

*In the opinion of Best Best & Krieger, LLP, Riverside, California ("Bond Counsel"), subject to certain qualifications described herein, under existing statutes, regulations, rulings and judicial decisions 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 calculating the federal alternative minimum tax imposed on individuals and corporations, although, for purposes 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 tax. See "LEGAL MATTERS—Tax Exemption" herein with respect to tax consequences relating to the Bonds.*

**\$9,700,000**

**COMMUNITY FACILITIES DISTRICT NO. 92-1  
(SYCAMORE CANYON BUSINESS PARK)  
OF THE CITY OF RIVERSIDE  
SPECIAL TAX BONDS, 2005 SERIES A**

**Dated: Delivery Date**

**Due: September 1, as shown below**

The Community Facilities District No. 92-1 (Sycamore Canyon Business Park) of the City of Riverside Special Tax Bonds, 2005 Series A (the "Bonds") are being issued and delivered to (a) finance various public improvements needed to develop property located within Community Facilities District No. 92-1 (Sycamore Canyon Business Park) of the City of Riverside (the "District"), (b) to refund the District's Series 2003 Special Tax Bonds, currently outstanding in the amount of \$1,190,000 (the "Prior Bonds"), (c) to pay capitalized interest on the Bonds to September 1, 2005, (d) to fund a reserve fund for the Bonds and (e) to pay the costs of issuing the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. The District has been formed by the City of Riverside (the "City") and is located in the County of Riverside, California (the "County").

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 July 1, 2005 (the "Fiscal Agent Agreement"), by and between the District and U.S. 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 Special Taxes (as defined herein) to be levied annually on and collected from the owners of certain taxable land within 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 rate and method of apportionment approved by the City Council of the City and the qualified electors within the District. See "SOURCES OF PAYMENT FOR THE BONDS—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 September 1, 2005 and semiannually thereafter on each March 1 and September 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—General Provisions" and APPENDIX G—"DTC AND THE BOOK ENTRY 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 certain other amounts held under the Fiscal Agent Agreement as more fully described herein.*

The Bonds are subject to optional redemption, mandatory redemption from special tax prepayments and mandatory sinking fund redemption prior to maturity as set forth herein. See "THE BONDS—Redemption" herein.

**INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT RISKS AND THEREFORE MAY NOT BE APPROPRIATE FOR MANY INVESTORS. ONLY PERSONS WITH SUBSTANTIAL FINANCIAL RESOURCES WHO UNDERSTAND THE RISKS OF INVESTMENT IN THE BONDS SHOULD CONSIDER SUCH AN INVESTMENT. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" FOR A DISCUSSION OF SPECIAL FACTORS WHICH 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.

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**MATURITY SCHEDULE**  
**(See Inside Cover Page)**

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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, Riverside, California and for the Underwriter by Stradling Yocca 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 July 14, 2005.



**WEDBUSH MORGAN SECURITIES**

**\$9,700,000**  
**COMMUNITY FACILITIES DISTRICT NO. 92-1**  
**(SYCAMORE CANYON BUSINESS PARK)**  
**OF THE CITY OF RIVERSIDE**  
**SPECIAL TAX BONDS, 2005 SERIES A**

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**MATURITY SCHEDULE**

**Base CUSIP<sup>†</sup>: 769053**

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP<sup>†</sup></i>	<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP<sup>†</sup></i>
2006	\$170,000	3.250%	3.300%	CB3	2012	\$210,000	4.125%	4.250%	CH0
2007	175,000	3.500	3.500	CC1	2013	220,000	4.250	4.400	CJ6
2008	180,000	3.625	3.650	CD9	2014	225,000	4.375	4.500	CK3
2009	185,000	3.750	3.850	CE7	2015	240,000	4.500	4.600	CL1
2010	200,000	3.875	4.000	CF4	2016	250,000	4.625	4.700	CM9
2011	205,000	4.000	4.150	CG2	2017	260,000	4.750	4.800	CN7

\$870,000 5.000% Term Bonds due September 1, 2020 Yield: 5.080% - CUSIP<sup>†</sup>: CR8  
 \$1,755,000 5.125% Term Bonds due September 1, 2025 Yield: 5.180% - CUSIP<sup>†</sup>: CS6  
 \$4,555,000 5.300% Term Bonds due September 1, 2034 Yield: 5.300% - CUSIP<sup>†</sup>: CT4

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<sup>†</sup> Copyright 2005, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. Neither the City, the District nor the Underwriter guarantees the accuracy of the CUSIP data.

**CITY OF RIVERSIDE**

Ronald O. Loveridge, Mayor

**City Council**

Dom Betro, Ward 1  
Ameal Moore, Ward 2  
Art Gage, Ward 3  
Frank Schiavone, Ward 4  
Ed Adkinson, Ward 5  
Nancy Hart, Ward 6  
Steve Adams, Ward 7

**City Officials**

Bradley J. Hudson, City Manager  
Michael J. Beck, Assistant City Manager  
Gregory P. Priamos, City Attorney  
Colleen Nicol, City Clerk  
Paul C. Sundeen, Chief Financial Officer and City Treasurer  
Belinda Graham, Economic Development Director

**BOND COUNSEL**

Best Best & Krieger LLP  
Riverside, California

**DISTRICT ENGINEER AND SPECIAL TAX CONSULTANT**

Albert A. Webb Associates, Consulting Engineer  
Riverside, California

**FISCAL AGENT**

U.S. Bank National Association  
Los Angeles, California

**APPRAISER**

Harris Realty Appraisal  
Newport Beach, 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 which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the City or the District. In accordance with their respective responsibilities under the federal securities laws, the Underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness. 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 UNDERWRITERS 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.**

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City of Riverside

Community Facilities District No 92-1

Sycamore Canyon Business Park



State Hwy 60

Interstate 215 Fwy

Escondido Rd

Sycamore Canyon Blvd

Alessandro Blvd

**\$9,700,000**  
**COMMUNITY FACILITIES DISTRICT NO. 92-1**  
**(SYCAMORE CANYON BUSINESS PARK)**  
**OF THE CITY OF RIVERSIDE**  
**SPECIAL TAX BONDS, 2005 SERIES A**

**INTRODUCTION**

**General**

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, including the appendices, 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 FISCAL AGENT AGREEMENT—Definitions” herein.

INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT RISKS AND THEREFORE MAY NOT BE APPROPRIATE FOR MANY INVESTORS. ONLY PERSONS WITH SUBSTANTIAL FINANCIAL RESOURCES WHO UNDERSTAND THE RISKS OF INVESTMENT IN THE BONDS SHOULD CONSIDER SUCH AN INVESTMENT. SEE THE SECTIONS OF THIS OFFICIAL STATEMENT ENTITLED “PROPERTY OWNERSHIP AND STATUS” AND “SPECIAL RISK FACTORS” FOR A DISCUSSION OF SPECIAL FACTORS WHICH SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

The purpose of this Official Statement, which includes the cover page, the inside cover page, the table of contents and the attached appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance of the \$9,700,000 Community Facilities District No. 92-1 (Sycamore Canyon Business Park) of the City of Riverside Special Tax Bonds, 2005 Series A (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. 92-1 (Sycamore Canyon Business Park) of the City of Riverside (the “District”), to refund the District’s 2003 Special Tax Bonds, currently outstanding in the aggregate principal amount of \$1,190,000 (the “Prior Bonds”), to fund the Reserve Fund securing the Bonds, to pay capitalized interest through September 1, 2005 and to pay costs of administration and issuance of the Bonds.

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 a Fiscal Agent Agreement dated as of July 1, 2005 (the “Fiscal Agent Agreement”) by and between the District and U.S. 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 in the Principal Account and Interest Account of the Bond Fund and all moneys deposited in the Reserve Fund as described in the Fiscal Agent Agreement.

## **Forward Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute “forward looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward looking statements include, but are not limited to, certain statements contained in the information under the caption “THE DISTRICT” and “PROPERTY OWNERSHIP AND STATUS.”

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

## **The District**

*Formation Proceedings.* The District has been formed by the City of Riverside (the “City”) 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 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 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 district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, the City Council of the City of Riverside (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 to fund improvements within Sycamore Canyon Business Park (the “Facilities”). Following public hearings 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 voter of the District. On November 16, 1993, at an election held pursuant to the Act, the landowners who comprised the qualified voters of the District, authorized the District to incur bonded indebtedness in an aggregate principal amount not to exceed \$60,000,000, and approved the rate and method of apportionment of the Special Taxes for the District to pay the principal of and interest on the bonds of the District. On February 19, 2002, the City Council called a public hearing regarding amending and restating the rate and method of apportionment. On March 26, 2002, the City Council held an election within the District regarding amending the rate and method of apportionment for the District, at which time the



amendment to the rate and method of apportionment to reduce Maximum Special Tax rates was approved by a majority of the landowners within the District. The amended and restated rate and method of apportionment for the District is attached hereto as APPENDIX A (the "Rate and Method"). The City Council acts as the legislative body of the District.

**Prior Bonds.** On July 30, 2003, the District issued the Prior Bonds for the purpose of funding certain authorized public facilities of the District which primarily included environmental-related improvements. The Bonds are being issued, in part, to refund the Prior Bonds. See "PLAN OF FINANCE."

**Property Ownership and Status.** The District consists of approximately 452 acres of land. The land within the District is owned by twenty property owners (collectively, the "Landowners") among 117 individual parcels with ownerships ranging in size from 3.95 acres to 143.44 acres. The following entities own significant portions of the undeveloped or partially developed properties within the District: Paragon Capital Corporation (23.16 acres), Magnon Development Company (143.44 acres), Space Center Sycamore Canyon LLC (45.26 acres), Sycamore Industrial Park LLC (15.72 acres) and Panattoni Development (103.57 acres). As of May 1, 2005, the development status of land within the District ranged from raw undeveloped parcels to eight fully improved buildings and six additional buildings under construction. Raw land in the District is expected to be responsible for approximately 46 percent of the estimated Fiscal Year 2005-06 Special Tax levy. As of May 1, 2005, the raw land parcels had appraised value-to-lien ratios ranging from 3.45-to-1 to 4.12-to-1, based upon liens comprised of a portion of the Bonds and the other direct and overlapping debt allocable thereto. See "PROPERTY OWNERSHIP AND STATUS" herein.

***The Landowners have been asked to provide information for this Official Statement and have declined to do so. No assurances can be given that future development will occur in the District. Accordingly, prospective investors in the Bonds should base their investment decisions on the current status of the land within the District, as described herein. Additionally, investors may choose to draw a negative inference from the Landowners' failure to provide information for this Official Statement, including, without limitation, a negative inference with respect to the Landowners' ability or willingness to pay Special Taxes when due, or to further improve their land within the District. See "SPECIAL RISK FACTORS—Landowners' Refusal to Provide Information" herein.***

Harris Realty Appraisal, Newport Beach, California (the "Appraiser") has conducted an appraisal (the "Appraisal") of the land within the District subject to the Special Tax and has concluded, based upon the assumptions and limiting conditions contained in the Appraisal, that as of March 1, 2005, the value of land within the District was \$120,800,000. On June 1, 2005, the Appraiser delivered its Limited Summary Appraisal Certificate which determined that the current value of land within the District as of June 1, 2005 was not less than the concluded appraised values reported as of March 1, 2005. See "THE DISTRICT—Appraisal" and APPENDIX B—"APPRAISAL REPORT." Investors should be aware, however, that a large portion of the property in the District, approximately 49%, is in raw condition and therefore has significantly lower values than the developed properties in the District. See "SPECIAL RISK FACTORS—Land Values" and APPENDIX B—"APPRAISAL REPORT" herein.

## Sources of Payment for the Bonds

*Special Taxes.* As used in this Official Statement, the term “Special Tax” is that tax which has been authorized to be levied against certain land within the District pursuant to the Act and in accordance with the Rate and Method. See “SOURCES OF PAYMENT FOR THE BONDS—Special Tax Revenues” and APPENDIX A—“AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Under the Fiscal Agent Agreement, the District has pledged to repay the Bonds from the Special Tax Revenues and amounts on deposit and the Principal Account and Interest Account of the Bond Fund and the Reserve Fund established under the Fiscal Agent Agreement.

The Special Tax Revenues 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 in the Surplus Account in the Special Tax Fund and in the Principal Account and Interest Account of the Bond Fund and in the Reserve Fund, to the limited extent described in the Fiscal Agent Agreement. See “SOURCES OF PAYMENT FOR THE BONDS—Reserve Fund.”

*Foreclosure Proceeds.* The District 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 properties with delinquent Special Taxes by the October 1 following the close of any fiscal year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied. See “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—Proceeds of Foreclosure Sales” herein. There is no assurance that the property within the District can be sold for the appraised value or assessed values described herein, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current or future landowners within the District. See “SPECIAL RISK FACTORS—Land Values” and APPENDIX B—“APPRAISAL REPORT” 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.**

*Parity Bonds.* Pursuant to the Fiscal Agent Agreement, the City covenants that it will not issue additional bonds of the District except for the purpose of accomplishing the defeasance and redemption of the Outstanding Bonds or for the purpose of discharging the entire indebtedness of all the Outstanding Bonds as provided in the Fiscal Agent Agreement. See “THE BONDS—Parity Bonds” herein.

## The Appraisal

The Appraiser has prepared the Appraisal of the land and existing improvements within the District as of March 1, 2005. The Appraisal is entitled “Summary Appraisal Report—City of

Riverside Sycamore Canyon Business Park Community Facilities District No. 92-1” (the “Appraisal Report”). See APPENDIX B—“APPRAISAL REPORT.” The Appraisal Report sets forth an estimate of the value of various properties within the District. The Appraiser is of the opinion that the market value of the land and improvements in existence within the District as of March 1, 2005, was \$120,800,000, providing an overall District wide appraised value to lien ratio (including the Bonds and all overlapping debt) of 9.79-to-1. The Appraisal is based upon a variety of assumptions and limiting conditions that are described in Appendix B. The City and the District make no representation as to the accuracy of the Appraisal Report. On June 1, 2005, the Appraiser delivered its Limited Summary Appraisal Certificate which determined that the current value of land within the District as of June 1, 2005 was not less than the concluded appraised values reported as of March 1, 2005. See “THE DISTRICT—Estimated Appraised Value to Lien Ratio” There is no assurance that the property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by the landowner. In particular, values of raw land are significantly lower than values of developed properties, and a large portion, approximately 49%, of the land in the District is in raw condition. See “SPECIAL RISK FACTORS—Land Values” and APPENDIX B—“APPRAISAL REPORT” 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 G—“DTC AND THE BOOK ENTRY 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 G—“DTC AND THE BOOK ENTRY 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 description 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 statutes, 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 F 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 “LEGAL MATTERS—Tax Exemption” herein.

### **Professionals Involved in the Offering**

U.S. Bank National Association will act as Fiscal Agent under the Fiscal Agent Agreement and as the initial Dissemination Agent under the Continuing Disclosure Agreement. See Appendix E. Wedbush Morgan Securities is the Underwriter of the Bonds. Certain 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. Certain legal matters will be passed on for the District by Best Best & Krieger, LLP, Riverside, California, general counsel to the District, and for the Underwriter by Stradling Yocca Carlson & Yocca, a Professional Corporation, Newport Beach, California, as Underwriter’s Counsel. Other professional services have been performed by Albert A. Webb & Associates, Riverside, California, as District Engineer and Special Tax Consultant, and Harris Realty Appraisal, Newport Beach, California, as Appraiser.

For information concerning the 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 “LEGAL MATTERS—Financial Interests” herein.

### **Continuing Disclosure**

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 certain annual financial information and operating data. The District has further agreed to provide notice of certain material events. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5). See “CONTINUING DISCLOSURE” herein and Appendix E hereto for a description of the specific nature of the annual report to be filed by the District and notices of material events to be provided by the District.

### **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.

### **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 Council, 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.

Copies of the Fiscal Agent Agreement, the Continuing Disclosure Agreement 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 3900 Main Street, Riverside, California 92522, Attention: Chief Financial Officer.

**PLAN OF FINANCE**

The Bonds are being issued in part to refund the Prior Bonds currently outstanding in the aggregate principal amount of \$1,190,000.

**ESTIMATED SOURCES AND USES OF FUNDS**

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

<i>Sources of Funds</i>	
Principal Amount of Bonds	\$ 9,700,000.00
Less Original Issue Discount	<u>(34,240.75)</u>
<b>TOTAL SOURCES</b>	<b>\$ 9,665,759.25</b>
 <i>Uses of Funds</i>	
Redemption of Prior Bonds	\$ 1,216,839.22
Improvement Fund	7,489,248.01
Reserve Fund	653,377.50
Interest Account <sup>(1)</sup>	62,469.52
Costs of Issuance Fund <sup>(2)</sup>	125,000.00
Underwriter's Discount	<u>118,825.00</u>
<b>TOTAL USES</b>	<b>\$ 9,665,759.25</b>

<sup>(1)</sup> Includes capitalized interest to pay debt service on the Bonds through September 1, 2005.  
<sup>(2)</sup> Includes Fiscal Agent fees, Bond Counsel fees, Special Tax Consultant fees, Appraisal fees, printing costs and other related costs.

**THE BONDS**

**General Provisions**

The Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each September 1 and March 1, commencing on September 1, 2005 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date, in

which event interest will be payable from such date of authentication; (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on that Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment.

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.

In the event that the book entry system described in Appendix G is no longer used with respect to the Bonds, the principal of the Bonds is payable upon surrender thereof at the Principal 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.

### **Authority for Issuance**

The Bonds are issued pursuant to the Act and the Fiscal Agent Agreement. As required by the Act, the City Council has taken the following actions with respect to establishing the District and the Bonds:

***Resolutions of Intention.*** On July 6, 1993, the City Council adopted a resolution stating its intention to establish the District and to authorize the levy of a special tax, and a resolution declaring its intention to incur bonded indebtedness in an amount not to exceed \$60,000,000 within the District.

***Resolutions of Formation.*** Immediately following a noticed public hearing on August 10, 1993, the City Council, adopted resolutions which established the District, authorized the levy of a special tax within the District, and declared the necessity to incur bonded indebtedness within the District.

***Resolution Calling Election.*** The resolutions adopted by the City Council on August 10, 1993 also called for an election by the landowners in the District for November 16, 1993 on the

issues of the levy of the Special Tax, the incurring of bonded indebtedness, and the establishment of an appropriations limit.

***Landowner Election and Declaration of Results.*** On November 16, 1993, an election was held at which the landowners within the District approved ballot propositions authorizing the issuance of up to \$60,000,000 of bonds to finance the acquisition and construction of various public facilities, the levy of the Special Tax and the establishment of an appropriations limit for the District. On November 23, 1993, the City Council adopted a resolution approving the canvass of the votes and declaring the District to be fully formed with the authority to levy the Special Taxes, to incur the bonded indebtedness, and to have the established appropriations limit.

***Special Tax Lien and Levy.*** A Notice of Special Tax Lien for the District was recorded in the real property records of the County as Document No. 489005 on December 8, 1993, as a continuing lien against the property in the District.

***Amendment Proceedings.*** On February 19, 2002, the City Council called a public hearing regarding amending and restating the rate and method of apportionment. On March 26, 2002, the City Council held an election within the District regarding amending the rate and method of apportionment for the District, at which time the amendment to the rate and method of apportionment to reduce maximum Special Tax rates was approved by a majority of the landowners within the District. At that time, the amended Special Tax rates would provide coverage (calculated at 110 percent of estimated debt service) for approximately \$9,000,000 in aggregate principal amount, of District indebtedness. The amended and restated rate and method of apportionment for the District is attached hereto as Appendix A (the “Rate and Method”). The City Council acts as the legislative body of the District.

***Resolution Authorizing Issuance of the Bonds.*** On June 14, 2005, the City Council adopted a resolution approving issuance of the Bonds.

### **Debt Service Schedule**

The following table presents the annual debt service on the Bonds (including sinking fund redemptions), assuming there are no optional redemptions or mandatory redemptions from Special Tax Prepayments. However, it should be noted that the Rate and Method allows prepayment of the Special Taxes in full or in part which may result in optional redemption of the Bonds. See “SOURCES OF PAYMENT FOR THE BONDS—Special Taxes” and “THE BONDS—Redemption.”

## DEBT SERVICE SCHEDULE

<i>Date (September 1)</i>	<i>Principal</i>	<i>Coupon</i>	<i>Interest</i>	<i>Total</i>
2005	\$	%	\$ 62,469.52	\$ 62,469.52
2006	170,000	3.250	478,490.02	648,490.02
2007	175,000	3.500	472,965.02	647,965.02
2008	180,000	3.625	466,840.02	646,840.02
2009	185,000	3.750	460,315.00	645,315.00
2010	200,000	3.875	453,377.50	653,377.50
2011	205,000	4.000	445,627.50	650,627.50
2012	210,000	4.125	437,427.50	647,427.50
2013	220,000	4.250	428,765.00	648,765.00
2014	225,000	4.375	419,415.00	644,415.00
2015	240,000	4.500	409,571.26	649,571.26
2016	250,000	4.625	398,771.26	648,771.26
2017	260,000	4.750	387,208.76	647,208.76
2018	275,000	5.000	374,858.76	649,858.76
2019	290,000	5.000	361,108.76	651,108.76
2020	305,000	5.000	346,608.76	651,608.76
2021	320,000	5.125	331,358.76	651,358.76
2022	330,000	5.125	314,958.76	644,958.76
2023	350,000	5.125	298,046.26	648,046.26
2024	365,000	5.125	280,108.76	645,108.76
2025	390,000	5.125	261,402.52	651,402.52
2026	405,000	5.300	241,415.00	646,415.00
2027	430,000	5.300	219,950.00	649,950.00
2028	455,000	5.300	197,160.00	652,160.00
2029	475,000	5.300	173,045.00	648,045.00
2030	500,000	5.300	147,870.00	647,870.00
2031	530,000	5.300	121,370.00	651,370.00
2032	560,000	5.300	93,280.00	653,280.00
2033	585,000	5.300	63,600.00	648,600.00
2034	615,000	5.300	32,595.00	647,595.00
<b>Total</b>	<b>\$9,700,000</b>		<b>\$9,179,979.70</b>	<b>\$18,879,979.70</b>

### Redemption

**Optional Redemption.** The Bonds which mature on or after September 1, 2016 are subject to redemption prior to their stated maturity dates on September 1, 2015 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 redemption prices (expressed 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 Date</i>	<i>Redemption Price</i>
September 1, 2015 and March 1, 2016	101%
September 1, 2016 and any Interest Payment Date thereafter	100

***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 (expressed 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 Prices</i>
September 1, 2005 through March 1, 2016	102%
September 1, 2016 and March 1, 2017	101%
September 1, 2017 and any Interest Payment Date thereafter	100%

***Mandatory Sinking Fund Redemption.*** The Bonds maturing on September 1, 2020, September 1, 2025 and September 1, 2034 are subject to mandatory sinking fund redemption, in part, on September 1, 2018, September 1, 2021 and September 1, 2026, 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 payments as follows:

<i>Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2018	\$275,000
2019	290,000
2020 (Maturity)	305,000

<i>Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2021	\$320,000
2022	330,000
2023	350,000
2024	365,000
2025(Maturity)	390,000

<i>Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2026	\$405,000
2027	430,000
2028	455,000
2029	475,000
2030	500,000
2031	530,000
2032	560,000
2033	585,000
2034(Maturity)	615,000

The amounts in the foregoing schedule 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 or mandatory redemption of the Bonds.

***Purchase of Bonds.*** In lieu of payment at maturity or redemption under the Fiscal Agent Agreement, 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 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 may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

***Notice to Fiscal Agent.*** An Authorized Officer shall give the Fiscal Agent written notice of the City's intention to redeem Bonds not less than forty-five (45) days prior to the applicable redemption date. The provisions of this subsection shall not apply to mandatory sinking fund redemption of the Bonds.

***Redemption Procedure by Fiscal Agent.*** The Fiscal Agent shall 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 shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds. The Fiscal Agent shall also cause notice of any redemption to be mailed, in such manner and within such time, to the Original Purchaser.

Such notice shall 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, shall 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 shall 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, shall state as to any Bond called for redemption in part the portion of the principal of the Bond to be redeemed, shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such

Bonds will not accrue from and after the redemption date. The cost of the mailing of any such redemption notice shall 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 shall, 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 pursuant to the Fiscal Agent Agreement, the City shall 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 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 denominations 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.

Upon surrender of Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall 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 an 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 shall have been deposited in the Bond Fund, such Bonds shall 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 shall 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 shall be cancelled by the Fiscal Agent.

### **Registration, Transfer and Exchange**

*Registration.* The Fiscal Agent will keep sufficient books for the registration and transfer of the Bonds. The ownership of the Bonds will be established by the Bond registration books held by the Fiscal Agent.

*Transfer or Exchange.* Whenever any Bond is surrendered for registration of transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount of authorized denominations; provided that the Fiscal Agent will not be required to register transfers or make exchanges of

(i) Bonds for a period of 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.

### **Parity Bonds**

Pursuant to the Fiscal Agent Agreement, the City covenants that it will not issue additional bonds of the District except for the purpose of accomplishing the defeasance and redemption of the Outstanding Bonds or for the purpose of discharging the entire indebtedness of all the Outstanding Bonds as provided in the Fiscal Agent Agreement.

## **SOURCES OF PAYMENT FOR THE BONDS**

### **Limited Obligations**

The Bonds are special, limited obligations of the District payable only from amounts pledged under the Fiscal Agent Agreement and from no other sources.

The Special Taxes are the primary security for the repayment of the Bonds. Under the Fiscal Agent Agreement, the District has pledged to repay the Bonds from the Special Tax Revenues (which are 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) and all moneys deposited in Principal and Interest Accounts of the Bond Fund and the Reserve Fund. Prepayments of Special Taxes will be applied to redeem Bonds as described under the caption "THE BONDS—Redemption—*Mandatory Redemption From Special Tax Prepayments.*"

In the event that the Special Tax Revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent in the Principal and Interest Accounts of the Bond Fund and 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 OF RIVERSIDE, 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**

*Authorization and Pledge.* In accordance with the provisions of the Act, the City Council established the District on August 10, 1993, for the purpose of financing the acquisition, construction and installation of various public improvements required in connection with the proposed development within the District. At a special election held on November 16, 1993, the owners of the property within the District authorized the District to incur indebtedness in an amount not to exceed \$60,000,000, and approved the Rate and Method of Apportionment of Special Tax Communities

Facilities District No. 92-1 of the City of Riverside (Sycamore Canyon Business Park) (the “Original Rate and Method”) which authorized the Special Tax to be levied to repay District indebtedness, including the Bonds. Pursuant to an election held within the District on March 26, 2002, the City Council amended and restated the Original Rate and Method through the adoption of the First Amended and Restated Rate and Method of Apportionment of Special Tax Community Facilities District No. 92-1 of the City of Riverside (Business Park), which provides that all real property within the District will be taxed in accordance with the provisions of the Rate and Method unless otherwise provided in the Rate and Method.

The District has covenanted in the Fiscal Agent Agreement that each year it will levy Special Taxes up to the maximum rates permitted under the Rate and Method in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay the principal of and interest on any Outstanding Bonds and Parity Bonds, to replenish the Reserve Fund and to pay the estimated Administrative Expenses.

The Special Taxes levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rate and Method. See APPENDIX A—“AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” 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.

***Rate and Method of Apportionment of Special Taxes.*** All capitalized terms used in this section shall have the meaning set forth in Appendix A.

Commencing with the Fiscal Year 2005-06 and for each following Fiscal Year, the City Council will determine the Special Tax Requirement based upon the requirement of the Bonds. Under the Rate and Method, “Taxable Property” means all Assessor’s Parcels within the boundaries of the District which are not exempt from the Special Tax pursuant to applicable law or the Rate and Method. Taxable Property includes Taxable Common Area Property and Taxable Public Property. Taxable Property is subject to a Special Tax levy at the maximum rates described in Table 1 of the Rate and Method.

After classifying the parcels, the City Council will determine the Special Tax Requirement for the then current fiscal year. “Special Tax Requirement” means that amount required in any Fiscal Year to (a) pay: (1) the Administrative Expenses, (2) scheduled debt service for the calendar year which commences in such Fiscal Year on any outstanding Bonds, (3) any amount required to replenish any reserve fund established in connection with the Bonds, (4) any reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year or otherwise reasonably expected, (5) the costs of remarketing, credit enhancement and liquidity facility fees (including such fees for insurance or a bond that serves as a reserve fund for outstanding Bonds), (6) amounts which will be used for the acquisition or construction of Facilities, and less (b) funds which are available under the Indenture to pay debt service on outstanding Bonds.

The rate of maximum Annual Special Tax is determined according to the location of a property within one of eight Special Tax Rate Areas. A “Special Tax Rate Area” means the areas in the District shown in Exhibit “1” to the Rate and Method, which areas are comprised of the Assessor’s Parcels identified in Exhibit “2” to the Rate and Method or Assessor’s Parcels that are designated in the future for portions of any existing Assessor’s Parcels. The Maximum Special Tax ranges from \$644 per Net Acre for properties in Special Tax Rate Area 1 to \$3,583 per Net Acre for

properties in Special Tax Rate Area 7. Properties in Special Tax Rate Area 8 are exempt from Special Tax (see Exemption from Special Tax below). The Council will levy the Special Tax until the amount of the levy equals the Special Tax Requirement in accordance with the provisions of the Rate and Method.

***Exemption from Special Tax.*** All property located with Special Tax Rate Area 8 are exempt from Special Tax. Certain amounts of Common Area Property acreage and Public Property acreage in all other Special Tax Rate Areas are also exempt from Special Tax as described in Table 2 in the Amended Rate and Method. Tax exempt status for those properties is assigned by the District Administrator in chronological order in which property is determined by the District Administrator to have become a Common Area Property or Public Property. If the total Net Acres of Common Area Property or Public Property in a Special Tax Rate Area exceeds the acreage set forth in Table 2 of the Rate and Method, the Special Tax will be levied on the excess Net Acres based on the Special Tax Rate for such Special Tax Rate Area in which the property is located as set forth in Table 1 of the Rate and Method. In the event a property is no longer classified as a Common Area Property or a Public Property, such property will become subject to the Special Tax. At the request of the City, the exempt Net Acres may be transferred among the Special Tax Rate Areas, provided the aggregate exempt Net Acres will not exceed 72.54 Net Acres. Further, under no circumstances will the exempt Net Acres be transferred among the Special Tax Rate Areas unless the amount of the Expected Maximum Special Taxes will be at least equal to the sum of the Administrative Expenses plus an amount equal to 110% of the annual debt service on the outstanding Bonds.

***Prepayment of Special Taxes.*** The Special Tax Obligation for any Assessor's Parcel may be prepaid and permanently satisfied as described in the Rate and Method, provided that a prepayment may only be made if at the time of the prepayment (i) there are no delinquent Special Taxes with respect to such Assessor's Parcel and all other Assessor's Parcels which are under the same ownership, (ii) the balance in the Reserve Fund is not less than 95% of the Reserve Requirement (as defined in the Indenture), and (iii) the District Administrator has determined that no more Bonds will be issued, excluding bonds to refund the outstanding Bonds. In the event of prepayment, the Prepayment Amount is paid to the District and will be used to pay and redeem outstanding Bonds and to pay the Administrative Expenses as provided in the Indenture. Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Maximum Special Taxes that may be levied on Assessor's Parcels of Taxable Property (excluding Taxable Common Area Property and Taxable Public Property) after the proposed prepayment is at least equal to the sum of the Administrative Expenses plus an amount equal to 110% of the annual debt service on the Bonds which will remain outstanding after such prepayment. (See APPENDIX A—"AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." Any required or voluntary prepayment of Special Taxes will result in an optional redemption of Bonds. See the caption "THE BONDS—Redemption—*Optional 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 District may, however, collect the Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

The District 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. First, the City has

covenanted that, to the extent it is legally permitted to do so, it will not reduce the maximum Special Tax rates and will oppose the reduction of maximum Special Tax rates by initiative where such reduction would reduce the maximum Special Taxes. See “SPECIAL RISK FACTORS—Proposition 218.” Second, the City has covenanted not 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 City 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 Payments of Special Taxes.”

Although the Special Taxes constitute liens on taxed 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—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, all Special Tax revenues received by the District are to be deposited in the Special Tax Fund. Special Tax Revenues deposited in the Special Tax Fund are to be applied by the Fiscal Agent under the Fiscal Agent Agreement in the following order of priority: (i) to deposit up to \$50,000 to the Administrative Expense Fund to pay Administrative Expenses; (ii) to replenish the Reserve Fund to the Reserve Requirement; (iii) to transfer to the Bond Fund to pay the principal of and interest on the Bonds when due, and (iv) to pay Administrative Expenses of the District above the \$50,000 referenced in (i) above. See APPENDIX D—“SUMMARY OF FISCAL AGENT AGREEMENT.”

***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 Taxes when due are included within the Special Tax revenues pledged to the payment of principal of and interest on the Bonds under the Fiscal Agent Agreement.

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 District 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 District has covenanted for the benefit of the owners of the Bonds that it will commence and diligently pursue to completion, judicial foreclosure proceedings against (i) 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 (ii) all properties with delinquent Special Taxes by the October 1 following the close of any fiscal year in which the District receives Special Taxes in an amount which is less than 95% of the total Special Tax levied. See APPENDIX D—“SUMMARY OF FISCAL AGENT AGREEMENT—Other Covenants of the District” 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 and the District. 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 District 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.

***Term of Special Tax.*** The Special Tax will be levied in each Fiscal Year as necessary to satisfy the Special Tax Requirement. However, the Special Tax will not be levied after Fiscal Year 2042-43.

### **Reserve Fund of the Special Tax Fund**

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Fund and thereafter to maintain in the Reserve Fund an amount equal to the Reserve Requirement. The Fiscal Agent Agreement provides that the amount in the Reserve Fund shall, as of any date of calculation, equal the lesser of (i) 10% of the proceeds of the sale of the Bonds; (ii) the maximum annual debt service on the Bonds; or (iii) one hundred twenty five percent (125%) of average annual debt service on the Bonds (the “Reserve Requirement”).

Subject to the limits on the maximum annual Special Tax which may be levied within the District, as described in Appendix A, the District 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. 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. In the event of a prepayment of Special Taxes, under certain circumstances, a portion of the Reserve Fund will be added to the amount being prepaid and be applied to redeem Bonds. As described in the Fiscal Agent Agreement, this Reserve Fund credit will be equal to the expected reduction in the Reserve Requirement; provided, however, there will be no Reserve Fund credit if the amount in the Reserve Fund is less than the Reserve Requirement. See APPENDIX D—“SUMMARY OF FISCAL AGENT AGREEMENT—Reserve Fund” herein.

## **THE DISTRICT**

### **General Description of the District**

The District consists of approximately 452 net taxable acres located in the extreme eastern portion of the City, north of Eastridge Road and east and west of the future alignment of Sycamore Canyon Boulevard. Eastridge Avenue provides direct access to Interstate 215, which is located 0.4 miles from the District. The District is known as “Sycamore Canyon Business Park” and is



designated Industrial in the Specific Plan. This category includes light industrial, distribution, warehousing and assembly conditional uses.

**Description of Authorized Facilities**

The facilities authorized to be acquired or constructed by the District with the proceeds of the Bonds and Parity Bonds are described in Table 1 below. Certain of the facilities described below have been constructed by property owners in the District, which owners or successors thereto will be reimbursed for the costs of construction from proceeds of the Bonds.

**TABLE 1  
COMMUNITY FACILITIES DISTRICT NO. 92-1  
OF THE CITY OF RIVERSIDE  
ESTIMATED COSTS OF PROJECTS<sup>(1)</sup>**

<i>Description</i>	<i>Total</i>
Waterlines in Sycamore Canyon Blvd., Eastridge Ave. and Cottonwood Ave.	\$ 445,115
Street and storm drain improvements in Sycamore Canyon Blvd., Eastridge Ave. and Cottonwood Ave.	4,277,553
Construction of water quality marshes	350,000
Acquisition of parkland to mitigate impact on endangered species	1,003,630
Incidentals including, environmental, engineering, administration and contingencies	<u>1,421,950</u>
Total	<u>\$ 7,498,248</u>

<sup>(1)</sup> Including engineering, inspection and plan check costs.  
Source: The District.

**Estimated Direct and Overlapping Indebtedness**

Within the District’s boundaries are numerous overlapping local agencies providing public services. Some of these local agencies have outstanding bonds which are secured by taxes and assessments on the parcels within the District and others have authorized but unissued bonds which, if issued, will be secured by taxes and assessments levied on parcels within the District. The approximate amount of the direct and overlapping debt secured by such taxes and assessment on the parcels within the District for Fiscal Year 2004-05 is shown in Table 2 below (the “Debt Report”).

The Debt Report has been derived from data assembled and reported to the District by Albert A. Webb Associates. Neither the District, the City nor the Underwriter have independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

**TABLE 2  
COMMUNITY FACILITIES DISTRICT NO. 92-1  
(SYCAMORE CANYON BUSINESS PARK)  
OF THE CITY OF RIVERSIDE  
DIRECT AND OVERLAPPING DEBT  
AS OF MAY 1, 2005**

2004-05 Assessed Valuation        \$56,330,903

<u>DIRECT AND OVERLAPPING TAX AND SPECIAL TAX DEBT:</u>	<i>% Applicable</i>	<i>Debt 3/1/05</i>
Metropolitan Water District	0.00381%	\$ 15,938.00
Moreno Valley United School District	0.82930%	414,651.00
City of Riverside	0.37605%	75,211.00
Riverside Community College District	0.11331%	73,655.00
City of Riverside Sycamore Canyon Business Park Assessment District	80.36891%	2,057,444.00
City of Riverside Community Facilities District No. 92-1 (Sycamore Canyon)	100%	<u>9,700,000.00</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND SPECIAL TAX DEBT:</b>		<b><u>\$12,336,899.00</u></b>

Source: Albert A. Webb Associates

**Description of Taxes**

The following direct assessments are applicable to properties within the District which are located within the District.

*Metropolitan Water District Standby West.* An assessment within the District is assessed by the Metropolitan Water District (“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.

*CSA 152 – Riverside Stormwater.* An assessment is assessed within the District by the County of Riverside at a rate of \$2.83 per unit of benefit with 12 units of benefit per acre for commercially zoned parcels to fund the maintenance of storm drains under the National Pollutant Discharge Elimination System for the City of Riverside.

*Western Municipal Water Standby ID 3.* An assessment within the District is assessed by the Western Municipal Water District at a rate of \$6.00 per acre, or \$4.00 per parcel if less than an acre to fund the capital costs or maintenance and operation expenses for water supply, storage, transmission, and distribution systems benefiting each parcel.

*Flood Control NPDES (National Pollutant Discharge Elimination System) – Santa Ana.* An assessment within the District is assessed by the Riverside County Flood Control and Water Conservation District at a rate of \$22.50 per acre. The assessment pays for the costs associated with the development, implementation, and management of stormwater management activities required by the federally mandated NPDES Permit program.

*City of Riverside Street Lighting District No. 1.* The assessment pays for the maintenance, operation, and energy costs of streetlights within the District. Units of Benefit are assigned by using lot frontage. A single unit of benefit will be considered to be the street frontage associated with one developable lot having lot frontage not exceeding 199 feet. If the lot frontage exceeds 199 feet, one additional unit of benefit will be assessed for each additional 100 feet of lot frontage or fraction thereof. Commercial parcels will have all street frontage dimensions included to determine their

units of benefit. The assessment for commercial parcels is currently \$67.04 per benefit unit. Future annual assessments can only be increased if a favorable vote is received following Proposition 218 Ballot Assessment Proceedings.

*City of Riverside Measure "C" Library Parcel Tax.* The assessment is assessed to provide funding to increase public library service hours, after school programs for children, and for the improvement of library facilities. The annual assessment is \$19.00 per parcel for the duration of ten years, starting in Fiscal Year 2002-2003.

### **Other Assessments and Special Taxes**

*The District Special Taxes.* The District Special Taxes will be levied to pay debt service on the Bonds, proceeds of which are expected to be used to pay for reimbursements for (i) previous improvements, (ii) improvements to Cottonwood Avenue and Box Springs Boulevard, (iii) waterlines on Cottonwood Avenue, (iv) storm drain improvements, including marshes, (v) acquisition of railroad drill line right of way, and (vi) incidental expenses. There are currently eight Special Tax Rate Areas within the District, each with a different rate of assessment. The parcels in Special Tax Rate Area 8 are exempt and the parcels in Special Tax Rate Area 7, currently owned by Edgemont Community Services District, a public agency, are exempt until the parcels are sold to a private party. The special tax for debt service is based on the total Net Acres of each parcel. The maximum special taxes for Special Tax Rate Area 1 is \$644 per Net Acre, for Special Tax Rate Area 2 is \$947 per Net Acre, for Special Tax Rate Area 3 is \$2,576 per Net Acre, for Special Tax Rate Area 4 is \$2,576 per Net Acre, for Special Tax Rate Area 5 is \$1,932 per Net Acre, for Special Tax Rate Area 6 is \$2,576 per Net Acre, and for Special Tax Rate Area 7 is \$3,583 per Net Acre. See APPENDIX A— "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

*City of Riverside Assessment District No. 1 (Sycamore Canyon).* The City of Riverside Sycamore Canyon Business Park Assessment District No. 1 (the "Sycamore Canyon Assessment District") was formed in May 1989 to finance the acquisition and construction of certain improvements to the Sycamore Canyon Business Park. The total authorized indebtedness for the Assessment District is \$9,107,789. In July 1991, the City of Riverside issued the Assessment District No. 1 1991 Series A Bonds in the aggregate amount of \$4,268,565. The balance of the authorized indebtedness for the Assessment District (\$4,839,224 before cash payoffs) comprised the aggregate principle amount of the 1992 Series B Bonds issued to pay water facility fees and incidental expenses. Bond proceeds were also used to fund a reserve to pay the costs of issuing the bonds. The principal obligation for Assessment District No. 1 within the Business Park is approximately \$8,000 per acre for all taxable property with the exception of the Pepsi-Cola Bottling Plant. The Pepsi-Cola Plant has an obligation around \$100,000 per acre.

### **Ad Valorem Overlap**

*Metropolitan Water District Debt Service.* Property within the District is subject to a Metropolitan Water District Debt Service tax. The rate on such property is 0.0067% per \$100 of assessed value. The tax is used to pay debt service on \$850,000,000 in bonds which were issued by the Metropolitan Water District under an authorization of \$850,000,000, of which approximately \$446,835,000 was outstanding as of June 30, 2004.

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

The value of the land within the District is significant because in the event of a delinquency in the payment of Special Taxes the District may foreclose only against delinquent parcels. Undeveloped land is inherently less valuable than developed land and, therefore, although the aggregate taxable property within the District has been appraised as of March 1, 2005 at \$120,800,000, (the "Appraisal Value"), on a parcel by parcel basis values in the District range dramatically. *See APPENDIX B—"APPRAISAL REPORT" for the appraised value of each parcel within the District. See also APPENDIX H—"SCHEDULE OF ASSESSED VALUES" for a list of the assessed value, ownership and certain other information for each parcel in the District.* Dividing the Appraised Value by the sum of the principal amount of the Bonds of \$9,700,000 and the \$2,636,899 of additional land secured debt described in Table 2 above results in an estimated appraised value to lien ratio of 9.79-to-1 for property in the District, however, several properties in the District have significantly lower value-to-lien ratios. See "Property Ownership Status—Table 6" and "—Table 7" herein for the estimated appraised value-to-lien ratio for all of the property in the district organized by development status (Table 6) and landowner (Table 7), as of May 1, 2005. See also APPENDIX H—"SCHEDULE OF ASSESSED VALUES". The District will not annually conduct an appraisal of property within the District and, therefore, the appraised value-to-lien ratio within the District will not be annually updated. See APPENDIX B—"APPRAISAL REPORT" herein.

### **Estimated Assessed Value to Lien Ratios**

The value of individual parcels and the direct and overlapping land secured bonded indebtedness on individual parcels vary greatly among parcels within the District. The value of individual parcels is significant because in the event of a delinquency in the payment of Special Taxes the City may foreclose only against delinquent parcels. The assessed value of property in the District for Fiscal Year 2004-05, as of the January 1, 2004 lien date, was \$41,710,626. See APPENDIX H—"SCHEDULE OF ASSESSED VALUES" attached hereto. The estimated assessed value to lien ratio of the property within the District based on the \$12,336,899 in direct and overlapping tax and assessment debt described in Table 2 above is approximately 4.56-to-1.

### **Landowner Allocation of Special Tax**

All land within the District is currently owned by the twenty Landowners. Table 3 below identifies the total amount of the Special Tax for which each such Landowner is currently responsible and the percentage of the estimated total amount of the Special Tax for Fiscal Year 2005-06 for which each Landowner is expected to be responsible. As Table 3 indicates, landowner Magnon Development Company and landowner entities affiliated with Ray Magnon are projected to be responsible for approximately 39.06% of the Special Tax for Fiscal Year 2005-06, and landowner Panattoni Development Company LLC and its affiliated entities are projected to be responsible for approximately 28.18% of the Special Tax for Fiscal Year 2005-06. See "PROPERTY OWNERSHIP AND STATUS—Table 7 herein. See also "PROPERTY OWNERSHIP AND STATUS—The Landowners" herein for information regarding Magnon Development Company and Panattoni Development Company. *Combined, these two ownership groups will be responsible for approximately 67% of the estimated Special Tax for Fiscal Year 2005-06. See "SPECIAL RISK FACTORS—Concentration of Ownership" herein.*

**TABLE 3**  
**THE CITY OF RIVERSIDE**  
**COMMUNITY FACILITIES DISTRICT NO. 92-1**  
**ALLOCATION OF SPECIAL TAXES BY PROPERTY OWNERSHIP**  
**AS OF MAY 1, 2005**

<i>Owner</i>	<i>Development Status</i>	<i>Acres</i>	<i>Estimated<sup>(1)</sup> Annual Special Tax</i>	<i>Percent of Estimated Annual Special Tax</i>
Sycamore Eastridge	Developed	16.54	\$ 31,432.85	4.50%
Ray Magnon	Developed	24.08	45,761.98	6.55
Ray Magnon	Undeveloped	80.00	152,033.14	21.77
Sycamore Canyon Assoc.	Undeveloped	<u>22.93</u>	<u>43,576.50</u>	<u>6.24</u>
	<b>Magnon Total</b>	<b>143.55</b>	<b>\$ 272,804.47</b>	<b>39.06%</b>
Panattoni Inv/Lux Taylor	Developed	91.46	\$ 173,811.89	24.88%
Panattoni Inv & Phelan Prop	Undeveloped	<u>12.11</u>	<u>23,014.02</u>	<u>3.29</u>
	<b>Panattoni Total</b>	<b>103.57</b>	<b>\$ 196,825.91</b>	<b>28.18%</b>
Space Center Sycamore Canyon	Developed	45.26	\$ 31,620.37	4.53%
Ewing, Weborg Et Al	Developed	19.98	37,970.28	5.44
Pearson Ford Prop	Developed	15.89	30,197.58	4.32
Sycamore Industrial Park	Developed	15.72	29,874.51	4.28
Paragon Capital Corp	Undeveloped	23.16	11,003.40	1.58
D&N Investment	Undeveloped	10.23	19,441.24	2.78
Kazuo & Shizuko Yamakawa	Undeveloped	10.00	4,751.04	0.68
Outerall S.A. Et Al, Frederick West Mary				
Fowler & Cathleen Barbee	Undeveloped	10.00	4,751.04	0.68
Cresencio Ramirez	Undeveloped	3.95	1,876.66	0.27
Aram Terlessian & Michael Labrum (M & G A Partnership)	Undeveloped	8.40	11,972.61	1.71
Leonard & Glenda Palmer	Undeveloped	10.00	4,751.04	0.68
Brian & Drake Kennedy	Undeveloped	10.00	4,751.04	0.68
Robert & Joann Whalen	Undeveloped	4.40	2,090.46	0.30
Sycamore Canyon Partnership	Undeveloped	<u>17.79</u>	<u>33,808.37</u>	<u>4.84</u>
	<b>TOTAL</b>	<b><u>451.90</u></b>	<b><u>\$ 698,490.00</u></b>	<b><u>100.00%</u></b>

<sup>(1)</sup> Estimated annual Special Taxes for fiscal year 2005-06 are projected to be levied at 79.5% of maximum annual Special Tax rates for all property within the District subject to the Special Tax.  
Source: Albert A. Webb Associates.

**Delinquency History**

Table 4 below summarizes the Special Tax delinquencies in the District for Fiscal Year 2003-04, the first year in which Special Taxes were levied in the District, and Fiscal Year 2004-05.

**TABLE 4  
HISTORICAL SPECIAL TAX DELINQUENCIES**

<i>Fiscal Year</i>	<i>Annual Special Tax Levied</i>	<i>Number of Parcels Levied</i>	<i>Amount Delinquent</i>	<i>Percentage of Dollars Delinquent on June 30 of the Levy Year</i>	<i>Remaining Amount Delinquent as of June 14, 2005</i>	<i>Remaining Number of Parcels Delinquent on June 14, 2005</i>	<i>Remaining Percent of Dollars Delinquent on June 14, 2005</i>
2003/04	\$109,196.50	112	\$2,379.01 <sup>(1)</sup>	2.18%	\$ 0.00	0	N/A
2004/05	117,729.60	111	7,048.18 <sup>(2)</sup>	5.99	2,515.86	3	2.14%

<sup>(1)</sup> As of May 1, 2004.

<sup>(2)</sup> As of May 1, 2005.

Source: Riverside County Tax Collector, as compiled by the City of Riverside.

No assurance can be given as to the rate of delinquencies in the future.

### **PROPERTY OWNERSHIP AND STATUS**

*The information in this section describing the property ownership and the current status of property in the District is provided for general information. The Bonds are not an obligation or liability of the Landowners but are secured by Special Tax liens on the property as described earlier herein under the heading “—Security for the Bonds.” In addition, ownership of property in the District is subject to change.*

*The Landowners in the District have been asked to provide information for this Official Statement and have declined to do so. The Landowners have not provided the City with financial and operating data regarding the property they own in the District, and are not obligated in the future to provide financial statements or operating data. The City makes no representations as to future development within the District. Investors should not assume any future development in the District in making their investment decisions. Additionally, investors may choose to draw a negative inference from the Landowners’ failure to provide information for this Official Statement, including, without limitation, a negative inference with respect to the Landowners’ ability or willingness to pay Special Taxes when due, or to further improve their land within the District. See “SPECIAL RISK FACTORS—Failure to Develop Properties” and “—Landowners’ Refusal to Provide Information” herein.*

*Future development in the District, if any, and property values in the District may be affected by changes in general economic conditions, fluctuations in the real estate market, natural disasters and other factors. In addition, any future development may be subject to future federal, state and local regulations. Failure to meet any such future regulations could delay or adversely affect development in the District as well as property values.*

*The information which follows has been provided by the District and has not been independently verified by the Landowners. The information provided in this section has been included because it may be considered relevant to an informed evaluation and analysis of the Bonds. No assurance can be given that any landowner described herein will or will not retain ownership of any of the land within the District. The Bonds and Special Taxes are not personal obligations of any present or future landowners or their respective successors, assigns, affiliates, members, managers, partners, directors, officers, shareholders, employees, lenders or agents. The Bonds are secured*

*solely by the Special Taxes and amounts on deposit in certain of the funds and accounts maintained by the Fiscal Agent under the Fiscal Agent Agreement. See "SPECIAL RISK FACTORS" for a discussion of certain of the risk factors that should be considered in evaluating the investment quality of the Bonds.*

### **Description of the Property within the District**

**General.** The District is located in the eastern portion of the City. The City is the County seat of the County of Riverside (the "County") and is located in the western portion of the County about 60 miles east of downtown Los Angeles and approximately 90 miles north of San Diego. The area of the City is 78 square miles at an average elevation of 851 feet. The City is situated in close proximity to the metropolitan centers of the Counties of Los Angeles and Orange.

The District consists of approximately 592 gross acres and 451.9 net taxable acres. The development is an industrial subdivision known as "Sycamore Canyon Business Park" located north of Alessandro Boulevard, south of Box Springs Road and east and west of Sycamore Canyon Boulevard. The District is bisected by Eastridge Avenue which provides access to Interstate 215 approximately 0.4 miles from to the east of the District. As of March 1, 2005, property with eight fully improved buildings have been developed and six buildings were under construction. The balance of land within the District is undeveloped land in mostly raw condition. See "—Property Ownership and Status" herein.

The City's new General Plan adopted in September 1994 identifies the District as Category 14 property, which is the designation for high quality commercial businesses and industry with design standards set forth in the Specific Plan adopted April 10, 1984, Resolution 1528 (the "Specific Plan") for landscaping, signage and other site features. The zoning designation for the majority of the District is Manufacturing Park ("MP").

**Construction and Environmental Issues.** Permits were obtained from the U.S. Army Corp of Engineers, Department of Fish and Game, and Regional Water Quality Control Board for construction within the District in 1992. The business park was divided into Sycamore North and Sycamore South for permitting purposes. A Department of Fish and Game 1600 permit, 401 water quality certification from the Regional Water Quality Control Board, and 404 authorization from the U.S. Army Corp of Engineers were obtained for both Sycamore Canyon North and South. The 404 permits were obtained under Nationwide Permit 26, which allowed for impacts up to 3 acres. Nationwide Permit 26 was replaced in 2000 when the Corp reissued the Nationwide Permit Program and is no longer available for use. Any additional impacts to state or federal jurisdictional waters on lands that have not been subject to grading or construction or work within the Sycamore Canyon Creek may require 404, 1600, and 401 permits.

Mitigation for impacts to state and federal waters included the revegetation of three water quality basins proposed in the Sycamore Canyon Specific Plan to retain stormwater and the donation of \$40,000 to fund vernal pool enhancement. The water quality basins are identified as Basins "A", "B", and "C", with Basins "A" and "B" located within Sycamore Canyon North and Basin C within Sycamore Canyon South. Basin A has been constructed and is currently functioning. Basin B has not been constructed and there are no known plans for construction in the immediate future. The City is currently in the process of obtaining the necessary permits to construct Basin "C" since it will impact federal and state jurisdictional wetlands along Sycamore Canyon Creek. The \$40,000 donation for vernal pool enhancement has been made.

The permits include a condition that requires the posting of a bond or letter of credit for both Sycamore Canyon North and South to ensure implementation of the water quality basins. Proof of this bond/letter of credit is available for Sycamore Canyon North. The Army Corp of Engineers and Department of Fish and Game do not currently have proof of the bond/letter of credit set for Sycamore Canyon Business Park South, and it is likely that this bond/letter of credit would have expired.

There is no designated critical habitat or other known sensitive lands within the District. The park is located adjacent to the Sycamore Canyon Wilderness Park which has been designated as critical habitat for the federal and state listed California gnatcatcher and may support the federal and state listed least Bell's vireo and southwestern willow flycatcher. The wilderness park has also been designated as a core area in the Western Riverside County Multiple Species Habitat Conservation Plan ("MSHCP") for the Stephen's kangaroo rat. The presence of listed species within the wilderness park is not expected to impact construction or use of facilities within the Business Park. However, the U.S. Fish and Wildlife Service has been known to require avoidance measures for temporary construction noise impacts to listed species detected within 1000 feet when provided a nexus through permits from the U.S. Army Corp of Engineers. The MSHCP requires that any vacant land parcel that needs any discretionary permit, up to and including any grading permits, go through two new environmental reviews. This can add months to the entitlement approval process.

Water Quality Basin B and C are proposed for construction along the boundary of the Sycamore Canyon Wilderness Park. Construction of water quality basin B and C may require consultation with the U.S. Fish and Wildlife Service and Department of Fish and Game if it is determined that the footprint of the basins are occupied by listed species.

Any potential impacts to the federal and state listed Stephen's kangaroo rat within the business park would be mitigated through the payment of fees to the County of Riverside as established by the Western Riverside County HCP for Stephen's Kangaroo Rat at a rate of \$500 per acre. No project-specific permits or consultation is required from the Fish and Wildlife Service for take of SKR or its habitat.

### **Property Ownership and Status**

As of May 1, 2005, land within the District has been developed with eight fully improved buildings and six buildings were under construction. Twenty entities owned the Taxable Property within the District as of May 1, 2005. Fourteen improved properties in the District comprise approximately 221.93 net acres and the remaining 222.97 net acres of the District remain in undeveloped raw condition. Table 5 below describes the ownership, size and construction dates of the fourteen improved properties.



**TABLE 5**  
**THE CITY OF RIVERSIDE**  
**COMMUNITY FACILITIES DISTRICT NO. 92-1**  
**STATUS OF IMPROVEMENTS**  
**(As of May 1, 2005)**

<i>Owner</i>	<i>Acres</i>	<i>Size (Square Feet)</i>	<i>Use</i>	<i>Status</i>
Pearson Ford Prop	6.88	25,000	Auto Dealership	Completed in 2004
Space Center Sycamore Canyon	45.26	437,000	Commercial Center	Completed in 2003
Space Center Sycamore Canyon	<sup>(1)</sup>	412,000	Distribution Center	Completed in 2004
Sycamore Eastridge	2.99	57,000	Commerce Center	Completed in 2004
Sycamore Eastridge	5.14	70,000	Commerce Center	Completed in 2004
Sycamore Eastridge	1.94	101,000	Commerce Center	Completed in 2004
Sycamore Eastridge	4.16	162,000	Commerce Center	Completed in 2004
Ewing, Weborg Et Al	19.98	400,000	Distribution Center	Completed in 2002
Panattoni Inv/Lux Taylor	91.46	953,000	Distribution Center	Under Construction
Sycamore Industrial Park	8.38	29,000	Commerce Center	Under Construction
Sycamore Industrial Park	<sup>(2)</sup>	30,000	Commerce Center	Under Construction
Sycamore Industrial Park	7.34	42,000	Commerce Center	Under Construction
Ray Magnon	24.08	91,000	Commerce Center	Under Construction
Ray Magnon	<sup>(1)</sup>	131,000	Commerce Center	Under Construction

<sup>(1)</sup> Included in acreage above.

<sup>(2)</sup> Included in total acreage of 15.72 Acres owned by Sycamore Industrial Park.

Source: Appraiser.

Approximately 228 acres of the total 452 acres in the District are in undeveloped, raw condition. The City does not have any information regarding the plans of landowners of such undeveloped property and no assurance can be given that landowners of undeveloped property will develop such land in the future. See "SPECIAL RISK FACTORS—Failure to Develop Properties" herein.

Table 6 below sets forth property status and ownership of land within the District by developed property and undeveloped property. Table 6 also provides estimated value-to-lien ratios for each property based upon appraised value and total overlapping debt, including the Bonds.

**TABLE 6**  
**THE CITY OF RIVERSIDE**  
**COMMUNITY FACILITIES DISTRICT NO. 92-1**  
**PROPERTY SUMMARY BY DEVELOPMENT STATUS**  
**(Based on Bond Lien and Overlapping Debt)**

<i>Owner</i>	<i>Development Status</i>	<i>Acres</i>	<i>Maximum Annual Special Tax</i>	<i>3/15/05 Appraised Value</i>	<i>CFD Lien @ \$9,700,000</i>	<i>ASMT DST Assessment Balance</i>	<i>General Obligation Overlapping Debt</i>	<i>Total Overlapping Debt</i>	<i>Value/Lien</i>
Space Center Sycamore Canyon	Developed	45.26	\$ 42,861.22	\$ 35,000,000.00	\$ 439,115.23	\$ 206,973.97	\$155,894.30	\$ 801,983.50	43.64:1
Sycamore Eastridge	Developed	16.54	42,607.04	16,000,000.00	436,511.14	72,946.08	16,032.35	525,489.57	30.45:1
Ewing, Weborg Et Al	Developed	19.98	51,468.48	16,000,000.00	527,297.02	89,661.90	146,701.49	763,660.41	20.95:1
Pearson Ford Prop	Developed	15.89	40,932.64	6,000,000.00	419,356.84	37,356.96	61,145.35	517,859.15	11.59:1
Panattoni Inv/Lux Taylor	Developed	91.46	235,600.96	20,000,000.00	2,413,743.00	438,867.09	36,262.76	2,888,872.85	6.92:1
Ray Magnon	Developed	24.08	62,030.08	5,000,000.00	635,501.11	118,372.77	32,361.73	786,235.61	6.36:1
Sycamore Industrial Park	Developed	15.72	40,494.72	2,000,000.00	414,870.33	78,653.84	13,886.95	507,411.11	3.94:1
<b>TOTAL DEVELOPED</b>		228.93	\$515,995.14	\$100,000,000.00	\$5,286,394.66	\$ 1,042,832.61	\$462,284.93	\$ 6,791,512.19	14.72:1
Paragon Capital Corp	Undeveloped	23.16	\$ 14,915.04	\$ 1,100,000.00	\$ 152,805.29	\$ 103,757.43	\$ 9,162.90	\$ 265,725.62	4.14:1
D&N Investment	Undeveloped	10.23	26,352.48	1,300,000.00	269,982.41	45,907.86	10,004.20	325,894.46	3.99:1
Panattoni Inv & Phelan Prop	Undeveloped	12.11	31,195.36	1,500,000.00	319,597.94	54,344.70	6,994.91	380,937.55	3.94:1
Kazuo & Shizuko Yamakawa	Undeveloped	10.00	6,440.00	430,000.00	65,978.11	43,386.27	334.19	109,698.57	3.92:1
Outerall S.A. Et Al, Frederick West, Mary Fowler & Cathleen Barbee	Undeveloped	10.00	6,440.00	430,000.00	65,978.11	43,386.27	334.19	109,698.57	3.92:1
Crescencio Ramirez	Undeveloped	3.95	2,543.80	175,000.00	26,061.35	17,785.86	1,337.26	45,184.47	3.87:1
Aram Terfessian & Michael Labrum (M & G A Partnership)	Undeveloped	8.40	16,228.80	825,000.00	166,264.82	39,177.83	8,432.82	213,875.48	3.86:1
Ray Magnon	Undeveloped	80.00	206,080.00	9,500,000.00	2,111,299.36	367,725.30	37,756.81	2,516,781.47	3.77:1
Leonard & Glenda Palmer	Undeveloped	10.00	6,440.00	430,000.00	65,978.11	43,386.27	8,229.30	117,593.68	3.66:1
Brian & Drake Kennedy	Undeveloped	10.00	6,440.00	430,000.00	65,978.11	43,386.27	8,492.54	117,856.91	3.65:1
Robert & Joann Whalen	Undeveloped	4.40	2,833.60	180,000.00	29,030.37	19,812.15	1,481.27	50,323.79	3.58:1
Sycamore Canyon Assoc.	Undeveloped	22.93	59,067.68	2,500,000.00	605,151.18	104,047.01	6,968.85	716,167.04	3.49:1
Sycamore Canyon Partnership	Undeveloped	17.79	45,827.04	2,000,000.00	469,500.20	88,508.21	17,640.85	575,649.25	3.47:1
<b>TOTAL UNDEVELOPED</b>		222.97	\$430,803.80	\$ 20,800,000.00	\$4,413,605.34	\$ 4,413,605.34	\$117,170.09	\$ 5,545,386.86	
<b>TOTAL</b>		451.90	\$946,798.94	\$120,800,000.00	\$9,700,000.00	\$ 2,057,444.04	\$579,455.01	\$12,336,899.05	9.79:1

Source: Albert A. Webb Associates

Table 7 below sets forth a summary of property ownership of all land within the District, organized by ownership, including aggregated totals for the Magnon and Panattoni affiliated ownerships. Table 7 also indicates (i) the percentage of estimated maximum annual Special Taxes for fiscal year 2005-06, determined as of May 1, 2005, (ii) appraised values of such properties, (iii) total overlapping debt allocable to each property within the District, and (iv) estimated value-to-lien ratios based on appraised value and total overlapping debt, including the Bonds.

**TABLE 7**  
**THE CITY OF RIVERSIDE**  
**COMMUNITY FACILITIES DISTRICT NO. 92-1**  
**PROPERTY OWNERSHIP SUMMARY**

Owner	Development Status	Acres	Estimated <sup>(1)</sup> Annual Special Tax	Percent of Estimated Annual Special Tax	3/15/05 Appraised Value	CFD Lien @ \$9,700,000	ASMT DST Assessment Balance	General Obligation Overlapping Debt	Total Overlapping Debt	Value/Lien
Sycamore Eastridge	Developed	16.54	\$ 31,432.85	4.50%	\$ 16,000,000.00	\$ 436,511.14	\$ 72,946.08	\$ 16,032.35	\$ 525,489.57	30.45:1
Ray Magnon	Developed	24.08	45,761.98	6.55	5,000,000.00	635,501.11	118,372.77	32,361.73	786,235.61	6.36:1
Ray Magnon	Undeveloped	80.00	152,033.14	21.77	9,500,000.00	2,111,299.36	367,725.30	37,756.81	2,516,781.47	3.77:1
Sycamore Canyon Assoc.	Undeveloped	22.93	43,576.50	6.24	2,500,000.00	605,151.18	104,047.01	6,968.85	716,167.04	3.49:1
	<b>Magnon Total</b>	<b>143.55</b>	<b>\$ 272,804.47</b>	<b>39.06%</b>	<b>\$ 33,000,000.00</b>	<b>\$ 3,788,462.80</b>	<b>\$ 663,091.16</b>	<b>\$ 93,119.74</b>	<b>\$ 4,544,673.69</b>	<b>7.26:1</b>
Panattoni Inv/Iux Taylor	Developed	91.46	\$ 173,811.89	24.88%	\$ 20,000,000.00	\$ 2,413,743.00	\$ 438,867.09	\$ 36,262.76	\$ 2,888,872.85	6.92:1
Panattoni Inv & Pchlan Prop	Undeveloped	12.11	23,014.02	3.29	1,500,000.00	319,597.94	54,344.70	6,994.91	380,937.55	3.94:1
	<b>Panattoni Total</b>	<b>103.57</b>	<b>\$ 196,825.91</b>	<b>28.18%</b>	<b>\$ 21,500,000.00</b>	<b>\$ 2,733,340.94</b>	<b>\$ 493,211.79</b>	<b>\$ 43,257.67</b>	<b>\$ 3,269,810.39</b>	<b>6.58:1</b>
Space Center Sycamore Canyon	Developed	45.26	\$ 31,620.37	4.53%	\$ 35,000,000.00	\$ 439,115.23	\$ 206,973.97	\$ 155,894.30	\$ 801,983.50	43.64:1
Ewing, Weborg Et Al	Developed	19.98	37,970.28	5.44	16,000,000.00	527,297.02	89,661.90	146,701.49	763,660.41	20.95:1
Pearson Ford Prop	Developed	15.89	30,197.58	4.32	6,000,000.00	419,356.84	37,356.96	61,145.35	517,859.15	11.59:1
Sycamore Industrial Park	Developed	15.72	29,874.51	4.28	2,000,000.00	414,870.33	78,653.84	13,886.95	507,411.11	3.94:1
Paragon Capital Corp	Undeveloped	23.16	11,003.40	1.58	1,100,000.00	152,805.29	103,757.43	9,162.90	265,725.62	4.14:1
D&N Investment	Undeveloped	10.23	19,441.24	2.78	1,300,000.00	269,982.41	45,907.86	10,004.20	325,894.46	3.99:1
Kazuo & Shizuko Yamakawa	Undeveloped	10.00	4,751.04	0.68	430,000.00	65,978.11	43,386.27	334.19	109,698.57	3.92:1
Outerall S.A. Et Al, Frederick West, Mary Fowler & Cathleen Barbee	Undeveloped	10.00	4,751.04	0.68	430,000.00	65,978.11	43,386.27	334.19	109,698.57	3.92:1
Crescencio Ramirez	Undeveloped	3.95	1,876.66	0.27	175,000.00	26,061.35	17,785.86	1,337.26	45,184.47	3.87:1
Aram Terlessian & Michael I abrum (M & G A Partnership)	Undeveloped	8.40	11,972.61	1.71	825,000.00	166,264.82	39,177.83	8,432.82	213,875.48	3.86:1
Leonard & Glenda Palmer	Undeveloped	10.00	4,751.04	0.68	430,000.00	65,978.11	43,386.27	8,229.30	117,593.68	3.66:1
Brian & Drake Kennedy	Undeveloped	10.00	4,751.04	0.68	430,000.00	65,978.11	43,386.27	8,492.54	117,856.91	3.65:1
Robert & Joann Whalen	Undeveloped	4.40	2,090.46	0.30	180,000.00	29,030.37	19,812.15	1,481.27	50,323.79	3.58:1
Sycamore Canyon Partnership	Undeveloped	17.79	33,808.37	4.84	2,000,000.00	469,500.20	88,508.21	17,640.85	575,649.25	3.47:1
	<b>TOTAL</b>	<b>451.90</b>	<b>\$ 698,490.00</b>	<b>100.00%</b>	<b>\$ 120,800,000.00</b>	<b>\$ 9,700,000.00</b>	<b>\$ 2,057,444.04</b>	<b>\$ 579,455.01</b>	<b>\$ 12,336,899.05</b>	<b>9.79:1</b>

<sup>(1)</sup> Estimated annual Special Taxes for fiscal year 2005-06 are projected to be levied at 79.5% of maximum annual Special Tax rates for all property within the District subject to the Special Tax.  
Source: Albert A. Webb Associates

Table 8 below reflects the debt service coverage projected to be achieved in each year based on development in the District as described below as of May 1, 2005.

**TABLE 8**  
**THE CITY OF RIVERSIDE**  
**COMMUNITY FACILITIES DISTRICT NO. 92-1**  
**DEBT SERVICE COVERAGE**

<i>Date</i> <i>(September 1)</i>	<i>Special Taxes</i> <sup>(1)</sup>	<i>Proposed Debt Service Coverage from:</i>	
		<i>Bonds Debt Service</i> <sup>(2)</sup>	<i>Debt Service Coverage</i> <sup>(3)</sup>
2005	\$946,798.94	\$ 112,469.52	-
2006	946,798.94	698,490.02	135.55%
2007	946,798.94	697,965.02	135.65
2008	946,798.94	696,840.02	135.87
2009	946,798.94	695,315.00	136.17
2010	946,798.94	703,377.50	134.61
2011	946,798.94	700,627.50	135.14
2012	946,798.94	697,427.50	135.76
2013	946,798.94	698,765.00	135.50
2014	946,798.94	694,415.00	136.34
2015	946,798.94	699,571.26	135.34
2016	946,798.94	698,771.26	135.49
2017	946,798.94	697,208.76	135.80
2018	946,798.94	699,858.76	135.28
2019	946,798.94	701,108.76	135.04
2220	946,798.94	701,608.76	134.95
2021	946,798.94	701,358.76	134.99
2022	946,798.94	694,958.76	136.24
2023	946,798.94	698,046.26	135.64
2024	946,798.94	695,108.76	136.21
2025	946,798.94	701,402.52	134.99
2026	946,798.94	696,415.00	135.95
2027	946,798.94	699,950.00	135.27
2028	946,798.94	702,160.00	134.84
2029	946,798.94	698,045.00	135.64
2030	946,798.94	697,870.00	135.67
2031	946,798.94	701,370.00	134.99
2032	946,798.94	703,280.00	134.63
2033	946,798.94	698,600.00	135.53
2034	946,798.94	697,595.00	135.72
<b>Total</b>		<b>\$ 20,379,979.70</b>	

<sup>(1)</sup> Based on maximum Special Tax rates pursuant to the Rate and Method.

<sup>(2)</sup> Includes annual administration fee paid to the District.

<sup>(3)</sup> In each year, Debt Service Coverage equals Special Taxes divided by Bonds Debt Service. See "INTRODUCTION—Sources of Payment for the Bonds—Parity Bonds" for a discussion of anticipated parity bond issuances which will impact Debt Service Coverage from Special Taxes.

Source: Wedbush Morgan Securities and Albert A. Webb Associates, as to projected Special Taxes.

## Land Ownership

As of March 1, 2005, there were twenty owners of land within the District. The landowners have been asked to provide information for this Official Statement and have declined to do so. The majority of the District has changed ownership during the last four years. On November 16, 2001, Space Center Sycamore Canyon, LLC purchased 45.63 acres from The Fulmer Company. The purchase price was \$3,975,000 or \$2.00 per square foot. On March 8, 2002, Panattoni Development purchased 30.20 acres for \$2,641,500 or \$2.02 per square foot. On August 1, 2002, 48 Sycamore Canyon Partners purchased 14.26 acres for \$1,366,500 or \$2.20 per square foot. On August 15, 2002, Sycamore Eastridge purchased 16.54 acres for \$1,621,000 or \$225 per square foot. On February 4, 2003, Leonard Palmer purchased 10.00 acres for \$80,000 or \$0.18 per square foot. On July 8, 2003, Cresencio Ramirez purchased 3.95 acres for \$22,000 or \$0.13 per square foot. On July 8, 2003, Robert Whalen purchased 4.40 acres for \$17,000 or \$0.09 per square foot. On September 30, 2003, Sycamore Industrial Park purchased 16.34 gross acres for \$1,673,000 or \$2.35 per square foot. On December 30, 2003, Ray Magnon purchased 24.08 gross acres for \$3,356,000 or \$3.20 per square foot. On March 30, 2004, Sycamore Canyon Associates purchased 23.90 gross acres for \$3,581,000 or \$3.44 per square foot. On April 30, 2004, Ray Magnon purchased 87.42 gross acres for \$11,425,000 or \$3.00 per square foot. On June 15, 2004, Panattoni Investment/Lux Taylor purchased 97.97 gross acres for \$11,394,000 or \$2.67 per square foot. On June 24, 2004, Sycamore Canyon, LLC, purchased 26.05 gross acres for \$850,000 or \$0.75 per square foot. See APPENDIX B—“APPRAISAL REPORT.”

Below is information the District has obtained regarding the major owners of land within the District.

***Space Center Sycamore Canyon, LLC.*** Space Center Sycamore Canyon, LLC owns 45.26 net acres within the District. Space Center is a California limited liability company formed in November, 2001, by its two members, The Fulmer Company (“Fulmer”) and Space Center Sycamore Canyon, Inc. (“Space Center Sycamore”). Space Center, Inc. (“Space Center Inc.”) is the parent company of Space Center Sycamore. Fulmer contributed the land within the District as its capital contribution to Space Center under the Operating Agreement by and between Fulmer and Space Center Sycamore dated November 16, 2001, governing the management, ownership and operations of Space Center.

Space Center completed construction of a 437,000 square foot built-to-suit commercial building and a 412,000 square foot commercial building on 45.26 acres in late 2003 and 2004, respectively.

Quebecor World Publishing, Inc., a Canadian corporation (“Quebecor”), a large commercial printer, has signed a long-term agreement with Space Center to occupy 196,000 square feet of the completed 448,882 square foot building. Quebecor is a commercial print media services company. Quebecor’s product categories include magazines, inserts and circulars, books, catalogs, specialty printing and direct mail, directories, digital pre-media, logistics, mail list technologies and other value-added services. Quebecor operates more than 160 printing and related facilities in the United States, Canada, France, the United Kingdom, Spain, Switzerland, Belgium, Austria, Sweden, Finland, Brazil, Chile, Argentina, Peru, Colombia, Mexico and India.

***Panattoni.*** Panattoni Development Company, LLC and its affiliated entities (“Panattoni”) own approximately 103 net acres within the District.

Panattoni completed and sold a build-to-suit commercial building within the District to Magnussen Home Furnishings (formerly known as Magnussen Presidential Furnishings), a Canadian corporation (“Magnussen”). Magnussen is a fine furniture manufacturer. The building is a 400,580 square foot concrete tilt up cross-dock industrial building located on 32.33 net acres. Panattoni completed construction on the building in September 2002.

As of May 1, 2005, Panattoni was constructing a 953,000 square foot distribution center for Big 5 Sporting Goods on approximately 45 acres it owns in the northwest section of the District. The remaining 12.11 acres Panattoni owns in the District is undeveloped raw land.

Panattoni is one of the largest developers of industrial build-to-suit projects in the United States. Panattoni develops, leases, owns and manages industrial, office and retail projects in more than 85 cities throughout the United States. Since 1986, Panattoni has completed over 69 million square feet of new commercial development.

***Magnon Development Company.*** Magnon Development Company, owned by Ray Magnon, and its affiliated entities (“Magnon”) own a total of approximately 143 net acres within four separate sections of the District. Magnon’s property consists of four separate property groups: (1) Raceway Nissan automobile dealership consisting of 25,000 square feet of improvements, completed in 2004; (2) Sycamore Commerce Center on 24.08 acres, consisting of two buildings totaling 222,000 square feet, currently under construction; (3) Canyon Commerce Center, 22.93 net acres of raw, undeveloped land; (4) East Ridge Business Center consisting of four buildings totaling 390,000 square feet on 14.23 acres, completed in 2004 and (5) 80 acres of raw, undeveloped land.

Magnon is a 100% subsidiary of The Magnon Companies, a California corporation (the “Magnon Companies”). The Magnon Companies is one of the oldest and largest commercial development corporations in the Riverside area. The Magnon Companies was incorporated in 1977.

The Magnon Companies provide commercial real estate development services along with general contracting and professional property management. The Magnon Companies have developed and built over three million square feet of buildings, primarily in the Inland Empire area of Southern California. The Magnon Companies is one of the largest private landlords in the Riverside area.

## **SPECIAL RISK FACTORS**

***The purchase of the Bonds involves significant investment risks and, therefore, the Bonds are not suitable investments for most 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 District 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 “SPECIAL RISK FACTORS—Land Values” and “—Limited Secondary Market” below.

## **Landowners' Refusal to Provide Information**

In connection with the preparation of this Official Statement, the Landowners have been asked to provide information regarding their current developments, their future development plans for the land they own in the District, their development experience, their financing sources and their delinquency history regarding special taxes. The Landowners have declined to provide any such information. Accordingly, no assurance can be made that any future development will occur in the District and potential investors should assume no further development of property within the District. Additionally, potential investors may choose to draw a negative inference from the Landowners' failure to provide information for this Official Statement, including, without limitation, a negative inference with respect to any Landowners' ability or willingness to pay Special Taxes when due.

## **Concentration of Ownership**

All of the land within the District is currently or was previously owned by the twenty Landowners. In addition, two landowner groups, Magnon and Panattoni, are responsible for approximately 67% of the estimated Special Tax for Fiscal Year 2005-06. The receipt of the Special Taxes for such parcels is dependent on the willingness and the ability of the Landowners to pay the Special Taxes when due. Failure of the Landowners, or any successors, 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. See "SPECIAL RISK FACTORS—Failure to Develop Properties" below.

No assurance can be made that the Landowners will complete any further development in the District. See "SPECIAL RISK FACTORS—Failure to Develop Properties" below. As a result, no assurance can be given that the Landowners, and their successors, will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See "SPECIAL RISK FACTORS—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 or the District's property or upon any of the City's or the District's income, receipts or revenues, except the Special Taxes and other amounts pledged under the Fiscal Agent Agreement.

## **Insufficiency of Special Taxes**

Under the Rate and Method, the annual amount of Special Tax to be levied on each taxable parcel in the District will generally be based on which Special Tax Rate Area such taxable parcel is assigned. See APPENDIX A—"AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" and "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Rate and Method of Apportionment of Special Taxes.*"



The maximum Special Taxes that may be levied within the District are at least 110% of Maximum Annual Debt Service on the Bonds. Notwithstanding that the maximum Special Taxes that may be levied in the District exceeds debt service due on the Bonds, the Special Taxes collected could be inadequate to make timely payment of debt service on the Bonds and any Parity Bonds either because of nonpayment or because property becomes exempt from taxation.

The Rate and Method governing the levy of the Special Tax expressly exempts property in a number of categories, including acreage of property designated as “Common Area Property” and “Public Property.” As the permitted acreage of exempt property within the District becomes exempt from taxation, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

### **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 District to foreclose on the property due to the nonpayment of Special Taxes. Currently approximately 228 net acres, of the total 452 net acres in the District, are in undeveloped, raw condition. The failure to complete development of the required infrastructure for development in the District as planned, or substantial delays in the completion of the required infrastructure for the development due to litigation or other causes may reduce the value of the property within the District 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 the District 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 any planned land development. Finally, development of land is subject to economic considerations.

**NO ASSURANCE CAN BE GIVEN THAT ANY FURTHER DEVELOPMENT WILL OCCUR WITHIN THE DISTRICT.**

Development of the land within the District, if any, may be adversely affected by existing or future governmental policies, or both, restricting or controlling the development of land in the District.

There can be no assurance that land development operations within the District 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, 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 the District would cause the property values within the District to decrease substantially from those estimated by the Appraiser and could affect the willingness and ability of the owners of land within the District to pay the Special Taxes when due.

The payment of principal of and interest on the Bonds depends upon the receipt of Special Taxes levied on 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. Furthermore, an inability to develop the land within the District as currently proposed will make the Bondowners dependent upon timely payment of the Special Taxes levied on undeveloped property for a longer period of time than projected. Because all of the land within the District is currently owned by the Landowners, the timely payment of the Bonds depends upon the willingness and ability of the Landowners, or their successors, to pay the Special Taxes levied on the undeveloped property when due. See “SPECIAL RISK FACTORS—Concentration of Ownership” above. A slowdown or stoppage in the continued development of the District could reduce the willingness and ability of the Landowners, or their successors, to make Special Tax payments on undeveloped property and could greatly reduce the value of such property in the event it has to be foreclosed upon. See “SPECIAL RISK FACTORS—Land Values” below.

### **Future Indebtedness**

At the present time, the property in the District is partially undeveloped. In order to develop further improvements on that land, the Landowners may need to construct additional public improvements. The District has covenanted to issue Parity Bonds for refunding purposes only, and in evaluating the investment quality of the Bonds, Bondholders should assume that no such further improvements will be made. However, if the Landowners and future landowners, if any, intend to develop property within the District, finance such additional private improvements with private debt, such costs may increase the private debt for which the land in the District or other land or collateral owned by the property owners is security over that contemplated by the Bonds, and such increased debt could reduce the ability or desire of the property owners to pay the Special Taxes secured by the land the District. Additionally private debt will reduce value to lien ratios of land in the District, much of which could become subject to public liens which exceed the appraised value thereof. It should be noted however, that the lien of any private financing secured by the land within the District would be subordinate to the lien of the Special Taxes.

### **Future Land Use Regulations**

It is possible that future local, state or federal land use regulations could be adopted by governmental agencies and be made applicable to the development of the vacant land within the District with the effect of negatively impacting the ability of the owners of such land to complete the development of such land if they should desire to develop it. See “SPECIAL RISK FACTORS—Endangered Species” below. This possibility presents a risk to prospective purchasers of the Bonds in that an inability to complete desired development increases the risk that the Bonds will not be repaid when due. The owners of the Bonds should assume that any significant increase in the cost of development of the vacant land or substantial delay in development caused by building permit restrictions or more restrictive land use regulations would cause the values of such vacant land within the District to decrease. A reduction in land values increases the likelihood that in the event of a

delinquency in payment of Special Taxes a foreclosure action will result in inadequate funds to repay the Bonds when due.

Completion of construction of any proposed structures on the vacant land within the District is subject to the receipt of approvals from a number of public agencies concerning the layout and design of such structures, land use, health and safety requirements and other matters. The failure to obtain any such approval could adversely affect the planned development of such land.

Under current State law, it is generally accepted that proposed development is not exempt from future land use regulations until building permits have been issued and substantial work has been performed and substantial liabilities have been incurred in good faith reliance on the permits. There is no case law precedent on the issue of whether a statutory development agreement will exempt development within the District from future land use regulations. Because future development of vacant property in the District could occur over many years, if at all, the application of future land use regulations to the development of the vacant land could cause significant delays and cost increases not currently anticipated, thereby reducing the development potential of the vacant property and the ability or willingness of owners of such land to pay Special Taxes when due or causing land values of such land within the District to decrease substantially from those in the Appraisal.

### **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. At present, 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 the District could negatively impact the ability of an owner of the undeveloped land within the District, to complete the remaining development planned within the District. This, in turn, could reduce the likelihood of timely payment of the Special Taxes and would likely reduce the value of the undeveloped land estimated by the Appraiser and the potential revenues available at a foreclosure sale for delinquent Special Taxes. See "SPECIAL RISK FACTORS—Failure to Develop Properties" and "—Property Values."

### **Natural Disasters**

The District, like all California communities, may be subject to unpredictable seismic activity, fires, flood, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, bridges and property within the District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event.

In the event of a severe earthquake, fire, flood 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.

According to recent geotechnical reports, no active or potentially active faults are known to cross the land within the District. However, the land within the District will likely be subject to seismic shaking at some time in the future. The nearest known active or potentially active faults are the Whittier-North Elsinore and Chino fault zones located approximately seven miles and eight miles from the District, respectively.

### **Hazardous Substances**

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

The City has no knowledge of any hazardous substances being located on the property within the District that would have significant adverse effect on the value of any parcels or the right of any owner to occupy and develop such parcels.

### **Parity Taxes, Special Assessments and Land Development Costs**

Property within the District is subject to taxes and assessments imposed by public agencies also having jurisdiction over the land within the District. See “THE DISTRICT—Estimated Direct and Overlapping Indebtedness.”

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 the City and 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, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See “SPECIAL RISK FACTORS—Bankruptcy and Foreclosure” below.

Development of land within the District is contingent upon construction or acquisition of public improvements, 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 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, *ad valorem* 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, *ad valorem* taxes or assessments. Any such special taxes, *ad valorem* 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—Special Taxes—*Proceeds of Foreclosure Sales*,” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquencies in the payment of Special Taxes. See “SPECIAL RISK FACTORS—Bankruptcy and Foreclosure” below, for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessment and limitations on the District’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 as the legislative body of the District 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 District to make payments with respect to other Bonds then outstanding; and, unless the practice was limited by the District, 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 District will not authorize owners of taxable parcels to satisfy Special Tax obligations by the tender of Bonds unless the District shall have first obtained a report of an Independent Financial Consultant certifying that doing so would not result in the District 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 District 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 District’s only remedy is to commence foreclosure proceedings against the delinquent parcel 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 or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See “THE DISTRICT—Estimated Appraised Value-to-Lien Ratios” herein.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the Riverside County Assessor, generally not to exceed an increase of more than 2% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value.

The Appraiser has estimated with varying approaches and methodologies, on the basis of certain definitions, assumptions and limiting conditions contained in the Appraisal, that as of March 1, 2005, the market value of the land within the District was not less than \$120,800,000. On June 1, 2005, the Appraiser delivered its Limited Summary Appraisal Certificate which determined that the current value of land within the District as of June 1, 2005 was not less than the concluded appraised values reported as of March 1, 2005. The Appraisal is based on the assumptions as stated in APPENDIX B—"APPRAISAL REPORT." Some of the assumptions and limiting conditions relied upon by the Appraiser in estimating the Appraisal value of land within the District include; 1) because the Appraiser was not provided with a soils or geographic study, the soil condition of the District is assumed to be of adequate land-bearing capacity to support all uses considered in the Appraisal Report; (2) although some, but not all, title reports for property in the District, the Appraiser has assumed that there are no easements, encroachments, or restrictions that would adversely affect property values; and (3) no assumption has been made on the possible impact on individual properties of earthquakes. The Appraisal also does not reflect any possible negative impact which could occur by reason of future slow or no growth voter initiatives, an economic downturn, any potential limitations on development occurring due to time delays, an inability of the Landowners or subsequent landowners to obtain any needed development approval or permit, the presence of hazardous substances or other adverse soil conditions 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. The Appraised Value is contingent upon the issuance of the Bonds to fund the public infrastructure required in the District, as authorized in the Sycamore Canyon Business Park Specific Plan (the "Specific Plan".) The infrastructure costs and grading costs were provided to the Appraiser by the City and the Appraiser has assumed that all conditions for site development as indicated in the Specific Plan were included in such infrastructure costs.

Prospective purchasers of the Bonds should not assume that the land within the District could be sold for the appraised amount at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market 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 Appendix B for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser's assumptions to be untrue could result in a reduction of the value of the land within the District from that estimated by the Appraiser.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure 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—Special Tax—*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 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 Fund 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. The payment of property owners’ taxes and the ability of the City 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—Special Taxes—*Proceeds of Foreclosure Sales.*” In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.



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

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount 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 prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special 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.

### **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 “LEGAL MATTERS—Tax Exemption,” 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 District 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 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 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 District has committed to provide certain financial and operating information on an annual basis, 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 commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID 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.” The provisions of the Initiative have not yet been interpreted by the courts, although several lawsuits have been filed requesting the courts to interpret various aspects of the Initiative. The Initiative could potentially impact the Special Taxes 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 states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states 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 City Council acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. 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. 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 within the District to an amount that is less than 110% of Maximum Annual Debt Service on the Outstanding Bonds and Parity Bonds in each future Bond Year. 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 Rate 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 “SPECIAL RISK FACTORS—Limitations on Remedies.”

### **Ballot Initiatives**

Article XIII A, XIII B, XIII C and XIII D 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 landowners within the District to complete the remaining proposed development. See “SPECIAL RISK FACTORS—Failure to Develop Properties” herein.

## **CONTINUING DISCLOSURE**

Pursuant to a Continuing Disclosure Agreement (the “Disclosure Agreement”) with the Fiscal Agent, as dissemination agent, 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 District is to be filed not later than March 31 of each year, beginning March 31, 2006, 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. 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. *No party other than the City, and specifically no owner of land within the District, has obligated itself to provide continuing disclosure to investors, and investors should not assume that the City will provide to investors any information regarding the District, other than that certain annual financial information and operating data concerning the District which is required to be provided under the Disclosure Agreement, the form of which is appended hereto as Appendix E.*

## **LEGAL MATTERS**

### **Tax Exemption**

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, under existing statutes, regulations, rulings 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 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 Opinion**

The legal opinion of Best Best & Krieger LLP, Riverside, California, approving the validity of the Bonds in substantially the form set forth as Appendix F 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, Riverside, California, as general counsel to the City, 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, the pledge of Special Taxes to repay the Bonds, the powers or authority of the District with respect to the Bonds, or seeking to restrain or enjoin development of the land within the District and a certificate of the District to that effect will be furnished to the Underwriters at the time of the original delivery of the Bonds.

### **Ratings**

The District 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 Wedbush Morgan Securities (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$9,548,934.25 (being \$9,700,000.00 aggregate principal amount thereof, less Underwriter's discount of \$118,825.00 and original issue discount of \$32,240.75). 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 Fiscal Agent, the Underwriter, Underwriter's Counsel and Bond Counsel 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 and Underwriter's Counsel represents the City on matters unrelated to the Bonds.

**Pending Legislation**

The District is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the District 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 Chief Financial Officer and Treasurer of the City has been duly authorized by the City Council acting in its capacity as the legislative body of the District.

THE CITY OF RIVERSIDE FOR AND ON  
BEHALF OF COMMUNITY FACILITIES  
DISTRICT NO. 92-1 (SYCAMORE CANYON  
BUSINESS PARK) OF THE CITY OF RIVERSIDE

By: /s/ Paul C. Sundeen  
Chief Financial Officer and Treasurer

## **APPENDIX A**

### **AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**

A Special Tax shall be levied and collected in Community Facilities District No. 92-1 of the City of Riverside (Sycamore Canyon Business Park) (the "District") each Fiscal Year, in an amount determined by the City Council of the City of Riverside acting in its capacity as the legislative body of the District. All of the real property in the District, unless exempted by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

#### **DEFINITIONS**

The terms hereinafter set forth have the following meanings:

"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 any actual or reasonably estimated costs related to the administration of the District, including, but not limited to the following: the costs of computing the Special Taxes and of preparing the annual Special Tax levy schedules; the costs of collecting the Special Taxes; the costs of remitting the Special Taxes to the fiscal agent or trustee for any Bonds; the costs of the fiscal agent or trustee (including its legal counsel) in the discharge of its duties under any Indenture; the costs of the City or its agent in complying with the disclosure requirements of applicable federal and state securities laws and of the Act, including public inquiries regarding the Special Taxes; the costs associated with the disbursement of Bond proceeds and earnings thereon from any escrow fund; the costs of the City related to an appeal of the Special Tax; the fees and expenses of the City and the District associated with a prepayment of the Special Tax Obligation for an Assessor's Parcel, including, but not limited to, the costs of computing the prepayment, the costs of removing any Special Tags from the County Assessor's Roll, the costs of redeeming any Bonds, and the costs of recording and publishing any notices to evidence the prepayment and the redemption of any Bonds; and the costs of City staff salaries and overhead related to any of the foregoing. Administrative Expenses shall also include amounts advanced by the City for any administrative purposes of the District including the costs of commencing and pursuing to completion any foreclosure action to collect delinquent Special Taxes.

"Assessor's Parcel" means a lot or parcel of property within the District which is 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 designating parcels by Assessor's Parcel number.

"Bonds" means any bonds or other indebtedness of the District, whether in one or more series.

"City" means the City of Riverside.

“Common Area Property” means (i) any property within the District owned by a property owner association, including any master or sub association or (ii) any parcel encumbered by open space or landscape zoning or easements which prohibit the development of such parcel.

“Condominium” means a “condominium” as defined in Section 1351 of the California Civil Code, and for which a condominium plan has been recorded pursuant to Section 1352 of California Civil Code.

“Council” means the City Council of the City of Riverside, acting as the legislative body of the District.

“County” means the County of Riverside.

“District Administrator” means an official of the City, or designee thereof, acting on behalf of the Council, who is responsible for determining the Special Tax Requirement and providing for the levy and collection of Special Taxes.

“Expected Maximum Special Taxes” means the total Maximum Special Taxes which could be levied in the District, taking into account the property anticipated to be exempt from the Special Tax as set forth in Table 2.

“Facilities” means any improvements or facilities that are authorized to be financed by the District.

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

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

“Maximum Special Tax” means the maximum Special Tax, determined in accordance with Section B, that can be levied in any Fiscal Year on any Assessor’s Parcel.

“Net Acre(age)” means that acreage shown on the Assessor’s Parcel Map for each Assessor’s Parcel. In the event that the Assessor’s Parcel Map shows no acreage, the Net Acreage for any Assessor’s Parcel shall be that shown on the applicable condominium plan, final subdivision map or parcel map. For Condominiums, Net Acreage shall be determined by allocating the acreage of the underlying parcel on which the Condominiums are or are to be constructed in proportion to the building square footage for each Condominium unit.

“Public Property” means property within the boundaries of the District that as of the January 1 preceding the Fiscal Year for which the Special Tax is being levied is owned by, irrevocably offered or dedicated to, or subject to an easement for purposes of public right of way (which easement makes impracticable the use of such property for any other purpose) that has been granted to the federal government, the State of California, the County, the City, or any local government or other governmental agency.

“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 Obligation” means the total amount of Special Taxes which could be levied on an Assessor’s Parcel of Taxable Property, based on the Maximum Special Tax for the Assessor’s Parcel, to fund the Special Tax Requirement through the date of final maturity of the Bonds.

“Special Tax Rate Area” means the tax rate areas in the District as shown in Exhibit “1” attached hereto which are comprised of the Assessor’s Parcels identified in Exhibit “2” attached hereto or Assessor’s Parcels that are designated in the future for portions of any of those Assessor’s Parcels.

“Special Tax Requirement” means that amount with respect to the District determined by the Council which is required in any Fiscal Year to (a) pay: (1) the Administrative Expenses, (2) scheduled debt service for the calendar year which commences in such Fiscal Year on any outstanding Bonds, (3) any amount required to replenish any reserve fund established in connection with Bonds, (4) any reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year or otherwise reasonably expected, (5) the costs of remarketing, credit enhancement and liquidity facility fees (including such fees for insurance or a bond that serves as a reserve fund for outstanding Bonds), (6) amounts which will be used for the acquisition or construction of Facilities, and less (b) funds which are available under the Indenture to pay debt service on outstanding Bonds.

“Taxable Property” means all Assessor’s Parcels within the boundaries of the District which are not exempt from the Special Tax pursuant to law or Section D below.

“Taxable Common Area Property” means all Common Area Property located within the boundaries of the District which is not exempt from the Special Tax pursuant to Section D below.

“Taxable Public Property” means all Public Property located within the boundaries of the District which is not exempt from the Special Tax pursuant to Section D below.

### **MAXIMUM SPECIAL TAX**

The Maximum Special Tax for each Assessor’s Parcel of Taxable Property, including Taxable Common Area Property and Taxable Public Property, shall be the amount derived by multiplying the Net Acreage of the Assessor’s Parcel by the applicable “Special Tax Rate” set forth in Table 1.

**TABLE 1  
MAXIMUM SPECIAL TAXES**

<i>Special Tax Rate Area</i>	<i>Special Tax Rate</i>
1	\$644 per Net Acre
2	\$947 per Net Acre
3	\$2,576 per Net Acre
4	\$2,576 per Net Acre
5	\$1,932 per Net Acre
6	\$2,576 per Net Acre
7	\$3,583 per Net Acre
8	\$0 per Net Acre

**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. The Council shall levy the Special Tax as follows until the amount of the levy equals the Special Tax Requirement.

First: The Special Tax shall be levied in equal percentages on all Assessor's Parcels of Taxable Property, exclusive of Taxable Common Area Property and Taxable Public Property, up to the applicable Maximum Special Tax (i.e., the Special Tax levied on each Assessor's Parcel as a percentage of the applicable Maximum Special Tax shall be the same for each Assessor's Parcel);

Second: If additional monies are needed after the first step has been completed, the Special Tax shall be levied in equal percentages on all Assessor's Parcels of Taxable Common Area Property up to the applicable Maximum Special Tax;

Third: If additional monies are needed after the first two steps have been completed, then the Special Tax shall be levied in equal percentages on all Assessor's Parcels of Taxable Public Property up to the applicable Maximum Special Tax.

Notwithstanding the above, under no circumstances will the Special Taxes levied on any Assessor's Parcel used as a private residence be increased as a consequence of delinquency or default by the owner of any other Assessor's Parcel or Parcels within the District by more than ten (10) percent for any Fiscal Year.

**EXEMPTIONS**

All property located within Special Tax Rate Area 8 is exempt from the Special Tax. For all other Special Tax Rate Areas, property exempt from the Special Tax is shown in Table 2.

**TABLE 2  
PROPERTY EXEMPT FROM SPECIAL TAX**

<i>Special Tax Rate Area</i>	<i>Common Area Property and Public Property</i>
1	7.44 Net Acres
2	4.56 Net Acres
3	19.45 Net Acres
4	12.37 Net Acres
5	1.05 Net Acres
6	2.33 Net Acres
7	55.12 Net Acres
Total	72.54 Net Acres

Tax exempt status will be assigned by the District Administrator in the chronological order in which property is determined by the District Administrator to have become Common Area Property or Public Property. If the total Net Acres of Common Area Property or Public Property in a Special Tax Rate Area exceeds the acreage set forth in Table 2, the Special Tax shall be levied on the excess Net Acres based on the Special Tax Rate for such Special Tax Rate Area as set forth in Table 1 and as provided in Section C. In the event an Assessor's Parcel once classified as Common Area Property or Public Property changes its ownership and can no longer be classified as Common Area Property or Public Property, such property shall become subject to the Special Tax.

The District Administrator may, at the request of the City, transfer exempt Net Acres shown in Table 2 among the Special Tax Rate Areas provided that the aggregate exempt Net Acres will not exceed 72.54 Net Acres. However under no circumstances shall the exempt Net Acres be transferred among Special Tax Rate Areas unless the amount of the Expected Maximum Special Taxes will be at least equal to the sum of (i) the Administrative Expenses, as estimated by the City, plus (ii) an amount equal to one hundred ten percent (110%) of the annual debt service on the Bonds, provided Bonds have been issued.

#### **MANNER OF COLLECTION**

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that the District may collect Special Taxes at a different time or in a different manner as determined by the Council, if necessary or convenient, to meet the financial obligations of the District.

#### **PREPAYMENT OF SPECIAL TAX**

The Special Tax Obligation for any Assessor's Parcel may be prepaid and permanently satisfied as described herein, provided that a prepayment may only be made if at the time of the prepayment (i) there are no delinquent Special Taxes with respect to such Assessor's Parcel and all other Assessor's Parcels which are under the same ownership, (ii) the balance in the Reserve Fund is not less than ninety five percent (95.0%) of the Reserve Requirement, as defined in the Indenture, and (iii) the District Administrator has determined that no more Bonds will be issued, excluding bonds to refund the outstanding Bonds. An owner of an Assessor's Parcel intending to prepay the Special Tax Obligation shall provide the District Administrator with written notice of his or her intent to prepay the Special Tax Obligation. Within 30 days of receipt of such written notice, the

District Administrator shall notify such owner of the Prepayment Amount (as defined below) for such Assessor's Parcel and the date through which the Prepayment Amount shall be valid.

The "Prepayment Amount" means an amount equal to the sum of (1) "Principal," (2) "Premium," (3) "Defeasance," and (4) applicable Administrative Expenses minus the "Reserve Fund Credit" as defined below:

"Principal" means the principal amount of Bonds to be redeemed with the Prepayment Amount and is the amount determined by (i) dividing (a) the Maximum Special Tax for the prepaying Assessor's Parcel by (b) the Expected Maximum Special Taxes for the District, (excluding the Maximum Special Taxes for Assessor's Parcels which have prepaid the Special Tax Obligation), and (ii) multiplying the quotient by the principal amount of the outstanding Bonds (less the principal amount of any outstanding Bonds to be redeemed from previous prepayments).

"Premium" means an amount equal to the Principal multiplied by the applicable redemption premium, if any, for the Bonds to be redeemed with the Prepayment Amount.

"Defeasance" means the amount needed to pay interest on the Principal until the earliest redemption date for the outstanding Bonds which are to be redeemed less the amount estimated to be received from the investment of the Prepayment Amount (not including the Administrative Expenses associated with the prepayment) until the redemption date for the outstanding Bonds to be redeemed. Credit shall also be given for any portion of the Special Taxes which have been paid and which will be utilized to pay interest and principal on the outstanding Bonds.

"Reserve Fund Credit" means an amount equal to the lesser of (i) the amount of the expected reduction in the Reserve Requirement for the outstanding Bonds following the redemption of Bonds with the Prepayment Amount or (ii) the amount derived by subtracting the Reserve Requirement in effect after the redemption of Bonds with the Prepayment Amount from the balance in the Reserve Fund on the prepayment date.

The Prepayment Amount shall be paid to the District and shall be used to pay and redeem outstanding Bonds as provided in the Indenture and to pay the Administrative Expenses associated with the prepayment. Upon the payment of the Prepayment Amount to the District, the Special Tax Obligation for such Assessor's Parcel shall be permanently satisfied, the Special Tax shall no longer be levied on such Assessor's Parcel, and the District Administrator shall cause the appropriate notice to be recorded to evidence the prepayment and satisfaction of the Special Tax Obligation for such Assessor's Parcel.

Notwithstanding the foregoing, no prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on Assessor's Parcels of Taxable Property (excluding Taxable Common Area Property and Taxable Public Property) pursuant to Section C after the proposed prepayment is at least equal to the sum of (i) the Administrative Expenses, as estimated by the City, plus (ii) an amount equal to one hundred ten percent (110%) of the annual debt service on the Bonds which will remain outstanding after such prepayment.

### **TERM OF SPECIAL TAX**

The Special Tax shall be levied in each Fiscal Year as necessary to satisfy the Special Tax Requirement. However, the Special Tax shall not be levied after Fiscal Year 2042-43.

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**APPENDIX B**  
**APPRAISAL REPORT**

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**SUMMARY APPRAISAL REPORT**

**CITY OF RIVERSIDE  
SYCAMORE CANYON BUSINESS PARK  
COMMUNITY FACILITIES DISTRICT No. 92-1  
RIVERSIDE, CALIFORNIA**

Prepared for:

CITY OF RIVERSIDE  
3900 Main Street  
Riverside, CA 92522

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

March 2005

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# Harris Realty Appraisal

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

March 15, 2005

Mr. Brent A. Mason  
Assistant Finance Director  
CITY OF RIVERSIDE  
Finance Department  
3900 Main Street  
Riverside, CA 92522

Re: **Community Facilities District No. 92-1**  
**Sycamore Canyon Business Park**

Dear Mr. Mason:

In response to your authorization, we have prepared a summary appraisal report which addresses all of the property within the boundaries of The Sycamore Canyon Community Facilities District. This appraisal includes an estimate of Market Value of all the undeveloped land, completed buildings and the buildings under construction subject to special taxes. This land is under the ownerships of the numerous landowners. The land has been under construction with mass-grading and infrastructure improvements since the early 2000's. The District includes 117 individual assessor parcels in 20 ownerships. The ownerships range in size from 3.95 acres to 91.46 acres in size. Seven of the ownerships currently have completed buildings or buildings under construction.

According to the specific guidelines of the California Debt and Investment Advisory Commission (CDIAC), each ownership is valued in bulk, representing a discounted value to that ownership as of the date of value. When a particular ownership of land represents a merchant builder parcel, no further discounting is considered warranted. The aggregate value of the 20 ownerships represents Market Value of the entire property within the Sycamore Canyon Community Facilities District.

Based on the investigation and analyses undertaken, our experience as real estate appraisers, and subject to all the premises, assumptions and limiting conditions set forth in this report, the following opinion of Market Value has been formed as of March 1, 2005. The following value assumes all public improvements funded by this bond issue of CFD No. 92-1, are in place.

**ONE HUNDRED TWENTY MILLION EIGHT HUNDRED THOUSAND DOLLARS**

**\$120,800,000**

Mr. Brent Mason  
March 15, 2005  
Page Two

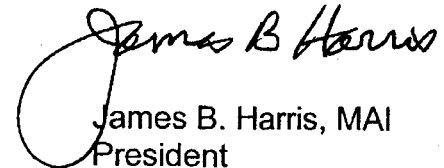
The summary report that follows summarizes the results of the data and analyses upon which our opinions of value are, in part, predicated. This report has been prepared for the City of Riverside for use in the sale of Community Facilities District bonds. The intended users of this report are the City of Riverside, its Underwriter, Legal Counsel, Consultants, and potential bond investors. This appraisal has been prepared in accordance with and is subject to the requirements of The Appraisal Standards for land secured financing as published by the California Debt and Investment Advisory Commission; the *Uniform Standards of Professional Appraisal Practice* (USPAP) of the Appraisal Foundation; and the *Code of Professional Ethics* and the *Standards of Professional Appraisal Practice* of the Appraisal Institute.

We meet the requirements of the Competency Provision of the *Uniform Standards of Professional Practice*. A statement of our qualifications appears in the Addenda.

Respectfully submitted,



Berri J. Cannon Harris  
Vice President  
AG009147



James B. Harris, MAI  
President  
AG001846

Is

## SUMMARY OF FACTS AND CONCLUSIONS

<b>EFFECTIVE DATE OF APPRAISAL</b>	March 1, 2005
<b>DATE OF REPORT</b>	March 15, 2005
<b>INTEREST APPRAISED</b>	Fee simple estate subject to special tax and special assessment liens
<b>LEGAL DESCRIPTION</b>	Please refer to the legal description summarized on pages 4, 5 and 6.
<b>OWNERSHIPS</b>	M&GA Partnership – 8.40 acres Cresencio Ramirez – 3.95 acres Robert Whalen – 4.40 acres Kazuo Yamakawa – 10.00 acres Space Center Sycamore Canyon – 45.26 acres Outerall S.A. – 10.00 acres Leonard Palmer – 10.00 acres Brian Kennedy – 10.00 acres Sycamore Canyon Associates – 22.93 acres Magnon/Commercenter – 24.08 acres Ray Magnon – 80.00 acres Pearson Ford – 15.89 acres 48/Sycamore Canyon Partnership – 17.79 acres Sycamore Industrial Park – 15.72 acres Sycamore Eastridge – 16.54 acres Panattoni/Taylor – 91.46 acres Sycamore Canyon, LLC – 23.16 acres D&N Investment – 10.23 acres Ewing et al – 19.98 acres Panattoni/Phelan – 12.11 acres
<b>SITE SIZE</b>	451.90 net acres
<b>SITE CONDITION</b>	Various stages of development from raw land with an approved Specific Plan to finished sites with existing industrial buildings.
<b>HIGHEST AND BEST USE</b>	Proposed development as a master-planned business park.
<b>VALUATION CONCLUSION</b>	<b>\$120,800,000</b>  The "As Is" Market Value assumes funding of the public improvements included within this bond issue of Community Facilities District No. 92-1 for the City of Riverside.

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## INTRODUCTION

### Purpose of the Report

The purpose of this appraisal is to estimate the *"As Is" Market Value for the fee simple estate, subject to special tax and special assessment liens* of approximately 452± net acres of mostly undeveloped land located within the Sycamore Canyon Business Park, Community Facilities District (CFD) No. 92-1, in the City of Riverside. The land is owned by 20 separate ownerships as listed on pages 4, 5 and 6 of this report.

The opinions set forth are subject to the contingencies, assumptions and limiting conditions and the specific appraisal guidelines as set forth by the City of Riverside. The property is valued under the following premise:

The market value of the subject property (CFD No. 92-1) assumes the "As Is" condition of the 452± net acres of land with seven improved properties; and assumes the proposed public facility improvements funded by this issuance of CFD No. 92-1 are in place.

### Function of the Report

It is our understanding that this appraisal report is to be used for Community Facilities District bond financing purposes only. The subject property is described more particularly within this report. The bonds are to be issued pursuant to the Mello-Roos Community Facilities District Act of 1982, as amended.

### Scope of the Assignment

According to specific instructions from the City of Riverside and the CDIAC guidelines, the total value conclusion includes the "As Is" Market Value of the taxable property, within the boundaries of CFD No. 92-1, assuming all public improvements funded by this bond issuance are complete.

# HRA

## **Industrial Use Land**

To estimate the "As Is" value for the undeveloped land, we completed the Direct Comparison Approach to value the "as is" site values to individual buyers. The subject properties are proposed for mostly industrial uses. A significant absorption period is required for ultimate development of all the land. Parcels sold to individual owners have not been discounted for absorption. All other properties are valued with bulk land sales to estimate the bulk Market Value to each ownership.

## **Existing Improvements**

The existing industrial buildings and auto dealership were valued by the Direct Comparison Approach only. To complete this analysis, we conducted a market investigation of sales of industrial buildings and auto dealerships. Buildings under construction were valued on the basis of their percentage of completion as of the date of value.

## **"As Is" Value CFD No. 92-1**

The estimated "As Is" value for the District, which reflects the as is condition of all the property and assumes completion of the public improvements funded for in this bond issuance, is the aggregate value of the individual ownerships of the undeveloped and developed parcels.

## **Date of Value**

The opinion of value expressed in this report is stated as of March 1, 2005.

## **Date of Report**

The date of the appraisal report is March 15, 2005.

## **Date of Inspection**

The subject property was inspected on numerous occasions, with the most recent on March 5, 2005.



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## Property Rights Appraised

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

## Ownership and Legal Description

The land referred to in this report is situated in the City of Riverside, in the State of California. The following table summarizes information of the ownerships of the subject properties. The next three pages include each assessor parcel number and corresponding acres, by ownership. A map of the District follows the detailed table.

M&GA Partnership	8.40 acres
Cresencio Rarnirez	3.95 acres
Robert Whalen	4.40 acres
Kazuo Yamakawa	10.00 acres
Space Center Sycamore Canyon	45.26 acres
Outerall S.A.	10.00 acres
Leonard Palmer	10.00 acres
Brian Kennedy	10.00 acres
Sycamore Cariyon Associates	22.93 acres
Magnon/Commercenter	24.08 acres
Ray Magnon	80.00 acres
Pearson Ford	15.89 acres
48/Sycamore Canyon Partnership	17.79 acres
Sycamore Industrial Park	15.72 acres
Sycamore Eastridge	16.54 acres
Panattoni/Taylor	91.46 acres
Sycamore Canyon, LLC	23.16 acres
D&N Investment	10.23 acres
Ewing et al	19.98 acres
Panattoni/Phelan	12.11 acres

## Property History

The majority of the District has changed ownership during the last four years. On November 16, 2001, Space Center Sycamore Canyon, LLC purchased 45.63 acres from The Fulmer Company. The purchase price was \$3,975,000 or \$2.00 per square foot. This was the land contribution to a joint venture between the buyer and seller. On March 8, 2002, Panattoni Development purchased 30.20 acres for \$2,641,500 or \$2.02 per square foot. On August 1, 2002, 48 Sycamore Canyon Partners purchased 14.26 acres for

<u>APN</u>	<u>Owner</u>	<u>Acres</u>	<u>Assessment</u>	
			<u>No.</u>	<u>Zone</u>
263-050-074-3	M & G A Partnership (Trelessian & Labrum)	8.4 <sup>(1)</sup>	100A	5
	<b>M &amp; G A Partnership (Trelessian &amp; Labrum)</b>	8.40		
263-300-001-9	Cresencio & Victoria Ramirez	3.95	22	1
263-300-006-4	Cresencio Ramirez	0.42	#N/A	1
	<b>Cresencio Ramirez Total</b>	4.37		
263-300-002-0	Robert & Joann Whalen	4.40	21	1
	<b>Robert &amp; Joann Whalen Total</b>	4.40		
263-020-003-6	Kazuo & Shizuko Yamakawa	10.00	1	1
	<b>Kazuo &amp; Shizuko Yamakawa Total</b>	10.00		
263-070-053-6	Space Center Sycamore Canyon	45.26	107	2
	<b>Space Center Sycamore Canyon Total</b>	45.26		
263-020-005-8	Outerall S.A. Et Al	10.00	19	1
	<b>Outerall S.A. Et Al</b>	10.00		
263-020-006-9	Leonard & Glenda Palmer	10.00	2	1
	<b>Leonard &amp; Glenda Palmer Total</b>	10.00		
263-020-004-7	Brian & Drake Kennedy	10.00	20	1
	<b>Brian &amp; Drake Kennedy Total</b>	10.00		
263-050-078-7	Sycamore Canyon Assoc.	17.99	101A	6
263-320-012-1	Sycamore Canyon Assoc.	0.80	#N/A	3
263-320-012-1	Sycamore Canyon Assoc.	0.17	#N/A	6
263-320-015-4	Sycamore Canyon Assoc.	4.94	97	6
	<b>Sycamore Canyon Assoc. Total</b>	23.90		
263-280-001-8	Ray Magnon	5.03	56	4
263-280-002-9	Ray Magnon	5.02	57	4
263-280-003-0	Ray Magnon	5.03	58	4
263-280-004-1	Ray Magnon	5.00	59	4
263-290-001-9	Ray Magnon	4.00	60	4
	<b>Ray Magnon Total</b>	24.08		
263-280-006-3	Ray Magnon	1.09	41	4
263-280-007-4	Ray Magnon	1.09	42	4
263-280-008-5	Ray Magnon	1.09	43	4
263-280-009-6	Ray Magnon	1.09	44	4
263-280-010-6	Ray Magnon	1.09	45	4
263-280-011-7	Ray Magnon	1.09	46	4
263-280-043-6	Ray Magnon	1.26	47	4
263-280-044-7	Ray Magnon	1.09	32	4
263-280-045-8	Ray Magnon	1.05	33	4
263-280-046-9	Ray Magnon	1.05	34	4
263-280-047-0	Ray Magnon	1.05	35	4
263-280-048-1	Ray Magnon	0.42	#N/A	4
263-280-049-2	Ray Magnon	1.05	36	4
263-280-050-2	Ray Magnon	1.05	37	4
263-280-051-3	Ray Magnon	1.05	38	4
263-280-052-4	Ray Magnon	1.22	39	4
263-280-053-5	Ray Magnon	1.81	#N/A	4
263-280-054-6	Ray Magnon	1.82	#N/A	4

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263-280-055-7	Ray Magnon	1.10	40	4
263-290-003-1	Ray Magnon	2.78	64A	4
263-290-005-3	Ray Magnon	5.36	63	4
263-290-006-4	Ray Magnon	5.00	62	4
263-290-007-5	Ray Magnon	1.00	71	4
263-290-008-6	Ray Magnon	1.00	70	4
263-290-009-7	Ray Magnon	1.00	69	4
263-290-010-7	Ray Magnon	1.00	68	4
263-290-011-8	Ray Magnon	1.00	67	4
263-290-014-1	Ray Magnon	1.00	75	4
263-290-015-2	Ray Magnon	1.00	74	4
263-290-016-3	Ray Magnon	1.00	73	4
263-290-017-4	Ray Magnon	1.00	72	4
263-290-018-5	Ray Magnon	1.08	80	4
263-290-021-7	Ray Magnon	1.55	79	4
263-290-022-8	Ray Magnon	1.38	78	4
263-290-025-1	Ray Magnon	1.30	87	4
263-290-026-2	Ray Magnon	1.19	86	4
263-290-027-3	Ray Magnon	1.04	85	4
263-290-028-4	Ray Magnon	1.06	84	4
263-290-029-5	Ray Magnon	1.05	83	4
263-290-042-6	Ray Magnon	2.33	64B	4
263-290-045-9	Ray Magnon	5.05	65	4
263-290-046-0	Ray Magnon	5.28	66	4
263-290-051-4	Ray Magnon	5.73	88	4
263-290-053-6	Ray Magnon	5.17	77	4
263-290-054-7	Ray Magnon	5.02	76	4
263-290-055-8	Ray Magnon	1.73	#N/A	4
263-290-056-9	Ray Magnon	1.06	82	4
263-290-057-0	Ray Magnon	1.06	81	4
263-290-058-1	Ray Magnon	1.64	#N/A	4
	<b>Ray Magnon Total</b>	<b>87.42</b>		
263-020-020-1	Pearson Ford Prop	6.88	8A	3
263-020-021-2	Pearson Ford Prop	0.96	8B	3
263-020-053-1	Pearson Ford Prop	8.05	9	3
	<b>Pearson Ford Prop Total</b>	<b>15.89</b>		
263-250-003-7	48/Sycamore Canyon Partnership	0.89	#N/A	3
263-250-004-8	48/Sycamore Canyon Partnership	5.23	139	3
263-250-036-7	48/Sycamore Canyon Partnership	8.15	138	3
263-320-016-5	48/Sycamore Canyon Partnership	4.41	90A & B	3
	<b>48/Sycamore Canyon Partnership</b>	<b>18.68</b>		
263-250-026-8	Sycamore Industrial Park	8.38	135	3
263-250-027-9	Sycamore Industrial Park	7.34	136	3
263-250-029-1	Sycamore Industrial Park	0.62	#N/A	3
	<b>Sycamore Industrial Park Total</b>	<b>16.34</b>		
263-320-007-7	Sycamore Eastridge	5.14	93	3
263-320-008-8	Sycamore Eastridge	1.94	92	3
263-320-009-9	Sycamore Eastridge	2.31	94	3
263-320-010-9	Sycamore Eastridge	2.99	91	3
263-320-011-0	Sycamore Eastridge	4.16	95	3
	<b>Sycamore Eastridge Total</b>	<b>16.54</b>		
263-020-015-7	Panattoni Inv./Lux Taylor	5.04	3	3
263-020-016-8	Panattoni Inv./Lux Taylor	5.05	4	3
263-020-017-9	Panattoni Inv./Lux Taylor	5.06	5	3
263-020-018-0	Panattoni Inv./Lux Taylor	5.12	6	3
263-020-019-1	Panattoni Inv./Lux Taylor	7.24	7	3

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263-020-024-5	Panattoni Inv./Lux Taylor	7.34	10	3
263-020-025-6	Panattoni Inv./Lux Taylor	5.00	11	3
263-020-026-7	Panattoni Inv./Lux Taylor	4.04	#N/A	3
263-020-027-8	Panattoni Inv./Lux Taylor	5.00	12	3
263-020-039-9	Panattoni Inv./Lux Taylor	1.61	15	3
263-020-040-9	Panattoni Inv./Lux Taylor	1.61	14	3
263-020-041-0	Panattoni Inv./Lux Taylor	1.61	13	3
263-020-042-1	Panattoni Inv./Lux Taylor	1.44	18	3
263-020-043-2	Panattoni Inv./Lux Taylor	1.42	17	3
263-020-044-3	Panattoni Inv./Lux Taylor	1.45	16	3
263-020-045-4	Panattoni Inv./Lux Taylor	0.88	#N/A	3
263-280-025-0	Panattoni Inv./Lux Taylor	8.84	48	3
263-280-026-1	Panattoni Inv./Lux Taylor	8.85	49	3
263-280-027-2	Panattoni Inv./Lux Taylor	8.85	50	3
263-280-037-1	Panattoni Inv./Lux Taylor	5.95	55	4
263-280-038-2	Panattoni Inv./Lux Taylor	1.23	54	4
263-280-039-3	Panattoni Inv./Lux Taylor	1.25	53	4
263-280-040-3	Panattoni Inv./Lux Taylor	1.25	52	4
263-280-041-4	Panattoni Inv./Lux Taylor	1.25	51	4
263-280-042-5	Panattoni Inv./Lux Taylor	1.59	#N/A	4
	<b>Panattoni Inv./Lux Taylor</b>	<b>97.97</b>		
263-300-024-0	Paragon Capital Corp.	4.53	31	1
263-300-025-1	Paragon Capital Corp.	4.59	30	1
263-300-026-2	Paragon Capital Corp.	2.02	#N/A	1
263-300-027-3	Paragon Capital Corp.	3.39	29	1
263-300-029-5	Paragon Capital Corp.	2.85	28	1
263-300-030-5	Paragon Capital Corp.	7.80	27	1
263-300-032-7	Paragon Capital Corp.	0.37	#N/A	1
263-320-014-3	Paragon Capital Corp.	0.50	#N/A	6
	<b>Paragon Capital Corp.</b>	<b>26.05</b>		
263-240-037-7	D & N Investment	10.23	143	3
	<b>D &amp; N Investment</b>	<b>10.23</b>		
263-240-038-8	Ewing, Weborg Et Al	19.98	144	3
	<b>Ewing, Weborg Et Al</b>	<b>19.98</b>		
263-240-039-9	Panattoni Inv & Phelan Prop	12.11	145	3
	<b>Panattoni Inv &amp; Phelan Prop Total</b>	<b>12.11</b>		

**Total 471.62**

<sup>(1)</sup> Only a portion of this parcel  
(8.4 out of 30.22 acres) is taxable and  
the remaining 21.8 acres are in Zone 8

**EXCLUDE 19.72** Estimated right-of-way parcels

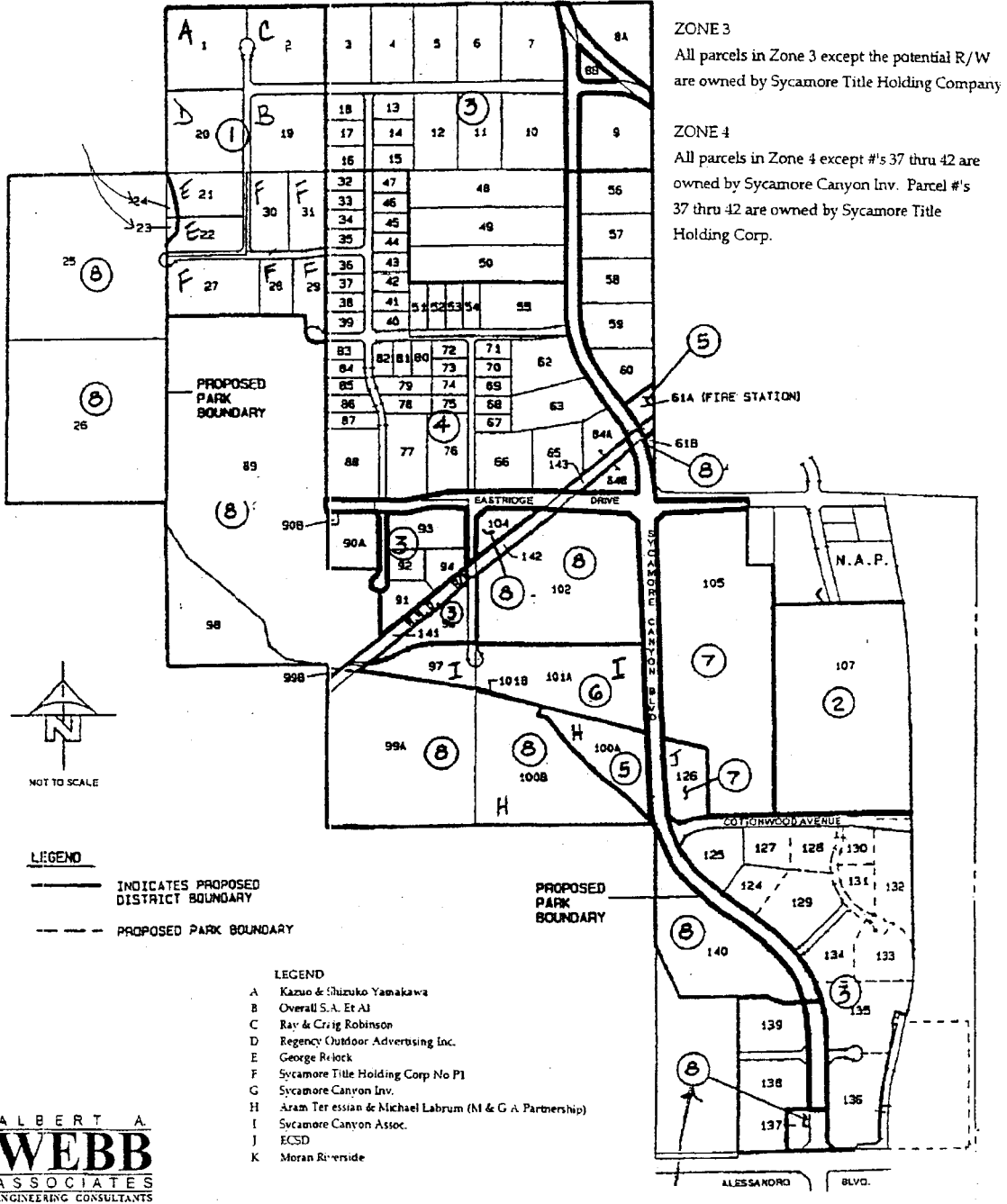
**NET TOTAL 451.90**

Excluded % 4.36%

# Boundaries of CFD No. 92-1

SYCAMORE CANYON BUSINESS PARK  
COMMUNITY FACILITIES DISTRICT NO. 92-1  
CITY OF RIVERSIDE, COUNTY OF RIVERSIDE  
STATE OF CALIFORNIA

## MAP OF SPECIAL TAX RATE AREAS



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\$1,366,500 or \$2.20 per square foot. On August 15, 2002, Sycamore Eastridge purchased 16.54 acres for \$1,621,000 or \$2.25 per square foot.

On February 4, 2003, Leonard Palmer purchased 10.00 acres for \$80,000 or \$0.18 per square foot. On July 8, 2003, Cresencio Ramirez purchased 3.95 acres for \$22,000 or \$0.13 per square foot. On July 8, 2003, Robert Whalen purchased 4.40 acres for \$17,000 or \$0.09 per square foot. On September 30, 2003, Sycamore Industrial Park purchased 16.34 gross acres for \$1,673,000 or \$2.35 per square foot. On December 30, 2003, Ray Magnon purchased 24.08 gross acres for \$3,356,000 or \$3.20 per square foot. On March 30, 2004, Sycamore Canyon Associates purchased 23.90 gross acres for \$3,581,000 or \$3.44 per square foot. On April 30, 2004, Ray Magnon purchased 87.42 gross acres for \$11,425,000 or \$3.00 per square foot. On June 15, 2004, Panattoni Investment/Lux Taylor purchased 97.97 gross acres for \$11,394,000 or \$2.67 per square foot. *The purchase prices for the five preceding sales were provided by the City of Riverside Public Works Department. The buyers have refused to discuss these transactions or verify the prices with the appraisers.* On June 24, 2004, Sycamore Canyon, LLC, purchased 26.05 gross acres for \$850,000 or \$0.75 per square foot.

## Definitions

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

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

- (a) Buyer and seller are typically motivated.
- (b) Both parties are well informed or well advised, and each acting in what he considers his own best interest.
- (c) A reasonable time is allowed for exposure in the open market.
- (d) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.

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

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- (e) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

## **Investment Value<sup>2</sup>**

The value of an investment to a particular investor, based on his or her investment requirements; as distinguished from Market Value, which is impersonal and detached.

## **Fee Simple Estate<sup>3</sup>**

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

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

Empirical evidence (and common sense) suggests that the selling prices of properties encumbered by such liens are discounted compared to properties free and clear of such liens. In new development projects, annual Mello-Roos special tax and/or special assessment payments can be substantial, and prospective homebuyers take this added tax burden into account when formulating their bid prices. Taxes, including special taxes, are legally distinct from assessments. Because fee simple ownership is subject to the governmental power of taxation, but not the power to levy assessments, appraisers sometimes treat special tax and assessment liens differently.

The Market Value included herein, reflects the value a potential buyer would consider given the special taxes and encumbrances of the CFD No. 92-1 by the City of Riverside.

## **Finished Site<sup>4</sup>**

Land that is improved so that it is ready to be used for a specific purpose. For a commercial/industrial site, improvements include rough graded site, streets to the site boundary, utilities to the site boundary, and all fees required to pull building permits paid.

## **Retail Value**

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

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

<sup>3</sup> *Ibid*, Page 190

<sup>4</sup> *Ibid*, Page 334

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## **Bulk Sale Value**

Bulk sale value should be estimated for all vacant properties--both unimproved properties and improved or partially improved but unoccupied properties. Bulk sale value is usually derived by discounting retail values to present value by an appropriate discount rate, through a procedure called *Discounted Cash Flow Analysis*. A second method is to use bulk land sales. These are sales of numerous individual parcels sold to one buyer. Bulk sale value is defined as follows:

The most probable price, in a sale of *all* parcels within a tract or development project, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specified date, in cash, or terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue stress.

*Because the property owners within this District refused to provide any property or development information, only a Direct Comparison Approach with bulk land sales was used.*

## **Contingencies, Assumptions and Limiting Conditions**

The analyses and opinions set forth in this report are subject to the following contingencies, assumptions and limiting conditions:

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

### **Contingencies of the Appraisal**

**The major property owners were requested to provide information concerning purchase prices, development plans, site cost and improvement cost. None of the major property owners responded to our request. This valuation is contingent upon the information provided by the City of Riverside being correct.**



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**All land in Western Riverside County is subject to the Multiple Species Habitat Conservation Plan (MSHCP). This plan was approved by the County of Riverside and all 14 incorporated cities in Western Riverside County in June 2004. The MSHCP requires that any vacant land parcel that needs any discretionary permit, up to and including any grading permits, go through two new environmental reviews. This can add months to the entitlement approval process. This valuation is contingent upon all properties currently in the entitlement process receiving approvals in a timely manner.**

The appraisal is contingent upon the successful issuance and funding of Community Facilities District No. 92-1 through the City of Riverside. The special tax formula was prepared on behalf of the City of Riverside by Albert A. Webb Associates, consulting engineers. If the CFD is not funded and/or the amount or timing of the reimbursements should change, the value opinion stated herein could change. Please refer to the Valuation section for further detail of the reimbursements and timeline for reimbursement.

This report is contingent upon the issuance of the of bonds for Community Facilities District (CFD) No. 92-1. The CFD is within the City of Riverside.

The proposed bond issue will fund new storm drain facilities and reimbursements to property owners and others for contributions and facilities previously constructed. The reimbursements will be made in the form of cash payments and are summarized as follows:

- Edgemont Community Services District for a cash advance in the amount of \$22,898.
- Raymond Spehar for cash advances in the amount of \$68,138.
- Pepsi Cola Bottling Company for the construction of a waterline in the amount of \$171,163.
- The City of Riverside Redevelopment Agency for improvements made to Sycamore Canyon Boulevard in the amount of \$228,980.
- Spectrum Associates in the amount of \$2,609,382 for cash advances to the City for various improvements, and land acquisition.

The appraisal is contingent upon development as outlined in the Sycamore Canyon Business Park Specific Plan.

The infrastructure costs and grading costs were previously provided for our review by the City of Riverside and prepared by the engineering firm of Albert A. Webb Associates. It is assumed that all conditions for site development as indicated in the Specific Plan are included in the

infrastructure costs. *A specific assumption of this appraisal report is that the costs are accurate.*

The individual lot/parcel sizes have been calculated by the County of Riverside's Assessor's office. We have relied on their calculations in estimating usable salable acreage. Our value estimate is, in part, based on the accuracy of this information.

## **Assumptions and Limiting Conditions**

**The development cost information obtained from the City of Riverside and prepared by Albert A. Webb Associates is assumed to be correct.** We have not engaged an independent cost estimator or civil engineer to examine the reasonableness of the development cost estimates.

***We were not provided with a soil or geology study.*** For purposes of this appraisal, the soil is assumed to be of adequate load-bearing capacity to support all uses considered under our conclusion of highest and best use.

***The appraisers have been provided with several, but not all title reports for the property.*** For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely affect the value of the subject property.

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

The date of value for which the opinion of value is expressed in this report is March 1, 2005. The dollar amount of this value opinion is based on the purchasing power of the United States dollar on that date.

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

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

The appraisers have inspected the exterior of the subject buildings; however, no opinion as to structural soundness of existing improvements or

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conformity to city, county, or any other agency building code is made. No responsibility for undisclosed structural deficiencies/conditions is assumed by the appraisers. No consideration has been given in this appraisal to personal property located on the premises; only the real estate has been considered unless otherwise specified.

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

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

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

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

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

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

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

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responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The owner is urged to retain an expert in the field of environmental impacts upon real estate if so desired.

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

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

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

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

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

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

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

The appraisers will appear at the deposition, judicial, or administrative hearing with their appraisal report and files and will answer all questions unless the client provides the appraisers with legal counsel who then instructs them not to appear, instructs them not to produce certain

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documents, or instructs them not to answer certain questions. These instructions will be overridden by a court order which the appraisers will follow if legally required to do so. It shall be the responsibility of the client to obtain a protective order.

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## AREA DESCRIPTION

The following section of this report will summarize the major demographic and economic characteristics such as population, employment, income and other pertinent characteristics for the Southern California region, Riverside County, cities of Riverside and Moreno Valley and the subject market area.

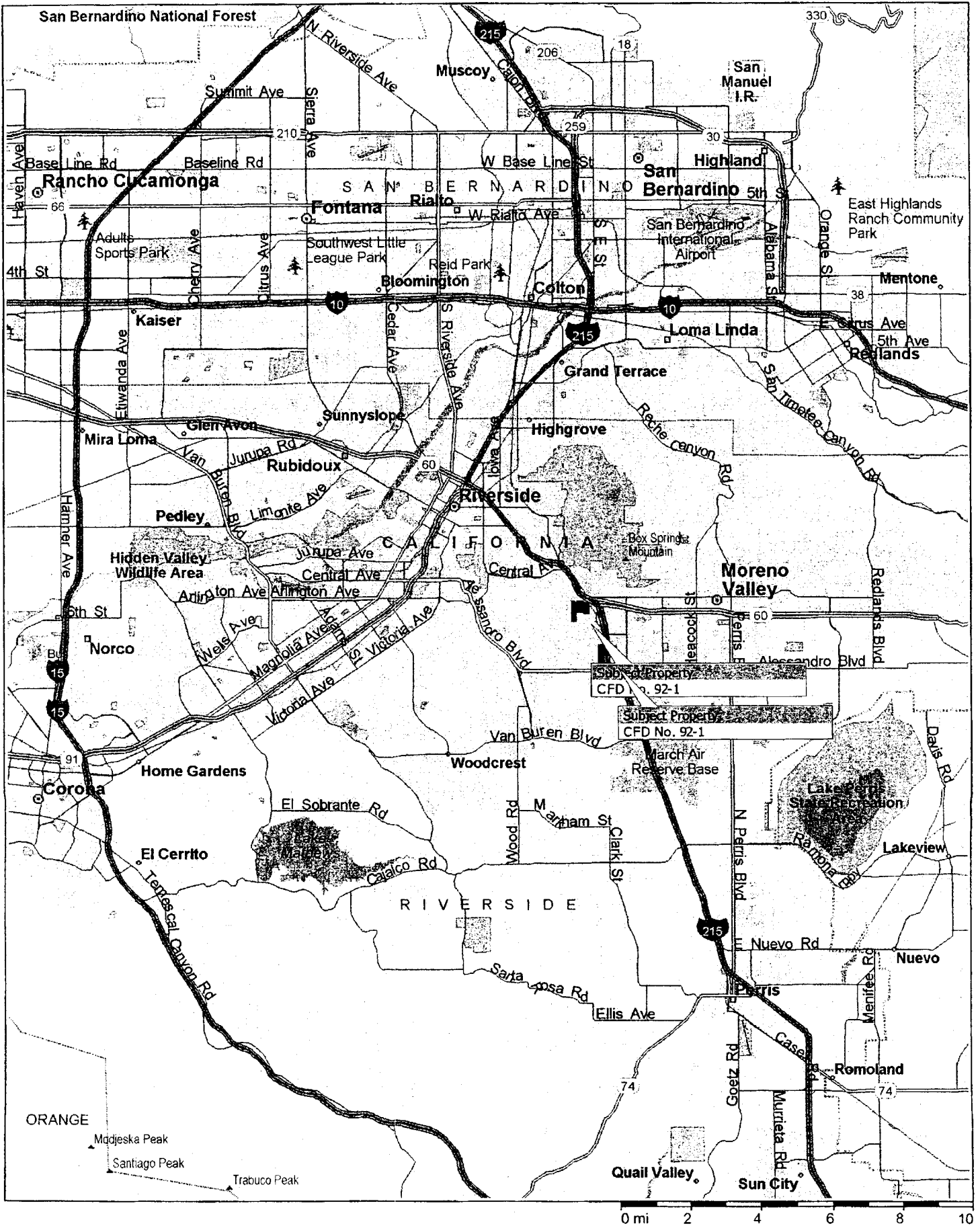
### Southern California Regional Overview

The Southern California region, as defined in this report, encompasses six individual counties including Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura Counties. The Southern California region extends from the California-Mexico border on the south to the Tehachapi mountain range on the north and from the Pacific Ocean on the west to the California-Arizona border on the east. The region covers an estimated 38,242 square miles and embodies a diverse spectrum of climates, topography, and level of urban development. Please refer to the following page for a location map.

### **Population**

The Southern California region has added about 7.2 million new residents since 1980 as indicated in the table shown on page 18. According to the California Department of Finance, the most recent data available indicate that as of January 2004, the regional population stood at over 20.6 million. If the region were an individual state, it would rank as one of the most populous in the nation.

Since 1981, annual population gains from natural increase and immigration have ranged from a low of 131,400 persons in 2002 up to 568,645 persons in 1989. These figures represent annual gains of 0.7% to 3.5%. During the past five years, the population of the six-county Southern California region grew by 0.7% to 1.8% per annum.



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As of January 2004 the population of the six-county area stood at 20,602,700 persons. Looking toward the future it is estimated that the region's population will continue to climb as new residents seek out the southern California area. During the economic downturn from 1992 through 1996, and continuing through 2004, the population growth rate declined compared to the growth experienced in the late 1980s.

## Population Trends 1980-2004

<u>Year</u>	<u>Population</u>	<u>Average Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
1980 <sup>1</sup>	13,359,673	--	--
1981	13,571,785	212,112	1.6%
1982	13,868,390	296,605	2.2%
1983	14,179,920	311,530	2.2%
1984	14,483,010	303,090	2.1%
1985	14,795,200	312,190	2.2%
1986	15,189,600	394,400	2.7%
1987	15,613,100	423,500	2.8%
1988	16,027,400	414,300	2.7%
1989	16,460,900	433,500	2.7%
1990	17,029,545	568,645	3.5%
1991	17,334,500	304,955	1.8%
1992	17,648,800	314,300	1.8%
1993	17,892,100	243,300	1.4%
1994	18,081,400	189,300	1.1%
1995	18,220,500	139,100	0.8%
1996	18,371,600	151,100	0.8%
1997	18,556,100	184,500	1.0%
1998	18,914,300	358,200	1.9%
1999	19,255,700	341,400	1.8%
2000	19,592,700	337,000	1.8%
2001	19,759,300	166,600	0.9%
2002	19,890,700	131,400	0.7%
2003	20,249,800	359,100	1.8%
2004	20,602,700	352,500	1.7%

<sup>1</sup> April 1, 1980, 1990, and 2000, all other years January 1  
Source: California Department of Finance. 5/04

The future rate of growth will depend on a number of factors that may dramatically affect the region. Some of the major factors include availability of developable land, availability of water, national economic climate, and public policy toward growth and the assimilation of a large number of new foreign immigrants. The continued growth of the



population within the region, even during periods of economic slow down, provides a positive indicator as to the desirability of the Southern California region.

## Employment

In conjunction with the population growth, a key indicator of the region's economic vitality is the trend in employment. The most common measure of employment growth is the change in non-agricultural wage and salary employment. The table below illustrates the non-agricultural wage and salary employment trends in Southern California.

**Southern California Region  
Employment Trends  
1983-2003<sup>1</sup>**

<u>Year</u>	<u>Employment</u>	<u>Average Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
1983	5,691,000	—	--
1984	5,960,100	269,100	4.7%
1985	6,198,400	238,300	4.0%
1986	6,384,500	186,100	3.0%
1987	6,664,000	279,500	4.4%
1988	6,903,800	239,800	3.6%
1989	7,096,000	192,200	2.8%
1990	7,215,200	119,200	1.7%
1991	7,038,200	(177,000)	(2.5%)
1992	6,834,400	(203,800)	(2.9%)
1993	6,731,100	(103,300)	(1.5%)
1994	6,768,600	37,300	0.6%
1995	6,901,000	132,400	2.0%
1996	7,020,400	119,400	1.7%
1997	7,236,600	216,200	3.1%
1998	7,585,400	348,800	4.8%
1999	7,789,100	203,700	2.7%
2000	7,918,200	129,100	1.7%
2001	8,015,300	97,100	1.2%
2002	8,003,100	(12,200)	(0.2%)
2003	8,028,800	25,700	0.3%

<sup>1</sup> 2002 benchmark

Source: Employment Development Department

4/04

In the Southern California region, average annual non-agricultural employment has grown from 5,691,000 jobs in 1983, to a peak employment of 8,015,300 in 2001. Employment declined to 8,003,100 in 2002. This decline was mostly caused by a 40,100 job decrease in Los Angeles County. In 2003, employment climbed to a new record level,

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8,028,800. This was in spite of Los Angeles County losing additional 36,700 jobs. This represents an increase of over 440,000 new jobs over the past five years.

As the economy entered into an economic recession during the latter part of 1990, employment growth slowed. The average annual gain in 1990 was approximately 119,200 jobs or 1.7%. In 1992 when the full weight of the recession was felt, area employment suffered the highest annual decline in jobs registered in the last decade, losing nearly 204,000 jobs or a percentage decrease of 2.9%. This was followed by further employment declines of 103,300 jobs in 1993. It appears that by the middle of 1994, the economic recovery finally began to take hold in the Southern California region. The employment data for 1994 indicated a slight increase of 37,300 jobs or 0.6% for 1994. The adverse employment issues experienced in the prior three years had abated. The annual average employment for 1995 exhibited a gain of 132,400 new jobs or a 2.0% increase, and for 1996 an estimated 119,400 new jobs were added. In 1997, total non-agricultural employment stood at 7.2 million, finally exceeding the prior high in 1990. As of year-end 2002, employment was over 8.0 million. Forecasts prior to September 11, 2001, indicate that job growth would continue to be positive in 2001 and increase moderately over the next one to two years. However, with the terrorist attack on the United States and the conflict with Iraq, most economists are saying we were in a flat to slightly declining economy, during 2002 and first half of 2003, but that we began recovery during the second half of 2003. 2003 showed a small increase over the previous high mark in 2001. 2004 had a moderate gain over 2003.

Employment among the individual industry categories reflects some fundamental regional changes in the economy during the past decade. The level of mining activity in Southern California continues to steadily decline as reflected in the consistent decrease in mining employment. Construction employment, as of 1989, was at a high level in response to the level of construction activity that had occurred in the region during the past five years. During the period from 1991 through 1994, construction employment declined in response to decreased residential and commercial construction activity. From

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1994 through 2004, as the economy rebounded, residential construction increased bringing back more than the construction jobs lost during the recession.

Total manufacturing employment in the region has exhibited little gain from the levels recorded in 1980. Due to the high labor, land, and capital costs in most of the Southern California region, some manufacturing firms have expanded or relocated their manufacturing operations outside of the area.

The Southern California economy, which historically depended heavily on aerospace and defense related employment, has been dealt a double blow. First from the reduction of the space program and reduced defense spending which affected manufacturers and suppliers, and second from the closure of several military bases which has had a ripple effect throughout the local economy. Areas heavily dependent on military spending will be impacted as the units are deployed abroad.

The finance, insurance, and real estate ("FIRE") employment category grew rapidly as the economy recovered from the 1981-1982 national recession. As the economy entered a new recessionary cycle, the FIRE employment sector exhibited little growth from 1991 through 1995. Some of the manufacturing and aerospace jobs permanently displaced from the economy were slowly being replaced with administrative, marketing and research employment. It is reasonable to assume that similar stagnant growth in this area will be experienced during the current economy.

The employment group that has contributed most to the employment growth in the region is the service sector. Since 1980, the majority of all new jobs have been created in the service category. The service sector was the leader in new job growth during the years that followed the economic recovery from the 1990 recession.

Government employment tends to mirror the growth of the population that it services. It is expected that government employment will grow at a rate similar to the area population. The future employment growth in the Southern California region is expected to continue but at a level moderately lower than recent years. Factors that will affect employment growth include the direction of the national economy, wage levels, housing

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prices, and population trends. Given the national disaster of September 11, 2001, government should not experience layoffs; on the contrary, growth particularly in the defense sector should occur. However, the California deficit has negatively impacted both state and local government employment.

## Riverside County

Riverside County consists of 24 individual cities and numerous unincorporated communities. Riverside County is typically grouped with adjacent San Bernardino County to form the Riverside-San Bernardino Metropolitan Statistical Area ("MSA"). This area is commonly called the Inland Empire. Riverside County is bounded by Orange County to the west, San Bernardino to the north, the state of Arizona to the east, and San Diego County to the south.

The major urbanized areas are located in the western portion of the County. The major incorporated cities include the cities of Riverside, Corona, and Moreno Valley. These areas were the most active areas for new growth during the mid 1980's until the recession took hold during 1990. The area which encompasses Lake Elsinore, Murrieta, Menifee Valley and Temecula has also experienced rapid growth since the mid 1980's. The areas that have experienced the most active growth during the 1980s also suffered the most during the lengthy recession. However, since 1996, residential activity has increased due to downsizing of product with more affordable pricing, and the general improvement in the regional economy.

## **Population**

Riverside County has more than doubled its population, adding approximately 882,488 new residents since 1980 as illustrated in the following table. As of the 2000 Census, the countywide population stood at 1,545,387 residents. The 2004 estimate by the State of California indicates that the County had 1,776,700 residents on January 1, 2004. Annual population gains, from natural increase and immigration, have ranged from 18,500 persons in 1997 up to 72,087 persons in 2000. From 1991 to 1997, the rate of

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growth in population declined moderately each year. Recent gains of 26,100 to 72,087 persons represent annual changes of 1.8% to 4.9%.

The future rate of growth within the County will depend on a number of factors. Some of the major factors include availability of developable land, availability of water, national and regional economic climate and public policy toward growth.

The areas within the County that will continue to experience the largest share of the new population growth will be the Corona-Riverside area and the area between Lake Elsinore, Sun City and Temecula.

## Riverside County Population Trends 1980-2004

<u>Year</u>	<u>Population</u>	<u>Average Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
1980	663,199	--	--
1885	815,100	30,380	4.6%
1990	1,170,413	71,063	6.0%
1991	1,223,200	52,787	4.5%
1992	1,268,800	45,600	3.7%
1993	1,304,400	35,600	2.8%
1994	1,332,000	27,600	2.1%
1995	1,356,600	23,600	1.8%
1996	1,381,900	26,300	1.9%
1997	1,400,400	18,500	1.3%
1998	1,447,200	46,800	3.3%
1999	1,473,300	26,100	1.8%
2000	1,545,387	72,087	4.9%
2001	1,609,400	64,013	4.1%
2002	1,644,300	34,900	2.2%
2003	1,705,500	60,200	3.7%
2004	1,776,700	71,200	4.2%

April 1, 1980, 1990, 2000; all other years January 1.

Source: California Department of Finance, U.S. Census 5/04

## Employment

Employment data for Riverside County are compiled for the entire MSA, which includes San Bernardino and Riverside Counties. These counties have become a diverse

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economy, with manufacturing, construction and tourism the major industry groups. In conjunction with the rapid population growth experienced in the past two decades, the employment base has continued to grow and diversify. The Inland Empire's unemployment rate is moderately above the Southern California average and similar to the State. The higher unemployment rate is due to the seasonal nature of agricultural employment in the area. The following exhibit illustrates the area's unemployment compared to California as of November 2004. Unemployment rates have declined over 50% from the recession high of 12.2% in 1993.

	<u>Labor Force</u>	<u>Unemployment</u>
California	17,779,900	5.6%
Inland Empire	1,759,200	5.0%

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

Nonagricultural employment has grown from an annual average of 443,100 jobs in 1983 to 1,087,700 jobs in 2003. This represents an increase of over 640,000 new jobs created in San Bernardino and Riverside Counties during the past 20 years. As the economy rebounded from the national recession in 1981-1982, annual employment gains jumped by approximately 30,500 new jobs in 1984. Job gains peaked in 1990 with 44,400 new jobs. During the economic recession of 1991 to 1996, increases ranged from 4,400 to 28,600 new jobs representing a 0.6% to 3.8% gain per annum. Since 1999, job increases have ranged from 28,700 new jobs to a record increase of 56,700 new jobs in 1999. The percentage increases have ranged from 2.8% to 6.4%. The table below illustrates the annual employment trends from 1983 through 2003. In November 2004, the non-agricultural employment had increased to 1,129,200, a 2.6% increase from November 2003.

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Employment among the individual industry categories reflects changes in the Inland Empire economy during the past decade. Construction employment gains generally mirror the regional economy. In response to the high level of construction activity that occurred in the County during the period from 1984 to 1989, construction employment reached nearly three times the level recorded in 1982. From 1992 through 1995, construction employment declined in response to decreased building activity. The 2003 levels were more than double the 1993 low.

## San Bernardino-Riverside MSA<sup>1</sup> Employment Trends 1983-2003

<u>Year</u>	<u>Employment</u>	<u>Average Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
1983	443,100	—	—
1984	473,600	30,500	6.9%
1985	514,100	40,500	8.6%
1986	551,400	37,300	7.3%
1987	588,700	37,300	6.8%
1988	625,100	36,400	6.2%
1989	668,200	43,100	6.9%
1990	712,600	44,400	6.6%
1991	718,800	6,200	0.9%
1992	729,600	10,800	1.5%
1993	734,000	4,400	0.6%
1994	751,300	17,300	2.4%
1995	779,900	28,600	3.8%
1996	803,500	23,600	3.0%
1997	841,400	37,900	4.7%
1998	882,200	40,800	4.8%
1999	938,900	56,700	6.4%
2000	991,500	52,600	5.6%
2001	1,029,100	37,600	3.8%
2002	1,057,800	28,700	2.8%
2003	1,087,700	28,900	2.8%

<sup>1</sup> Data revised due to changes in research methodology, 2003 Benchmark  
Source: Employment Development Department 5/04

The number of manufacturing jobs in the Inland Empire has increased over 45% from the levels recorded in 1991. However, manufacturing jobs declined 5.5% from the 2000 high of 120,000 jobs. Due to the high labor and capital costs in Los Angeles and

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Orange Counties, manufacturing firms have expanded or relocated some of their manufacturing operations to Riverside and San Bernardino counties to take advantage of the labor force and lower land costs.

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

A significant number of the new jobs created in the last 15 years have been created in the service sector. The service sector will continue to play a major role in employment growth during the next few years. Government employment is a major employment sector in the Inland Empire due to the rapid growth.

The future employment growth in the Inland Empire is expected to continue as more firms relocate to the area to take advantage of lower land prices and the abundant labor pool. Factors that will affect employment growth include the direction of the state and national economy, and consumer confidence. Due to the terrorist attack on September 11, 2001 and the Iraq conflict, consumer confidence has been negatively impacted. Most economists report that we were in a flat economy in 2002 and the first half of 2003, but that we began recovery during the second half of 2003. The recovery continued through 2004.

## **Income**

The average household income in Riverside County is estimated to be \$62,250. The median household income stands at \$47,282. These figures are moderately below the Southern California region average. The lower income level is due to the lower wages in agriculture, manufacturing, service and government employment. The household income distribution for Riverside County is illustrated in the following table.



**County of Riverside  
Household Income Distribution  
2004**

<u>Income Range</u>	<u>Households</u>	<u>Percent 1/</u>
Less than \$15,000	79,042	13.69%
\$15,000 - \$24,999	67,697	11.73%
\$25,000 - \$34,999	69,922	12.11%
\$35,000 - \$49,999	87,873	15.22%
\$50,000 - \$74,999	111,171	19.26%
\$75,000 - \$99,999	71,410	12.37%
\$100,000 - \$149,999	58,793	10.19%
\$150,000 or more	31,316	5.43%
Total	577,224	100.0%
Median Household Income		\$47,282
Average Household Income		\$62,250

1/ Percent of total distribution  
Source: Claritas 6/04

## Retail Sales

Retail demand continues to be fueled by the growth in population as outlined previously. For Riverside County, taxable retail sales have increased from \$3.9 billion in 1985 to over \$7.1 billion by 1994 and to over \$16.0 billion by 2003. During the past four years, annual changes have ranged from an increase of \$768 million in 1998 to an increase of \$1.7 billion in 2003, as shown on the next table. Data for 2004 are not available as of the date of this report.

The increases in retail sales are due to the exceptionally high County population growth rates experienced during the period from 1983 through 1990. During the period from 1991 through 1993, retail sales were stagnant due to the economic recession. From 1994, and continuing through 2003, there was a significant rebound in retail sales. Official state reports for 2004 will not be released until later this year. In the future, retail sales growth should mirror the population growth in the County. The combined Inland Empire taxable sales are expected to exceed Orange County's for 2004.

## Riverside County Retail Sales Trends 1/ 1985-2003

Year	Taxable Retail Sales (000's)	Average Annual Change	
		Number (000's)	Percent
1985	\$3,974,400	\$319,632	8.7%
1986	\$4,338,628	\$364,228	9.2%
1987	\$4,868,644	\$530,016	12.2%
1988	\$5,486,787	\$618,143	12.7%
1989	\$6,257,222	\$770,435	14.0%
1990	\$6,596,974	\$339,752	5.4%
1991	\$6,389,890	(\$207,084)	(3.1%)
1992	\$6,684,107	\$294,217	4.6%
1993	\$6,716,783	\$32,596	0.5%
1994	\$7,131,216	\$414,513	6.2%
1995	\$7,435,414	\$304,196	4.3%
1996	\$8,003,061	\$567,647	7.6%
1997	\$8,508,010	\$504,949	6.3%
1998	\$9,276,448	\$768,438	9.0%
1999	\$10,685,724	\$1,409,278	15.2%
2000	\$12,190,474	\$1,504,750	14.0%
2001	\$13,173,281	\$982,807	8.1%
2002	\$14,250,753	\$1,077,472	8.2%
2003	\$16,030,952	\$1,780,197	12.5%

1/ Taxable Retail Sales Total (not adjusted for inflation)  
Source: State Board of Equalization 2/05

### Transportation

Riverside County is served by a major airport, Ontario International, located in adjoining San Bernardino County. Several major airlines have flights into Ontario, while international flights can be booked out of Los Angeles International Airport.

A network of freeways links most urbanized areas of the County. The major north-south arterials are the Corona (15) and Escondido (215) Freeways. The Pomona Freeway (60) provides east-west access to the Los Angeles area and the desert areas of Riverside County. The Riverside Freeway (91) provides access to Orange and Los Angeles Counties.

### Environmental Concerns

The Endangered Species Act of 1973 precludes any activity that constitutes a taking of a federally listed endangered species except by permit. Numerous areas within

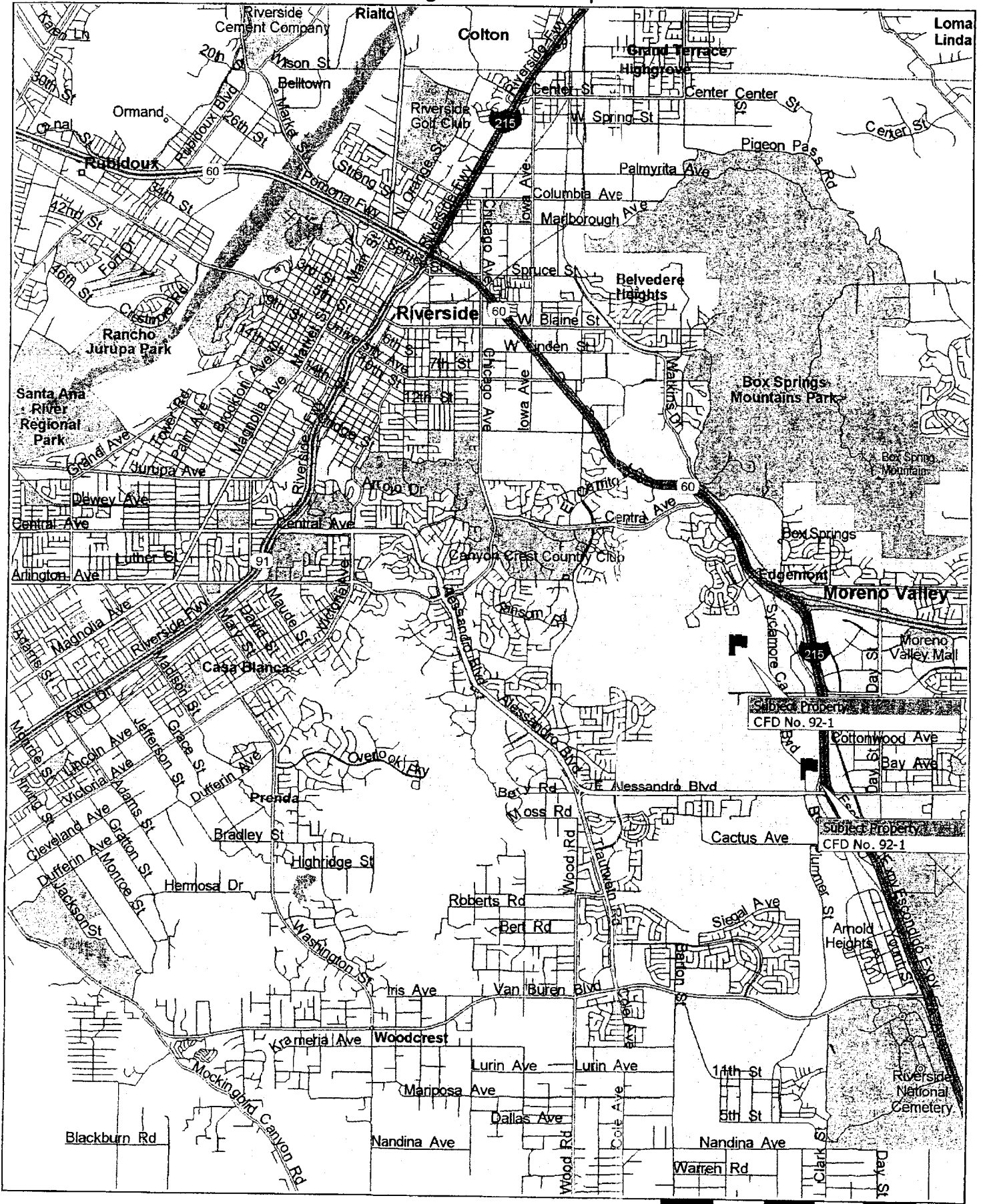
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Riverside County have been identified as containing potential habitat of the Stephen's Kangaroo Rat, a listed species. The evidence of habitation by this rat has resulted in delays or substantial revisions of proposed developments. The California Department of Fish and Game is currently reviewing the status of additional wildlife for possible inclusion on a list of endangered or threatened species. A Multiple Species Habitat Conservation Plan (MSHCP) was approved by the County Board of Supervisors on June 17, 2003. The MSHCP is a comprehensive, multi-jurisdictional effort that includes the County and 14 cities. This plan focuses on the conservation of 146 species. The MSHCP consists of a reserve system of approximately 500,000 acres of which 347,000 acres are within public ownership and approximately 153,000 acres are in private ownership. The purchase of the privately owned lands will be funded by an adopted fee. A MSHCP fee of \$1,651 per dwelling unit is imposed for housing built in the MSHCP area.

In summary, the region exhibited very strong population and employment growth during the 1980 to 1989 period. The recession of the early 1990s had significantly slowed population growth and resulted in overall job losses from 1990 to 1995. Over the past seven years, as the economy recovered, population and employment growth have been stronger than during the prior growth years of the 1980s. The long-term outlook for the region remains positive as the elements of abundant affordable land and labor still exist. Future growth will, however, continue to be affected by the trends in the overall economy. Riverside County's economic environment should follow a path similar to that of the other Southern California counties.

## **City of Riverside**

The City of Riverside was incorporated in 1883 and is the most populated City in Riverside County. It is located in the west central portion of the County, about 60 miles east of downtown Los Angeles and 100 miles north of San Diego. The City is bounded by the following cities/areas. Please refer to the neighborhood map on the next page.



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<u>City/Area</u>	<u>From Riverside</u>
Unincorporated County Area, San Bernardino County, and City of Colton	North
Unincorporated Riverside County Area	South & West
City of Moreno Valley	East

The City stretches along both sides of the Riverside Freeway (91). The City is mostly residential with neighborhood commercial uses along major streets and at major intersections. There is a Central Business District concentrated in the downtown area. This is the seat of the City and County governments. Most of the major office buildings in the County are located in the downtown area. Industrial development is mostly in the eastern section of the City, toward March Air Reserve Base and Moreno Valley. Typical housing cost ranges from \$250,000 to \$650,000. The median price for an existing home was \$334,000 in January 2005.

## **Population**

The City of Riverside has benefited from the population growth throughout Riverside County. The City of Riverside's population increased from 226,500 in 1990 to the current level of 277,000 as of January 2004. Until 1990, the growth rate had been approximately 2.0% to 4.6% per annum. Between 1991 and 2000, the growth rate was between 0.4% and 1.5%, except for 1992 and 1998. However, for 2000, 2001 and 2002, the population increases were 2.4%, 3.1% and 2.6%. For 2004, the increase declined to 0.3%. This is an indication that the City of Riverside is mostly built out, except for scattered in-fill sites.

**City of Riverside  
Population Summary  
1990-2004**

<u>Year</u>	<u>Population</u>	<u>Average Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
1990	226,500	---	---
1991	228,500	2,000	0.9%
1992	233,700	5,200	2.3%
1993	237,200	3,500	1.5%
1994	239,600	2,400	1.0%
1995	241,100	1,500	0.6%
1996	243,400	2,300	1.0%
1997	245,200	1,800	0.7%
1998	250,800	5,600	2.3%
1999	254,300	3,500	1.4%
2000	255,200	900	0.4%
2001	261,200	6,000	2.4%
2002	269,400	8,200	3.1%
2003	276,300	6,900	2.6%
2004	277,000	700	0.3%

Source: California Department of Finance  
US Census 5/04

### Income Levels

The City of Riverside has income distribution quite similar to the countywide distribution. The median household income for the City of Riverside is \$45,427, which is slightly lower than the countywide figure. The average household income in the City of Riverside is \$59,427, which is slightly lower than the countywide figure.

**City of Riverside  
Household Income Distribution - 2003**

<u>Income Range</u>	<u>Households</u>	<u>Percent 1/</u>
Less than \$15,000	12,875	15.02%
\$15,000 - \$24,999	9,724	11.34%
\$25,000 - \$34,999	10,470	12.21%
\$35,000 - \$49,999	14,030	16.37%
\$50,000 - \$74,999	16,145	18.84%
\$75,000 - \$99,999	9,885	11.53%
\$100,000 - \$149,999	8,749	10.21%
\$150,000 - \$249,999	2,745	3.20%
\$250,000 - \$499,999	820	0.96%
\$500,000 or more	274	0.32%
<b>Total</b>	<b>85,717</b>	<b>100.0%</b>
Median Household Income		\$45,427
Average Household Income		\$59,427

Source: Claritas 4/04

# HRA

## **Retail Sales**

In 2003, the City of Riverside generated retail sales of \$3,210,160,000 or 20% of the County's total retail sales. The City's retail sales increased 27.3% from the City's 2000 level.

## **Transportation**

The City of Riverside is served by the Riverside Freeway (91) and the Pomona Freeway (60). These intersect with all other major freeways in Riverside County to provide access to most other parts of Southern California. There are also a number of major surface streets which facilitate traffic flow throughout the City. In addition, rail service is provided by Union Pacific, Burlington Northern and Santa Fe and Metrolink railways.

## **City of Moreno Valley**

Moreno Valley is located in the western portion of Riverside County, approximately 63 miles east of Los Angeles and 10 miles east of the City of Riverside. The City of Moreno Valley, incorporated on December 3, 1984, grew from a small collection of rural communities known as Sunnymead, Edgemont and Moreno. Moreno Valley is adjacent to the City of Riverside, and east of the interchange of the 215 and 60 Freeways. It is bounded to the north by the Box Springs mountains and mostly undeveloped unincorporated Riverside and San Bernardino Counties, with the City of Redlands further north. To the south is the Lake Perris State Recreation Area and the City of Perris. To the east, the 60 Freeway extends through the Badlands Hills to the Beaumont/Banning area. To the west and south is the City of Riverside and unincorporated area occupied by March Air Reserve Base. The median price of an existing dwelling is \$300,000 as of January 1, 2005.

# HRA

## Population

The City was incorporated in December 1984. At the time of incorporation, the population stood at approximately 57,000 as illustrated below. Annual population gains ranging from a high of 16,489 persons in 1990 to a loss of 200 persons in 1995 have brought the City's 2004 population to 155,100. The U. S. Census Bureau ranked Moreno Valley as the fastest growing City in America, in the 1990 Census. However, over the last five years, the increases have ranged from 1.0% to 3.3% per year, with the last two years at the high end of the range. Moreno Valley is the second largest City within Riverside County.

### Moreno Valley Population Trends 1980-2004\*

Year	Population	Average Annual Change	
		Number	Percent
1980	28,139	--	--
1985	57,600	5,896	20.9%
1990	118,779	12,236	21.2%
1991	126,000	7,221	6.1%
1992	129,400	3,400	2.7%
1993	130,900	1,500	1.2%
1994	132,100	1,200	0.9%
1995	131,900	< 200>	<0.2%>
1996	133,400	1,500	1.1%
1997	134,600	1,200	0.9%
1998	137,200	2,600	1.9%
1999	139,800	2,600	1.9%
2000	142,381	2,581	1.8%
2001	143,800	1,419	1.0%
2002	146,400	2,600	1.8%
2003	151,200	4,800	3.3%
2004	155,100	3,900	2.6%

\*April 1, 1980, 1990, 2000, all other years January 1

Source: California Department of Finance, U.S. Census 4/04

## Income Levels

The Riverside County area has a moderately lower income level than other sections of Southern California. The City of Moreno Valley has a higher income level when compared to the Riverside County area as a whole. The median household income



for the City of Moreno Valley is \$49,750. The average household income is \$58,549. The following table summarizes the 2004 income levels for the City of Moreno Valley.

**Moreno Valley  
Household Income Distribution - 2004**

<u>Income Range</u>	<u>Households</u>	<u>Percent 1/</u>
Less than \$15,000	4,646	11.13%
\$15,000 - \$24,999	4,500	10.78%
\$25,000 - \$34,999	4,761	11.41%
\$35,000 - \$49,999	7,078	16.96%
\$50,000 - \$74,999	9,403	22.53%
\$75,000 - \$99,999	6,006	14.39%
\$100,000 - \$149,999	4,163	9.97%
\$150,000 - \$249,999	975	2.34%
\$250,000 - \$499,999	161	0.39%
\$500,000 or more	42	0.10%
Total	41,735	100.0%
Median Household Income		\$49,750
Average Household Income		\$58,549

Source: Claritas

4/04

## Transportation

Transportation is provided by the Pomona/Moreno Valley Freeway (60) and the Escondido Expressway (215). The City is generally considered to be an entry-level housing, residential suburban community. The freeways provide access to employment centers in Ontario, Orange County and Los Angeles County.

## Housing

The vast majority of residential improvements are less than 15 years old. The more expensive residences are located north of the 60 Freeway and south within the large master-planned community of Moreno Valley Ranch. In addition to these areas, there is a wide variety of residential products and price ranges available. During the 1980s, Moreno Valley provided an affordable housing alternative to high housing prices in Los Angeles, San Diego, and Orange Counties. The factors which encouraged such unprecedented growth rates diminished during the 1990s.

# HRA

Housing prices within Moreno Valley, which had rapidly escalated during the growth years, declined even more rapidly following the 1991 recession than in other areas. Developers as well as homebuyers who had purchased at the peak of the growth era were unable to sell in the diminished market environment, and foreclosures of vacant parcels and homes increased.

It has taken over a decade for Moreno Valley to show strength in the housing market. However, recently Moreno Valley has experienced a recovery in buyer interest and new home sales in the City have significantly increased, from levels experienced during the 1990's. Over the last five years, more than 5,600 detached dwellings and 3,000 multi-family units have been built and occupied. The new home sales volume is projected to continue to rise at a steady pace for the foreseeable future. Moreno Valley Ranch is experiencing high traffic volume, price appreciation and overall good absorption.

## Local Economy

Despite the negative impacts on the housing market, the rapid expansion of the 1980s brought significant commercial and industrial development to Moreno Valley. Moreno Valley has become a major retail center for the area and master-planned business parks have attracted additional employers. Major commercial developments and planned projects within the City of Moreno Valley are summarized below.

### Commercial Centers:

Towngate Mall, opened in October, 1992; comprises 1.25 million square feet, 100 specialty stores; anchors are Sears, Harris, JC Penney and Robinson-May department stores. Other community retail centers include Alessandro Plaza, Canyon Springs Plaza, Moreno Valley Plaza and The Festival, Merchant's Square and Towngate Center. The Moreno Valley Auto Mall has dealers offering Toyota, Honda, Nissan, Chevrolet, Oldsmobile, Pontiac, Buick and GMC truck lines.

### Business Parks:

CenterPointe Business Park (345 acres), the Koll Corporate Center (32 acres), Moreno Valley Business Park (34 acres), and Moreno Valley Industrial Park (130

# HRA

acres) and the Oleander Industrial complex (1,521 acre master-planned industrial park) offer multi-tenant, light industrial and office space and vacant parcels for a variety of business uses including large scale heavy industrial uses. The western portions of the City of Moreno Valley are within the redevelopment project of the Economic Development Department which offers development assistance.

The development of Moreno Valley has allowed for the planning of parks, schools, and commercial areas to service the residents. Moreno Valley seeks to become a self-sufficient, well-balanced community providing local employment opportunities to its residents.

In conclusion, the City of Moreno Valley has rebounded from the previous national recession and is once again in an active real estate market. The home prices in the City offer a better value than Riverside. The higher home prices in the City of Moreno Valley range from \$350,000 to \$450,000. The majority of homes in Moreno Valley are in the \$300,000 to \$400,000 price range. Many of the more expensive homes in Moreno Valley are located in Moreno Valley Ranch.

## **Immediate Surroundings**

The subject property is located in an area that is most readily identified with the Moreno Valley area. However, the subject property is actually located in the incorporated City of Riverside. In general, the property is bounded on the south by Alessandro Boulevard, on the east by the Burlington Northern and Santa Fe Railroad tracks that are adjacent to the I-215 Freeway, on the north by the residential development known as Sycamore Highlands, and on the west by the Sycamore Canyon Park. Just on the east side of the I-215 Freeway, the City of Moreno Valley begins and continues easterly for approximately 2 to 3 miles.

The Sycamore Highlands residential community located to the north of the subject property is an ongoing residential development. The property appears to have been originally constructed a number of years in the past, as there are a wide variety of completed residential dwellings and finished residential lots. Fair Isle Drive is the main access street into the Sycamore Highlands residential project. The land in this area is

# HRA

hilly, and considerably above the grade of the subject property. There are also a number of large rock outcroppings in this area. Fair Isle Drive is a finished street, containing two lanes of asphalt paving, concrete curbs, gutters, sidewalks, underground utilities and street lights. This development is adjacent to the southwest of the S-60/I-215 Freeway, where a major freeway construction project is underway. The subject property in this area is mostly level to rolling raw land, with scattered small rock outcroppings. Southwest of the intersection of Fair Isle Drive and Sycamore Canyon Boulevard is the location of the Raceway Ford dealer, and the new Raceway Nissan dealership. Sycamore Canyon Boulevard in this area is complete, widened to two lanes in each direction with a raised center median, concrete curbs and gutters. Along Sycamore Canyon Boulevard, south of the auto dealerships, the road changes to a two-lane road with no curbs or gutters and just a painted center line. Farther south is the older Box Springs Industrial Park. The Box Springs Industrial Park contains a variety of one-story industrial and some retail/office uses. There is also the Bureau of Land Management California Desert District office in this business park. This industrial park has frontage along the I-215 Freeway. At the south end of the Box Springs Business Park, Box Springs Boulevard intersects with Eastridge Avenue. Eastridge Avenue/Eucalyptus Avenue is a major interchange with the I-215 Freeway. There are full signalized on and off ramps in both directions at Eastridge Avenue.

At the north end of CFD No. 92-1 is a new industrial development. On the west side of Sycamore Canyon Boulevard, a new 953,000 square foot concrete tilt-up (CTU) industrial building is under construction. On the east side of Sycamore Canyon Boulevard is a new business park. Two CTU buildings containing 91,000 square feet and 131,000 square feet are under construction.

At the south end of Box Springs Boulevard, south of Eastridge Avenue are two recently completed buildings. The first building contains 437,000 square feet of CTU construction. The second building is a CTU building containing 412,000 square feet. South of these two buildings, on the south side of Cottonwood Avenue is a recently completed 400,000 square foot CTU building.

# HRA

At the west side of CFD No. 92-1 is a recently completed four building industrial park. This park contains CTU buildings of 57,000 square feet, 70,000 square feet, 101,000 square feet and 162,000 square feet. At the south end of CFD No. 92-1 is a three CTU building industrial park under construction. These buildings contain 29,000 square feet, 30,000 square feet and 42,000 square feet.

At the I-215 Freeway and Alessandro Boulevard, which is the subject's south line, is another full interchange with a fully signalized intersection. The land to the south of the subject property on the south side of Alessandro Boulevard and the land to the west of the subject property is basically in a raw unimproved condition, although a self-storage facility is nearing completion. West along Alessandro Boulevard is some scattered residential and commercial development on the south side, with undeveloped land on the north side of Alessandro Boulevard. At the northeast corner of Alessandro Boulevard and Mission Grove Parkway is the Henry J. Mills Filtration Plant of the Metropolitan Water District. West of Mission Grove Parkway, the area becomes more developed in a suburban fashion. There is a combination of newer residential and commercial uses.

East of the I-215 Freeway, south of the S-60 Freeway is the Canyon Springs area which has been completely improved into finished lots with several parcels developed at this time. The major improvements in this area include a Wal-Mart, Lowes and a Sam's Warehouse. East, past Day Street is the Moreno Valley Mall at Towngate. This is a major regional mall that provides retail shopping for the subject area. Adjacent to the east side of the Moreno Valley Mall is the Towngate Shopping Center which is a community type power center. Southeasterly of the subject property is the March Air Reserve Base, located about one mile southeast of the subject property. This base is also located on the west side of the I-215 Freeway and basically comes up to Alessandro Boulevard.

## MARKET OVERVIEW

San Bernardino and Riverside Counties provide access to one of the largest markets in the United States. The California population of just over thirty-six million generates retail sales alone in excess of \$320 billion. Forty-seven (47)% of that market is within one hour of western San Bernardino County. Also, an excellent transportation system provides rapid movement of goods throughout the Pacific region.

Over the past ten to fifteen years the Inland Empire West has gone through an evolution that has seen agricultural areas transformed from grape vineyards to new industrial business parks. This trend has accelerated dramatically over the last ten years, as developers and users alike have accepted this area as a preferred alternative over Los Angeles and Orange counties for many types of industrial uses. Once considered only as a location for land-intensive, heavy-manufacturing users, the area has quickly become the fastest developing market in Southern California for large and mid-size distribution/logistics users. Numerous major corporations have selected Inland Empire West due to the available, less expensive land prices, excellent freeway system, availability of rail service, skilled labor force and proximity of the Ontario International Airport. Chrysler, Baxter, Goldstar, Nestles, Black & Decker, Big Lots!, Target, Dairy Fresh, 3M, L.A. Gear, Scripto-Tokai, Whirlpool, Nordstrom, BMW, General Dynamics, Pier 1, Miller's Outpost, G.T.E., Caterpillar, Michelin, Firestone, IKEA, Big O Tire, Mission Foods, Dunlop Tire and Toyota and Kraft are but a few of the companies that have located major distribution facilities in the area.

The subject is located in the Inland Empire East market area. As of January 2005, this area could be summarized as shown below.

- \* The East End of the Inland Empire contains approximately **87 million** square feet of space in industrial buildings over 10,000 square feet. This is an increase of 20% in two years.
- \* At the end of Fourth Quarter, 2004, **5.5 million square feet** of industrial space was available for sale or lease. This number reflects a **6.3%** availability rate, down from the previous quarter and reflects a 0.2% decrease from this time last year.

# HRA

- \* During Fourth Quarter 2004, **2,025,832 square feet** of space was leased or sold indicating an increase from the previous quarter's activity.
- \* Aggregate 2004 lease and sale activity totaled **8.0 million square feet**, down from 2003's **9.0 million** mark.
- \* Currently, there are 76 industrial buildings under construction in the Inland Empire East end, drastically different from the mid 1990's. Recently, a 953,000± square foot building was preleased prior to construction in the Sycamore Canyon Business Park.
- \* Asking lease rates indicate a range from **\$0.34 to \$0.44 per square foot** per month, with the lower end reflecting a few selective older buildings in outlying areas and the high end is reflective of the newer speculative product in the more recently developed areas.
- \* The Riverside submarket dominated the transaction volume during the Fourth Quarter with 590,456 square feet of gross sales and leasing activity, followed by the Rialto submarket with 543,300 square feet.

The following table summarizes the industrial sub-markets within the Inland Empire East Market area.

## Industrial Market Overview January 2005

By City – 10,000+ sq.ft.	Bldg. SF	U/C Bldg. SF	SF Vacant	Vacancy Rate	Avail. SF	Avail Rate	Q4-04 Activity
Colton	5,771,236	-0-	36,000	0.62%	90,000	1.56%	-0-
Corona	23,843,188	1,056,045	195,353	0.82%	1,164,297	4.88%	483,963
Moreno Valley	2,513,263	686,400	18,800	0.75%	99,840	3.97%	225,400
Perris	4,686,799	-0-	-0-	-0-	53,795	1.15%	-0-
Redlands/Loma Linda	5,482,193	-0-	111,675	2.04%	251,002	4.58%	76,107
Rialto	7,365,665	527,235	895,180	12.15%	1,170,670	15.89%	543,300
Riverside	26,117,375	1,374,507	938,664	3.59%	2,372,152	9.08%	590,456
San Bernardino	11,495,468	1,514,548	69,497	0.60%	324,285	2.82%	106,606
<b>Inland Empire East</b>	<b>87,275,187</b>	<b>5,158,735</b>	<b>2,265,169</b>	<b>2.60%</b>	<b>5,526,041</b>	<b>6.33%</b>	<b>2,025,832</b>

Source: CB Richard Ellis, fourth quarter 2004

<sup>1</sup>Includes manufacturing/distribution buildings larger than 10,000 sq.ft.

<sup>2</sup>Space available for-lease, for-sale or both, >10,000 sq.ft.

<sup>3</sup>Gross activity of space, both first and second generation, greater than 10,000 sq.ft.

# HRA

In the fourth quarter of 2004, the Inland Empire experienced approximately 9.4 million square feet of gross absorption and continuous demand resulted in 6.1 million square feet of positive net absorption. There was approximately 5.9 million square feet of new product delivered to the market, with 13.4 million square feet remaining under construction. The average asking industrial lease rate for buildings 10,000 square feet and greater remains flat at \$0.35 per gross square foot.

During the fourth quarter of 2004, the Inland Empire industrial market experienced a slight decline from the third quarter's rate of 2.38%, which brings this quarter to 2.22%. The western portion of Inland Empire accounts for 65% of the total vacant space. Across the board, the majority of vacancy rates in Inland Empire cities remain in the single digits. Five of the eight east markets are below 1.0% vacancy, but Rialto has a 12.1% vacancy, almost 40% of the East End's vacancy.

Approximately 9.4 million square feet of gross activity was experienced during the fourth quarter of 2004. The City of Chino led the other cities of the Inland Empire with 2.5 (26%) million square feet of sale and lease activity. Of the 9.4 million square feet of gross activity, new demand in the Inland Empire industrial market resulted in 6.1 million square feet of positive net absorption. Year-to-date net absorption amounts to 18,400,000 square feet.

As of the end of the fourth quarter, the Inland Empire industrial market completed development on 61 projects totaling 5.9 million square feet and had 13.4 million square feet still in the construction phase. Total square footage under construction increased from the third quarter and also from the fourth quarter of 2003.



## SITE ANALYSIS

### Location

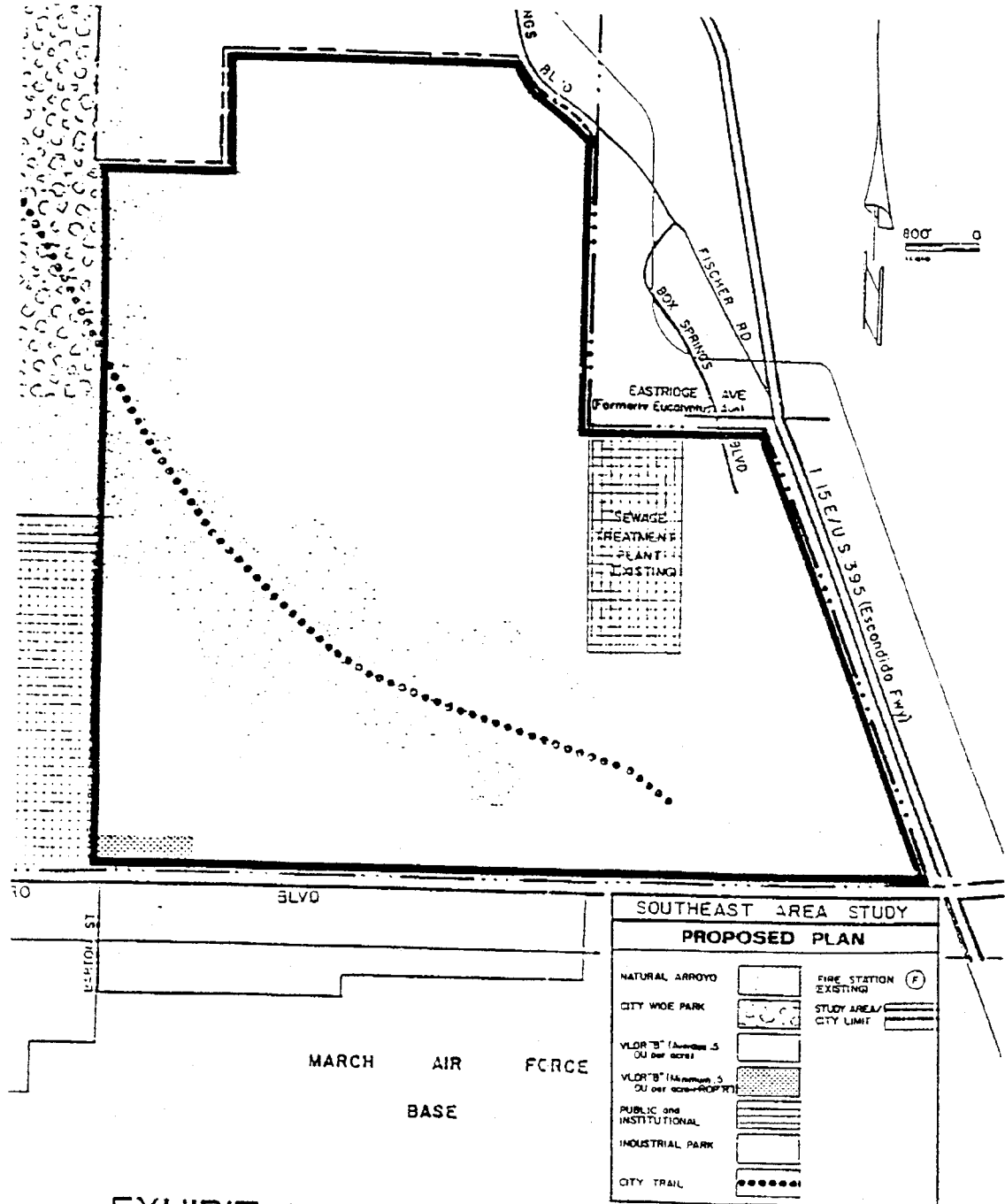
The subject property is located within the master planned business park known as the Sycamore Canyon Business Park in the City of Riverside. Generally, the community is bordered by the Sycamore Highlands residential area to the north, the BNSF railroad and the I-215 Freeway on the east, the northerly extension of Barton Road on the west, and Alessandro Boulevard to the south. The subject's 452± net acres are generally located southwest of the I-215 and S-60 Freeway interchange.

### Specific Plan

The subject project consists of a Specific Plan for the development of a planned industrial park to be called the Sycamore Canyon Business Park. This specific plan area consists of 1,403 acres of land, generally located southwest of the I-215 and S-60 Freeway interchange. This specific plan was originally known as the Box Springs Industrial Park. The plan was adopted in 1984 by the City of Riverside. Please refer to the next two pages for a map of the Specific Plan and boundaries of CFD No. 92-1.

The specific plan as adopted in 1984 was the culmination of a long-standing development process for the southeastern section of the City of Riverside. The adoption of the Arlington Heights Plan for the area immediately to the southwest occurred in 1979. This served to stimulate City action to investigate this area and restudy the 1969 General Plan. Another factor was the County of Riverside Woodcrest Area Plan involving land to the south. Consequently, in early 1979, the City joined the County in adopting interim 2-acre residential-agricultural zoning over a large portion of this area as a control, pending further studies. The City of Riverside prepared a special report for the Southeast Study area, adjacent to and complementing the County Woodcrest study area. As a policy report, it was adopted by the City of Riverside in 1980. The Southeast Area Study was a

# Site Plan Sycamore Canyon Business Park Specific Plan Area



**EXHIBIT 4: ADOPTED PLAN-SOUTHEAST AREA**  
SYCAMORE CANYON BUSINESS PARK SEGMENT

Site Plan  
CFD No. 92-1

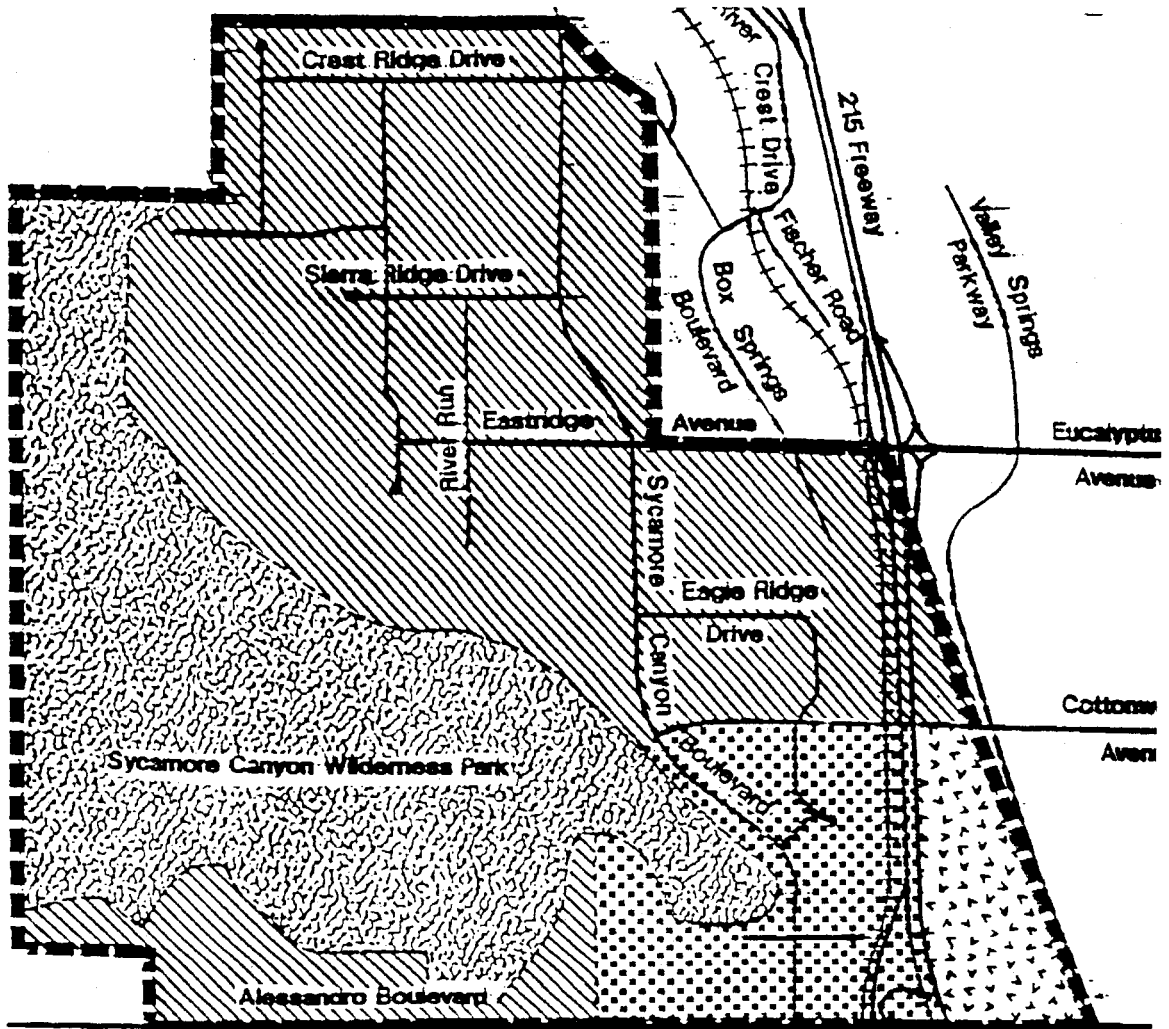






EXHIBIT 5: LAND USE MAP

-  Regional Park
-  Retail Business Office
-  Industrial Support
-  Industrial

SYCAMORE CANYON BUSINESS PARK  
SPECIFIC PLAN

# HRA

planning guide for future development. The study called for industrial park use on approximately 1,150 acres. Approximately 250 acres (Sycamore Canyon) was shown as a natural arroyo.

Another significant factor in the subject area is the Air Installation Compatible Use Zones (AICUZ) Report for March Air Reserve Base. As amended in the late 1970s, this study identifies aircraft noise and accident potential effects of the airplanes located at March Air Reserve Base. It also recommends land use plans, policies and ordinances which are intended to insure compatible uses in the local area surrounding the air force base. The bulk of the property within the Sycamore Canyon Business Park is described as impacted by aircraft noise of 80 CNEL or above. In addition, a large area of land along the BNSF railroad is exposed to accident potential resulting from the aircraft operations.

## **Current Site Conditions**

As of the date of value, the subject property ranges from raw parcels to eight fully improved buildings and six buildings under construction in seven ownerships. The balance of the undeveloped land is mostly in a raw condition as of the date of value.

At the north end of CFD No. 92-1 is a new industrial development. On the west side of Sycamore Canyon Boulevard, a new 953,000 square foot concrete tilt-up (CTU) industrial building is under construction. On the east side of Sycamore Canyon Boulevard is new business park. Two CTU buildings containing 91,000 square feet and 131,000 square feet are under construction.

At the south end of Box Springs Boulevard, south of Eastridge Avenue are two recently completed buildings. The first building contains 437,000 square feet of CTU construction. The second building is a CTU building containing 412,000 square feet. South of these two buildings, on the south side of Cottonwood Avenue is a recently completed 400,000 square foot CTU building.

# HRA

At the west side of CFD No. 92-1 is a recently completed four building industrial park. This park contains CTU buildings of 57,000 square feet, 70,000 square feet, 101,000 square feet and 162,000 square feet. At the south end of CFD No. 92-1 is a three CTU building industrial park under construction. These buildings contain 29,000 square feet, 30,000 square feet and 42,000 square feet.

## **Size and Shape**

The overall shape of the Sycamore Canyon Business Park is irregular. The individual planning areas are also irregular in shape. The total net area for the property appraised is estimated at 451.90 acres. Approximately 98 acres of industrial land has been developed with CTU distribution buildings and an additional 108 acres are now under construction. There are 245± acres of industrial land remaining to be developed. The following three pages summarize the net size of all the undeveloped parcels valued in this appraisal. In calculating the individual lot sizes, we have used the indicated size of each parcel as indicated by the Riverside County Assessor's Office.

## **Soils and Geology**

Neither a geologic nor seismic hazards study of the subject property was submitted for our review. For purposes of this appraisal assignment, we assume the soil conditions are suitable for the proposed development within the Sycamore Canyon Business Park. The appraisers are not experienced in determining the suitability of soil conditions; therefore, it is suggested that the client contact a professional soils expert to determine the suitability of the soil conditions of the site.

This appraisal is based on the specific assumption that the property is suitable for development as proposed and supported by our highest and best use analysis. This appraisal report is also based on the fact that there are no hazardous materials contaminating the soil. No representation is made by the appraisers concerning the soil conditions.

<u>APN</u>	<u>Owner</u>	<u>Acres</u>	<u>Assessment</u>	
			<u>No.</u>	<u>Zone</u>
263-050-074-3	M & G A Partnership (Trelessian & Labrum)	8.4 <sup>(1)</sup>	100A	5
	<b>M &amp; G A Partnership (Trelessian &amp; Labrum)</b>	8.40		
263-300-001-9	Cresencio & Victoria Ramirez	3.95	22	1
263-300-006-4	Cresencio Ramirez	0.42	#N/A	1
	<b>Cresencio Ramirez Total</b>	4.37		
263-300-002-0	Robert & Joann Whalen	4.40	21	1
	<b>Robert &amp; Joann Whalen Total</b>	4.40		
263-020-003-6	Kazuo & Shizuko Yamakawa	10.00	1	1
	<b>Kazuo &amp; Shizuko Yamakawa Total</b>	10.00		
263-070-053-6	Space Center Sycamore Canyon	45.26	107	2
	<b>Space Center Sycamore Canyon Total</b>	45.26		
263-020-005-8	Outerall S.A. Et Al	10.00	19	1
	<b>Outerall S.A. Et Al</b>	10.00		
263-020-006-9	Leonard & Glenda Palmer	10.00	2	1
	<b>Leonard &amp; Glenda Palmer Total</b>	10.00		
263-020-004-7	Brian & Drake Kennedy	10.00	20	1
	<b>Brian &amp; Drake Kennedy Total</b>	10.00		
263-050-078-7	Sycamore Canyon Assoc.	17.99	101A	6
263-320-012-1	Sycamore Canyon Assoc.	0.80	#N/A	3
263-320-012-1	Sycamore Canyon Assoc.	0.17	#N/A	6
263-320-015-4	Sycamore Canyon Assoc.	4.94	97	6
	<b>Sycamore Canyon Assoc. Total</b>	23.90		
263-280-001-8	Ray Magnon	5.03	56	4
263-280-002-9	Ray Magnon	5.02	57	4
263-280-003-0	Ray Magnon	5.03	58	4
263-280-004-1	Ray Magnon	5.00	59	4
263-290-001-9	Ray Magnon	4.00	60	4
	<b>Ray Magnon Total</b>	24.08		
263-280-006-3	Ray Magnon	1.09	41	4
263-280-007-4	Ray Magnon	1.09	42	4
263-280-008-5	Ray Magnon	1.09	43	4
263-280-009-6	Ray Magnon	1.09	44	4
263-280-010-6	Ray Magnon	1.09	45	4
263-280-011-7	Ray Magnon	1.09	46	4
263-280-043-6	Ray Magnon	1.26	47	4
263-280-044-7	Ray Magnon	1.09	32	4
263-280-045-8	Ray Magnon	1.05	33	4
263-280-046-9	Ray Magnon	1.05	34	4
263-280-047-0	Ray Magnon	1.05	35	4
263-280-048-1	Ray Magnon	0.42	#N/A	4
263-280-049-2	Ray Magnon	1.05	36	4
263-280-050-2	Ray Magnon	1.05	37	4
263-280-051-3	Ray Magnon	1.05	38	4
263-280-052-4	Ray Magnon	1.22	39	4
263-280-053-5	Ray Magnon	1.81	#N/A	4
263-280-054-6	Ray Magnon CONSULTING REAL ESTATE APPRAISERS		#N/A	4

# HRA

263-280-055-7	Ray Magnon	1.10	40	4
263-290-003-1	Ray Magnon	2.78	64A	4
263-290-005-3	Ray Magnon	5.36	63	4
263-290-006-4	Ray Magnon	5.00	62	4
263-290-007-5	Ray Magnon	1.00	71	4
263-290-008-6	Ray Magnon	1.00	70	4
263-290-009-7	Ray Magnon	1.00	69	4
263-290-010-7	Ray Magnon	1.00	68	4
263-290-011-8	Ray Magnon	1.00	67	4
263-290-014-1	Ray Magnon	1.00	75	4
263-290-015-2	Ray Magnon	1.00	74	4
263-290-016-3	Ray Magnon	1.00	73	4
263-290-017-4	Ray Magnon	1.00	72	4
263-290-018-5	Ray Magnon	1.08	80	4
263-290-021-7	Ray Magnon	1.55	79	4
263-290-022-8	Ray Magnon	1.38	78	4
263-290-025-1	Ray Magnon	1.30	87	4
263-290-026-2	Ray Magnon	1.19	86	4
263-290-027-3	Ray Magnon	1.04	85	4
263-290-028-4	Ray Magnon	1.06	84	4
263-290-029-5	Ray Magnon	1.05	83	4
263-290-042-6	Ray Magnon	2.33	64B	4
263-290-045-9	Ray Magnon	5.05	65	4
263-290-046-0	Ray Magnon	5.28	66	4
263-290-051-4	Ray Magnon	5.73	88	4
263-290-053-6	Ray Magnon	5.17	77	4
263-290-054-7	Ray Magnon	5.02	76	4
263-290-055-8	Ray Magnon	1.73	#N/A	4
263-290-056-9	Ray Magnon	1.06	82	4
263-290-057-0	Ray Magnon	1.06	81	4
263-290-058-1	Ray Magnon	1.64	#N/A	4
	<b>Ray Magnon Total</b>	<b>87.42</b>		
263-020-020-1	Pearson Ford Prop	6.88	8A	3
263-020-021-2	Pearson Ford Prop	0.96	8B	3
263-020-053-1	Pearson Ford Prop	8.05	9	3
	<b>Pearson Ford Prop Total</b>	<b>15.89</b>		
263-250-003-7	48/Sycamore Canyon Partnership	0.89	#N/A	3
263-250-004-8	48/Sycamore Canyon Partnership	5.23	139	3
263-250-036-7	48/Sycamore Canyon Partnership	8.15	138	3
263-320-016-5	48/Sycamore Canyon Partnership	4.41	90A & B	3
	<b>48/Sycamore Canyon Partnership</b>	<b>18.68</b>		
263-250-026-8	Sycamore Industrial Park	8.38	135	3
263-250-027-9	Sycamore Industrial Park	7.34	136	3
263-250-029-1	Sycamore Industrial Park	0.62	#N/A	3
	<b>Sycamore Industrial Park Total</b>	<b>16.34</b>		
263-320-007-7	Sycamore Eastridge	5.14	93	3
263-320-008-8	Sycamore Eastridge	1.94	92	3
263-320-009-9	Sycamore Eastridge	2.31	94	3
263-320-010-9	Sycamore Eastridge	2.99	91	3
263-320-011-0	Sycamore Eastridge	4.16	95	3
	<b>Sycamore Eastridge Total</b>	<b>16.54</b>		
263-020-015-7	Panattoni Inv./Lux Taylor	5.04	3	3
263-020-016-8	Panattoni Inv./Lux Taylor	5.05	4	3
263-020-017-9	Panattoni Inv./Lux Taylor	5.06	5	3
263-020-018-0	Panattoni Inv./Lux Taylor	5.12	6	3
263-020-019-1	Panattoni Inv./Lux Taylor	7.24	7	3

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263-020-024-5	Panattoni Inv./Lux Taylor	7.34	10	3
263-020-025-6	Panattoni Inv./Lux Taylor	5.00	11	3
263-020-026-7	Panattoni Inv./Lux Taylor	4.04	#N/A	3
263-020-027-8	Panattoni Inv./Lux Taylor	5.00	12	3
263-020-039-9	Panattoni Inv./Lux Taylor	1.61	15	3
263-020-040-9	Panattoni Inv./Lux Taylor	1.61	14	3
263-020-041-0	Panattoni Inv./Lux Taylor	1.61	13	3
263-020-042-1	Panattoni Inv./Lux Taylor	1.44	18	3
263-020-043-2	Panattoni Inv./Lux Taylor	1.42	17	3
263-020-044-3	Panattoni Inv./Lux Taylor	1.45	16	3
263-020-045-4	Panattoni Inv./Lux Taylor	0.88	#N/A	3
263-280-025-0	Panattoni Inv./Lux Taylor	8.84	48	3
263-280-026-1	Panattoni Inv./Lux Taylor	8.85	49	3
263-280-027-2	Panattoni Inv./Lux Taylor	8.85	50	3
263-280-037-1	Panattoni Inv./Lux Taylor	5.95	55	4
263-280-038-2	Panattoni Inv./Lux Taylor	1.23	54	4
263-280-039-3	Panattoni Inv./Lux Taylor	1.25	53	4
263-280-040-3	Panattoni Inv./Lux Taylor	1.25	52	4
263-280-041-4	Panattoni Inv./Lux Taylor	1.25	51	4
263-280-042-5	Panattoni Inv./Lux Taylor	1.59	#N/A	4
	<b>Panattoni Inv./Lux Taylor</b>	<b>97.97</b>		

263-300-024-0	Paragon Capital Corp.	4.53	31	1
263-300-025-1	Paragon Capital Corp.	4.59	30	1
263-300-026-2	Paragon Capital Corp.	2.02	#N/A	1
263-300-027-3	Paragon Capital Corp.	3.39	29	1
263-300-029-5	Paragon Capital Corp.	2.85	28	1
263-300-030-5	Paragon Capital Corp.	7.80	27	1
263-300-032-7	Paragon Capital Corp.	0.37	#N/A	1
263-320-014-3	Paragon Capital Corp.	0.50	#N/A	6
	<b>Paragon Capital Corp.</b>	<b>26.05</b>		

263-240-037-7	D & N Investment	10.23	143	3
	<b>D &amp; N Investment</b>	<b>10.23</b>		

263-240-038-8	Ewing, Weborg Et Al	19.98	144	3
	<b>Ewing, Weborg Et Al</b>	<b>19.98</b>		

263-240-039-9	Panattoni Inv & Phelan Prop	12.11	145	3
	<b>Panattoni Inv &amp; Phelan Prop Total</b>	<b>12.11</b>		

**Total 471.62**

<sup>(1)</sup> Only a portion of this parcel  
(8.4 out of 30.22 acres) is taxable and  
the remaining 21.8 acres are in Zone 8

**EXCLUDE 19.72** Estimated right-of-way parcels

**NET TOTAL 451.90**

Excluded % 4.36%



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## Topography/Drainage

It is assumed for purposes of this appraisal that the subdivider/builder will fulfill all grading/drainage requirements of the City of Riverside prior to construction. All of the sites are or will be level-graded sites, ready for development. Currently most of the property is in a raw, level to rolling condition. The property ranges in elevation from 400 feet to 600 feet.

## Zoning

The entire subject property is overlaid with the SP designation for a Specific Plan. The property has one actual zone: MP - Manufacturing Park. A brief discussion of the zone follows.

Manufacturing Park Zones are intended as restricted industrial districts for manufacturing, assembling, fabricating, warehousing, wholesale distribution uses, administrative or executive offices of business or industrial concerns, scientific research offices and laboratories and certain uses appurtenant to and compatible with restricted industrial development. The zone requirements and standards are intended to encourage the establishment of industries which are compatible with one another; to minimize traffic congestion, noises glare, air pollution, water pollution, and fire and safety hazards; to prohibit industrial uses which, because of potential emanation of dust, ash, smoke, noise, fumes, gas, odors or vibrations, and to establish standards for environmental development including landscaping and requirement of open areas that will tend to result in healthful and productive working conditions.

The Sycamore Canyon Business Park is described in the March Air Reserve Base AICUZ study as "Compatible Use District 8" which involves a combination of "Accident Potential Zone II" and a noise level of Ldn 80-85. This combination of impacts requires that all uses include insulation of office areas and public reception areas to achieve a noise level reduction of 35 decibels.

## Access and Circulation

Regional access to the subject property is provided by the Escondido (I-215) Freeway. The I-215 Freeway runs in a north/south direction from San Diego to San Bernardino. From Rancho California northerly up to San Bernardino, the I-15 Freeway is divided into two legs. The I-15 which runs through Ontario and Lake Elsinore and the I-

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215 Freeway that runs directly north from Temecula through Sun City, Perris, Moreno Valley, Riverside and San Bernardino. The subject property has two interchanges with the I-215 Freeway for access. The southerly interchange is located at Alessandro Boulevard, which is a full interchange with signals and on and off ramps in all directions. At Eastridge Avenue/Eucalyptus Avenue there is a second full interchange with signalized on and off ramps. The I-215/SH-60/SH-91 Freeways and Interchange are undergoing a major construction project, which will take over two years to complete.

Alessandro Boulevard provides the southerly boundary for the subject property. This is a fully improved major thoroughfare that has four lanes of traffic in each direction along the subject property. At Sycamore Canyon Boulevard, there is a fully signalized intersection. Eastridge Avenue and Sycamore Canyon Boulevard are dedicated to a width of 106 feet and will be improved with two lanes of traffic in each direction with a landscaped center median. All street improvements including sidewalks, underground utilities, and street lights will be installed upon completion. At the current time, Sycamore Canyon Boulevard is partially complete north of Alessandro Boulevard to Fair Isle Drive. Eastridge Avenue is partially complete extending from the east subject parcel line to the west terminus of Eastridge Avenue at the Ralphs distribution center.

All future interior streets are going to be dedicated to a width of 60 feet and will be improved with asphalt paving with one lane in each direction and concrete curbs, gutters, and sidewalks. As Eastridge Avenue extends easterly across the I-215 Freeway, it changes its name to Eucalyptus Avenue. Eucalyptus Avenue forms the south boundary of the Canyon Springs Commercial Business Area located at the southeast quadrant of the S-60 and I-215 Freeways.

## Easements

**The appraisers have not been provided with title reports for the entire property. The appraisers assume that there are no adverse easements which would appear to detrimentally impact the utility of the subject property. This appraisal is based on the fact that there are no easements, encroachments or conditions that**

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would adversely affect the value of the property. It has been reported that the subject property has various utility rights-of-way, primarily in the form of water district and natural gas rights-of-way. The Metropolitan Water District right-of-way crosses the subject property in a northeast to southwest direction. This right-of-way diagonally crosses Eastridge Avenue west of Sycamore Canyon Boulevard.

## Utilities

Conversations with representatives at the City of Riverside Planning Department revealed all necessary public utilities are available to the land within the District. Exact connection locations were not specified. Suppliers of the various utility services are as follows:

Electricity	City of Riverside
Water	Western Municipal Water District
Natural Gas	Southern California Gas
Telephone	Verizon
Sewer	City of Riverside

## Earthquake, Flood Hazards, and Nuisances

The subject property, as of the date of valuation, was not located in a designated Earthquake Study Zone as determined by the State Geologist. However, all of Southern California is subject to seismic activity. The subject property is located in a Zone "C" flood designated area according to Federal Emergency Management Agency Community Panel Nos. 060260-0035A and 0020A, dated January 6, 1983. This designation references an area of minimal flooding, which is outside the 500-year flood plain. Flood insurance is not required. The subject is located near March Air Reserve Base. The property is located within the 75 dBA to 80 dBA contours.

## Hazardous Material/Toxic Waste

Physical inspection of the subject property did not indicate evidence of hazardous materials and/or toxic waste. However, your appraisers are not considered experts in the field and are not qualified to detect such materials. **A specific assumption of the report**

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and value is that the soil is suitable for development as proposed and no evidence of hazardous materials or toxic waste exist.

## Environmental Issues

Biological surveys have been conducted in order to verify the existence and range of habitat pertaining to the Stephens' Kangaroo Rat within the Sycamore Canyon Business Park. The findings of the trapping surveys conducted by SJM Biological Consultants generally indicate the existence of the Stephens' Kangaroo Rat throughout the majority of the Sycamore Canyon Business Park.

Like the majority of parcels within Sycamore Canyon, future development of the subject properties normally requires an environmental impact study regarding the effect development would have on the endangered species status of the Stephens' Kangaroo Rat. As designated under the Area Plan, wilderness park lands are to be set aside whereby these parcels will remain as wilderness park property, posing no threat in regard to the destruction of potential rat habitat. However, as future development takes place, the extent and impact the development plan may have on the rat habitat generally needs to be determined before construction proceeds. **Our analysis is based upon the assumption that sufficient wilderness park land will be retained in order to facilitate development of the properties within the Sycamore Canyon Business Park.**

The cost and impact of the mitigation process associated with the procurement of suitable alternative sites which provide rat habitat have yet to be determined. Our analysis assumes any mitigation costs which may be ultimately applied to the subject will be addressed as a separate issue, and no discounting of the land value of the subject in its "as is" condition is appropriate. Based on information provided by representatives of the City of Riverside, virtually all properties to be graded for development are required to pay a fee of \$500 per acre to provide for future Kangaroo Rat habitat. It is also our understanding that several of the larger landowners in the Sycamore Canyon Business Park have or will be donating land for the wilderness park. Upon acquisition of the

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required replacement habitat, the presence of the Stephen's Kangaroo Rat on the subject property will not prohibit development of the property.

All land in Western Riverside County is subject to the Multiple Species Habitat Conservation Plan (MSHCP). This plan was approved by the County of Riverside and all 14 incorporated cities in Western Riverside County in June 2004. The MSHCP requires that any vacant land parcel that needs any discretionary permit, up to and including an grading permits, go through two new environmental reviews. This can add months to the entitlement approval process. This valuation is contingent upon all properties currently in the entitlement process receiving approvals in a timely manner.

## **Taxes and Special Assessments**

The subject properties are located in two tax rate areas, 9053 and 9054. The base tax rate for the subject property is 1.00670%. Pursuant to Proposition 13, passed in California in 1978, current assessed values may or may not have any direct relationship to current Market Value. Real estate tax increases are limited according to Proposition 13 to a maximum of 2% per year plus bonds, if any. If the property is sold, real estate taxes are normally subject to modification to the then current Market Value.

### **Sycamore Canyon Business Park**

#### **Assessment District No. 1**

The City of Riverside Sycamore Canyon Business Park Assessment District No. 1 was formed in May 1989 to finance the acquisition and construction of certain improvements to the Sycamore Canyon Business Park area of the City. The total authorized indebtedness for the Assessment District is \$9,107,789. In July 1991, the City of Riverside issued the Assessment District No. 1 1991 series A Bonds in the aggregate amount of \$4,268,565. The balance of the authorized indebtedness for the Assessment District (\$4,839,224 before cash payoffs) comprised the aggregate principle amount of the 1992 Series B bonds issued to pay water facility fees and incidental expenses. Bond proceeds were also used to fund a reserve to pay the costs of issuing the bonds.

The principal obligation for Assessment District No. 1 within the Business Park is approximately \$8,000 per acre for all taxable property with

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the exception of the Pepsi-Cola Bottling Plant. The Pepsi-Cola Plant has an obligation around \$100,000 per acre.

## Description of Water Facility Fees

A water system facility necessary for Western Municipal Water District of Riverside County to provide water service to the Assessed Property has been designed, constructed, and installed in the Assessment District. In order for the Assessed Property to receive water services from Western's water system, a fee of approximately \$4,100,000 was paid to Western Municipal Water District. Upon payment of the water facility fee, all of the Assessed Properties within the Assessment District had the right to receive water from Western's water system. Our analysis of the subject property assumes the required water system fee has been paid, and the various properties within the District have the right to receive water from Western's system. This assessment will be refinanced with funds from CFD No. 92-1.

## **CFD No. 92-1**

In addition, the subject property lies within the boundaries of the City of Riverside Community Facilities District No. 92-1. Special taxes for the undeveloped commercial and industrial land on a per acre basis are estimated by the firm of Albert A. Webb Associates.

The following estimates of "maximum special taxes," per special tax rate area, are prepared by Albert A. Webb Associates.

Maximum Special Taxes	
Special Tax Rate Area	Special Tax Rate
1	\$644 per Net Acre
2	\$947 per Net Acre
3	\$2,576 per Net Acre
4	\$2,576 per Net Acre
5	\$1,932 per Net Acre
6	\$2,576 per Net Acre
7	\$3,583 per Net Acre
8	\$0 per Net Acre

Please refer to the following two pages for the 2004-2005 taxes and assessed values. The total property taxes include the existing annual assessment for A.D. No. 1.

APN	LAND VALUE	STRUCTURE VALUE	TOTAL VALUE	2004/05	2004-05	Assessment No.
				Property Taxes	Annual Special tax	
263-050-074-3	\$ 819,785.00	\$ --	\$ 819,785.00	\$ 8,760.78	\$ 16,228.80	100A
263-300-001-9	\$ 130,000.00	\$ --	\$ 130,000.00	\$ 1,389.26	\$ 2,543.80	22
263-300-006-4	\$ --	\$ --	\$ --	\$ --	\$ --	#N/A
263-300-002-0	\$ 144,000.00	\$ --	\$ 144,000.00	\$ 1,538.88	\$ 2,833.60	21
263-020-003-6	\$ 32,488.00	\$ --	\$ 32,488.00	\$ 347.18	\$ 6,440.00	1
263-070-053-6	\$ 1,523,000.00	\$ 13,632,045.00	\$ 15,155,045.00	\$ 161,957.40	\$ 42,861.22	107
263-020-005-8	\$ 32,488.00	\$ --	\$ 32,488.00	\$ 347.18	\$ 6,440.00	19
263-020-006-9	\$ 800,000.00	\$ --	\$ 800,000.00	\$ 8,549.36	\$ 6,440.00	2
263-020-004-7	\$ 825,590.00	\$ --	\$ 825,590.00	\$ 8,822.82	\$ 6,440.00	20
263-050-078-7	\$ 488,172.00	\$ --	\$ 488,172.00	\$ 5,216.94	\$ 46,342.24	101A
263-320-012-1	\$ --	\$ --	\$ --	\$ --	\$ --	#N/A
263-320-012-1	\$ --	\$ --	\$ --	\$ --	\$ --	#N/A
263-320-015-4	\$ 189,295.00	\$ --	\$ 189,295.00	\$ 2,022.92	\$ 12,725.44	97
263-280-001-8	\$ 655,000.00	\$ --	\$ 655,000.00	\$ 6,999.78	\$ 12,957.28	56
263-280-002-9	\$ 655,000.00	\$ --	\$ 655,000.00	\$ 6,999.78	\$ 12,931.52	57
263-280-003-0	\$ 655,000.00	\$ --	\$ 655,000.00	\$ 6,999.78	\$ 12,957.28	58
263-280-004-1	\$ 655,000.00	\$ --	\$ 655,000.00	\$ 6,999.78	\$ 12,880.00	59
263-290-001-9	\$ 526,000.00	\$ --	\$ 526,000.00	\$ 5,621.20	\$ 10,304.00	60
263-280-006-3	\$ 51,386.00	\$ --	\$ 51,386.00	\$ 549.14	\$ 2,807.84	41
263-280-007-4	\$ 51,386.00	\$ --	\$ 51,386.00	\$ 549.14	\$ 2,807.84	42
263-280-008-5	\$ 51,386.00	\$ --	\$ 51,386.00	\$ 549.14	\$ 2,807.84	43
263-280-009-6	\$ 51,386.00	\$ --	\$ 51,386.00	\$ 549.14	\$ 2,807.84	44
263-280-010-6	\$ 51,386.00	\$ --	\$ 51,386.00	\$ 549.14	\$ 2,807.84	45
263-280-011-7	\$ 51,386.00	\$ --	\$ 51,386.00	\$ 549.14	\$ 2,807.84	46
263-280-043-6	\$ 58,948.00	\$ --	\$ 58,948.00	\$ 629.94	\$ 3,245.76	47
263-280-044-7	\$ 51,859.00	\$ --	\$ 51,859.00	\$ 554.20	\$ 2,807.84	32
263-280-045-8	\$ 49,615.00	\$ --	\$ 49,615.00	\$ 530.22	\$ 2,704.80	33
263-280-046-9	\$ 49,615.00	\$ --	\$ 49,615.00	\$ 530.22	\$ 2,704.80	34
263-280-047-0	\$ 49,025.00	\$ --	\$ 49,025.00	\$ 523.90	\$ 2,704.80	35
263-280-048-1	\$ --	\$ --	\$ --	\$ --	\$ --	#N/A
263-280-049-2	\$ 49,025.00	\$ --	\$ 49,025.00	\$ 523.90	\$ 2,704.80	36
263-280-050-2	\$ 49,615.00	\$ --	\$ 49,615.00	\$ 530.22	\$ 2,704.80	37
263-280-051-3	\$ 49,615.00	\$ --	\$ 49,615.00	\$ 530.22	\$ 2,704.80	38
263-280-052-4	\$ 56,584.00	\$ --	\$ 56,584.00	\$ 604.68	\$ 3,142.72	39
263-280-053-5	\$ --	\$ --	\$ --	\$ --	\$ --	#N/A
263-280-054-6	\$ --	\$ --	\$ --	\$ --	\$ --	#N/A
263-280-055-7	\$ 51,386.00	\$ --	\$ 51,386.00	\$ 549.14	\$ 2,833.60	40
263-290-003-1	\$ 131,249.00	\$ --	\$ 131,249.00	\$ 1,402.60	\$ 7,161.28	64A
263-290-005-3	\$ 253,054.00	\$ --	\$ 253,054.00	\$ 2,704.30	\$ 13,807.36	63
263-290-006-4	\$ 236,043.00	\$ --	\$ 236,043.00	\$ 2,522.52	\$ 12,880.00	62
263-290-007-5	\$ 47,252.00	\$ --	\$ 47,252.00	\$ 504.96	\$ 2,576.00	71
263-290-008-6	\$ 47,252.00	\$ --	\$ 47,252.00	\$ 504.96	\$ 2,576.00	70
263-290-009-7	\$ 47,252.00	\$ --	\$ 47,252.00	\$ 504.96	\$ 2,576.00	69
263-290-010-7	\$ 47,252.00	\$ --	\$ 47,252.00	\$ 504.96	\$ 2,576.00	68
263-290-011-8	\$ 47,252.00	\$ --	\$ 47,252.00	\$ 504.96	\$ 2,576.00	67
263-290-014-1	\$ 47,252.00	\$ --	\$ 47,252.00	\$ 504.96	\$ 2,576.00	75
263-290-015-2	\$ 47,252.00	\$ --	\$ 47,252.00	\$ 504.96	\$ 2,576.00	74
263-290-016-3	\$ 47,252.00	\$ --	\$ 47,252.00	\$ 504.96	\$ 2,576.00	73
263-290-017-4	\$ 47,252.00	\$ --	\$ 47,252.00	\$ 504.96	\$ 2,576.00	72
263-290-018-5	\$ 50,912.00	\$ --	\$ 50,912.00	\$ 544.08	\$ 2,782.08	80
263-290-021-7	\$ 73,123.00	\$ --	\$ 73,123.00	\$ 781.44	\$ 3,992.80	79
263-290-022-8	\$ 65,091.00	\$ --	\$ 65,091.00	\$ 695.60	\$ 3,554.88	78
263-290-025-1	\$ 61,310.00	\$ --	\$ 61,310.00	\$ 655.20	\$ 3,348.80	87
263-290-026-2	\$ 56,111.00	\$ --	\$ 56,111.00	\$ 599.64	\$ 3,065.44	86
263-290-027-3	\$ 49,025.00	\$ --	\$ 49,025.00	\$ 523.90	\$ 2,679.04	85
263-290-028-4	\$ 50,088.00	\$ --	\$ 50,088.00	\$ 535.26	\$ 2,730.56	84
263-290-029-5	\$ 49,615.00	\$ --	\$ 49,615.00	\$ 530.22	\$ 2,704.80	83
263-290-042-6	\$ 109,984.00	\$ --	\$ 109,984.00	\$ 1,175.36	\$ 6,002.08	64B
263-290-045-9	\$ 238,402.00	\$ --	\$ 238,402.00	\$ 2,547.72	\$ 13,008.80	65
263-290-046-0	\$ 197,292.00	\$ --	\$ 197,292.00	\$ 2,108.40	\$ 13,601.28	66
263-290-051-4	\$ 218,557.00	\$ --	\$ 218,557.00	\$ 2,335.64	\$ 14,760.48	88

CONSULTING REAL ESTATE APPRAISERS

APN	LAND VALUE	STRUCTURE		2004/05 Property		2004-05	Assessment
		VALUE	TOTAL VALUE	Taxes	Special tax	Annual	
							No.
263-290-053-6	\$ 244,075.00	\$ ---	\$ 244,075.00	\$ 2,608.34	\$ 13,317.92		77
263-290-054-7	\$ 236,986.00	\$ ---	\$ 236,986.00	\$ 2,532.58	\$ 12,931.52		76
263-290-055-8	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---		#N/A
263-290-056-9	\$ 50,088.00	\$ ---	\$ 50,088.00	\$ 535.26	\$ 2,730.56		82
263-290-057-0	\$ 50,599.00	\$ ---	\$ 50,599.00	\$ 540.30	\$ 2,730.56		81
263-290-058-1	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---		#N/A
263-020-020-1	\$ 788,355.00	\$ 4,485,000.00	\$ 5,273,355.00	\$ 56,354.70	\$ 17,722.88		8A
263-020-021-2	\$ 81,668.00	\$ ---	\$ 81,668.00	\$ 872.76	\$ 2,472.96		8B
263-020-053-1	\$ 589,136.00	\$ ---	\$ 589,136.00	\$ 6,295.90	\$ 20,736.80		9
263-250-003-7	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---		#N/A
263-250-004-8	\$ 509,335.00	\$ ---	\$ 509,335.00	\$ 5,443.10	\$ 13,472.48		139
263-250-036-7	\$ 794,562.00	\$ ---	\$ 794,562.00	\$ 8,491.24	\$ 20,994.40		138
263-320-016-5	\$ 411,033.00	\$ ---	\$ 411,033.00	\$ 4,392.58	\$ 11,360.16		90A & B
263-250-026-8	\$ 550,000.00	\$ ---	\$ 550,000.00	\$ 5,877.68	\$ 21,586.88		135
263-250-027-9	\$ 800,000.00	\$ ---	\$ 800,000.00	\$ 8,549.36	\$ 18,907.84		136
263-250-029-1	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---		#N/A
263-320-007-7	\$ 516,465.00	\$ ---	\$ 516,465.00	\$ 5,519.30	\$ 13,240.64		93
263-320-008-8	\$ 180,304.00	\$ ---	\$ 180,304.00	\$ 1,926.84	\$ 4,997.44		92
263-320-009-9	\$ 214,939.00	\$ ---	\$ 214,939.00	\$ 2,296.98	\$ 5,950.56		94
263-320-010-9	\$ 278,096.00	\$ ---	\$ 278,096.00	\$ 2,971.92	\$ 7,702.24		91
263-320-011-0	\$ 368,758.00	\$ ---	\$ 368,758.00	\$ 3,940.80	\$ 10,716.16		95
263-020-015-7	\$ 194,929.00	\$ ---	\$ 194,929.00	\$ 2,083.14	\$ 12,983.04		3
263-020-016-8	\$ 194,929.00	\$ ---	\$ 194,929.00	\$ 2,083.14	\$ 13,008.80		4
263-020-017-9	\$ 194,929.00	\$ ---	\$ 194,929.00	\$ 2,083.14	\$ 13,034.56		5
263-020-018-0	\$ 197,292.00	\$ ---	\$ 197,292.00	\$ 2,108.40	\$ 13,189.12		6
263-020-019-1	\$ 278,810.00	\$ ---	\$ 278,810.00	\$ 2,979.54	\$ 18,650.24		7
263-020-024-5	\$ 283,533.00	\$ ---	\$ 283,533.00	\$ 3,030.02	\$ 18,907.84		10
263-020-025-6	\$ 192,564.00	\$ ---	\$ 192,564.00	\$ 2,057.86	\$ 12,880.00		11
263-020-026-7	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---		#N/A
263-020-027-8	\$ 192,564.00	\$ ---	\$ 192,564.00	\$ 2,057.86	\$ 12,880.00		12
263-020-039-9	\$ 61,429.00	\$ ---	\$ 61,429.00	\$ 656.46	\$ 4,147.36		15
263-020-040-9	\$ 61,429.00	\$ ---	\$ 61,429.00	\$ 656.46	\$ 4,147.36		14
263-020-041-0	\$ 61,429.00	\$ ---	\$ 61,429.00	\$ 656.46	\$ 4,147.36		13
263-020-042-1	\$ 55,522.00	\$ ---	\$ 55,522.00	\$ 593.34	\$ 3,709.44		18
263-020-043-2	\$ 54,339.00	\$ ---	\$ 54,339.00	\$ 580.70	\$ 3,657.92		17
263-020-044-3	\$ 55,522.00	\$ ---	\$ 55,522.00	\$ 593.34	\$ 3,735.20		16
263-020-045-4	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---		#N/A
263-280-025-0	\$ 342,605.00	\$ ---	\$ 342,605.00	\$ 3,661.30	\$ 22,771.84		48
263-280-026-1	\$ 342,605.00	\$ ---	\$ 342,605.00	\$ 3,661.30	\$ 22,797.60		49
263-280-027-2	\$ 342,605.00	\$ ---	\$ 342,605.00	\$ 3,661.30	\$ 22,797.60		50
263-280-037-1	\$ 229,190.00	\$ ---	\$ 229,190.00	\$ 2,449.28	\$ 15,327.20		55
263-280-038-2	\$ 47,252.00	\$ ---	\$ 47,252.00	\$ 504.96	\$ 3,168.48		54
263-280-039-3	\$ 47,252.00	\$ ---	\$ 47,252.00	\$ 504.96	\$ 3,220.00		53
263-280-040-3	\$ 47,252.00	\$ ---	\$ 47,252.00	\$ 504.96	\$ 3,220.00		52
263-280-041-4	\$ 47,252.00	\$ ---	\$ 47,252.00	\$ 504.96	\$ 3,220.00		51
263-280-042-5	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---		#N/A
263-300-024-0	\$ 174,843.00	\$ ---	\$ 174,843.00	\$ 1,868.48	\$ 2,917.32		31
263-300-025-1	\$ 174,843.00	\$ ---	\$ 174,843.00	\$ 1,868.48	\$ 2,955.96		30
263-300-026-2	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---		#N/A
263-300-027-3	\$ 129,951.00	\$ ---	\$ 129,951.00	\$ 1,388.74	\$ 2,183.16		29
263-300-029-5	\$ 109,866.00	\$ ---	\$ 109,866.00	\$ 1,174.10	\$ 1,835.40		28
263-300-030-5	\$ 301,255.00	\$ ---	\$ 301,255.00	\$ 3,219.42	\$ 5,023.20		27
263-300-032-7	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---		#N/A
263-320-014-3	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---		#N/A
263-240-037-7	\$ 972,544.00	\$ ---	\$ 972,544.00	\$ 10,393.28	\$ 26,352.48		143
263-240-038-8	\$ 2,388,781.00	\$ 11,872,598.00	\$ 14,261,379.00	\$ 152,407.06	\$ 51,468.48		144
263-240-039-9	\$ 680,000.00	\$ ---	\$ 680,000.00	\$ 7,266.94	\$ 31,195.36		145
<b>Total</b>	<b>\$26,341,260.00</b>	<b>\$29,989,643.00</b>	<b>\$56,330,903.00</b>	<b>\$601,990.06</b>	<b>\$946,798.94</b>		



## IMPROVEMENTS

CFD No. 92-1 is improved with eight completed buildings and six buildings under construction. The buildings are summarized below.

	<b>Ownership</b>	<b>Size/Sq.Ft.</b>	<b>Completion</b>
1	Raceway Nissan	25,000	2004
2	Space Center I	437,000	2003
3	Space Center II	412,000	2004
4	Eastridge I	57,000	2004
5	Eastridge II	70,000	2004
6	Eastridge III	101,000	2004
7	Eastridge IV	162,000	2004
8	Ewing	400,000	2002
9	Panattoni/Taylor	953,000	U/C
10	Sycamore Ind. Park I	29,000	U/C
11	Sycamore Ind. Park II	30,000	U/C
12	Sycamore Ind. Park III	42,000	U/C
13	Magnon I	91,000	U/C
14	Magnon II	131,000	U/C

### **General**

The buildings are single-tenant industrial buildings configured to accommodate one or two users as a stand alone distribution center. The improvements are designed primarily for warehousing and distribution, and were completed from 2002 to the present time. Our exterior inspection of the various buildings was conducted during March 2005.

### **General Specifications**

- Foundation: Concrete slab on grade with continuous perimeter and pad footings extending 12 to 24 inches below finished grade. There are 4 inch to 7 inch reinforced concrete slabs on insulation and 4 inches of aggregate base.
- Structural Frame: Pre-cast concrete tilt-up panels with 8 inch interior steel-type columns supporting glu-lam beams and roof structures; steel frame interior construction.

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- Exterior Finish:** Concrete tilt-up panels are approximately 30 to 40 feet in height with painted exterior surfaces. Recessed office entrances have glass and anodized aluminum frames.
- Roof:** Three-ply, built-up roof system with mineral cap over plywood sheeting. Roofs appear to have adequate slope to facilitate run-off to perimeter roof drains. Surface assumed to be in good condition.
- Doors:** Office entrances are tempered glass in anodized aluminum frames. The warehouse areas have numerous dock high, steel roll-up loading doors and, numerous steel pedestrian doors. The loading dock has dock bumpers, curtains, and levelers.
- Insulation:** R-11 wall and R-19 fiberglass ceiling insulation adjacent to office space, with foil ceiling insulation in warehouse area.
- Interior Finish:** General office areas consist of carpet and vinyl tile on the floors, drywall partitions, suspended acoustic ceiling with flush fluorescent lighting and air conditioning. Ceiling height varies from 8 to 9 feet with pre-finished laminated doors in metal frames.
- Warehouse:** The unfinished warehouse space has an estimated clear height of 30 to 35 feet, with column spacing adequate for current modern warehouse use. The warehouse floors have been leveled. There are numerous ventilator skylights and halogen shop lighting.
- Restrooms:** There are adequate shop and office restrooms for facilities of their size.
- Electrical:** Electrical service is 400 to 1,000 amps, which is adequate for these properties.
- Site Improvements:** The sites are configured with asphalt paved parking areas at the front, side and rear portions of the site. Parking is provided for an adequate number of car and truck spaces. The properties are fenced with chain link fencing. There is a railroad spur for some buildings.
- Condition:** The subject properties are new and in an excellent condition. Typical life expectancy for good quality warehouse buildings is 30 to 40 years, with effective age estimated to be similar to actual age, approximately 0 years.

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Functional Adequacy: The physical characteristics of the improvements are suited for warehousing and distribution uses. The buildings have excellent loading facilities and clear height will easily accommodate pallet racks for high piled storage. The improvements were designed for a single or two tenant occupancy, which might limit marketability of a property of this size in the future.

## HIGHEST AND BEST USE

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

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.<sup>5</sup>

The determination of highest and best use, therefore, requires a separate analysis for the land as legally permitted, as if vacant. Next, the highest and best use of the property with its improvements must be analyzed to consider any deviation of the existing improvements from the ideal. "The highest and best use of both land as though vacant and property as improved must meet four criteria. The highest and best use must be: legally permissible, physically possible, financially feasible, and maximally productive. These criteria are often considered sequentially."<sup>6</sup> The four criteria interact and, therefore, may also be considered in concert. A use may be financially feasible, but it is irrelevant if it is physically impossible or legally prohibited.

### **Legal Considerations**

Legal considerations affecting the highest and best use of the subject sites are primarily governmental regulations such as zoning and building codes. The subject sites are zoned MP. This zoning permits a wide variety of business park and industrial uses. Based on the existing zoning, an alternate use such as residential would not meet the intent of the zoning, and does not conform to immediate surrounding development and would most likely not be permitted.

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<sup>5</sup> *The Dictionary of Real Estate Appraisal*, 4th Edition, Pub. by the Appraisal Institute, Chicago, IL., p. 135.

<sup>6</sup> *The Appraisal of Real Estate*, 10th Edition, Pub. by the Appraisal Institute, Chicago, IL., p. 280.

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The entire proposed development of Sycamore Canyon is approved by the City of Riverside. All of the parcels within this appraisal have vesting tentative tract maps, recorded tract maps or parcel maps. The proposed improvements conform to the various zone designation.

## **Physical Characteristics**

The subject site is effectively rolling to level at street grade, contains a total of approximately 452± net acres, has all utilities available and assumed stable soil conditions. Based on these factors, it is the appraiser's opinion that no unusual costs would be incurred in the site's development.

The subject site is located on two primary streets that are partially improved. The nature of the surrounding improvements indicates that a future business park use of the site would conform to the surrounding area and be the most appropriate use. Alessandro Boulevard is one of the major commercial streets in the subject area.

The site is located in close proximity to commercial areas, and is near two freeways. The surrounding area is mostly raw unimproved land, with scattered industrial improvements. Based upon the physical considerations, it appears a business park use would be the most appropriate use of the site.

## **Financial Feasibility and Maximum Productivity**

As previously stated, the subject site is effectively level at street grade, has all utilities available, assumed stable soil conditions and is assumed to be clean of toxic materials. Based on these factors, it is the appraiser's opinion that no known unusual costs would be incurred in the site's development.

The issue of financial feasibility and maximum productivity revolves around the site's ability to generate the highest increment of income from its proposed use. As discussed previously, the sites are suitable for development with business park uses. In our research of the market for improved sales, land sales and rental rates in the vicinity of

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the subject, and discussions with brokers indicate the market has improved considerably over the market of two to three years ago. While the current rent levels are slightly down, they appear to have stabilized. This level of stabilization is at historically strong levels. The subject project is experiencing a resurgence. This is evidenced by the 14 buildings that are recently completed or under construction. The largest building, at 953,000 square feet, was pre-leased prior to construction.

## **Market Conditions and Feasibility**

*Please refer to the Market Overview section of this report for the discussion of the current industrial real estate market for the subject property. The current strength of the subject's market is influenced by the lack of developable land in the western Inland Empire market area. The shift of new development to the Riverside area is expected to continue into the foreseeable future.*

## **Maximally Productive**

In considering what use would be maximally productive for the subject property, we must consider the previously stated legal considerations. We are assuming the land uses allowed under the Specific Plan with the City and the Development Agreement are the most productive uses that will be allowed at the present time. Current zoning and approved uses indicate that other alternative uses are not feasible at this time.

## **Conclusion**

Legal, physical, and market considerations have been analyzed to evaluate the highest and best use of the property. This analysis is presented to evaluate the type of uses which will generate the greatest level of future benefits possible from the land.

### **As Vacant**

After reviewing the alternatives available and considering this and other information, it is our opinion that ultimate development of a business park is considered the highest and best use of the property.

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## **As Improved**

The proposed uses are legal uses of the properties and the value of the properties as improved far exceeds the value of the sites if vacant. This means that the improvements contribute substantial value to the sites. Based on these considerations, it is our opinion that the existing and proposed developments constitute the highest and best use of the subject property.

After reviewing the alternatives available and considering this and other information, it is the opinion of the appraisers that the highest and best use for the subject property, as vacant and as improved, is for continued industrial development. The project appears to have the location, features, and pricing structure to obtain a moderate sales rate under existing financing and market conditions.

## VALUATION METHODOLOGY

### Basis of Valuation

Valuation is based upon general and specific background experience, opinions of qualified informed persons, consideration of all data gathered during the investigative phase of the appraisal, and analysis of all market data available to the appraiser.

### Valuation Approaches

Three basic approaches to value are available to the appraiser: the Cost Approach, the Income Approach, and the Direct Comparison Approach.

#### **Cost Approach**

This approach entails the preparation of a replacement or reproduction cost estimate of the subject property improvements new (maintaining comparable quality and utility) and then deducting for losses in value sustained through age, wear and tear, functionally obsolescent features, and economic factors affecting the property. The land value is then added to the depreciated cost to arrive at a total cost estimate. The addition of an entrepreneurial profit, or margin of return for under-taking the development project, is necessary to equate the estimated cost to an indication of value.

#### **Income Approach**

This approach is based upon the theory that the value of property tends to be set by the expected net income to the owner. It is in effect the capitalization of expected future income into present worth. This approach requires an estimate of net income, an analysis of all expense items, the selection of a capitalization rate, and the processing of the net income stream into a value estimate.

#### **Direct Comparison**

This approach is based upon the principle that the value of a property tends to be set by the price at which comparable properties have recently been sold or for which they can be acquired. This approach requires a detailed comparison of sales of comparable properties with the subject property. One of the main requisites, therefore, is that sufficient transactions of comparable properties be available to provide an accurate indicator of value.



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and that accurate information regarding price, terms, property description, and use be obtained through interview and observation.

For the land, only the Direct Comparison Approach is used in valuing the fee simple estate subject to special tax and special assessment liens. The Income Approach is typically used when appraising income producing properties. This approach is not applicable in the valuation of land as land is not typically held to generate monthly income, but rather purchased to construct an end product which may or may not generate income. The Cost Approach is not an appropriate valuation tool in the valuation of land.

A limited analysis of the improved properties was undertaken. This entailed the use of the Direct Comparison Approach to value. Since no information about tenants or leases were provided, an Income Approach was not completed. The Cost Approach is not an appropriate valuation tool when property owners refuse to provide any information about their properties.

## VALUATION CFD No. 92-1—UNDEVELOPED LAND

### General

The undeveloped parcels within CFD No. 92-1 are mostly in a raw condition within an approved specific planning area. The only street improvements are Sycamore Canyon Boulevard, Cottowood Street, River Run and Eastridge Avenue.

Included in this portion of the appraisal is all the undeveloped property owned by 13 individual property owners. Each ownership will be valued separately. Each undeveloped parcel has been identified within the Site Analysis section of this report. All 451.90 net acres are for industrial use. The 13 individual ownerships total 235.56 gross acres and 222.97 net acres of undeveloped land.

### Direct Comparison Approach

The Direct Comparison Approach is based upon the premise that, when a property is replaceable in the market, its value tends to be set by the purchase price necessary to acquire an equally desirable substitute property, assuming no costly delay is encountered in making the decision and the market is reasonably informed. In appraisal practice, this is known as the Principle of Substitution.

This approach is a method of analyzing the subject property by comparison of actual sales of similar properties. These sales are evaluated by weighing both overall comparability and the relative importance of such variables as time, terms of sale, location of sale property, and lot characteristics. For the purpose of this report, the unit of comparison utilized is the price per square foot of usable area for industrial land. The indicated values reflect the specific *as is lot values* as sold to individual buyers.

In addition to the current sales within the subject's immediate neighborhood, we have included transfers of similar properties in other locations in Riverside County. The following table summarizes the sales considered most helpful in valuing the lots for industrial use within the Sycamore Canyon Business Park.

## INDUSTRIAL LAND SALES SUMMARY

<u>Data No./Location</u>	<u>Sale Date</u>	<u>Size/AC</u>	<u>Size/SF</u>	<u>Price Paid</u>	<u>Price/SF</u>	<u>Condition</u>
1 W/S Sycamore Canyon Blvd. N/O Cottonwood Ave. Riverside	Mar-04	22.93	998,831	\$3,400,000	\$3.40	Raw Site
2 E/S Sycamore Canyon Blvd. S/O Box Springs Blvd. Riverside	Dec-03	24.08	1,048,925	\$3,350,000	\$3.19	Raw Site
3 NWC Sycamore Canyon Blvd. & Eastridge Ave. Riverside	Apr-04	80.00	3,484,800	\$10,400,000	\$2.98	Raw Site
4 NEC Sycamore Canyon Blvd. & Alessandro Blvd. Riverside	Sep-03	16.34	711,770	\$1,675,000	\$2.35	Raw Site
5 W/S Sycamore Canyon Blvd. S/O Box Springs Blvd. Riverside	May-04	91.46	3,983,998	\$10,600,000	\$2.66	Raw Site
6 W/S Sycamore Canyon Blvd. N/S Eastridge Rd. Riverside	Jun-04	25.18	1,096,841	\$890,000	\$0.81	Raw Site
7 SEC Sierra Ave. & Slover Ave. Fontana	Jun-04	208.00	9,060,480	\$27,743,000	\$3.06	Mass Graded
8 N/S Riverside Dr. E/O Miliken Ave. Riverside	Oct-03	12.87	560,617	\$2,431,500	\$4.34	Raw Site
9 S/End Brookhollow Cir. S/O Galena St. Riverside	Feb-04	5.28	229,997	\$800,000	\$3.48	Raw Site
10 W/S Main St. N/O Alamo St. Riverside	Feb-04	9.21	401,188	\$1,461,500	\$3.64	Raw Site

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## **Analysis**

We have reviewed and inspected all of the data items set forth in the summary. The adjustments considered for the data items were for financing, economic changes between date of value and recorded sale date, location, site characteristics, costs to bring to finished lot condition and assessments.

### *Property Rights*

All the data cited involve a 100% transfer of the fee interest in the properties from the seller to the buyer. As a result, no adjustment for property rights is necessary to the data.

### *Financing*

Most of the data cited were cash transactions or cash down payments followed by institutional acquisition and development loans. These terms result in essentially all cash paid to the seller. Thus, for these transactions, adjustments for financing terms are not required.

### *Conditions of Sale*

Conditions of sale are those motivational factors affecting either the buyer or the seller. Though a transaction may be "arms-length," a buyer or seller may have extenuating circumstances that impact the sales price. No additional adjustments are needed.

### *Market Conditions*

An investigation into the general market pricing trends and consideration based upon interviews and surveys of developers and other market participants was conducted.

Rent levels for industrial property have plateaued. All of the sales recorded between September 2003, and the present time. No time adjustment is indicated in the market.

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## *Location*

The location of the subject property is considered average, located at the eastern section of the City of Riverside. Data Item Nos. 1 to 6 are located in the subject development and require no adjustment. Data No. 7 is located in a secondary location in Fontana. No adjustment is necessary. Data Nos. 8 to 10 are located in inferior locations in Riverside. Upward adjustments are required.

## *Site Location*

Specific site locations in terms of visibility were considered. We have considered a typical interior location for the subject lots. Differences in primary street versus secondary street locations did not consistently indicate a difference in price, therefore, no adjustments were accorded. Similarly, corner locations in a healthy market would typically command a premium. However, under current market conditions, no adjustment was considered warranted.

## *Size*

We have not adjusted for size, because we are valuing individual ownerships ranging from less than 10 acre to 100 acres. Assuming all other factors are similar, larger sites typically tend to sell for less on a per square foot basis, than smaller sites due to economies of scale. There is also a smaller market for larger and more expensive land parcels, thus limiting the marketability of the site. However, a review of the adjusted per square foot prices indicates there is little variance in price between a 15± acre parcel and a 90± acre parcel.

## *Assessment District/CFD Obligations*

We have also attempted to adjust for the differences in Assessment District and CFD obligations of the comparable sales to those of the subject. For purposes of this analysis, we have assumed the improvements of this issuance of CFD No. 92-1 are in place and bonds have been sold. The subject property is within the boundaries of A.D. No.1 which has an \$8,000 per acre obligation. This issuance of CFD No. 92-1 applies to all of the properties. Comparing the combined annual payment of assessments and

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special taxes to the properties without the obligation results in an estimated downward adjustment of 10% to Data Nos. 8, 9 and 10, which are not located in an AD or CFD.

## **Conclusion of Industrial "As Is" Lot Values**

We have given consideration to the interviews with numerous brokers familiar with the Riverside County industrial market. Most of those interviewed indicated that they thought the subject property would sell in the \$2.50 to \$3.50 per square foot range on an as is basis for buildable land. This is generally supported by the market data. We have valued all of the property located on streets with current access from \$2.25 to \$3.00 per square foot and sites without access at approximately \$1.00 per square foot.

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## "As Is" Site Values - Sycamore Business Park

Please refer to the following table which illustrate the as is lot values for the individual industrial sites giving consideration to their as is condition.

<u>Owner</u>	<u>Indicated Value</u>
M&GA Partnership	\$825,000
Ramirez	\$175,000
Whalen	\$180,000
Yamakawa	\$430,000
Outerall S.A.	\$430,000
Palmer	\$430,000
Kennedy	\$430,000
Sycamore Canyon Associates	\$2,500,000
Ray Magnon	\$9,500,000
48/Sycamore Canyon Partnership	\$2,000,000
Sycamore Canyon, LLC	\$1,100,000
D&N Investment	\$1,300,000
Panattoni, Inv. & Phelan Prep	\$1,500,000
Total Individual Ownerships	\$20,800,000

## IMPROVED PROPERTY VALUATION

The Direct Sales Comparison Approach is based upon the premise that when a property is replaceable in the market, its value tends to be set by the purchase price necessary to acquire an equally desirable substitute property, assuming no costly delay is encountered in making the decision and the market is reasonably well informed. In appraisal practice, this is known as the Principle of Substitution.

This approach to value is a method of estimating the value of the subject properties by means of actual sales of similar properties. These sales must be evaluated by weighing both overall comparability and the relative importance of such variables as time, terms of sale, location of sale property, parcel size, zoning and other pertinent characteristics.

An investigation and analysis of recent sales of industrial buildings in the Riverside County market area was undertaken for the purpose of arriving at an estimate of the Market Value of the subject property based on a Direct Sales Comparison Approach. We have also included sales of several auto dealerships to value the Raceway Nissan property. The unit of comparison used in the Direct Comparison Approach is dollars per square foot of building area. Relevant data sources include COMPS, Smith Guide Industrial Multiple and public records.

Our investigation uncovered nine recent transfers of medium to large distribution/warehouse buildings in the Riverside area. The sales are deemed significant due to sale date, location, and use. The uses are generally similar to the highest and best use of the subject property (some form of light manufacturing or warehousing), as outlined in the Highest and Best Use section of this report. The sales are summarized on the following page. Two auto dealerships are included in the sales summary to assist in the valuation of the Nissan site.

A summary table of the improved sales data are presented on the following table.



## Summary of Industrial Building Sales Sycamore Canyon Market Area

Data Number and Location	Date of Sale	Year Built	Building Size (Sq. Ft.)	Parcel Size (Sq. Ft.) Coverage	Zoning	Sales Price	Sales Price/Sq. Ft.	Use
Data 1 11640 Harrell St. Mira Loma	10/04	1989	886,500	1,817,323 43%	M-SC	\$46,000,000	\$51.89	Distribution/warehouse
Data 2 4250 Hammer Ave. Mira Loma	3/04	1998	755,137	1,377,367 55%	M2	\$37,200,000	\$49.26	Distribution/warehouse
Data 3 1455 Columbia Ave. Riverside	12/04	1960	131,578	251,777 52%	M2	\$10,000,000	\$76.00	Distribution/warehouse
Data 4 1110-30 Palmyrita Ave. Riverside	12/04	1991	106,825	283,140 38%	MP	\$8,000,000	\$74.89	A multi-tenant business park
Data 5 705 Columbia Ave. Riverside	4/04	2004	129,280	283,140 46%	M1	\$7,030,240	\$54.38	Distribution/warehouse
Data 6 2023-25 Chicago Ave. Riverside	6/04	1987	72,000	199,505 36%	M2	\$5,900,000	\$81.94	A multi-tenant business park
Data 7 1050 Palmyrita Ave. Riverside	4/04	1988	98,860	212,137 47%	MP	\$5,200,000	\$53.69	Distribution/warehouse
Data 8 871 Marlborough Ave. Riverside	7/04	2002	24,592	65,340 38%	MP	\$2,100,000	\$85.39	A multi-tenant business park
Data 9 1875 Iowa Ave. Riverside	6/04	2002	23,974	52,416 46%	C1	\$1,654,200	\$69.00	Distribution/warehouse
Data 10 300-320 Carriage Cir. Hemet	10/04	N/A	20,000	263,973 8%	C1	\$5,500,000	\$275.00	Honda Auto Dealership
Data 11 2683 Wardlow Rd. Corona	6/04	N/A	20,000	109,335 18%	SP	\$3,400,000	\$170.00	KIA Auto Dealership

Source: Harris Realty Appraisal

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## Analysis of Market Data

Among the 11 sale transactions, Comparable Nos. 1 and 2 are situated in the nearby Mira Loma area. Comparable Nos. 3 to 9 are located in the Riverside industrial areas; near the subject District. The two auto dealerships are located in Corona and Hemet. Most comparable properties were user purchases, although several multi-tenant buildings were included. A discussion of potential adjustment criteria is presented below.

### *Financing*

An adjustment is warranted for sales with favorable financing terms, below market interest rates or favorable seller provided financing. All of the sales were cash to the seller or at market rates and terms equivalent to a cash purchase. No adjustment was needed for any of the sales.

### *Time/Market Conditions*

Data covers a time frame of about 12 months prior to the valuation date. Most brokers are of the opinion that the market is stabilized for buildings in this size range and that prices have plateaued. We have concluded that no adjustment is warranted for time/market conditions on any of the sales.

### *General Location*

An adjustment is warranted for general location of the sale buildings, compared to the subject location. The locational adjustments are based on the general characteristic of the neighborhood as they relate to industrial uses, street width, traffic counts, surrounding uses, and proximity to the established industrial areas within the subject area.

The neighborhood characteristics of the subject and the comparables are considered similar, so no adjustments are necessary.

### *Age and Condition*

The subject improvements are new, showing an excellent condition. Data Item No.

# HRA

## Analysis of Market Data

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An adjustment is warranted for general location of the sale buildings, compared to the subject location. The locational adjustments are based on the general characteristic of the neighborhood as they relate to industrial uses, street width, traffic counts, surrounding uses, and proximity to the established industrial areas within the subject area.

The neighborhood characteristics of the subject and the comparables are considered similar, so no adjustments are necessary.

### *Age and Condition*

The subject improvements are new, showing an excellent condition. Data Item No.

# HRA

## Conclusion of Value - Industrial Building

We believe the data set presented provides sufficient information from which to draw a value conclusion for the subject. In our analysis, we have adjusted the sales for financing, time/market conditions, general location, age and condition of the building, building size, office percentage and other factors. The unadjusted price for the comparable industrial buildings, range from \$49.26 to \$85.39 per square foot. After adjusting for the differences described above, the indicated range is \$45.00 to \$55.00 per square foot. Several of the buildings are under construction. Those buildings have been valued by multiplying their market value by their estimated percentage of completion.

The unadjusted price for the auto dealerships ranged from \$170.00 to \$275.00 per square foot. After adjustment, the Nissan site had an indicated value of just under \$240.00 per square foot of building area.

We have correlated toward the middle of this range to reflect a moderate demand for buildings near the subject's size and their quality of construction. The indicated value of the subject properties by the Direct Sales Comparison Approach is:

Space Center Sycamore Canyon	\$35,000,000
Ray Magnon	5,000,000
Pearson Ford Properties (Raceway Nissan)	6,000,000
Sycamore Industrial Park	2,000,000
Sycamore Eastridge	16,000,000
Panattoni/Taylor	20,000,000
Ewing et al.	<u>16,000,000</u>
Total	\$100,000,000

## VALUE CONCLUSIONS

Based upon the investigation undertaken, our experience as real estate appraisers, and subject to all the premises, assumptions and limiting conditions set forth in this report, the following opinions of value have been formed, as of March 1, 2005.

### ***452+ Net Acres Proposed for Sycamore Canyon Business Park***

**THE FOLLOWING VALUE IS THE AGGREGATE OF THE BULK VALUES TO EACH OWNERSHIP**

**ONE HUNDRED TWENTY MILLION EIGHT HUNDRED THOUSAND DOLLARS**

**\$120,800,000**

<b>Valuation Summary According to Ownership</b>	
M&GA Partnership	\$825,000
Ramirez	\$175,000
Whalen	\$180,000
Yamakawa	\$430,000
Outerall S.A.	\$430,000
Palmer	\$430,000
Kennedy	\$430,000
Sycamore Canyon Associates	\$2,500,000
Ray Magnon	\$9,500,000
48/Sycamore Canyon Partnership	\$2,000,000
Sycamore Canyon, LLC	\$1,100,000
D&N Investment	\$1,300,000
Panattoni, Inv. & Phelan Prep	\$1,500,000
Space Center Sycamore Canyon	\$35,000,000
Ray Magnon	\$5,000,000
Pearson Ford Properties (Raceway Nissan)	\$6,000,000
Sycamore Industrial Park	\$2,000,000
Sycamore Eastridge	\$16,000,000
Panattoni/Taylor	\$20,000,000
Ewing et al	<u>\$16,000,000</u>
Total Subject Properties	\$120,800,000

## CERTIFICATION

We hereby certify that during the completion of this assignment, we personally inspected the property that is the subject of this appraisal and that, except as specifically noted:

We have no present or contemplated future interest in the real estate or personal interest or bias with respect to the subject matter or the parties involved in this appraisal.

To the best of our knowledge and belief, the statements of fact contained in this appraisal report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.

Our engagement in this assignment was not contingent upon developing or reporting predetermined results. The compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

As of the date of this report, James B. Harris has completed the requirements of the continuing education program of the Appraisal Institute.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.

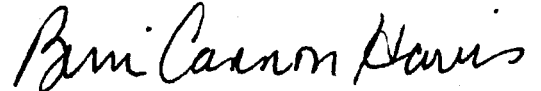
No one provided professional assistance to the persons signing this report.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. In furtherance of the aims of the Appraisal Institute to develop higher standards of professional performance by its

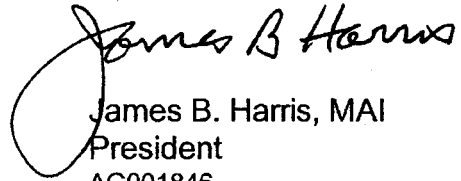
# HRA

Members, we may be required to submit to authorized committees of the Appraisal Institute copies of this appraisal and any subsequent changes or modifications thereof.

Respectfully submitted,



Berri J. Cannon Harris  
Vice President  
AG009147



James B. Harris, MAI  
President  
AG001846

**HRA**

**ADDENDA**



*QUALIFICATIONS*

**HARRIS REALTY APPRAISAL**

5100 Birch Street, Suite 200

Newport Beach, CA 92660

(949) 851-1227

**QUALIFICATIONS  
OF  
JAMES B. HARRIS, MAI**

***PROFESSIONAL BACKGROUND***

Actively engaged as a real estate analyst and consulting appraiser since 1971. President and Principal of **Harris Realty Appraisal**, with offices at:

5100 Birch Street, Suite 200  
Newport Beach, California 92660

Before forming Harris Realty Appraisal, in 1982, was employed with Real Estate Analysts of Newport, Inc. (REAN) as a Principal and Vice President. Prior to employment with REAN was employed with the Bank of America as the Assistant Urban Appraisal Supervisor. Previously, was employed by the Verne Cox Company as a real estate appraiser.

**PROFESSIONAL ORGANIZATIONS**

Member of the Appraisal Institute, with MAI designation No. 6508  
Director, Southern California Chapter – 1998, 1999  
Chair, Orange County Branch, Southern California Chapter -1997  
Vice-Chair, Orange County Branch, Southern California Chapter - 1996  
Member, Region VII Regional Governing Committee - 1991 to 1995, 1997, 1998  
Member, Southern California Chapter Executive Committee - 1990, 1997 to 1999  
Chairman, Southern California Chapter Seminar Committee - 1991  
Chairman, Southern California Chapter Workshop Committee - 1990  
Member, Southern California Chapter Admissions Committee - 1983 to 1989  
Member, Regional Standards of Professional Practice Committee -1985 - 1997

Member of the International Right-of-Way Association, Orange County Chapter 67.

California State Certified Appraiser, Number AG001846

***EDUCATIONAL ACTIVITIES***

B.S., California State Polytechnic University, Pomona, 1972.

Successfully completed the following courses sponsored by the Appraisal Institute and the Right-of-Way Association:

Course I-A	Principles of Real Estate Appraisal
Course I-B	Capitalization Theory
Course II	Urban Properties
Course IV	Litigation Valuation
Course VI	Investment Analysis
Course VIII	Single-Family Residential Appraisal
Course SPP	Standards of Professional Practice
Course 401	Appraisal of Partial Acquisitions

Has attended numerous seminars sponsored by the Appraisal Institute and the International Right-of-Way Association.

## **TEACHING AND LECTURING ACTIVITIES**

Seminars and lectures presented to the Appraisal Institute, the University of California-Irvine, UCLA, California Debt and Investment Advisory Commission, Stone & Youngberg and the National Federation of Municipal Analysts.

## **MISCELLANEOUS**

Member of the Advisory Panel to the California Debt and Investment Advisory Commission, regarding Appraisal Standards for Land Secured Financing (March 2003 through June 2004)

## **LEGAL EXPERIENCE**

Testified as an expert witness in the Superior Court of the County of Los Angeles and the County of San Bernardino and in the Federal Bankruptcy Courts five times concerning the issues of Eminent Domain, Bankruptcy, and Specific Performance. He has been deposed numerous times concerning these and other issues. This legal experience has been for both Plaintiff and Respondent clients. He has prepared numerous appraisals for submission to the IRS, without having values overturned. He has worked closely with numerous Bond Counsel in the completion of 80 Land Secured Municipal Bond Financing appraisals over the last five years.

## **SCOPE OF EXPERIENCE**

### ***Feasibility and Consultive Studies***

Feasibility and market analyses, including the use of computer-based economic models for both land developments and investment properties such as shopping centers, industrial parks, mobile home parks, condominium projects, hotels, and residential projects.

### ***Appraisal Projects***

Has completed all types of appraisal assignments from San Diego to San Francisco, California. Also has completed out-of-state appraisal assignments in Arizona, Florida, Georgia, Hawaii, Nevada, New Jersey, Oklahoma, Oregon, and Washington.

#### ***Residential***

Residential subdivisions, condominiums, planned unit developments, mobile home parks, apartment houses, and single-family residences.

#### ***Commercial***

Office buildings, hotels, motels, retail store buildings, restaurants, power shopping centers, neighborhood shopping centers, and convenience shopping centers.

#### ***Industrial***

Multi-tenant industrial parks, warehouses, manufacturing plants, and research and development facilities.

#### ***Vacant Land***

Community Facilities Districts, Assessment Districts, master planned communities, residential, commercial and industrial sites; full and partial takings for public acquisitions.

**QUALIFICATIONS  
OF  
BERRI J. CANNON HARRIS**

***PROFESSIONAL BACKGROUND***

Actively engaged as a real estate appraiser since 1982. Vice President of *Harris Realty Appraisal*, with offices at:

5100 Birch Street, Suite 200  
Newport Beach, California 92660

Before joining Harris Realty Appraisal was employed with Interstate Appraisal Corporation as Assistant Vice President. Prior to employment with Interstate Appraisal was employed with Real Estate Analysts of Newport Beach as a Research Assistant.

***PROFESSIONAL ORGANIZATIONS***

Candidate of the Appraisal Institute for the MAI designation.  
Co-Chair, Southern California Chapter Hospitality Committee - 1994 - 1998  
Chair, Southern California Chapter Research Committee - 1992, 1993

Women in Commercial Real Estate, Member Orange County Chapter.  
Chair, Special Events – 1998, 1999, 2000, 2001, 2002, 2003  
Second Vice-President - 1996, 1997  
Treasurer - 1993, 1994, 1995  
Chair, Network Luncheon Committee - 1991, 1992

California State Certified Appraiser, Number AG009147

***EDUCATIONAL ACTIVITIES***

B.S.B.A., University of Redlands, Redlands, California

Successfully completed the following courses sponsored by the Appraisal Institute:

Principles of Real Estate Appraisal  
Basic Valuation Procedures  
Capitalization Theory and Techniques - A  
Capitalization Theory and Techniques - B  
Report Writing and Valuation Analyses  
Standards of Professional Practice  
Case Studies in Real Estate Valuation

Has attended numerous seminars sponsored by the Appraisal Institute. Has also attended real estate related courses through University of California-Irvine.

## **LECTURING ACTIVITIES**

Seminars and lectures presented to UCLA, California Debt and Investment Advisory Commission, and Stone & Youngberg.

## **MISCELLANEOUS**

Member of the Advisory Panel to the California Debt and Investment Advisory Commission, regarding Appraisal Standards for Land Secured Financing (March 2003 through February 2004)

## **SCOPE OF EXPERIENCE**

### ***Appraisal Projects***

Has completed all types of appraisal assignments from San Diego to San Francisco, California. Also has completed out-of-state appraisal assignments in Arizona and Hawaii.

#### ***Residential***

Residential subdivisions, condominiums, planned unit developments, mobile home parks, apartment houses, and single-family residences.

#### ***Commercial***

Office buildings, retail store buildings, restaurants, neighborhood-shopping centers, strip retail centers.

#### ***Industrial***

Multi-tenant industrial parks, warehouses, manufacturing plants, and research and development facilities.

#### ***Vacant Land***

Residential sites, commercial sites, industrial sites, large multi-unit housing, master planned unit developments, and agricultural acreage. Specializing in Community Facilities District and Assessment District appraisal assignments.

## **PARTIAL LIST OF CLIENTS**

### ***Lending Institutions***

American Savings Bank  
Bank of America  
Bank of California  
Bank One  
Coast S&L Assoc.  
Commerce Bank  
Downey S&L Assoc.  
Fremont Investment and Loan  
First Los Angeles Bank  
Institutional Housing Partners

NationsBank  
Preferred Bank  
Santa Monica Bank  
Sumitomo Bank  
Tokai Bank  
Union Bank  
Universal S&L Assoc.  
Wallace Moir Company  
Wells Fargo Bank  
Weyerhaeuser Mortgage

### ***Public Agencies***

Army Corps of Engineers  
California State University  
Caltrans  
Capistrano Unified School District  
City of Beaumont  
City of Costa Mesa  
City of Encinitas  
City of Fontana  
City of Fullerton  
City of Hemet  
City of Honolulu  
City of Indian Wells  
City of Irvine  
City of Lake Elsinore  
City of Los Angeles  
City of Newport Beach

City of Oceanside  
City of Palm Springs  
City of Perris  
City of Riverside  
City of San Marcos  
City of Tustin  
County of Orange  
County of Riverside  
Eastern Municipal Water District  
Orange County Sheriff's Department  
Ramona Municipal Water District  
Rancho Santa Fe Comm. Services District  
Saddleback Valley Unified School District  
Santa Ana Unified School District  
Val Verde Unified School District

### ***Developers and Landowners***

Coto de Caza, Ltd.  
DMB - Ladera  
Foothill Ranch Company  
Hon Development Co.  
The Irvine Company  
Irvine Apartment Communities

Lennar Homes  
McLain Development  
Rancho Mission Viejo  
Santa Margarita Company  
Sterling Development.  
Shapell Industries

### ***Law Firms***

Arter & Hadden  
Bronson, Bronson & McKinnon  
Bryan, Cave, McPheeters & McRoberts  
Cox, Castle, Nicholson  
Gibson, Dunn & Crutcher

McClintock, Weston, Benshoof,  
Rocheffort & MacCuish  
Palmiri, Tyler, Wiener, Wilhelm, & Waldron  
Sonnenschein Nath & Rosenthal  
Strauss & Troy

## APPENDIX C

### SUPPLEMENTAL INFORMATION ON THE CITY OF RIVERSIDE

*The information and expressions of opinion set forth herein have been obtained from sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness. Statements contained herein 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 facts. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale thereafter of the securities offered hereby shall under any circumstances create any implication that there has been no change in the affairs of the City or in any other information contained herein since the date of the Official Statement.*

#### **Geography**

The City of Riverside (the “City”) is a rapidly growing city of 277,000 that currently ranks as the sixth largest city in Southern California and as the eleventh largest city in California. The City is home to four internationally recognized colleges and universities with a current student population of over 37,000 including the prestigious University of California, Riverside, with an expanding student population of over 13,000. The City is the county seat of the County of Riverside (the “County”) and is located in the western portion of the County about 57 miles east of downtown Los Angeles and is centrally placed within a short distance from the Coachella Valley, San Bernardino Mountains, Southern California beaches and Ontario International Airport. Within ten miles of the City are the ten cities of San Bernardino, Loma Linda, Corona, Norco, Fontana, Ontario, Rialto, Colton, Moreno Valley and Redlands. Those ten cities are located in the County and the County of San Bernardino, which together are referred to as the Riverside San Bernardino Primary Metropolitan Statistical Area (“PMSA”). These eleven cities, including the City of Riverside, represent an important economic area of the State of California and Southern California known as the “Inland Empire.” The Inland Empire lies to the west and south respectively of the strategic San Gorgonio and Cajon Passes, from which three transcontinental railroads and two interstate highways converge to connect the Los Angeles area with other areas of the nation. The City is situated in close proximity to the metropolitan centers of the Counties of Los Angeles and Orange.

The County and the County of San Bernardino cover 27,400 square miles, a land area larger than the Commonwealth of Virginia. The County alone is larger than the State of New Jersey. The PMSA of which the City is a part, though small geographically in relation to the bi county area, contains most of the two counties’ population.

#### **Municipal Government**

The City, incorporated in 1883, is a charter city and has a council manager form of government with a seven member council being elected for four year overlapping terms. The mayor is elected at large for a four year term and is presiding officer of the City Council, but does not have a vote except in the case of a tie. The City Council appoints the City Manager who serves as the administrator of the staff and carries out the policies of the City Council. The City operates and maintains a sewer system. Electricity and water are provided by the City owned electric and water utility. Other City services include a diversified recreation program and parks department, museums and libraries.

## Assessed Valuation

Assessed valuations within the City are established by the Riverside County Assessor, except for utility property, which is assessed by the State Board of Equalization.

The following table summarizes the assessed valuation for the City for Fiscal Years 2000-01 to 2004-05.

### CITY OF RIVERSIDE ASSESSED VALUATION

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total Assessed Valuation</i>
2000-01	\$10,733,676,024	\$19,124,138	\$682,809,430	\$11,435,609,592
2001-02	11,618,309,751	19,366,272	795,333,567	12,433,009,590
2002-03	12,525,074,163	18,111,595	972,883,427	13,516,069,185
2003-04	13,620,166,707	12,843,594	835,370,922	14,468,381,223
2004-05	14,966,348,981	13,154,161	927,450,430	15,906,953,572

Source: California Municipal Statistics, Inc.

## Tax Levies and Delinquencies

The Riverside County Tax Collector collects property taxes levies for each fiscal year on taxable real and personal property in the County as of the preceding January 1, the lien date for property taxes. Unsecured taxes are due on March 1 of each year and become delinquent August 31. One half of the secured tax levy is due November 1, and becomes delinquent December 10; the second installment is due February 1, and becomes delinquent April 10. A ten percent penalty is added to any late installment. On June 30, delinquent properties are sold to the State.

Property owners may redeem properties sold to the State upon payment of delinquent taxes and penalties. Such properties incur a redemption penalty of one and one half percent (1½%) of the tax due per month. Properties may be redeemed under an installment plan by paying current taxes, plus twenty percent (20%) of delinquent taxes for five (5) years. Interest accrues at one and one half percent (1½%) of the tax due per month on the unpaid balance. If no payments have been made on delinquent taxes at the end of five fiscal years, the property is deeded to the State. Such properties may thereafter be conveyed to the county tax collector to be sold at a public auction as provided by law.



## Population

The following table offers population figures for the City, the County and the State from 2000 through 2004.

### CITY OF RIVERSIDE, COUNTY OF RIVERSIDE AND STATE OF CALIFORNIA POPULATION

<i>Area</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
City of Riverside	253,800	261,700	270,700	276,300	277,000
County of Riverside	1,533,800	1,586,900	1,648,800	1,719,000	1,776,700
State of California	33,753,000	34,431,000	35,049,000	35,612,000	36,144,000

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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, 2002, 2003 and 2004.

## Employment

Residents of the City find employment throughout the Riverside-San Bernardino-Ontario MSA. This labor market area, as defined for reporting purposes by the California Employment Development Department, has boundaries coterminous with those of Riverside and San Bernardino Counties. The following tables set forth certain employment data for the Riverside-San Bernardino-Ontario MSA and the County.

**RIVERSIDE-SAN BERNARDINO-ONTARIO MSA  
ANNUAL AVERAGE EMPLOYMENT**

<i>TITLE</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
Civilian Labor Force	1,508,000	1,562,300	1,639,700	1,688,300	1,650,500
Civilian Employment	1,430,800	1,484,100	1,543,400	1,588,700	1,556,100
Civilian Unemployment	77,200	78,200	96,300	99,600	94,400
Civilian Unemployment Rate	5.1%	5.0%	5.9%	5.9%	5.7%
Total Farm	21,700	20,900	20,300	20,300	18,800
Total Nonfarm	988,400	1,029,700	1,064,500	1,099,200	1,149,700
Total Private	796,300	829,500	851,800	887,600	938,200
Goods Producing	201,500	208,200	207,500	216,300	232,000
Natural Resources and Mining	1,300	1,200	1,200	1,200	1,200
Construction	80,100	88,400	90,900	99,000	110,800
Manufacturing	120,100	118,600	115,400	116,100	120,000
Durable Goods	85,600	84,100	82,000	82,400	85,500
Nondurable Goods	34,500	34,400	33,400	33,700	34,500
Service Providing	786,900	821,600	857,000	882,900	917,700
Private Service Producing	594,800	621,400	644,300	671,400	706,300
Trade, Transportation and Utilities	212,200	219,400	226,300	236,300	250,400
Wholesale Trade	38,300	41,600	41,900	43,500	44,400
Retail Trade	127,400	132,200	137,500	142,700	151,800
Transportation, Warehousing and Utilities	46,400	45,600	46,800	50,100	54,300
Utilities	4,600	4,800	5,000	5,000	5,000
Transportation and Warehousing	41,800	40,800	41,800	45,100	49,300
Information	12,900	14,600	14,100	13,900	13,800
Financial Activities	34,800	38,200	39,500	42,600	45,300
Educational and Health Services	102,200	106,000	112,400	115,800	117,700
Leisure and Hospitality	100,800	104,400	107,200	109,000	115,200
Other Services	35,000	37,100	38,100	38,400	38,800
Government	192,100	200,200	212,700	211,600	211,500
Total, All Industries	1,010,100	1,050,700	1,084,000	1,119,400	1,168,500

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein. Civilian Labor Force data for 2000 through 2003 is March 2003 Benchmark.

Source: State of California, Employment Development Department, Labor Market Information Division, Riverside-San Bernardino-Ontario MSA Annual Average Labor Force and Industry Employment, March 2004 Benchmark.

Unemployment statistics for the City, the County, the State and the United States are presented in the following tables.

**CITY OF RIVERSIDE  
CIVILIAN LABOR FORCE  
EMPLOYMENT AND UNEMPLOYMENT**

<i>Year</i>	<i>Labor Force</i>	<i>Employment</i>	<i>Unemployment</i>	<i>Unemployment Rate<sup>(1)</sup></i>
2000 <sup>(1)</sup>	155,230	144,840	8,390	5.5%
2001	159,490	151,190	8,300	5.2
2002	168,920	158,740	10,180	6.0
2003	173,840	163,400	10,440	6.0
2004	144,300	135,500	8,800	6.1

Note: March 2003 Benchmark and March 2004 Benchmark; Data are not seasonally adjusted.

<sup>(1)</sup> The unemployment Rate is calculated using unrounded data.

Source: State of California Employment Development Department, Labor Market Information.

**COUNTY OF RIVERSIDE  
CIVILIAN LABOR FORCE  
EMPLOYMENT AND UNEMPLOYMENT**

<i>Year</i>	<i>Labor Force</i>	<i>Employment</i>	<i>Unemployment</i>	<i>Unemployment Rate<sup>(1)</sup></i>
2000 <sup>(1)</sup>	720,700	680,900	39,800	5.5%
2001	750,000	710,700	39,300	5.2
2002	794,500	746,200	48,300	6.1
2003	817,600	768,100	49,500	6.1
2004	812,000	764,900	47,100	5.8

Note: March 2003 Benchmark and March 2004 Benchmark; Data are not seasonally adjusted.

<sup>(1)</sup> The unemployment Rate is calculated using unrounded data.

Source: State of California Employment Development Department, Labor Market Information.

**STATE OF CALIFORNIA  
CIVILIAN LABOR FORCE  
EMPLOYMENT AND UNEMPLOYMENT**

<i>Year</i>	<i>Labor Force</i>	<i>Employment</i>	<i>Unemployment</i>	<i>Unemployment Rate<sup>(1)</sup></i>
2000 <sup>(1)</sup>	16,869,700	16,034,100	835,600	5.0%
2001	17,150,100	16,217,500	932,600	5.4
2002	17,326,900	16,165,100	1,161,800	6.7
2003	17,414,000	16,223,500	1,190,500	6.8
2004	17,552,300	16,459,900	1,092,400	6.2

Note: March 2003 Benchmark and March 2004 Benchmark; Data are not seasonally adjusted.

<sup>(1)</sup> The unemployment Rate is calculated using unrounded data.

Source: State of California Employment Development Department, Labor Market Information.

**UNITED STATES OF AMERICA  
CIVILIAN LABOR FORCE  
EMPLOYMENT AND UNEMPLOYMENT**

<i>Year</i>	<i>Labor Force</i>	<i>Employment</i>	<i>Unemployment</i>	<i>Unemployment Rate</i>
2000 <sup>(1)</sup>	142,583,000	136,891,000	5,692,000	4.0%
2001 <sup>(1)</sup>	143,734,000	136,933,000	6,801,000	4.7
2002	144,863,000	136,485,000	8,378,000	5.8
2003	146,510,000	137,736,000	8,774,000	6.0
2004	147,401,000	139,252,000	8,149,000	5.5

<sup>(1)</sup> Not strictly comparable with data for prior years.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

The following table sets forth the major employers located in the County as of March 28, 2005:

**COUNTY OF RIVERSIDE  
MAJOR EMPLOYERS<sup>(1)</sup>**

<i>Name</i>	<i>Employees</i>	<i>Type of business or entity</i>
County of Riverside	17,942	County government
University of California, Riverside	6,856	Higher education
Pechanga Resort & Casino	4,600	Casino and resort
March Air Reserve Base	3,901	Military base
Riverside Unified School District	3,869	Education
Kaiser Permanent Riverside Medical Center	3,025	Healthcare
Guidant Corp	3,000	Medical device manufacturer
Temecula Valley Unified School District	2,551	Education
Morongo Casino, Resort & Spa	2,500	Casino and resort
Hemet Unified School District	2,473	Education
City of Riverside	2,470	City Government
Fleetwood Enterprises Inc.	2,452	RV home manufacturer
Riverside Community Collage District	2,356	Higher education
Alvord Unified School District	2,000	Education
Riverside County Office of Education	2,000	Education

<sup>(1)</sup> 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*.

**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.”

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 1999 through 2003.

**CITY OF RIVERSIDE, COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA AND THE UNITED STATES  
TOTAL EFFECTIVE BUYING INCOME, PER CAPITA EFFECTIVE BUYING INCOME  
AND MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME  
FOR THE YEARS 1999 THROUGH 2003<sup>(1)</sup>**

	<i>Total Effective Buying Income (000s Omitted)<sup>(2)</sup></i>	<i>Per Capita Effective Buying Income</i>	<i>Median Household Effective Buying Income</i>
<b>2000</b>			
Riverside	\$ 3,735,911	\$14,611	\$37,395
Riverside County	25,144,120	15,980	39,293
California	652,190,282	19,081	44,464
United States	5,230,824,904	18,426	39,129
<b>2001</b>			
Riverside	\$ 3,636,701	\$14,014	\$37,231
Riverside County	23,617,301	14,753	37,480
California	650,521,407	18,652	43,532
United States	5,303,481,498	18,491	38,365
<b>2002</b>			
Riverside	\$ 3,874,905	\$14,373	\$37,406
Riverside County	25,180,040	15,041	38,691
California	647,879,427	18,236	42,484
United States	5,340,682,818	18,375	38,035
<b>2003</b>			
Riverside	\$ 4,135,550	\$14,728	\$37,794
Riverside County	27,623,743	15,547	39,321
California	674,721,020	18,821	42,924
United States	5,466,880,000	18,662	38,201

<sup>(1)</sup> 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.

<sup>(2)</sup> Dollars in thousands.

Source: "Survey of Buying Power," Sales & Marketing Management Magazine, dated 1998, 1999, 2000, 2001 and 2002.

## Retail Sales

The table below presents the City's retail sales for the years from 1999 through 2003.

### CITY OF RIVERSIDE TAXABLE SALES TRANSACTIONS (IN THOUSANDS)

	1999	2000	2001	2002	2003
Apparel Stores Group	\$ 78,605	\$ 92,241	\$ 98,859	\$ 105,476	\$ 124,223
General Merchandise Stores	438,137	465,490	485,571	510,038	536,795
Food Stores Group	125,986	133,363	134,502	136,076	145,308
Eating and Drinking Group	209,049	223,253	239,811	257,711	276,757
Household Group	74,817	77,552	75,754	81,844	93,977
Building Material Group	275,433	290,734	326,627	346,277	395,175
Automotive Group	580,804	698,147	780,641	864,486	987,372
Service Stations	151,413	200,155	199,159	192,914	222,575
Other Retail Stores	<u>313,917</u>	<u>341,252</u>	<u>351,055</u>	<u>396,808</u>	<u>427,978</u>
Retail Stores Total	\$ 2,248,161	\$ 2,522,187	\$ 2,691,979	\$ 2,891,630	\$ 3,210,160
All Other Outlets	<u>661,371</u>	<u>697,707</u>	<u>715,273</u>	<u>769,277</u>	<u>764,423</u>
Total All Outlets	<u>\$ 2,909,532</u>	<u>\$ 3,219,894</u>	<u>\$ 3,407,252</u>	<u>\$ 3,660,907</u>	<u>\$ 3,974,583</u>

Source: California State Board of Equalization, Research and Statistics Division.

## Construction Activity

The following table shows building permit valuations and new housing units in Riverside for 2000 through 2004.

### CITY OF RIVERSIDE BUILDING PERMIT VALUATION AND NEW HOUSING UNITS (DOLLAR VOLUME IN \$1,000'S)

	2000	2001	2002	2003	2004
<b>Residential</b>					
Single Family	\$ 189,150,864	\$ 254,494,169	\$ 218,696,092	\$ 140,055,599	\$ 205,436,675
Multi Family	54,910,880	2,718,970	0	93,711,012	23,610,909
Alteration/Additions	<u>10,607,768</u>	<u>11,064,171</u>	<u>12,584,670</u>	<u>19,772,469</u>	<u>22,225,738</u>
Total	\$ 254,669,512	\$ 268,277,310	\$ 231,280,762	\$ 253,539,080	\$ 251,273,322
<b>Non-Residential</b>					
New Commercial	\$ 12,403,972	\$ 41,602,469	\$ 53,790,774	\$ 62,900,539	\$ 161,598,743
New Industry	3,191,916	13,086,404	6,190,790	14,973,553	14,593,799
Other <sup>(1)</sup>	5,697,892	9,976,964	17,948,322	18,816,844	32,324,429
Alteration/Additions	<u>21,943,481</u>	<u>31,886,172</u>	<u>32,820,556</u>	<u>45,913,655</u>	<u>40,374,184</u>
Total	\$ 43,237,261	\$ 96,552,009	\$ 110,750,442	\$ 142,604,591	\$ 248,891,165
Total All Industry	<u>\$ 297,906,773</u>	<u>\$ 364,829,319</u>	<u>\$ 342,031,204</u>	<u>\$ 396,143,671</u>	<u>\$ 500,164,487</u>
<b>New Housing Units</b>					
Single Family Units	1,017	1,237	1,113	689	820
Multi Family Units	<u>790</u>	<u>40</u>	<u>0</u>	<u>1,377</u>	<u>282</u>
Total	<u>1,807</u>	<u>1,277</u>	<u>1,113</u>	<u>2,066</u>	<u>1,102</u>

<sup>(1)</sup> 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.

## 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, 2005 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, for purposes of Section 9.03(C) hereof, 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) Federal Financing Bank
- (c) General Services Administration  
Participation certificates
- (d) United States Maritime Administration  
Guaranteed Title XI financing
- (e) 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.

“Developed Property” means, except as otherwise specifically provided herein, a parcel of property in the District for which a building permit has been issued by the City.

“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, including the Special Tax Consultant, 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) Federal Financing Bank

- (c) Federal Housing Administration Debentures
- (d) General Services Administration  
Participation certificates
- (e) Government National Mortgage Association (GNMA)  
GNMA - guaranteed mortgage-backed bonds  
GNMA - guaranteed pass-through obligations
- (f) U.S. Maritime Administration  
Guaranteed Title XI financing
- (g) 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 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 invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice;

(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) 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;

(e) the investment agreement shall provide that if during its term

(1) the provider'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 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 the 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., the provider's obligations shall automatically be accelerated and the 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 a dealer bank or securities firm 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) Corporations 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 which, 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

(E) 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; and

(c) A legal opinion must be delivered to the City and the Fiscal Agent that the repurchase agreement meets the requirements of California law with respect to the investment of public funds; 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.

“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.

“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.

**IMPROVEMENT FUND; SPECIAL TAX FUND;  
ADMINISTRATIVE EXPENSE FUND**

**Improvement Fund**

(A) Creation of Improvement Fund. There is established, as a separate account to be held by the Fiscal Agent, the “Community Facilities District No. 92-1 of the City of Riverside Special Tax Bonds Improvement Fund.” Moneys in the Improvement Fund shall be held by the Fiscal Agent for the benefit of the City, 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.

(B) Procedure for Disbursement. Disbursements from the Improvement Fund 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 such account.

(C) Investment. Moneys in the Improvement Fund shall be invested and deposited in accordance with another section of the Agreement. Investment Earnings with respect to the Improvement Fund shall be retained by the Fiscal Agent in such fund to be used for the purposes of such fund.

(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. Notwithstanding the preceding provisions of this subsection, the Improvement Fund shall be closed if all amounts on deposit therein are disbursed pursuant to Subsection (B) above.

(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) Creation of Special Tax Fund. There is established, as a separate account to be held by the Fiscal Agent, the “Community Facilities District No. 92-1 of the City of Riverside Special Tax Bonds Special Tax Fund” to the credit of which the City shall deposit, as hereinafter provided, not

later than ten (10) Business Days after receipt, all Special Tax Revenues received by the City. There is hereby also established in the Special Tax Fund, as a separate account to be held by the Fiscal Agent, the "Surplus Account." Moneys in the Special Tax Fund 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.

(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 Special Tax Fund and deposit in the Administrative Expense Fund, an amount estimated by the City, in an Officer's Certificate (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 \$50,000 for any Fiscal Year. From the amount then remaining on deposit in the Special Tax Fund, the Fiscal Agent shall, as soon as the amount of deposit in the Special Tax Fund is sufficient, deposit in the Reserve Fund the amount, if any, which the City shall direct in an Officer's Certificate (upon which the Fiscal Agent may conclusively rely) to be withdrawn from the Special Tax Fund and deposited in the Reserve Fund to make the amount on deposit therein equal to the Reserve Requirement. Thereafter, on or before each Interest Payment Date, the Fiscal Agent shall deposit in the Interest Account and the Principal Account of the Bond Fund the amounts required for payment of interest on and principal of the Bonds on such Interest Payment Date. Notwithstanding the preceding provisions of this paragraph, if the amount of the Special Tax Revenues collected by the City for any Fiscal Year is less than the total amount of the Special Taxes which were levied for such Fiscal Year on parcels of taxable property in the District, the City shall not direct the Fiscal Agent to transfer any amount from the Special Tax Fund, for deposit in the Reserve Fund but shall instead direct the Fiscal Agent, by an Officer's Certificate (upon which the Fiscal Agent may conclusively rely) to deposit the entire amount remaining in the Special Tax Fund, after the appropriate transfer to the Administrative Expense Fund, to the Interest Account and the Principal Account as hereinafter provided. If after such deposits are made to the Administrative Expense Fund, the Interest Account and the Principal Account there are funds remaining on deposit in the Special Tax Fund, the City shall instruct the Fiscal Agent, by an Officer's Certificate (upon which the Fiscal Agent may conclusively rely) to transfer such amount from the Special Tax Fund to and deposit it in the Reserve Fund to the extent that the amount on deposit therein is less than the Reserve Requirement. Such Officer's Certificate shall specify the amount which is to be transferred from the Special Tax Fund and deposited in the Reserve Fund.

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, by an Officer's Certificate (upon which the Fiscal Agent may conclusively rely) to deposit an additional amount 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 Special Tax Fund is less than 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 Account, 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 Special Tax Fund and available for transfer to and deposit in the Interest 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 the September 1 Interest Payment Date in each Bond Year, if the amount of other moneys which is on deposit in the Special Tax Fund is less than 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 Account, 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 deficiency in the amount of other moneys which are on deposit in the Special Tax Fund, 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, 2006, 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 interest on and principal of the Bonds which will become due March 1 and September 1 of the following calendar year.

On September 2 of each year, beginning on September 2, 2006, the amount, if any, on deposit in the Special Tax Fund (including the amount on deposit in the Surplus Account), together with the amount then on deposit in the Bond Fund (including the amount, if any, on deposit in Principal Account but not including, however, the amount, if any, on deposit in 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 the Surplus Account), 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 by an Officer's Certificate (upon which the Fiscal Agent may conclusively rely), shall be transferred from the Special Tax Fund to and deposited in the Reserve Fund to the extent that the amount on deposit therein is less than the Reserve Requirement. Any such excess remaining in the Special Tax Fund after any such amount is transferred from the Special Tax Fund to the Reserve Fund shall be transferred from the Special Tax Fund to and deposited 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 Special Tax Fund (including the Surplus Account), 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. The Fiscal Agent shall have no obligation to monitor the City's obligations as specified in this paragraph.

### **Administrative Expense Fund**

(A) Creation of Administrative Expense Fund. There is established, as a separate account to be held by the Fiscal Agent, the "Community Facilities District No. 92-1 of the City of Riverside



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 and the nature of such Administrative Expense.

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 Surplus Account.

## **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 \$50,000, which will be deposited in the Administrative Expense Fund for each Fiscal Year) 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. 92-1 of the City of Riverside Special Tax Bonds Bond Fund” to the credit of which deposits shall be made as required by the provisions 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 Special Tax Fund (including the Surplus Account 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 to the Surplus Account.

(a) Capitalized Interest Sub-account. On or before the Interest Payment Date which occurs on September 1, 2005, 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 on such Interest Payment Date. The amount, if any, on deposit in the Capitalized Interest Sub-account on September 2, 2005 shall be withdrawn by the Fiscal Agent and transferred to the Surplus 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 and transferred to the Surplus Account.

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, as directed in writing by an Authorized Officer (upon which the Fiscal Agent may conclusively rely) to the Surplus Account.

In the event that moneys on deposit in the Special Tax Fund, including moneys on deposit in the Surplus Account, 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 Special Tax Fund 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, as provided in another section of the Agreement, 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, 2006, the amount, if any, on deposit in the Bond Fund (including the amount, if any, on deposit in the Principal Account but not including, however, the amount, if any, on deposit in the Interest Account or the amount, if any, on deposit in the Special Tax Prepayments Account), as determined by the City, together with the amount then on deposit in the Special Tax Fund (including the Surplus Account), 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 amount then on deposit in the Special Tax Fund, 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 Special Tax Fund, 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. The Fiscal Agent shall have no obligation to monitor the City's obligations as specified in this paragraph.

(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 Permitted Investments of the type and 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) Creation of Fund. There is established, as a separate account to be held by the Fiscal Agent, the "Community Facilities District No. 92-1 of the City of Riverside 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, 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) or subsection (F) 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.

(E) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund is equal to or 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, 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 transferable 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 10 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 the District 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 the District 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 for the Bonds and an 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 as provided in the proceedings for the formation 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.

### **Reduction of Special Tax Rates**

The City covenants that, to the extent that it is legally permitted to avoid doing so, it will not initiate proceedings under the Act to reduce the maximum Special Tax rates (the "Maximum Rates") 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 Series A 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 Series A 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 Series A 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 Series A Bonds, it will comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code.

The covenants of the City contained in this Section shall survive the payment, redemption or defeasance of the Bonds.

## **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 \$10,000 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 the District 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, (a) the ratio of (i) the maximum amount of the Special Taxes that may be levied on all Developed Property which following such prepayment will be subject to the levy of the Special Taxes to (ii) Maximum Annual Debt Service on the Bonds which will remain Outstanding following such redemption (e.g., 1.10 to 1.0) plus estimated Administrative Expenses will not be less than such ratio as it existed prior to such prepayment, and (b) the maximum amount of the Special Taxes that may be levied on Developed Property at build-out of the property in the District, as then approved by



the City, will be equal to at least one hundred ten percent (110%) of Maximum Annual Debt Service on such Outstanding Bonds.

**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 pursuant to another section of the Agreement will be used to redeem Outstanding Bonds pursuant to another section of the Agreement. The City will not include in any calculation of the amount of any Special Tax Prepayment for any parcel of taxable property in the District of 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 Parity Bonds for any purpose other than accomplishing the defeasance and refunding of all or a portion 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.

**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, 2006, 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.

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 may rely conclusively upon the City's determinations, calculations and certifications required by this Section. The Fiscal Agent shall have no responsibility to

independently make any calculation or determination or to review the City's calculations hereunder. 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 willful 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.

The Fiscal Agent may rely upon a facsimile transmission with regard to any instruction for any transfer, disbursement or investment of funds held by the Fiscal Agent. The City shall confirm such transmission promptly in writing by mail.

### **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 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;

(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; or

(5) to provide for the issuance of Parity Bonds to pay and discharge the indebtedness of a portion of the Outstanding Bonds (a "Partial Discharge"); provided that following

the issuance of such Parity Bonds Maximum Annual Debt Service on the Bonds that will remain Outstanding following such Partial Discharge and such Parity Bonds will be less in each subsequent Bond Year than Maximum Annual Debt Service on the Outstanding Bonds before the issuance of such Parity Bonds.

### **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 indebtedness on all or a portion (a "Partial Discharge") of the 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 such Bonds, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, 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 the Surplus Account) and the Reserve Fund, or in the event of a Partial Discharge, the appropriate portion of such amounts, as determined by the City and confirmed by an Independent Financial Consultant, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums, if any;

(C) by irrevocably depositing with the Fiscal Agent, 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 the Surplus Account) and the Reserve Fund, or in the event of a Partial Discharge, the appropriate portion of such amounts, as determined by the City and confirmed by an Independent Financial Consultant, be fully sufficient to pay and discharge the indebtedness on 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 this 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 such Bonds shall not have been surrendered for payment, the pledge of the Special Tax Revenues and other funds provided for in this Agreement and all other obligations of the City and the

District under this 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 another section of 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 this Agreement as to all of the Outstanding Bonds 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 herewith.

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

### CONTINUING DISCLOSURE AGREEMENT OF THE DISTRICT

COMMUNITY FACILITIES DISTRICT NO. 92-1  
(SYCAMORE CANYON BUSINESS PARK)  
OF THE CITY OF RIVERSIDE  
SPECIAL TAX BONDS  
2005 SERIES A

#### CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by Community Facilities District No. 92-1 (Sycamore Canyon Business Park) of the City of Riverside (the “Issuer”) and U.S. Bank National Association, as dissemination agent, in connection with the issuance and delivery the issuance and delivery by the Issuer of \$9,700,000 Community Facilities District No. 92-1 (Sycamore Canyon Business Park) of the City of Riverside Special Tax Bonds, 2005 Series A (the “Bonds”). The Bonds are being issued pursuant to that certain Fiscal Agent Agreement by and between the Issuer and U.S. Bank National Association, dated as of July 1, 2005 (the “Fiscal Agent Agreement”). The Issuer covenants as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Issuer, for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

**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.

“*Central Post Office*” means the DisclosureUSA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Agreement.

“*City*” shall mean the City of Riverside, California.

“*Disclosure Representative*” shall mean the Chief Financial Officer of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” shall mean, initially, U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the Issuer which has filed with the then current Dissemination Agent a written acceptance of such designation.

“*District*” shall mean the Community Facilities District No. 92-1 (Sycamore Canyon Business Park) of the City of Riverside.

“*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 purpose of the Rule.

“*Official Statement*” means the Official Statement for the Bonds dated June 29, 2005, including those portions of the Official Statement.

“*Participating Underwriter*” shall mean Wedbush Morgan Securities.

“*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) Not later than March 31 immediately following the end of the Issuer’s fiscal year, commencing March 31, 2006, the Issuer shall, provide or shall cause the Dissemination Agent to provide, to each Repository 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 the Dissemination Agent of a change in the fiscal year dates.

(b) In the event that the Dissemination Agent is an entity other than the Issuer, then the provisions of this Section 3(b) shall apply. 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. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer will be filing the Annual Report in compliance with subsection (a). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination 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 Issuer is the Dissemination Agent and the Issuer is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the Municipal Securities Rulemaking Board, the Repositories, if any, and the Participating Underwriter in substantially the form attached to this Disclosure Agreement as Exhibit A. If the Dissemination Agent is other than the Issuer and 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 certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(e) Notwithstanding any other provision of this Disclosure Agreement, any of the required filings hereunder may be made through a Central Post Office.

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

(a) Financial Statements. The audited financial statements of the City for the most recent fiscal year of the Issuer then ended. 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 audited 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 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 a notice of such modification to each Repository, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

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

- (i) the principal amount of Bonds outstanding as of September 30 of each year;
- (ii) the balance in each fund under the Fiscal Agent Agreement as of the June 30 preceding the filing of the Annual Report, including the Reserve Account and a statement of the Reserve Requirement;
- (iii) an update of Tables 6 and 7 in the Official Statement for the Bonds based on the assessed values and ownership within the District as shown on the assessment roll of the Riverside County Assessor last equalized prior to the June 30 next preceding the Annual Report Date and the Special Tax levy for the fiscal year in which the Annual Report is being filed; provided that Table 2 need not be updated once the land within the District is substantially (approximately 90%) developed;
- (iv) A summary of the Special Taxes levied on Taxable Property (as defined in the Rate and Method) within the District and the assessed value of such land, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the June 30 next preceding the Annual Report Date.
- (v) any changes to the Rate and Method of Apportionment of the Special Tax approved or submitted to the electors for approval prior to the filing of the Annual Report;
- (vi) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes;
- (vii) the identity of any property owner whose delinquent special taxes represent more than 5% of the amount levied and the value-to-lien ratios of the applicable properties, and amount and date of payment of delinquent Special Taxes; and
- (viii) any information not already included under (i) through (vi) 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.

In addition to any of the information expressly required to be provide under paragraphs (a) or (b) of this Section, the Issuer shall provide such further information, if any, as may be necessary to make the specifically required statements set forth in clauses (i) to (iv), in the light of the circumstances under which they were made, not misleading.

(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 the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) principal and interest payment delinquencies,
  - (2) non-payment related defaults,
  - (3) unscheduled draws on the Reserve Account of the Special Tax Fund reflecting financial difficulties,
  - (4) unscheduled draws on any credit enhancements reflecting financial difficulties,
  - (5) substitution of credit or liquidity providers, or their failure to perform,
  - (6) adverse tax opinions or events adversely affecting the Tax-Exempt status of the 2005 Series A Bonds,
  - (7) modifications to the rights of Bond Owners,
  - (8) contingent or unscheduled redemption of any Bond,
  - (9) defeasances,
  - (10) any release, substitution, or sale of property securing repayment of the Bonds,
- and
- (11) rating changes.

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

(c) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws and if the Dissemination Agent is other than the Issuer, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

(d) If the Issuer determines that the Listed Event would not be material under applicable federal securities laws and if the Dissemination Agent is other than the Issuer, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(e) If the Issuer is acting as Dissemination Agent and determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with (i) the Municipal Securities Rulemaking Board or (ii) each National Repository and the State Repository. 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)(8) and (9) 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 (e) prior to the occurrence of such Listed Event.

(f) The Issuer hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the Issuer and 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 obligations of the Issuer 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 the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. The Dissemination Agent may resign by providing (i) thirty days written notice to the Issuer, 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: (1) 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, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) 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, (3) the Issuer shall have delivered to the Dissemination Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer and the Participating Underwriter, to the same effect as set forth in clause (2) above, (4) 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, or such amendment shall have been approved by the Owners in the same manner as an amendment to the Fiscal Agent Agreement, and (5) the Issuer shall have delivered copies of such opinion and amendment to each Repository and the Participating Underwriter.

(b) This Disclosure Agreement also 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)(1), (2) and (3) 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 in the type of operating data or financial information being provided.

(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.

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 and/or the Dissemination Agent to comply with their respective 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 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 Issuer agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any Dissemination Agent other than the Issuer shall be paid (i) compensation by the Issuer for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Issuer pursuant to this Disclosure Agreement. The obligations of

the Issuer 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. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, 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. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 14. Governing Law. This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 15. Notices. Notices with respect to this Disclosure Agreement should be sent in writing to the following address: Economic Development Director, City of Riverside, 3900 Main Street, Riverside, California 92522.

Dated: July 1, 2005

COMMUNITY FACILITIES DISTRICT NO. 92-1  
(SYCAMORE CANYON BUSINESS PARK) OF  
THE CITY OF RIVERSIDE

By: \_\_\_\_\_  
Its: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION, as  
Dissemination Agent

By: \_\_\_\_\_  
Its: Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Community Facilities District No. 92-1 (Sycamore Canyon Business Park) of the City of Riverside

Name of Bond Issue: Community Facilities District No. 92-1 (Sycamore Canyon Business Park) of the City of Riverside Special Tax Bonds, 2005 Series A

Date of Issuance: July 14, 2005

NOTICE IS HEREBY GIVEN that Community Facilities District No. 92-1 of the City of Riverside (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated July 1, 2005. [The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.]

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

\_\_\_\_\_,  
as Dissemination Agent

cc: City of Riverside

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## APPENDIX F

### FORM OF OPINION OF BOND COUNSEL

The City Council  
City of Riverside  
Riverside, California

Re: *\$9,700,000 Community Facilities District No. 92-1 (Sycamore Canyon Business Park) of the City of Riverside Special Tax Bonds, 2005 Series A*

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Community Facilities District No. 92-1 (Sycamore Canyon Business Park) of the City of Riverside, County of Riverside, State of California (the "Community Facilities District"), of \$9,700,000 aggregate principal amount of the Community Facilities District No. 92-1 (Sycamore Canyon Business Park) of the City of Riverside Special Tax Bonds, 2005 Series A (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 of Riverside on June 14, 2005 (the "Resolution"), and a Fiscal Agent Agreement, dated as of May 1, 2005 (the "Agreement"), between the City of Riverside (the "City") and U.S. 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 District 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 Community Facilities 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 Community Facilities 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 G

### DTC AND THE BOOK ENTRY SYSTEM

As noted above, DTC will act as securities depository for the Bonds. So long as the Bonds are in book entry only form, all references in this Official Statement to the Bondowners, the Bondholders or the Owners or Holders of the Bonds mean DTC and not the beneficial owners of 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 an 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 the City does not take any responsibility for the accuracy thereof.



# APPENDIX H

## SCHEDULE OF ASSESSED VALUES

Acres	Annual Special Tax	Assessment No.	APN	Land Value	Structure Value	Total Value	Total Assessment Lien	Value/Lien	04/05 APN CK	Owner
8.40	\$16,228.80	100A	263-050-074-3	\$ 819,785.00		\$ 819,785.00	\$154,266.33	5.31	x	Aram Terlessian & Michael Labrum (M & G A Partnership)
8.40	16,228.80			819,785.00		819,785.00			x	Aram Terlessian & Michael Labrum (M & G A Partnership) Total
3.95	2,543.80	22	263-300-001-9	1,300,000.00		1,300,000.00			x	Cresencio Ramirez
0.42		#N/A	263-300-006-4	130,000.00		130,000.00	24,180.64	5.38	x	Cresencio Ramirez Total
4.37	2,543.80			130,000.00		130,000.00			x	
4.40	2,833.60	21	263-300-002-0	144,000.00		144,000.00	26,935.39	5.35	x	Robert & Joann Whalen
4.40	2,833.60			144,000.00		144,000.00			x	Robert & Joann Whalen Total
0.48		#N/A	263-300-005-3	12,224.00		12,224.00			x	Pingsung Chien
0.48				12,224.00		12,224.00			x	Pingsung Chien Total
10.00	6,440.00	1	263-020-003-6	32,488.00		32,488.00	61,216.80	0.53	x	Kazuo & Shizuko Yamakawa
10.00	6,440.00			32,488.00		32,488.00			x	Kazuo & Shizuko Yamakawa Total
45.26	42,861.22	107	263-070-053-6	1,495,088.00		1,495,088.00	407,426.50	3.67	x	Space Center Sycamore Canyon
45.26	42,861.22		263-070-027-3	1,495,088.00		1,495,088.00			x	Space Center Sycamore Canyon
10.00	6,440.00	19	263-020-005-8	32,488.00		32,488.00	61,216.80	0.53	x	Outerall S.A. Et Al, Frederick West, Mary Fowler & Cathleen Barbee
10.00	6,440.00			32,488.00		32,488.00			x	Outerall S.A. Et Al, Frederick West, Mary Fowler & Cathleen Barbee Total
10.00	6,440.00	2	263-020-005-9	800,000.00		800,000.00	61,216.80	13.07	x	Leonard & Glenda Palmer
10.00	6,440.00			800,000.00		800,000.00			x	Leonard & Glenda Palmer Total
10.00	6,440.00	20	263-020-004-7	825,590.00		825,590.00	61,216.80	13.49	x	Brian & Drake Kennedy
10.00	6,440.00			825,590.00		825,590.00			x	Brian & Drake Kennedy Total
17.99	46,342.24	101A	263-050-078-7	488,172.00		488,172.00	561,480.48	1.21	x	Sycamore Canyon Assoc., c/o Ray Magnon
0.80		#N/A	263-320-012-1	189,295.00		189,295.00			x	Sycamore Canyon Assoc.
0.17		#N/A	263-320-012-1	677,467.00		677,467.00			x	Sycamore Canyon Assoc.
23.90	59,067.68	97	263-320-015-4	655,000.00		655,000.00	561,480.48	1.21	x	Sycamore Canyon Assoc. Total
5.03	12,725.44	56	263-280-001-8	655,000.00		655,000.00			x	Ray Magnon
5.02	12,931.52	57	263-280-002-9	655,000.00		655,000.00			x	Ray Magnon
5.03	12,957.28	58	263-280-003-0	655,000.00		655,000.00			x	Ray Magnon
5.00	12,880.00	59	263-280-004-1	655,000.00		655,000.00			x	Ray Magnon
4.00	10,304.00	60	263-290-001-9	526,000.00		526,000.00			x	Ray Magnon
24.08	62,030.08			3,146,000.00		3,146,000.00	589,640.20	5.34	x	Ray Magnon Total
1.09	2,807.84	41	263-280-006-3	51,386.00		51,386.00			x	Sycamore Canyon Inv. Avanti
1.09	2,807.84	42	263-280-007-4	51,386.00		51,386.00			x	Sycamore Canyon Inv.
1.09	2,807.84	43	263-280-008-5	51,386.00		51,386.00			x	Sycamore Canyon Inv.
1.09	2,807.84	44	263-280-009-6	51,386.00		51,386.00			x	Sycamore Canyon Inv.
1.09	2,807.84	45	263-280-010-6	51,386.00		51,386.00			x	Sycamore Canyon Inv.
1.09	2,807.84	46	263-280-011-7	58,948.00		58,948.00			x	Sycamore Canyon Inv.
1.26	3,245.76	47	263-280-043-6	51,859.00		51,859.00			x	Sycamore Canyon Inv.
1.09	2,807.84	32	263-280-044-7	49,615.00		49,615.00			x	Sycamore Canyon Inv.
1.05	2,704.80	33	263-280-045-8	49,615.00		49,615.00			x	Sycamore Canyon Inv.
1.05	2,704.80	34	263-280-046-9	49,615.00		49,615.00			x	Sycamore Canyon Inv.
1.05	2,704.80	35	263-280-047-0	49,025.00		49,025.00			x	Sycamore Canyon Inv.
0.42		#N/A	263-280-048-1						x	Sycamore Canyon Inv.

Acres	Annual Special Tax	Assessment No.	APN	Land Value	Structure Value	Total Value	Total Assessment Lien	Value/Lien	04/05 APN CK	Owner
1.05	2,704.80	36	263-280-049-2	49,025.00		49,025.00			x	Sycamore Canyon Inv.
1.05	2,704.80	37	263-280-050-2	49,615.00		49,615.00			x	Sycamore Canyon Inv.
1.05	2,704.80	38	263-280-051-3	49,615.00		49,615.00			x	Sycamore Canyon Inv.
1.22	3,142.72	39	263-280-052-4	56,584.00		56,584.00			x	Sycamore Canyon Inv.
1.81	#N/A	#N/A	263-280-053-5	49,615.00		49,615.00			x	Sycamore Canyon Inv.
1.82		#N/A	263-280-054-6						x	Sycamore Canyon Inv.
1.10	2,833.60	40	263-280-055-7	51,386.00		51,386.00			x	Sycamore Canyon Inv.
2.78	7,161.28	64A	263-290-003-1	131,249.00		131,249.00			x	Sycamore Canyon Inv.
5.36	13,807.36	63	263-290-005-3	253,054.00		253,054.00			x	Sycamore Canyon Inv.
5.00	12,880.00	62	263-290-006-4	236,043.00		236,043.00			x	Sycamore Canyon Inv.
1.00	2,576.00	71	263-290-007-5	47,252.00		47,252.00			x	Sycamore Canyon Inv.
1.00	2,576.00	70	263-290-008-6	47,252.00		47,252.00			x	Sycamore Canyon Inv.
1.00	2,576.00	69	263-290-009-7	47,252.00		47,252.00			x	Sycamore Canyon Inv.
1.00	2,576.00	68	263-290-010-7	47,252.00		47,252.00			x	Sycamore Canyon Inv.
1.00	2,576.00	67	263-290-011-8	47,252.00		47,252.00			x	Sycamore Canyon Inv.
1.00	2,576.00	75	263-290-014-1	47,252.00		47,252.00			x	Sycamore Canyon Inv.
1.00	2,576.00	74	263-290-015-2	47,252.00		47,252.00			x	Sycamore Canyon Inv.
1.00	2,576.00	73	263-290-016-3	47,252.00		47,252.00			x	Sycamore Canyon Inv.
1.00	2,576.00	72	263-290-017-4	47,252.00		47,252.00			x	Sycamore Canyon Inv.
1.08	2,782.08	80	263-290-018-5	50,912.00		50,912.00			x	Sycamore Canyon Inv.
1.55	3,992.80	79	263-290-021-7	73,123.00		73,123.00			x	Sycamore Canyon Inv.
1.38	3,554.88	78	263-290-022-8	65,091.00		65,091.00			x	Sycamore Canyon Inv.
1.30	3,348.80	87	263-290-025-1	61,310.00		61,310.00			x	Sycamore Canyon Inv.
1.19	3,065.44	86	263-290-026-2	56,111.00		56,111.00			x	Sycamore Canyon Inv.
1.04	2,679.04	85	263-290-027-3	49,025.00		49,025.00			x	Sycamore Canyon Inv.
1.06	2,730.56	84	263-290-028-4	50,088.00		50,088.00			x	Sycamore Canyon Inv.
1.05	2,704.80	83	263-290-029-5	49,615.00		49,615.00			x	Sycamore Canyon Inv.
2.33	6,002.08	64B	263-290-042-6	109,984.00		109,984.00			x	Sycamore Canyon Inv.
5.05	13,008.80	65	263-290-045-9	238,402.00		238,402.00			x	Sycamore Canyon Inv.
5.28	13,601.28	66	263-290-046-0	197,292.00		197,292.00			x	Sycamore Canyon Inv.
5.73	14,760.48	88	263-290-051-4	218,557.00		218,557.00			x	Sycamore Canyon Inv.
5.17	13,317.92	77	263-290-053-6	244,075.00		244,075.00			x	Sycamore Canyon Inv.
5.02	12,931.52	76	263-290-054-7	236,986.00		236,986.00			x	Sycamore Canyon Inv.
1.73		#N/A	263-290-055-8						x	Sycamore Canyon Inv.
1.06	2,730.56	82	263-290-056-9	50,088.00		50,088.00			x	Sycamore Canyon Inv.
1.06	2,730.56	81	263-290-057-0	50,599.00		50,599.00			x	Sycamore Canyon Inv.
1.64		#N/A	263-290-058-1						x	Sycamore Canyon Inv.
87.42	206,080.00			3,670,475.00		3,670,475.00	1,958,937.55	1.87	x	Sycamore Canyon Inv. Total
6.88	17,722.88	8A	263-020-020-1	788,355.00	\$4,485,000.00	5,273,355.00			x	Pearson Ford Prop
0.96	2,472.96	8B	263-020-021-2	81,668.00		81,668.00			x	Pearson Ford Prop
8.05	20,736.80	9	263-020-053-1	589,136.00		589,136.00			x	Pearson Ford Prop
15.89	40,932.64			1,459,159.00	4,485,000.00	5,944,159.00	389,093.97	15.28	x	Pearson Ford Prop Total
0.89		#N/A	263-250-003-7						x	Sycamore Canyon Partnership
5.23	13,472.48	139	263-250-004-8	509,335.00		509,335.00			x	48 Sycamore Canyon Partnership
8.15	20,994.40	138	263-250-036-7	794,562.00		794,562.00			x	48 Sycamore Canyon Partnership
4.41	11,360.16	90A&B	263-320-016-5	411,033.00		411,033.00			x	48 Sycamore Canyon Partnership
18.68	45,827.04			1,714,930.00		1,714,930.00	435,618.74	3.94	x	48 Sycamore Canyon Partnership Total
8.38	21,586.88	135	263-250-026-8	550,000.00		550,000.00			x	Sycamore Industrial Park
7.34	18,907.84	136	263-250-027-9	800,000.00		800,000.00			x	Sycamore Industrial Park
0.62		#N/A	263-250-029-1						x	Sycamore Industrial Park
16.34	40,494.72			1,350,000.00		1,350,000.00	384,931.23	3.51	x	Sycamore Industrial Park Total
5.14	13,240.64	93	263-320-007-7	516,465.00		516,465.00			x	Sycamore Eastridge, c/o Douglas Magnon
1.94	4,997.44	92	263-320-008-8	180,304.00		180,304.00			x	Sycamore Eastridge, c/o Douglas Magnon
2.31	5,950.56	94	263-320-009-9	214,939.00		214,939.00			x	Sycamore Eastridge, c/o Douglas Magnon
2.99	7,702.24	91	263-320-010-9	278,096.00		278,096.00			x	Sycamore Eastridge, c/o Douglas Magnon
4.16	10,716.16	95	263-320-011-0	368,758.00		368,758.00			x	Sycamore Eastridge, c/o Douglas Magnon
16.54	42,607.04			1,558,562.00		1,558,562.00	405,010.34	3.85	x	Sycamore Eastridge, c/o Douglas Magnon Total

Acres	Annual Special Tax	Assessment No.	APN	Land Value	Structure Value	Total Value	Total Assessment Lien	Value/Lien	04/05 APN CK	Owner
5.04	12,983.04	3	263-020-015-7	194,929.00		194,929.00			x	Sycamore Title Holding Corp No PI
5.05	13,008.80	4	263-020-016-8	194,929.00		194,929.00			x	Sycamore Title Holding Corp No PI
5.06	13,034.56	5	263-020-017-9	194,929.00		194,929.00			x	Sycamore Title Holding Corp No PI
5.12	13,189.12	6	263-020-018-0	197,292.00		197,292.00			x	Sycamore Title Holding Corp No PI
7.24	18,650.24	7	263-020-019-1	278,810.00		278,810.00			x	Sycamore Title Holding Corp No PI
7.34	18,907.84	10	263-020-024-5	283,533.00		283,533.00			x	Sycamore Title Holding Corp No PI
5.00	12,880.00	11	263-020-025-6	192,564.00		192,564.00			x	Sycamore Title Holding Corp No PI
4.04		#N/A	263-020-026-7						x	Sycamore Title Holding Corp No PI
5.00	12,880.00	12	263-020-027-8	192,564.00		192,564.00			x	Sycamore Title Holding Corp No PI
1.61	4,147.36	15	263-020-039-9	61,429.00		61,429.00			x	Sycamore Title Holding Corp No PI
1.61	4,147.36	14	263-020-040-9	61,429.00		61,429.00			x	Sycamore Title Holding Corp No PI
1.61	4,147.36	13	263-020-041-0	61,429.00		61,429.00			x	Sycamore Title Holding Corp No PI
1.44	3,709.44	18	263-020-042-1	55,522.00		55,522.00			x	Sycamore Title Holding Corp No PI
1.42	3,657.92	17	263-020-043-2	54,339.00		54,339.00			x	Sycamore Title Holding Corp No PI
1.45	3,735.20	16	263-020-044-3	55,522.00		55,522.00			x	Sycamore Title Holding Corp No PI
0.88		#N/A	263-020-045-4						x	Sycamore Title Holding Corp No PI
8.84	22,771.84	48	263-280-025-0	342,605.00		342,605.00			x	Sycamore Title Holding Corp No PI
8.85	22,797.60	49	263-280-026-1	342,605.00		342,605.00			x	Sycamore Title Holding Corp No PI
8.85	22,797.60	50	263-280-027-2	342,605.00		342,605.00			x	Sycamore Title Holding Corp No PI
5.95	15,327.20	55	263-280-037-1	229,190.00		229,190.00			x	Sycamore Title Holding Corp No PI
1.23	3,168.48	54	263-280-038-2	47,252.00		47,252.00			x	Sycamore Title Holding Corp No PI
1.25	3,220.00	53	263-280-039-3	47,252.00		47,252.00			x	Sycamore Title Holding Corp No PI
1.25	3,220.00	52	263-280-040-3	47,252.00		47,252.00			x	Sycamore Title Holding Corp No PI
1.25	3,220.00	51	263-280-041-4	47,252.00		47,252.00			x	Sycamore Title Holding Corp No PI
1.59		#N/A	263-280-042-5						x	Sycamore Title Holding Corp No PI
4.53	2,917.32	31	263-300-024-0	174,843.00		174,843.00			x	Sycamore Title Holding Corp No PI
4.59	2,955.96	30	263-300-025-1	174,843.00		174,843.00			x	Sycamore Title Holding Corp No PI
2.02		#N/A	263-300-026-2						x	Sycamore Title Holding Corp No PI
3.39	2,183.16	29	263-300-027-3	129,951.00		129,951.00			x	Sycamore Title Holding Corp No PI
2.85	1,835.40	28	263-300-029-5	109,866.00		109,866.00			x	Sycamore Title Holding Corp No PI
7.80	5,023.20	27	263-300-030-5	301,255.00		301,255.00			x	Sycamore Title Holding Corp No PI
0.37		#N/A	263-300-032-7						x	Sycamore Title Holding Corp No PI
0.50		#N/A	263-320-014-3						x	Sycamore Title Holding Corp No PI
124.02	250,516.00			4,415,991.00		4,415,991.00	2,381,333.46	1.85	x	Phelan Inv Et Al
10.23	26,352.48	143	263-240-037-7	972,544.00		972,544.00			x	
19.98	51,468.48	144	263-240-038-8	2,388,781.00	11,872,598.00	14,261,379.00	739,743.79	19.28	x	
30.21	77,820.96			3,361,325.00	11,872,598.00	14,261,379.00			x	
12.11	31,195.36	145	263-240-039-9	680,000.00		680,000.00			x	
12.11	31,195.36			680,000.00		680,000.00			x	
472.10	\$946,798.94			\$26,325,572.00	\$16,357,598.00	\$41,710,626.00	\$9,000,000.00	4.63	x	
Total										
Exclude	0.00									
NET TOTAL	451.90									
Excluded %	4.47%									

Estimated right-of-way parcels (assessment no. N/A)

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