No. 2 Special Tax Account, exceeds the maximum amount allowable pursuant to the preceding sentence, the excess shall be transferred by the Fiscal Agent, as directed in writing by the City (upon which the Fiscal Agent may conclusively rely), to the Reserve Fund to the extent that the amount on deposit therein is less than the Reserve Requirement, and any such excess remaining thereafter shall be transferred by the Fiscal Agent to the Administrative Expense Fund. On September 2 of each year, after any such excess amount has been transferred as hereinabove provided, the amount on deposit in the Bond Fund (other than such excluded amounts), together with the amount then on deposit in the Improvement Area No. 1 Special Tax Account and the Improvement Area No. 2 Special Tax Account, shall not exceed the greater of (i) one year's earnings thereon, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year.

(C) Special Tax Prepayments Account Deposits and Disbursements. Within ten (10) Business Days after receiving a Special Tax Prepayment the City shall deliver the amount thereof to the Fiscal Agent, together with an Officer's Certificate notifying the Fiscal Agent that the amount being delivered is a Special Tax Prepayment which is to be deposited in the Special Tax Prepayments Account. Upon receiving a Special Tax Prepayment from the City and such an Officer's Certificate, the Fiscal Agent shall deposit the amount of the Special Tax Prepayment in the Special Tax Prepayments Account. Such an Officer's Certificate may be combined with the Officer's Certificate which the City is required to deliver to the Fiscal Agent pursuant to another section of the Agreement. Moneys on deposit in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Principal Account on the next date for which notice of the redemption of the Bonds can timely be given under another section of the Agreement and shall be used to redeem the Bonds on the redemption date selected in accordance with another section of the Agreement. Pending such transfer, the moneys on deposit in the Special Tax Prepayments Account shall be invested in Defeasance Securities at such yield as Bond Counsel shall determine is necessary to preserve the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. Investment earnings on the moneys on deposit in the Special Tax Prepayments Account shall be retained in such account.

Reserve Fund

(A) Establishment of Fund. There is established, as a separate account to be held by the Fiscal Agent, the "Community Facilities District No. 2001-2 of the City of Corona Special Tax Bonds Reserve Fund" to the credit of which a deposit shall be made on the Closing Date, which deposit is equal to the Reserve Requirement, and to which deposits shall be made as provided in the Agreement. Moneys in the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of the principal of and interest and any premium on the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

(B) Use of Fund. Except as otherwise provided in this Section, (i) all amounts on deposit in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Interest Account and the Principal Account of the Bond Fund in the event of any deficiency at any time in either of such accounts of the amount then required for payment of the principal of and interest and any premium on the Bonds or, in accordance with the provisions of subsection (E) of this Section, for the purpose of redeeming Bonds.

(C) Transfer Due to Deficiency in Interest and Principal Accounts. Whenever transfer is made from the Reserve Fund to the Interest Account or the Principal Account due to a deficiency in either such account, the Fiscal Agent shall provide written notice thereof to the City.

(D) Transfer of Excess of Reserve Requirement. Whenever, on any September 2, the amount in the Reserve Fund, less Investment Earnings resulting from the investment of the funds therein which pursuant to the Agreement must be rebated to the United States, exceeds the Reserve Requirement, the Fiscal Agent shall provide written notice to the City of the amount of the excess. Upon receiving written direction from an Authorized Officer (upon which the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer an amount from the Reserve Fund which will reduce the amount on deposit therein to an amount equal to the Reserve Requirement to the Interest Account and the Principal Account, in the priority specified in another section of the Agreement, to be used for the payment of the interest on and principal of the Bonds on the next succeeding Interest Payment Date. After each such transfer, the City shall allocate Proportionate Amounts thereof, as determined by the Tax Consultant, to the Improvement Area No. 1 Special Tax Account and the Improvement Area No. 2 Special Tax Account as a credit upon the amount of the Special Taxes which will be levied on parcels of taxable property in the succeeding Fiscal Year to pay Annual Debt Service; provided that there shall be deducted from the Proportionate Amount to be allocated to each Improvement Area an amount equal to the balance of the Reserve Fund Replenishment Obligation, if any, for the Improvement Area.

(E) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon receiving written direction from an Authorized Officer (upon which the Fiscal Agent may conclusively rely), transfer the amount in the Reserve Fund to the Interest Account and the Principal Account, in the priority specified in another section of the Agreement, to be applied, on the next succeeding Interest Payment Date, to the payment and redemption of all of the Outstanding Bonds. In the event that the amount available to be so transferred from the Reserve Fund to the Interest Account and the Principal Account exceeds the amount required to pay and redeem the Outstanding Bonds, the excess shall be transferred to the City to be used for any lawful purpose of the City.

(F) Transfers on Payment of Special Tax Obligations. Whenever the City receives a Special Tax Prepayment for a lot or parcel of property within Improvement Area No. 1 or Improvement Area No. 2, the City shall by an Officer's Certificate notify the Fiscal Agent thereof and of the amount by which the Reserve Fund is to be reduced and which is transferrable from the Reserve Fund to the Principal Account of the Bond Fund, which amount shall be specified in the Officer's Certificate. Each such Officer's Certificate shall be accompanied by a report of an Independent Financial Consultant verifying the accuracy of the calculation of the amount to be transferred from the Reserve Fund to the Principal Account ("Verification"). Upon receipt of each such Officer's Certificate and Verification, upon which the Fiscal Agent may conclusively rely, the Fiscal Agent shall at such time as the amount of such Special Tax Prepayment will be used to redeem Bonds transfer the amount specified in such Officer's Certificate to the Principal Account and use such amount, together with the amount of such Special Tax Prepayment, to redeem Bonds. Notwithstanding the preceding provisions of this subsection, no amount shall be transferred from the Reserve Fund to the Principal Account if the amount on deposit in the Reserve Fund is, or as a result of such transfer would be, less than the Reserve Requirement.

(G) Investment. Moneys on deposit in the Reserve Fund shall be invested in Permitted Investments which do not have maturities extending beyond five (5) years; provided, however, if the Reserve Fund is invested in an investment agreement (as defined in clause (vii) of the definition of Permitted Investments) or a repurchase agreement (as defined in clause (xi) of such definition) such agreement may have a maturity longer than five (5) years if the Fiscal Agent is authorized by the provisions of such agreement to draw the full amount thereof, without penalty, if required for the purposes of the Reserve Fund. The City shall cause the Permitted Investments, other than such investment agreements, in which moneys on deposit in the Reserve Fund are invested to be valued at fair market value and marked-to-market at least once in each Fiscal Year.

OTHER COVENANTS OF THE CITY

Punctual Payment

The City will punctually pay or cause to be paid the principal of and interest and any premium on the Bonds when and as due in strict conformity with the terms of the Agreement and any Supplemental Agreement to the extent that the Special Tax Revenues are available therefor, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Agreement and all Supplemental Agreements and of the Bonds.

Special Obligation

The Bonds are special obligations of the City and the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Bond Fund, the Reserve Fund, and the Special Tax Fund.

Extension of Time for Payment

In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall

be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default, to the benefits of the Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Against Encumbrances

The City shall not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien created for the benefit of the Bonds, except as permitted by the Agreement.

Books and Accounts

The City shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Administrative Expense Fund. Such books of record and accounts shall at all times during business hours, upon reasonable notice, be subject to the inspection of the Owners of not less than ten percent (10%) of the aggregate principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Protection of Security and Rights of Owners

The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Collection of Special Tax Revenues

The City shall comply with all requirements of the Act, including the enactment of necessary Ordinances, so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of the payment or collection of delinquent Special Taxes.

On or within five (5) Business Days of May 1 of each year, the Fiscal Agent shall provide the City with a notice stating the amount then on deposit in the Special Tax Fund, the Bond Fund and the Reserve Fund (including all accounts and sub-accounts therein), and informing the City that the Special Taxes are to be levied by Ordinance as necessary to provide for Annual Debt Service and Administrative Expenses and replenishment (if necessary) of the Reserve Fund so that the balance therein equals the Reserve - Requirement. The receipt of such notice by the City or the failure of the Fiscal Agent to give such notice shall in no way affect the obligations of the City under the following two paragraphs. The Fiscal Agent shall have no liability if it does not provide such notice to the City. Upon receipt of such notice, the City shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current Fiscal Year.

The City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Act by August 1 of each year (or such later date as may be authorized by the Act or any amendment thereof) that the Bonds are Outstanding, such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within Improvement Area

No. 1 and Improvement Area No. 2 for inclusion on the tax roll for the Fiscal Year then beginning. Upon the completion of the computation of the amounts of the levy of the Special Taxes, the City shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the tax roll. Notwithstanding the preceding provisions of this paragraph, the City Council may elect, as permitted by the Act, to collect the Special Taxes to be levied for any Fiscal Year directly from the owners of the parcels of taxable property upon which the Special Taxes are levied rather than by transmitting the Special Taxes to the Auditor for collection on the tax roll; provided that, in such event, the City shall otherwise comply with the provisions of this Section.

The City shall fix and levy the amount of Special Taxes within Improvement Area No. 1 and Improvement Area No. 2 required for the payment of the Proportionate Amount of the principal of and interest on any Outstanding Bonds becoming due and payable during the ensuing calendar year which is allocable to the Improvement Area, including any necessary replenishment or expenditure of the Reserve Fund which is allocable to the Improvement Area and a Proportionate Amount of the amount estimated to be sufficient to pay the Administrative Expenses during such calendar year. The Special Taxes so levied shall not exceed the authorized amounts for Improvement Area No. 1 and Improvement Area No. 2 as provided in the proceedings for the establishment of the District.

The Special Taxes shall be payable and be collected (except in the event of judicial foreclosure proceedings) in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

The City will not, in collecting the Special Taxes or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to Sections 53340, 53344.1, 53344.2, 53356.1 and 53356.5 of the California Government Code in any manner which would materially and adversely affect the interests of the Bondowners and, in particular, will not permit the tender of Bonds in full or partial payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds remaining Outstanding following such tender.

Levy of Special Taxes for Administrative Expenses

The City covenants that, to the extent that it is legally permitted to do so, (a) it will levy the Special Taxes for the payment of the Administrative Expenses which are expected to be incurred in each Fiscal Year, and (b) it will not initiate proceedings under the Act to reduce the Maximum Special Tax rates (the "Maximum Rates") on then existing Developed Property in Improvement Area No. 1 or Improvement Area No. 2 below the amounts which are necessary to provide Special Tax Revenues in an amount equal to estimated Administrative Expenses for the then current Fiscal Year plus an amount equal to one hundred ten percent (110%) of Maximum Annual Debt Service on the Outstanding Bonds. For purposes of this Section, "Developed Property" means a parcel of property for which a building permit has been issued by the City for the construction of a residence or a commercial building.

The City further covenants that in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the California Constitution, which purports to reduce or otherwise alter the Maximum Rates, it will commence and pursue legal action seeking to preserve its ability to comply with its covenant contained in the preceding paragraph.

Further Assurances

The City will adopt, make, execute and deliver any and all such further ordinances, resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Agreement, and for better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Agreement.

Tax Covenants

The City covenants that:

(A) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of the initial issuance and delivery of the Bonds, would have caused any of the Bonds to be "arbitrage bonds" within the meaning of Section 103(b) and Section 148 of the Code;

(B) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Bonds, would result in loss of exclusion from gross income for purposes of federal income taxation under Section 103(a) of the Code of interest paid with respect to the Bonds;

(C) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Bonds, would have caused any of the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code;

(D) It will comply with the Rebate Certificate as a source of guidance for achieving compliance with the Code; and

(E) In order to maintain the exclusion from gross income for purposes of federal income taxation of interest paid with respect to the Bonds, it will comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code.

Covenant to Foreclose

The City covenants with and for the benefit of the Owners of the Bonds (i) that it will order, and cause to be commenced, judicial foreclosure proceedings against properties with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of the Fiscal Year in which such Special Taxes were due, and (ii) that it will commence judicial foreclosure proceedings against all properties with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than ninety-five percent (95%) of the total Special Taxes levied, and diligently pursue to completion such foreclosure proceedings.

Prepayment of Special Taxes

The City shall cause all applications of owners of property in Improvement Area No. 1 and Improvement Area No. 2 to prepay and satisfy the Special Tax obligation for their property to be reviewed by the Tax Consultant and shall not accept any such prepayment unless such consultant certifies in writing that following the acceptance of the proposed prepayment by the City and the redemption of Bonds with such

prepayment, the ratio of (i) the maximum amount of the Special Taxes that may be levied on all Developed Property in Improvement Area No. 1 or Improvement Area No. 2 which following such prepayment will be subject to the levy of the Special Taxes to (ii) the Proportionate Amount of Maximum Annual Debt Service on the Bonds which will remain Outstanding following such redemption that will be allocable to the Improvement Area (e.g., 1.10 to 1.0) will not be less than such ratio as it existed prior to such prepayment. For purposes of this Section, "Developed Property" means a parcel of property for which a building permit has been issued by the City for the construction of a residence or a commercial building.

Calculation of Prepayments

The City will cause all Special Tax Prepayments to be calculated to include the amount of the premium on the Outstanding Bonds that will be redeemed with the Special Tax Prepayment and negative arbitrage on the investment of the Special Tax Prepayment from the date of receipt until the Interest Payment Date upon which the Special Tax Prepayment and the amount to be transferred from the Reserve Fund to the Principal Account will be used to redeem Outstanding Bonds. The City will not include in any calculation of the amount of any Special Tax Prepayment for any parcel of taxable property in Improvement Area No. 1 or Improvement Area No. 2 a proportionate amount of the amount then on deposit in the Reserve Fund, if at the time of such calculation the amount on deposit in the Reserve Fund is less than the Reserve Requirement.

Issuance of Additional Bonds

The City will not issue additional Bonds of the District for any purpose other than accomplishing the defeasance and redemption of all of the Outstanding Bonds.

Continuing Disclosure

The City and the Fiscal Agent, as Dissemination Agent, covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement which are specifically applicable to each of them. The City shall cause the owners and developers of property within the District who are determined by the City to be "obligated persons" pursuant to Rule 15c2-12(b)(5) of the Securities and Exchange Commission to execute and deliver the Developer Disclosure Agreement.

Accountability Measures

The City shall comply with the requirements of Section 53410 of the California Government Code with respect to the deposit and expenditure of the Proceeds of the sale of the Bonds and shall cause the appropriate officer of the City to file a report with the City Council no later than January 2, 2003, and annually thereafter, which shall contain the information required by Section 53411 of the California Government Code with respect to the expenditure of the Proceeds and the status of the construction and acquisition of the Project.

INVESTMENTS; DISPOSITION OF INVESTMENT PROCEEDS; LIABILITY OF THE CITY

Deposit and Investment of Moneys in Funds

Subject in all respects to the provisions of the Agreement, moneys in any fund or account created or established by the Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause (iv) of the definition of Permitted Investments. The Fiscal Agent shall not have any responsibility for determining the legality of any Permitted Investments. The Fiscal Agent shall have no obligation to pay additional interest or maximize investment income on any funds held by it. Neither the City nor the Owners of the Bonds shall have any claim of any kind against the Fiscal Agent in connection with investments properly made pursuant to this Section. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account, subject, however, to the requirements of the Agreement for transfer of Investment Earnings in funds and accounts.

The Fiscal Agent and its affiliates may act as sponsor, advisor, depository, principal or agent in the holding, acquisition or disposition of any investment. The Fiscal Agent shall not incur any liability for losses arising from any investments made pursuant to this Section. For purposes of determining the amount on deposit in any fund or account held under the Agreement, all Permitted Investments or investments credited to such fund or account shall be valued at the cost thereof (excluding accrued interest and brokerage commissions, if any).

Subject in all respects to the provisions of the Agreement, investments in any and all funds and accounts may be commingled in a single fund for purposes of making, holding and disposing of investments, notwithstanding provisions of the Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent, provided that the Fiscal Agent shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Agreement.

The Fiscal Agent shall sell or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited, and the Fiscal Agent shall not be liable or responsible for any loss resulting from the acquisition or disposition of any such investment security.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City or the District the right to receive brokerage confirmations of securities transactions as they occur, the City for itself and the District specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent shall furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent.

Moneys credited to any fund or account under the Agreement which are uninvested pending disbursement or receipt of proper investment directions or as directed in the Agreement, may be deposited to and held in a non-interest bearing demand deposit account established with the commercial banking department of the Fiscal Agent or any bank affiliated with the Fiscal Agent.

The Fiscal Agent may make any investments through its own bond or investment department or trust investment department, or those of its parent or any affiliate.

Rebate Fund; Rebate to the United States

There is created, to be held by the Fiscal Agent, as a separate account distinct from all other funds and accounts held by the Fiscal Agent under the Agreement, the Rebate Fund. The Fiscal Agent shall, in accordance with written directions received from an Authorized Officer, deposit into the Rebate Fund moneys transferred by the City to the Fiscal Agent pursuant to the Rebate Certificate or moneys transferred by the Fiscal Agent from the Reserve Fund. The Rebate Fund shall be held either uninvested or invested only in Federal Securities at the written direction of the City. Moneys on deposit in the Rebate Fund shall be applied only to payments made to the United States, to the extent such payments are required by the Rebate Certificate. The Fiscal Agent shall, upon written request and direction of the City, make such payments to the United States.

The Fiscal Agent's sole responsibilities under this Section are to follow the written instructions of the City pertaining hereto. The City shall be responsible for any fees and expenses incurred by the Fiscal Agent pursuant to this Section.

The Fiscal Agent shall, upon written request and direction from the City, transfer to or upon the order of the City any moneys on deposit in the Rebate Fund in excess of the amount, if any, required to be maintained or held therein in accordance with the Rebate Certificate.

Liability of City

The City shall not incur any responsibility in respect of the Bonds or the Agreement other than in connection with the duties or obligations explicitly in the Agreement or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent or of any of the documents executed by the Fiscal Agent in connection with the Bonds.

In the absence of bad faith, the City may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City and conforming to the requirements of the Agreement. The City shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of the Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations, or in the exercise of and of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The City may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel

shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance therewith.

Whenever in the administration of its duties under the Agreement the City shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action, such matter (unless other evidence in respect thereof be specifically prescribed) may, in the absence of willful misconduct on the part of the City, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent, and such certificate shall be full warranty to the City for any action taken or suffered under the provisions of the Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the City may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

THE FISCAL AGENT

Appointment of Fiscal Agent

The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in the Agreement, and no implied covenants or obligations shall be read into the Agreement against the Fiscal Agent.

Any company into which the Fiscal Agent 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 Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section, shall be the successor to the Fiscal Agent without the execution or filing of any paper or any further act, anything in the Agreement to the contrary notwithstanding.

The City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, corporation or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank, corporation 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 purposes of this Section, 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.

The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the City, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Liability of Fiscal Agent

The recitals of facts, covenants and agreements in the Agreement and in the Bonds contained shall be taken as statements, covenants and agreements of the City and the District, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of the Agreement or of the Bonds, nor shall the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Agreement or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties, except for its own negligence or wilful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

In the absence of bad faith, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of the Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of the Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

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

No provision of the Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers.

The Fiscal Agent shall not be responsible for accounting for, or paying to, any party to the Agreement, including, but not limited to the City and the Owners, any returns on or benefit from funds held for payment of unredeemed Bonds or outstanding checks and no calculation of the same shall affect, or result in any offset against, fees due to the Fiscal Agent under the Agreement.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Agreement at the request or direction of any of the Owners pursuant to the Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

All indemnification and releases from liability granted to the Fiscal Agent shall extend to the directors, officers and employees of the Fiscal Agent.

Information

The Fiscal Agent shall provide to the City such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent as the City shall reasonably request, including, but not limited to, quarterly statements reporting funds held and transactions by the Fiscal Agent.

Notice to Fiscal Agent

The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Fiscal Agent in good faith and in accordance therewith.

Whenever in the administration of its duties the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action, such matter (unless other evidence in respect thereof be specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a certificate of the City, and such certificate shall be full warranty to the Fiscal Agent for any action taken or suffered under the provisions of the Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Compensation, Indemnification

The City shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under the Agreement, and also all reasonable expenses, charges, fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under the Agreement, and the Fiscal Agent shall have a first priority lien therefor on any funds at any time held by it in the Administrative Expense Fund, and the Fiscal Agent shall pay and reimburse all expenses, charges, fees and other disbursements, including those of its attorneys, agents and employees, incurred in connection therewith from the funds held by it in the Administrative Expense Fund. The City further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents, harmless against any liabilities, costs, claims, expenses or charges of any kind whatsoever (including fees and expenses of its attorneys) which it may incur in the exercise and performance of its powers and duties under the Agreement which are not due to its negligence or willful misconduct. The obligation of the City under this Section shall survive resignation or removal of the Fiscal Agent and payment of the Bonds and discharge of the Agreement.

Books and Accounts

The Fiscal Agent shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it to the expenditure of amounts disbursed from the Bond Fund, the Special Tax Fund, the Administrative Expense Fund, the Reserve Fund, the Escrow Fund and the Costs of Issuance Fund. Such books of record and accounts shall, upon reasonable notice, at all times during business hours be subject to

the inspection of the City and the Owners of not less than ten percent (10%) of the aggregate principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

MODIFICATION OR AMENDMENT OF THE AGREEMENT

Amendments Permitted

(A) The Agreement and the rights and obligations of the District and the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of the Owners, or with the written consent, without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or the time for paying interest thereon, or otherwise alter or impair the obligation of the City on behalf of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation of any pledge of or lien upon the Special Tax Revenues, or the moneys on deposit in the Special Tax Fund, the Bond Fund or the Reserve Fund, superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Agreement), (iii) reduce the percentage of Bonds required for the amendment of the Agreement, or (iv) reduce the principal amount of or redemption premium on any Bond or reduce the interest rate thereon. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of this Section and the Fiscal Agent may conclusively rely on such opinion.

(B) The Agreement and the rights and obligations of the District and the City and the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City in the Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power reserved to or conferred upon the City;

(2) to make modifications not adversely affecting any Outstanding series of Bonds of the District in any material respect;

(3) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions of the Agreement, or in regard to questions arising under the Agreement, as the City and the Fiscal Agent may deem necessary or desirable and not inconsistent with the Agreement, and which shall not adversely affect the rights of the Owners; or

(4) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of moneys to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

Owners' Meetings

The City may at any time call a meeting of the Owners. In such event, the City is authorized to fix the time and place of any such meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of the meeting.

Procedure for Amendment with Written Consent of Owners

The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Agreement, to take effect when and as provided in this Section. A copy of the Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, postage prepaid, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of the Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided.

Such a Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Agreement) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the documents required by this Section to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City, the District and the Owners of all Bonds then Outstanding at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60)-day period.

Disqualified Bonds

Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article, and shall not be entitled to vote upon, consent to, or participate in any action

provided for in this Article. Upon request of the Fiscal Agent, the City shall specify to the Fiscal Agent those Bonds disqualified pursuant to this Section and the Fiscal Agent may conclusively rely on such certificate.

Effect of Supplemental Agreement

From and after the time any Supplemental Agreement becomes effective pursuant to this Article, the Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Agreement of the City and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of the Agreement for any and all purposes.

DISCHARGE OF THE AGREEMENT

If the City shall pay and discharge the entire indebtedness on all Outstanding Bonds in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of and interest and any premium on all such Bonds, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, an amount of money which, together with the amounts then on deposit in the Bond Fund (including all accounts therein), the Special Tax Fund (including all accounts and sub-accounts therein) and the Reserve Fund, is fully sufficient to pay all such Bonds, including all principal, interest and redemption premiums, if any; or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash or non-callable Defeasance Securities in such amount as the City shall determine, as confirmed by an Independent Financial Consultant, will, together with the interest to accrue thereon and amounts then on deposit in the Bond Fund (including all accounts therein), the Special Tax Fund (including all accounts and sub-accounts therein) and the Reserve Fund, be fully sufficient to pay and discharge the indebtedness on all such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Tax Revenues and other funds provided for in the Agreement and all other obligations of the City and the District under the Agreement with respect to such Bonds shall cease and terminate, except the obligation of the City to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon, the obligation of the City to pay all amounts owing to the Fiscal Agent pursuant to the Agreement, and the obligations of the City pursuant to the covenants to comply with certain sections of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds; and thereafter Special Taxes shall not be payable to the Fiscal Agent. Notice of such election shall be filed with the Fiscal Agent. The satisfaction and discharge of the Agreement shall be without prejudice to the rights of the Fiscal Agent to charge and be reimbursed by the City for the expenses which it shall thereafter incur in connection with the Agreement.

Any funds held by the Fiscal Agent to pay and discharge the indebtedness on such Bonds, upon payment of all fees and expenses of the Fiscal Agent, which are not required for such purpose, shall be paid over to the City.

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE CITY

This Continuing Disclosure Agreement dated as of August 1, 2002 (the "Disclosure Agreement") is executed and delivered by the City of Corona (the "Issuer") for and on behalf of Community Facilities District No. 2001-2 (Cresta-Grande) and Wells Fargo Bank, National Association as Fiscal Agent (the "Fiscal Agent") and as dissemination agent (the "Dissemination Agent"), in connection with the issuance and delivery by the Issuer of its \$3,675,000 Special Tax Bonds, 2002 Series A (Improvement Areas Nos. 1 and 2) (the "Bonds"). The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of August 1, 2002 (the "Fiscal Agent Agreement"), by and between the Issuer and the Fiscal Agent. The Issuer, the Fiscal Agent and the Dissemination Agent covenant as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Fiscal Agent and the Dissemination Agent, for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure 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 Issuer 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 purposes.

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

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

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

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

"Official Statement" shall mean the Official Statement dated August 1, 2002 relating to the Bonds.

"Participating Underwriter" shall mean the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds, which is UBS PaineWebber, Inc.

"Repository" shall mean each National Repository and each State Repository.

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

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

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

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than March 1 after the end of the Issuer’s fiscal year (which currently ends on June 30), commencing with the report due on March 1, 2003, provide to each Repository, the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent) and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

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

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the Issuer shall provide the Annual Report to the Dissemination Agent and the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent). If by fifteen (15) Business Days prior to such date the Fiscal Agent has not received a copy of the Annual Report, the Fiscal Agent shall contact the Issuer and the Dissemination Agent to determine if the Issuer is in compliance with subsection (a). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Fiscal Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent and Fiscal Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

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

(ii) promptly after receipt of the Annual Report, file a report with the Issuer and (if the Dissemination Agent is not the Fiscal Agent) the Fiscal Agent certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories and other parties to which it was provided.

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

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

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following information; provided, however, that the Annual Report due on March 1, 2003 need contain only a copy of the Official Statement and the information listed in (iv), (vii) and (ix).

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

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

(iii) a list of the public improvements in Table 1 in the Official Statement which have been acquired by the City with proceeds of the Bonds;

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

(v) a table setting forth the estimated assessed value-to-lien ratios for Developed Property as a group and for each owner of Undeveloped Property based upon the most recent Special Tax levy preceding the date of the Annual Report, the most recent assessed values of the property and the principal amount of the Bonds and any other land secured debt allocable to parcels within the District;

(vi) a table including a list of all taxpayers within the District which own property in the District upon which 5% or more of the total Special Taxes for the current fiscal year have been levied, and a statement as to whether any of such taxpayers is delinquent in the payment of Special Taxes;

(vii) any event known to the Issuer which reduces the number of residential units permitted to be constructed within the District or which results in a moratorium on future building within the District;

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

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

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

SECTION 5. Reporting of Significant Events.

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

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

(b) The Fiscal Agent shall, promptly upon obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Issuer pursuant to the Fiscal Agent Agreement, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of such Listed Events shall mean actual knowledge by the officer at the corporate trust office of the Fiscal Agent with regular responsibility for the administration of matters related to the Fiscal Agent Agreement.

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

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with (i) the Municipal Securities Rulemaking Board or (ii) each National Repository, and in either case, to each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(iv) and (v) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Fiscal Agent Agreement. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (f) prior to the occurrence of such Listed Event.

(g) The Issuer hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the Issuer and that the Fiscal Agent or the Dissemination Agent shall not be responsible for determining whether the Issuer’s instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

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

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Fiscal Agent shall be the Dissemination Agent. The Dissemination Agent may resign by providing (i) thirty days written notice to the Issuer and the Fiscal Agent (if the Fiscal Agent is other than the Dissemination Agent) and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment. (a) This Disclosure Amendment may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations

thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby; (ii) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) the Issuer shall have delivered to the Fiscal Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the Fiscal Agent, to the same effect as set forth in clause (ii) above; (iv) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners; and (v) the Issuer shall have delivered copies of such opinion and amendment to each Repository.

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

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

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

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer 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 Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer 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.

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

SECTION 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Fiscal Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent. Article VII of the Fiscal Agent Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Fiscal Agent Agreement and the Dissemination Agent and the Fiscal Agent shall be entitled to the same protections, limitations from liability and indemnification hereunder as are afforded the Fiscal Agent thereunder. The Dissemination Agent and the Fiscal Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent and the Fiscal Agent and their respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Fiscal Agent's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Fiscal Agent shall have no duty or obligation to review any information provided to them hereunder. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and Fiscal Agent and payment of the Bonds. No person shall have any right to commence any action against the Fiscal Agent or the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent and the Fiscal Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative:	Finance Manager City of Corona 815 West Sixth Street Corona, CA 92882
Dissemination Agent:	Wells Fargo Bank, National Association 707 Wilshire Boulevard, 17 th Floor Los Angeles, CA 90017
Fiscal Agent:	Wells Fargo Bank, National Association 707 Wilshire Boulevard, 17 th Floor Los Angeles, CA 90017
Participating Underwriter:	UBS PaineWebber Inc. 888 San Clemente Drive, Suite 400 Newport Beach, CA 92660 UBS PaineWebber Inc. 725 South Figueroa Street, 41st Floor Los Angeles, CA 90017

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.

CITY OF CORONA, for and on behalf of
COMMUNITY FACILITIES DISTRICT
NO. 2001-2 (CRESTA-GRANDE) OF THE CITY
OF CORONA, COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA

By: _____
Assistant City Manager

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Fiscal Agent and
Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Community Facilities District No. 2001-2 (Cresta-Grande) of the City of Corona,
County of Riverside, State of California

Name of Bond Issue: Community Facilities District No. 2001-2 (Cresta-Grande) of the City of Corona
Special Tax Bonds, 2002 Series A (Improvement Areas Nos. 1 and 2)

Date of Issuance: _____, 2002

NOTICE IS HEREBY GIVEN that Community Facilities District No. 2001-2 (Cresta-Grande) of the City of Corona, County of Riverside, State of California (the "District"), has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated as of August 1, 2002, by and between the District and Wells Fargo Bank, National Association as Fiscal Agent and Dissemination Agent. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Dissemination Agent

cc: City of Corona

(This Page Intentionally Left Blank)

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE DEVELOPER

This Continuing Disclosure Agreement (the "Disclosure Agreement") dated as of August 1, 2002 is executed and delivered by Fieldstone Communities, Inc., a California corporation (the "Landowner"), and Wells Fargo Bank, National Association as Fiscal Agent (the "Fiscal Agent") and as dissemination agent (the "Dissemination Agent"), in connection with the execution and delivery by Community Facilities District No. 2001-2 (Cresta-Grande) of the City of Corona, County of Riverside, State of California (the "District") of \$3,675,000 aggregate principal amount of its Community Facilities District No. 2001-2 (Cresta-Grande) of the City of Corona Special Tax Bonds, 2002 Series A (Improvement Areas Nos. 1 and 2) (the "Bonds"). The Bonds are being executed and delivered pursuant to a Fiscal Agent Agreement dated as of August 1, 2002 by and between the District and Wells Fargo Bank, National Association as Fiscal Agent (the "Fiscal Agent Agreement").

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Landowner for the benefit of the Bondowners and Beneficial Owners and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). Pursuant to this Disclosure Agreement, the Landowner agrees to provide the information required to be provided by the Landowner hereunder at the time and in the manner required hereunder and as otherwise required to comply with the Rule as specified in a written opinion of counsel to the Underwriter or a nationally recognized bond counsel. This Disclosure Agreement does not address additional undertakings, if any, by or with respect to persons other than the Landowner who may be considered obligated persons for purposes of the Rule, which additional undertakings, if any, may be required for the Participating Underwriter to comply with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the 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:

"Affiliate" shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of such Person or (b) each Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person; provided, however, that in no case shall the District be deemed to be an Affiliate of the Landowner for purposes of this Agreement. For the purpose of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise, unless such power is solely the result of such person's official position, title or employment.

"Annual Report" shall mean any Annual Report provided by the Landowner on or prior to March 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the Controller or his designee acting on behalf of the Landowner, or such other officer or employee as the Landowner shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean Wells Fargo Bank, National Association acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Landowner and which has filed with the Landowner and the City a written acceptance of such designation.

“District” shall mean Community Facilities District No. 2001-2 (Cresta-Grande) established by the City of Corona.

“Equity Securities” of any Person shall mean (a) all outstanding and voting common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person and (b) all warrants, options and other rights to acquire any of the foregoing.

“Fiscal Year” shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30.

“Government Authority” shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

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

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

“Official Statement” shall mean the Official Statement, dated August 1, 2002, relating to the Bonds.

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

“Person” shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

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

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

“Semiannual Report” shall mean any report to be provided by the Landowner on or prior to September 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“State” shall mean the State of California.

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

SECTION 3. Provision of Annual Reports and Semiannual Reports.

(a) The Landowner shall (or upon its receipt of the Annual Report the Dissemination Agent shall), not later than March 1 of each year, commencing March 1, 2003, provide to each Repository, the Participating Underwriter and the District an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in

Section 4 of this Disclosure Agreement provided that the audited financial statements, if any, of the Landowner may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if they are not available by that date. In addition, the Landowner shall, or upon its receipt of the Semiannual Report the Dissemination Agent shall, not later than September 1 of each year, commencing September 1, 2003, provide to each Repository, the Participating Underwriter and the District a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement.

(b) Not later than fifteen (15) Business Days prior to the dates specified in subsection (a) for providing the Annual Report and Semiannual Report to Repositories, the Landowner shall provide the Annual Report or the Semiannual Report, as applicable, to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Landowner is preparing, or causing to be prepared, the Annual Report or the Semiannual Report, as applicable, and the date which the Annual Report or the Semiannual Report, as applicable, is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Annual Report or the Semiannual Report, as applicable, or notification as described in the preceding sentence, the Dissemination Agent shall contact the Landowner to determine if the Landowner is in compliance with the requirements of this subsection (b).

(c) If the Dissemination Agent is unable to provide an Annual Report or Semiannual Report to Repositories by the date required in subsection (a) or to verify that an Annual Report or Semiannual Report has been provided to Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

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

(ii) file a report with the Landowner and the City certifying that the Annual Report or the Semiannual Report, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Report and Semiannual Report.

(a) The Landowner's Annual Report and Semiannual Report shall contain or include by reference the information which is available as of the date of the filing of the Annual Report or the Semiannual Report, as applicable, relating to the following:

(i) An update to portions of the section in the Official Statement entitled "THE DEVELOPMENT AND PROPERTY OWNERSHIP – Cresta Verde Hills – *Status of Land Use Approvals and Development*" and "*- Estimated Sources and Uses of Funds and Proposed Cash Flow*," including an update of the Landowner's projected sources and uses of funds set forth in Table 5 therein and a discussion of the sources of funds to finance development of property owned by the Landowner and its Affiliates within the District, and whether any material defaults exist under any loan arrangement related to such financing.

(ii) A summary of the Landowner's or its Affiliate's development activity within the District, including the number of lots or parcels in the District for which building permits have been issued and either the average or by unit square footage of improvements contracted thereon, the

number of lots or parcels for which land sales have closed, either the average or by unit sales price, and in the case of a purchase of a parcel by an entity other than the purchaser of a residential unit or a lot for its own use, the name of the purchaser of the parcel, the amount of land within each such transaction and the sales price.

(iii) Status of any major governmentally-imposed preconditions for commencement or continuation of development of the parcels within the District.

(iv) A description of any major legislative, administrative and judicial challenges known to the Landowner to or affecting the construction of the development or the time for construction of any public or private improvements to be made by the Landowner or any Affiliate within the District other than the public improvements described in (5) below (the "Landowner Improvements").

(v) Status of completion of the public improvements to be constructed with proceeds of the Bonds (the "District Improvements") by the Landowner and its Affiliates and a description of any major legislative, administrative and judicial challenges known to the Landowner to or affecting the construction of the District Improvements.

(vi) Any significant amendments to land use entitlements with respect to parcels within the District owned by the Landowner or its Affiliates.

(vii) Status of Special Tax payments on all parcels within the District owned by the Landowner and its Affiliates.

(viii) In the Annual Report only, the audited financial statements of the Landowner, if any, for its most recently completed fiscal year (which currently ends on each December 31), prepared in accordance with generally accepted accounting principles as promulgated to apply to private entities from time to time by the Financial Accounting Standards Board. If the Landowner has audited financial statements prepared and the audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, if prepared, in a format similar to the financial statements for the preceding year, and the audited financial statements shall be filed in the same manner, or as an amendment or supplement to, as the Annual Report when they become available.

(b) In the event that as a result of subsequent amendment of the Rule, interpretive releases, no-action letters or other official guidance from the Securities and Exchange Commission or its staff, the information required to satisfy the Rule shall differ from the information described above, the Landowner shall provide to the Dissemination Agent such other information as is available to the Landowner and not otherwise readily available to the District as required by the Securities and Exchange Commission and pursuant to written notice of such requirements given to the Landowner by the District.

(c) Any and all of the items listed above may be included by specific reference to other documents, including, but not limited to, official statements of debt issues which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Landowner 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 Landowner shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material under paragraphs (b) and (c):

i. Failure to pay any real property taxes, special taxes or assessments levied within the District on a parcel owned by the Landowner or any Affiliate;

ii. Damage to or destruction of any of the Landowner Improvements or the District Improvements which has a material adverse effect on the value of the parcels in the District owned by the Landowner or any Affiliate;

iii. Material default by the Landowner or any Affiliate on any loan with respect to the construction or permanent financing of the Landowner Improvements;

iv. Material default by the Landowner or any Affiliate on any loan secured by property within the District owned by the Landowner or any Affiliate;

v. Payment default by the Landowner or any Affiliate located in the United States on any loan of the Landowner or any Affiliate (whether or not such loan is secured by property within the District) which is beyond any applicable cure period in such loan;

vi. The filing of any proceedings with respect to the Landowner or any Affiliate, in which the Landowner or any Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts;

vii. The filing of any lawsuit against the Landowner or any of its Affiliates located in the United States which, in the reasonable judgment of the Landowner, will adversely affect the completion of the District Improvements, the Landowner Improvements or the development of parcels owned by the Landowner or its Affiliates within the District, or litigation which if decided against the Landowner, or any of its Affiliates, in the reasonable judgment of the Landowner, would materially adversely affect the financial condition of the Landowner; and

viii. A sale or transfer of all or substantially all of the Landowner's assets.

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

(c) If the Landowner determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Landowner shall promptly file a notice of such occurrence with the Dissemination Agent which shall then distribute such notice to the Municipal Securities Rulemaking Board and each State Repository, with a copy to the City.

SECTION 6. Termination of Reporting Obligation. The Landowner's obligations under this Disclosure Agreement shall terminate upon the earliest of the following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds;

(b) if as of the date for filing the Annual Report or Semiannual Report the Landowner and its Affiliates own property within the District which is responsible for less than twenty percent (20%) of the Special Taxes levied in the Fiscal Year for which the Annual Report or Semiannual Report is being prepared; or

(c) upon the delivery by the Landowner to the District of an opinion of nationally recognized bond counsel to the effect that the information required by this Disclosure Agreement is no longer required. Such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Landowner or a private letter ruling obtained by a similar entity to the Landowner. If such termination occurs prior to the final maturity of the Bonds, the Landowner shall give notice of such termination in the same manner as for an Annual Report hereunder.

SECTION 7. Dissemination Agent. The Landowner may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Landowner, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Landowner pursuant to this Disclosure Agreement.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Landowner may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, 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) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel addressed to the City, the Fiscal Agent and the Participating Underwriter, 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;

(c) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Agreement for amendments to the Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the City, the Participating Underwriter and the Fiscal Agent, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and

(d) The Landowner, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) and (c) above

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Landowner shall describe such amendment in the next Annual Report or Semiannual 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 Landowner. 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 to the Municipal Securities Rulemaking Board, the State Repository, if any, and the Repositories; 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. The comparison of financial data

described in clause (ii) of the preceding sentence shall be provided at the time financial statements, if any, are filed under Section 4(a)(viii) hereof.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Landowner 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, Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Landowner chooses to include any information in any Annual Report, Semiannual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Landowner shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Semiannual Report or notice of occurrence of a Listed Event.

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

SECTION 10. Default. In the event of a failure of the Landowner or Dissemination Agent to comply with any provision of this Disclosure Agreement, any Participating Underwriter or any Bondowner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Landowner or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Landowner or Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement and the Landowner agrees to indemnify, defend and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the reasonable costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities, costs and expenses due to the Dissemination Agent's, including its officers, directors, employees and agents, negligence or willful misconduct. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Landowner, the Participating Underwriter, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Landowner or an opinion of nationally recognized bond counsel. The obligations of the Landowner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

The Dissemination Agent will not, without the Landowner's prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification may be sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Landowner and its controlling persons from all liability arising out of such claim, action or proceedings. If a claim, action or proceeding is settled with the consent of the Landowner or if there is a final judgment (other than a stipulated final judgment without the approval of the Landowner) for the

plaintiff in any such claim, action or proceeding, with or without the consent of the Landowner, the Landowner agrees to indemnify and hold harmless the Dissemination Agent to the extent described herein.

SECTION 12. Reporting Obligation of Landowner's Transferees. The Landowner shall, in connection with any sale or transfer of ownership of land within the District to a person or entity other than an Affiliate which will result in the transferee (which term shall include any successors and assigns of the Landowner) becoming responsible (i) for the payment of more than 20 percent of the Special Taxes levied on property within the District in the Fiscal Year following such transfer and (ii) for the construction and/or installation of some or all of the Landowner Improvements or the District Improvements, cause such transferee to enter into a disclosure agreement with terms substantially similar to the terms of this Disclosure Agreement, whereby such transferee agrees to be bound by the obligations of the Landowner under this Disclosure Agreement as an additional obligated party. Additionally, the Landowner shall, in connection with any sale or transfer of ownership of land within the District to a person or entity other than an Affiliate which will result in the transferee becoming responsible for the payment of 20 percent or more of the Special Taxes levied on property within the District in the Fiscal Year following such transfer, but where the transferee is not responsible for the construction or installation of some or all of the Landowner Improvements or the District Improvements, cause such transferee to enter into a disclosure agreement with terms substantially similar to the terms of this Disclosure Agreement, whereby such transferee agrees to provide its audited financial statements, if any, and, as to the property owned by it, the information of the type described in Section 4(a)(ii), (iii), (vi) and (vii) and Section 5 of this Disclosure Agreement; provided that such transferee's obligations under such disclosure agreement shall terminate upon the land owned by the transferee becoming responsible for the payment of less than 20 percent of the annual Special Taxes.

SECTION 13. Notices. Any notice or communications to or among any of the parties to or described in this Disclosure Agreement may be given as follows:

To the District/Issuer:	City of Corona 815 West Sixth Street Corona, CA 91720 Attention: Assistant City Manager Facsimile: (909) 279-3527
To the Dissemination Agent:	Wells Fargo Bank, National Association 707 Wilshire Boulevard, 17 th Floor Los Angeles, CA 90017 Attention: Corporate Trust Department Facsimile: (213) 614-3355
To the Participating Underwriter:	UBS PaineWebber Inc. 888 San Clemente Drive, Suite 400 Newport Beach, CA 92660 Attention: John H. Gibson Facsimile: (949) 717-3967
To the Landowner:	Fieldstone Communities, Inc. 14 Corporate Plaza Newport Beach, CA 92660 Attention: Controller Facsimile: (949) 640-9090

SECTION 14. Landowner as Independent Contractor. In performing under this Disclosure Agreement, it is understood that the Landowner is an independent contractor and not an agent of the City.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Landowner, the City, the Dissemination Agent, the Participating Underwriter and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

FIELDSTONE COMMUNITIES, INC., a
California corporation

By: _____

By: _____

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE [ANNUAL/SEMIANNUAL] REPORT

Name of the Issuer: Community Facilities District No. 2001-2 (Cresta-Grande) of the City of Corona, County of Riverside, State of California

Name of Bond Issue: Community Facilities District No. 2001-2 (Cresta-Grande) of the City of Corona Special Tax Bonds, 2002 Series A (Improvement Areas Nos. 1 and 2)

Date of Issuance: _____, 2002

NOTICE IS HEREBY GIVEN that Fieldstone Communities, Inc. has not provided an [Annual Report or Semiannual Report] with respect to the above-named Bonds as required by the Continuing Disclosure Agreement of the Developer. [The Developer anticipates that such [Annual Report or Semiannual Report] will be filed not later than _____, ____.]

Dated: _____

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Dissemination Agent

cc: City of Corona
Developer

APPENDIX G

FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

City Council
City of Corona
815 West Sixth Street
Corona, California 91718

Re: \$3,675,000 Community Facilities District No. 2001-2 (Cresta-Grande)
of the City of Corona Special Tax Bonds, 2002 Series A (Improvement Areas Nos. 1
and 2)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Corona (the "City") for Community Facilities District No. 2001-2 (Cresta-Grande) of the City of Corona, County of Riverside, State of California (the "District"), of \$3,675,000 aggregate principal amount of the Community Facilities District No. 2001-2 (Cresta-Grande) of the City of Corona Special Tax Bonds, 2002 Series A (Improvement Areas Nos. 1 and 2) (the "Bonds"). The Bonds are issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), a resolution adopted by the City Council of the City on July 17, 2002 (the "Resolution"), and a Fiscal Agent Agreement, dated as of August 1, 2002 (the "Agreement"), between the City and Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent").

We have examined the Act, the Resolution, the Agreement and certified copies of the proceedings taken for the issuance and sale of the Bonds. As to questions of fact which are material to our opinions, we have relied upon the representations of the City contained in the Agreement and in certificates of its authorized officers which have been delivered to us for the purpose of supplying such facts, without having undertaken to verify the accuracy of any such representations by independent investigation.

Based upon such examination, we are of the opinion, as of the date hereof, that the proceedings referred to above have been taken in accordance with the laws and the Constitution of the State of California, and that the Bonds, having been issued in duly authorized form and executed by the proper officials and delivered to and paid for by the purchaser thereof, and the Agreement, having been duly authorized and executed by the proper officials, constitute the legally valid and binding obligations of the City and the District enforceable in accordance with their terms subject to the qualifications specified below. Except where funds are otherwise available, as may be permitted by law, the Bonds are payable, as to both principal and interest, solely from certain special taxes to be levied and collected within the District and other funds available therefor held under the Agreement.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebate and related requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest on the Bonds to be and remain exempt from federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of issuance of the Bonds. Pursuant to the Agreement, the City has covenanted to comply with the requirements of the Code and applicable regulations promulgated thereunder.

We are of the opinion that, under existing statutes, regulations, rulings and court decisions, and assuming compliance by the City with the aforementioned covenants, the interest on the Bonds is excluded from gross income for purposes of federal income taxation and is exempt from personal income taxation imposed by the State of California.

We are further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, interest on the Bonds received by corporations will be included in corporate adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations.

Although interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

The opinions expressed herein may be affected by actions which may be taken (or not taken) or events which may occur (or not occur) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur or are not taken or do not occur.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Agreement may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

APPENDIX H

BOOK-ENTRY-ONLY SYSTEM

General Description

As noted above, DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no 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 Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on and Interest Payment Date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on an Interest Payment Date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District or the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services or securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered to the Beneficial Owners.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered and will be governed by the provisions of the Fiscal Agent Agreement with respect to payment of principal and interest and rights of exchange and transfer.

The City cannot and does not give any assurances that DTC Participants or others will distribute payments with respect to the Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriter take any responsibility for the accuracy thereof.

Discontinuation of Book-Entry-Only System; Payments to Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the principal of the Bonds is payable upon surrender thereof at the Principal Corporate Trust Office of the Fiscal Agent. Interest on the Bonds is payable on each Interest Payment Date to the registered owner thereof as of the close of business on the Record Date immediately preceding each Interest Payment Date, such interest to be paid by check of the Fiscal Agent, mailed by first-class mail to the registered owner at his address as it appears on the Register (or at such other address as is furnished to the Fiscal Agent in writing by the registered owner). A registered owner of \$1,000,000 or more in principal amount of Bonds may be paid interest by wire transfer in immediately available funds to an account in the United States if the registered owner makes a written request of the Fiscal Agent no later than the applicable Record Date.



