

NEW ISSUE - BOOK ENTRY ONLY

NOT RATED

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

\$15,269,906

**CITY OF RIVERSIDE
HUNTER PARK ASSESSMENT DISTRICT
LIMITED OBLIGATION IMPROVEMENT BONDS
(Property Secured Only – No Issuer Liability)**

Dated: Date of Delivery

Due: September 2, as shown below

The City of Riverside Hunter Park Assessment District, Limited Obligation Improvement Bonds (the "Bonds") are limited obligations of the City of Riverside, California (the "City") secured by special assessments levied on real property located within the City's Hunter Park Assessment District (the "District").

All of the installation and construction of District improvements and the levy of special assessments will be undertaken as provided by the Municipal Improvement Act of 1913. The Bonds are issued pursuant to provisions of the Improvement Bond Act of 1915 and a Fiscal Agent Agreement dated as of March 1, 2006 (the "Fiscal Agent Agreement") by and between the City and U.S. Bank National Association as Fiscal Agent (the "Fiscal Agent").

The Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") in the denomination of \$5,000 or any integral multiple thereof. Interest is payable on September 2, 2006 and semiannually thereafter on September 2 and March 2 of each year. Purchasers will not receive certificates representing their interest in the Bonds. Payments of principal and interest on the Bonds will be paid by the Fiscal Agent directly to DTC as registered owner of the Bonds. Upon receipt of payments of principal and interest, DTC is to remit such principal and interest to DTC Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds.

The Bonds are subject to redemption prior to maturity as described under "THE BONDS — Redemption of Bonds" herein.

Under the provisions of the Improvement Bond Act of 1915, installments of principal and interest sufficient to meet annual Bond debt service will be billed by the County of Riverside (the "County") to owners of property within the District against which there are unpaid assessments. Upon receipt by the City from the County, these annual installments are to be paid into the Redemption Fund to be held by the Fiscal Agent and used to pay debt service on the Bonds as it becomes due.

Unpaid assessments constitute fixed liens on the lots and parcels assessed within the District and do not constitute a personal indebtedness of the respective owners of such lots and parcels. Accordingly, in the event of delinquency, proceedings may be had only against the real property securing the delinquent assessment. Thus, the value of land within the District is a critical factor in determining the investment quality of the Bonds. See "THE DISTRICT — Estimated District Land Values" and "BONDOWNERS' RISKS — Land Values" herein.

The Fiscal Agent will establish a Reserve Fund and deposit therein Bond proceeds in the amount of the Reserve Requirement to provide funds for payment of principal and interest on the Bonds in the event of any delinquent assessment installments. The Fiscal Agent's obligation to advance funds to the Redemption Fund as a result of delinquent installments is limited to the balance in the Reserve Fund. The City has covenanted to initiate judicial foreclosure in the event of a delinquency as described herein. See "SECURITY FOR THE BONDS — Covenant to Commence Superior Court Foreclosure."

Neither the faith and credit nor the taxing power of the City, the County, the State of California or any political subdivision thereof is pledged to the payment of the Bonds, and the payment thereof is not secured by any encumbrance, mortgage or other pledge of property of the City except the pledge of the assessments and moneys on deposit in the Redemption Fund and Reserve Fund. The City has determined not to advance available funds from its treasury in the event of delinquencies in the payment of assessments.

INVESTMENT IN THE BONDS INVOLVES SIGNIFICANT RISKS THAT ARE NOT APPROPRIATE FOR MANY INVESTORS. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "BONDOWNERS' RISKS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including, without limitation, "Bondowners' Risks," to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and delivered to the Underwriter subject to the approval of Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain matters will be passed upon for the Underwriter by Stradling, Yocca, Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for the City by the City Attorney. It is anticipated that the Bonds will be available for delivery to The Depository Trust Company in New York, New York on or about March 9, 2006.

Wedbush Morgan Securities

Dated: February 28, 2006

\$15,269,906
CITY OF RIVERSIDE
HUNTER PARK ASSESSMENT DISTRICT
LIMITED OBLIGATION IMPROVEMENT BONDS

MATURITY SCHEDULE

Base CUSIP[†]: 769003

<i>Maturity Date (September 2)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP[†]</i>	<i>Maturity Date (September 2)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>CUSIP[†]</i>
2007	\$244,906	3.80%	3.80%	LH 5	2014	\$325,000	4.60%	4.70%	LQ 5
2008	255,000	3.90	3.90	LJ 1	2015	340,000	4.70	4.80	LR 3
2009	265,000	3.90	4.00	LK 8	2016	355,000	4.75	4.85	LS 1
2010	275,000	4.10	4.20	LL 6	2017	370,000	4.80	4.90	LT 9
2011	285,000	4.25	4.35	LM 4	2018	390,000	4.85	4.95	LU 6
2012	295,000	4.40	4.50	LN 2	2019	405,000	4.90	5.00	LV 4
2013	310,000	4.45	4.60	LP 7	2020	425,000	5.00	5.05	LW 2

\$3,055,000 5.10% Term Bonds due September 2, 2026 Yield: 5.15%- CUSIP[†]: 769003 LX 0
 \$7,675,000 5.20% Term Bonds due September 2, 2036 Yield: 5.25%- CUSIP[†]: 769003 LY 8

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CITY OF RIVERSIDE

MAYOR AND CITY COUNCIL

Ronald O. Loveridge, Mayor
Dom Betro, Ward 1
Ameal Moore, Ward 2
Art Gage, Ward 3
Frank Schiavone, Ward 4
Ed Adkison, Ward 5
Nancy Hart, Ward 6
Steve Adams, Ward 7

CITY STAFF

Bradley J. Hudson, City Manager
Michael Beck, Assistant City Manager – Development
Gregory P. Priamos, City Attorney
Colleen J. Nicol, City Clerk
Paul C. Sundeen, Assistant City Manager/Chief Financial Officer/City Treasurer
Brent Mason, Assistant Finance Director
Siobhan Foster, Interim Public Works Director

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Riverside, California

APPRAISER

Stephen G. White, MAI
Fullerton, California

FISCAL AGENT

U. S. Bank National Association
Los Angeles, California

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City. No dealer, broker, salesperson or other person has been authorized by the City, 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 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. In accordance with its responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but does 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 UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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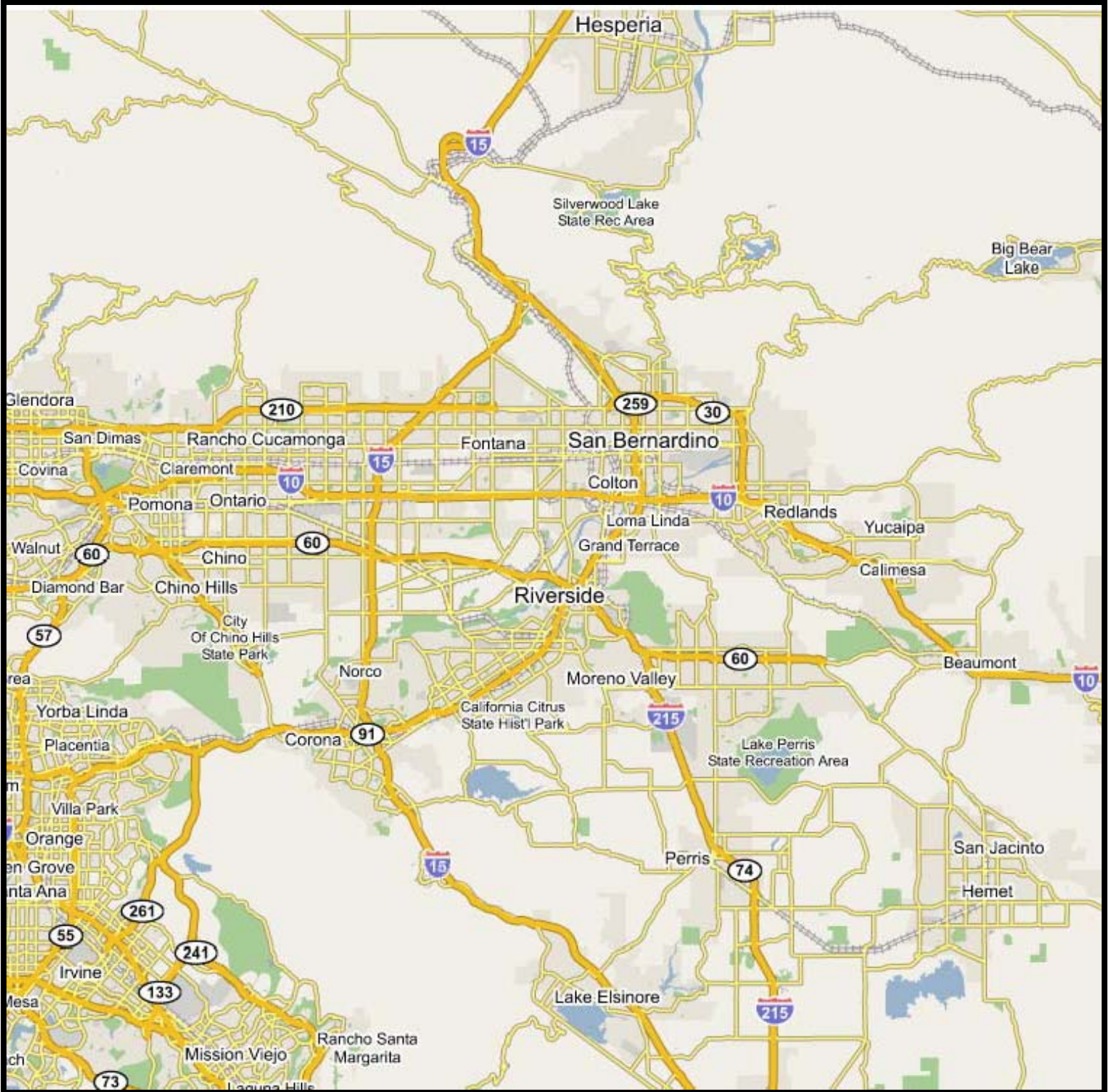
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CITY OF RIVERSIDE AND VICINITY MAP

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Regional Map



SUMMARY STATEMENT

THIS SUMMARY IS SUBJECT IN ALL RESPECTS TO THE MORE COMPLETE INFORMATION IN THE ENTIRE OFFICIAL STATEMENT INCLUDING THE COVER PAGE AND APPENDICES HERETO AND THE OFFERING OF THE BONDS TO POTENTIAL INVESTORS IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT.

Purpose

Proceeds of the \$15,269,906 principal amount of the City of Riverside Hunter Park Assessment District, Limited Obligation Improvement Bonds (the "Bonds"), together with investment earnings, and certain other monies are to be used to acquire and construct certain street, water, sanitary sewer, storm drainage, street lighting, traffic signal, landscape and underground electrical improvements. See "THE DISTRICT — The Improvement Project" herein. Bond proceeds will also be used to establish a debt service reserve fund, to fund capitalized interest through September 2, 2006 and to pay the costs of issuance of the Bonds.

The District

The City of Riverside Hunter Park Assessment District ("the District") consists of approximately 366 acres located northeast of the downtown area of the City of Riverside (the "City"). The District lies within the eastern portion of a 1,300-acre development known as Hunter Business Park ("Hunter Business Park"). Hunter Business Park is generally bounded by the 91 Freeway (Riverside Freeway) to the west, Highway 60 and Spruce Street to the south, Box Springs Mountain Regional Park to the east and the Riverside/San Bernardino County boundary to the north.

Property Ownership and Status

The land within the District is owned by 27 property owners (collectively, the "Landowners") and includes 52 individual parcels with ownerships ranging in size from 0.98 acres to 82.38 acres. Operating Engineers Funds, Inc. ("OEF") is the largest landowner in the District, owning five parcels within the District totaling 126.78 acres. Rufus Barkley and Darrell A. Butler, separately or together, own or have primary ownership interests of 92.04 acres in the District which collectively constitute the second largest landowner in the District, with specific ownerships including the following: The Grove Business Park, LLC (19.49 acres); Caspian Properties and Darrell A. Butler, as tenants in common (4.08 acres); Pacific Park Investors, LLC (14.35 acres); RCI/M&N Partners (4.08 acres); and Highland Corporate Center, LLC (50.04 acres) (collectively, the "RCI Development Group" and together with OEF, the "Major Landowners"). The Major Landowners together own approximately 218.82 acres or approximately 59.70% of the property within the District and, based on current ownership, are responsible for approximately 62.99% of all assessments in the District. As of January 21, 2006, the development status of land within the District ranged from 265.59 undeveloped acres to 100.97 fully improved acres. Based on current development status in the District, undeveloped land is projected to be responsible for approximately 76.45% of the estimated Fiscal Year 2005-06 Assessment Revenues. As of January 15, 2006, the undeveloped parcels had appraised value-to-lien ratios ranging from 2.48 to 1 to 10.16 to 1, based upon liens comprised of a portion of the Bonds, and, pursuant to the most recent published County of Riverside (the "County") Assessor's Roll (which provided information as of January 1, 2005), parcels improved with completed buildings had assessed value-to-lien ratios ranging from 7.14 to 1 to 32.11 to 1. See "PROPERTY OWNERSHIP AND STATUS OF DEVELOPMENT" herein.

Security for the Bonds The Bonds are issued upon and secured by a pledge of revenues received by the City in each Fiscal Year from the collection of annual installments of unpaid assessments, including penalties and interest and proceeds from the sale of property for delinquent assessments, on parcels within the District, but excluding amounts collected by the City for the payment of administration costs (“Assessment Revenues”). The unpaid assessments and interest and any penalties represent fixed liens on the assessed parcels. They do not, however, constitute a personal indebtedness of the owners of such parcels.

Pursuant to the Improvement Bond Act of 1915, installments of principal and interest sufficient to meet annual debt service on the Bonds will be billed by the County to owners of parcels within the District against which there are unpaid assessments (the “Assessment Installments.”) Upon receipt by the City from the County, these Assessment Installments are to be deposited into the Redemption Fund, which shall be held by the Fiscal Agent and used to pay Bond principal and interest as they become due. The Assessment Installments billed against each parcel each year represent pro rata shares of the total principal and interest coming due that year, based on the percentage which the unpaid assessment against that parcel bears to the total of unpaid assessments levied to repay the Bonds.

The Fiscal Agent will deposit \$1,005,965.00 from Bond proceeds into a Reserve Fund (the “Reserve Fund”). The Reserve Fund will be a source of available funds to advance to the Redemption Fund in the event of delinquent Assessment Installments. **The City’s obligation to advance funds to the Redemption Fund in the event of delinquent Assessment Installments is limited to the balance in the Reserve Fund. Pursuant to the Fiscal Agent Agreement, the City has no obligation to replenish the Reserve Fund except to the extent that delinquent Assessment Installments are paid or proceeds from foreclosure sales are realized.** See “SECURITY FOR THE BONDS — Reserve Fund.”

The City has covenanted in the Fiscal Agent Agreement for the benefit of the Owners of the Bonds that it will commence judicial foreclosure proceedings against properties with delinquent Assessment Installments. See “SECURITY FOR THE BONDS — Covenant to Commence Superior Court Foreclosure.”

Redemption Bonds maturing on and after September 2, 2017 may be called for optional redemption prior to maturity on September 2, 2016 or on any Interest Payment Date thereafter at the redemption prices shown on the table under “THE BONDS — Redemption of Bonds – *Optional Redemption*” herein, plus accrued interest to the date of redemption. The Bonds are subject to redemption on any March 2 or September 2 as selected by the City from moneys derived by the City from Assessment Prepayments, at the redemption prices shown on the table under “THE BONDS — Redemption of Bonds — *Mandatory Redemption from Assessment Prepayments*” herein, plus accrued interest to the date of redemption. The Bonds are also subject to mandatory sinking fund redemption. See “THE BONDS — Redemption of Bonds – *Sinking Fund Redemption*” herein.

Property Values and Value-to-Lien Ratios For purposes of this Official Statement, estimated values of undeveloped property in the District have been derived from an appraisal prepared by Stephen G. White, MAI (the “Appraisal”) with a date of value of January 21, 2006, and estimated values of developed property in the District have been derived from the most recent published County Assessor’s Roll, dated as of January 1, 2005. As shown in the Appraisal, the

aggregate appraised value of the undeveloped parcels in the District was \$63,110,000 as of January 21, 2006. The overall ratio of the appraised value of such undeveloped parcels to the total principal amount of the Bonds attributable to such parcels is approximately 5.41 to 1. As shown in the Assessor's Roll, the aggregate assessed value of the developed parcels in the District as of January 1, 2005 was \$75,044,483. The overall ratio of the assessed value of such developed parcels to the total principal amount of the Bonds attributable to such parcels is 20.86 to 1, resulting in an estimated aggregate value to lien ratio for all real property in the District of 9.05 to 1. See APPENDIX B — "APPRAISAL REPORT" and "THE DISTRICT — Estimated District Land Values."

Bondowners' Risks

Unpaid Assessment Installments do not constitute a personal indebtedness of the owners of the parcels within the District. There is no assurance the owners will be able to pay the Assessment Installments or that they will pay such installments even though financially able to do so.

Because the City has not obligated itself to advance funds to pay Bond debt service in the event of delinquent Assessment Installments, failure by owners of the parcels to pay Assessment Installments when due, depletion of the Reserve Fund, or the inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent Assessment Installments levied against such parcels may result in the inability of the City to make full or punctual payments of debt service on the Bonds, and owners of the Bonds would therefore be adversely affected. See "BONDOWNERS' RISKS."

A failure to develop the property within the District as planned or delays on the planned development also present risks to Bondowners. See "BONDOWNERS' RISKS."

\$15,269,906
CITY OF RIVERSIDE
HUNTER PARK ASSESSMENT DISTRICT
LIMITED OBLIGATION IMPROVEMENT BONDS
(Property Secured Only – No Issuer Liability)

THE FINANCING PLAN

Purpose of the Bonds

Proceeds from the sale of the Bonds will be used to finance the acquisition and construction of improvements to the City’s streets and storm drains owned by the Flood Control District and to finance other public improvements (the “Improvement Project”) to serve the property within the District, as further described in the section herein entitled “THE DISTRICT—The Improvement Project.”

Sources and Uses of Funds

The Fiscal Agent will receive the proceeds from the sale of the Bonds upon delivery of such Bonds to the purchasers thereof. The proceeds of the Bonds will be applied as set forth in the following table:

SOURCES AND USES OF FUNDS

SOURCES:

Par Amount of Bonds	\$ 15,269,906.00
Less Original Issue Discount	(106,010.30)
Less Underwriter’s Discount	<u>(198,356.08)</u>
Total Sources	\$ 14,965,539.62

USES:

Redemption Fund ⁽¹⁾	\$ 365,326.23
Improvement Fund	13,484,248.39
Reserve Fund	1,005,965.00
Costs of Issuance	<u>110,000.00</u>
Total Uses	\$ 14,965,539.62

⁽¹⁾ Represents gross funded capitalized interest through September 2, 2006.

THE BONDS

Authority for Issuance

The proceedings formation of the District were conducted pursuant to the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code) (the “1913 Act”). The Bonds, which represent the unpaid assessments levied against the property in the District, are issued pursuant to the provisions of the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code) (the “1915 Act”), Resolution No. 21124 adopted by the City Council of the City on February 14, 2006 (the “Bond Resolution”) and a Fiscal Agent Agreement, dated as of March 1, 2006 (the “Fiscal Agent Agreement”), by and between the City and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”). Pursuant to the 1913 Act and Proposition 218, which added Article XIII D to the California Constitution, a public hearing was held and the District was formed after the City received a favorable vote of the landowners who submitted assessment ballots prior to the conclusion of the public hearing. See “THE DISTRICT — Assessments.”

Description of the Bonds

The \$15,269,906 principal amount of the Bonds are dated as of their date of delivery and will mature in the amounts and on the dates set forth on the inside cover hereof. Interest will be paid at the rates set forth on the cover commencing on September 2, 2006, and semiannually thereafter on March 2 and September 2 of each year (each an “Interest Payment Date”) until maturity. The Bonds are issued only as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof, except for the Bond maturing in 2007 which shall be in an odd amount. The Bonds will be executed and delivered as fully registered Bonds in the name of CEDE & Co., nominee of The Depository Trust Company, New York, New York (“DTC”), as registered owner of all Bonds. The principal of and interest with respect to the Bonds will be paid directly to CEDE & Co. by the Trustee as long as DTC or its nominee, CEDE & Co., is the registered owner of the Bonds. For information relating to DTC and the DTC book-entry system as it relates to the Bonds, *see* APPENDIX E — “BOOK-ENTRY ONLY SYSTEM.”

Principal and redemption premium, if any, will be payable at the principal corporate trust office of the Fiscal Agent on presentation of the Bonds. Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless otherwise specified in the Fiscal Agent Agreement. See APPENDIX C — “SUMMARY OF FISCAL AGENT AGREEMENT.”

The total amount of assessments levied in the District was \$15,609,245. At the end of the cash payment period, the amount of assessments in the District was \$15,269,906.

Redemption of Bonds

Optional Redemption. The Bonds maturing on and after September 2, 2017 are subject to redemption prior to their stated maturity dates on September 2, 2016 or on 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 the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest to the date of redemption:

<i>Redemption Date</i>	<i>Redemption Prices</i>
September 2, 2016 and March 2, 2017	101%
September 2, 2017 and March 2, 2018	100.5
September 2, 2018 and thereafter	100

Mandatory Redemption from Assessment Prepayments. The Bonds are subject to redemption on any Interest Payment Date as selected by the City, in integral multiples of \$5,000, from moneys derived by the City from Assessment Prepayments, at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest to the date of redemption.

<i>Redemption Date</i>	<i>Redemption Prices</i>
September 2, 2006 through March 2, 2016	103%
September 2, 2016 and March 2, 2017	102
September 2, 2017 and March 2, 2018	101
September 2, 2018 and thereafter	100

Pursuant to Streets and Highways Code Section 8768, the City shall select Bonds for redemption in such a way that the ratio of the principal amount of each maturity of the Bonds that will remain outstanding to the aggregate principal amount of the Bonds that will remain outstanding shall be approximately the same as it

was prior to the redemption of such Bonds. Within any one maturity, the City shall select Bonds to be redeemed by lot.

Sinking Fund Redemption. The Outstanding Bonds maturing on September 2, 2026, are subject to mandatory sinking fund redemption, in part, on September 2, 2021, and on each September 2 thereafter prior 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, from sinking fund payments as follows:

<i>Redemption Date (September 2)</i>	<i>Sinking Fund Payments</i>
2021	\$450,000
2022	470,000
2023	495,000
2024	520,000
2025	545,000
2026 [†]	575,000

[†] Final Maturity.

The Outstanding Bonds maturing on September 2, 2036, are subject to mandatory sinking fund redemption, in part, on September 2, 2027, and on each September 2 thereafter prior 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, from sinking fund payments as follows:

<i>Redemption Date (September 2)</i>	<i>Sinking Fund Payments</i>
2027	\$605,000
2028	635,000
2029	670,000
2030	705,000
2031	740,000
2032	780,000
2033	820,000
2034	860,000
2035	905,000
2036 [†]	955,000

[†] Final Maturity.

The amounts in the foregoing schedule shall be, to the extent practical, reduced pro rata among redemption dates, in order to maintain substantially level Annual Debt Service, as directed in writing to the Fiscal Agent by an Authorized Officer, as a result of any prior partial redemption of the Bonds other than from Mandatory Sinking Fund Payments.

Purchase of Bonds. In lieu of payment at maturity or optional or mandatory redemption, moneys in the Redemption 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.

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 30 days but not more than 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. See APPENDIX C — “SUMMARY OF FISCAL AGENT AGREEMENT.”

Improvement Fund

Moneys in the Improvement Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed pursuant to the terms of the Fiscal Agent Agreement for the payment or reimbursement of the costs of the design, acquisition and construction of the Improvement Project and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds. See APPENDIX C — “SUMMARY OF FISCAL AGENT AGREEMENT.”

Redemption Fund

On or before the second Business Day preceding each Interest Payment Date, the City Treasurer shall transfer to the Fiscal Agent for deposit in the Redemption Fund an amount of the Assessment Revenues which the Fiscal Agent has advised the City Treasurer will be needed to pay Debt Service on the Bonds on such Interest Payment Date. Upon receipt of each such transfer of Assessment Revenues, the Fiscal Agent shall deposit the amount thereof in the Redemption Fund for the payment of Debt Service on the Bonds on the Interest Payment Date for which the transfer is made.

On each Interest Payment Date, the Fiscal Agent shall withdraw from the Redemption Fund and pay to the Owners of the Bonds the principal of and interest and any premium then due and payable on the Bonds on the Interest Payment Date. In the event that amounts on deposit in the Redemption Fund are insufficient, the Fiscal Agent shall transfer from the Reserve Fund, to the extent of any funds therein, to the Redemption Fund the amount of such insufficiency. If, after such a transfer from the Reserve Fund, there are insufficient funds in the Redemption Fund to make the required payments, the Treasurer shall instruct the Fiscal Agent in writing to apply the available funds to the payment of the principal of and interest on the Bonds in the manner and in the priorities provided in Section 8775 of the California Streets and Highways Code, as it existed on the Closing Date or as it may thereafter be amended. The Treasurer shall specify in such written instructions how the available funds shall be utilized to pay interest on and principal of the Bonds and the Fiscal Agent may conclusively rely upon such written instructions, and shall not have any responsibility or liability as a result of its reliance upon any such written instructions. When funds become available for the payment of the portion of the principal of any Bond which was not paid upon its maturity date, the Treasurer shall provide notice to the Owner of such Bond as provided in Section 8776 of the California Streets and Highways Code.

On September 3 of each year, beginning on September 3, 2007, the amount on deposit in the Redemption Fund shall not exceed the greater of (i) one year's Investment Earnings on the Redemption Fund for the immediately preceding Bond Year, or (ii) 1/12th of Annual Debt Service for the then current Bond Year. If on September 3 of any year the amount on deposit in the Redemption Fund exceeds the maximum amount allowable pursuant to the preceding sentence and if on such September 3 the City shall have delivered to the Fiscal Agent an Officer's Certificate containing the information required below in this paragraph, the excess shall be transferred by the Fiscal Agent as directed by such Officer's Certificate 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 paid by the Fiscal Agent to the City as directed by such Officer's Certificate. An Officer's Certificate delivered by the City to Fiscal Agent shall (1) specify the dollar amount of the excess, (2) specify the dollar amount of such excess which the Fiscal Agent is to transfer to the Reserve Fund, and (3) specify the dollar amount of such excess which the Fiscal Agent is to pay to the City.

Reserve Fund

There will be deposited into the Reserve Fund from the proceeds of the sale of the Bonds an amount equal to the least of (i) 10% of the proceeds of the Bonds, (ii) maximum annual debt service and (iii) 125% of the average annual debt service on the Bonds, (the "Reserve Requirement"). The initial Reserve Requirement equals \$1,005,965.00.

Moneys in the Reserve Fund shall be held 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.

Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Redemption Fund in the event of any deficiency at any time in the Redemption Fund of the amount then required for payment of the principal of, and interest and any premium on the Bonds or transfers of moneys on deposit in the Reserve Fund in excess of the Reserve Requirement, or for the purpose of redeeming Bonds.

Amounts transferred from the Reserve Fund to the Redemption Fund shall be restored by the City so as to cause the balance on deposit in the Reserve Fund to equal the Reserve Requirement from the collection of delinquent installments on the assessments levied on parcels for which such installments are delinquent, and penalties and interest thereon, whether by judicial foreclosure proceedings or otherwise, as soon as is reasonably possible following the receipt by the City of such delinquent installments, penalties and interest. Whenever transfer is made from the Reserve Fund to the Redemption Fund due to a deficiency in the Redemption Fund, the Fiscal Agent shall report such fact to the City.

Whenever an assessment levied on a lot or parcel of property within the assessment District is paid off, the Fiscal Agent shall, upon receiving an Officer's Certificate regarding such assessment, transfer from the Reserve Fund to the Redemption Fund an amount equal to the reduction in such assessment determined pursuant to Section 8881 of the California Streets and Highways Code.

Whenever, on any September 3, the amount in the Reserve Fund, less Investment Earnings resulting from the investment of the funds therein which must be rebated to the United States (the "Rebate Amount"), exceeds the then applicable Reserve Requirement, the Fiscal Agent shall provide written notice to the City of the amount of the excess and shall, subject to the Fiscal Agent Agreement, transfer an amount equal to the excess from the Reserve Fund to the Redemption Fund to be used for the payment of Debt Service on the next succeeding Interest Payment Date. See APPENDIX C — "SUMMARY OF FISCAL AGENT AGREEMENT."

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 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. See APPENDIX C — "SUMMARY OF FISCAL AGENT AGREEMENT."

Investments

Moneys in any fund or account created or established by the Fiscal Agent 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 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 units of taxable government money market portfolio comprised of Federal Securities, certain obligations of federal agencies or interest-bearing demand or time deposits in federal or State of California chartered savings and loan associations or banks, all as further described in the Fiscal Agent Agreement See APPENDIX C — "SUMMARY OF FISCAL AGENT AGREEMENT."

Annual Debt Service

Table 1, below, sets forth the annual debt service on the Bonds based on the maturity schedule and interest rates set forth on the cover page of this Official Statement.

TABLE 1
CITY OF RIVERSIDE
HUNTER PARK ASSESSMENT DISTRICT
LIMITED OBLIGATION IMPROVEMENT BONDS
ANNUAL DEBT SERVICE

<i>Year Ending September 2</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2006 ⁽¹⁾	\$ -	\$ 365,326.23	\$ 365,326.23
2007	244,906.00	760,216.42	1,005,122.42
2008	255,000.00	750,910.00	1,005,910.00
2009	265,000.00	740,965.00	1,005,965.00
2010	275,000.00	730,630.00	1,005,630.00
2011	285,000.00	719,355.00	1,004,355.00
2012	295,000.00	707,242.50	1,002,242.50
2013	310,000.00	694,262.50	1,004,262.50
2014	325,000.00	680,467.50	1,005,467.50
2015	340,000.00	665,517.50	1,005,517.50
2016	355,000.00	649,537.50	1,004,537.50
2017	370,000.00	632,675.00	1,002,675.00
2018	390,000.00	614,915.00	1,004,915.00
2019	405,000.00	596,000.00	1,001,000.00
2020	425,000.00	576,155.00	1,001,155.00
2021	450,000.00	554,905.00	1,004,905.00
2022	470,000.00	531,955.00	1,001,955.00
2023	495,000.00	507,985.00	1,002,985.00
2024	520,000.00	482,740.00	1,002,740.00
2025	545,000.00	456,220.00	1,001,220.00
2026	575,000.00	428,425.00	1,003,425.00
2027	605,000.00	399,100.00	1,004,100.00
2028	635,000.00	367,640.00	1,002,640.00
2029	670,000.00	334,620.00	1,004,620.00
2030	705,000.00	299,780.00	1,004,780.00
2031	740,000.00	263,120.00	1,003,120.00
2032	780,000.00	224,640.00	1,004,640.00
2033	820,000.00	184,080.00	1,004,080.00
2034	860,000.00	141,440.00	1,001,440.00
2035	905,000.00	96,720.00	1,001,720.00
2036	<u>955,000.00</u>	<u>49,660.00</u>	<u>1,004,660.00</u>
Totals	\$ 15,269,906.00	\$ 15,207,205.15	\$30,477,111.15

⁽¹⁾ Interest on the Bonds is capitalized through September 2, 2006.
Source: The Underwriter.

SECURITY FOR THE BONDS

General

The Bonds are issued upon and secured by a pledge of Assessment Revenues. All the Bonds are secured by the monies in the Improvement Fund until disbursed and in the Redemption Fund and the Reserve Fund and by the unpaid assessments levied on property in the District. Principal of and interest on the Bonds are payable exclusively out of the Redemption Fund.

The payment of the amount of each Assessment Installment, interest and any penalties and collection costs is secured by an assessment lien upon the applicable property in the District. Such lien is coequal with the latest lien thereon to secure the payment of general ad valorem property taxes, is not subject to extinguishment by the sale of any property on account of the non-payment of general property taxes, and is prior and superior to all liens, claims, encumbrances and titles other than the liens of assessments, special taxes and general property taxes. The Assessment Installments are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds, and, as received by or otherwise credited to the City, will immediately be subject to the lien of such pledge. Although the unpaid assessments constitute liens upon the parcels assessed, they do not constitute a personal indebtedness of the owners of said parcels. There can be no assurance as to the financial or legal ability, or the willingness, of such property owners to pay the unpaid assessments.

The failure of a property owner to pay an Assessment Installment will not result in an increase in Assessment Installments applicable to other parcels within the District.

The unpaid Assessment Installments will be collected in semi-annual installments, together with interest on the declining balances, on the County of Riverside (the "County") tax roll on which general taxes on real property are collected, and the unpaid Assessment Installments are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do general taxes, and the assessment parcels are subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes. See also the section herein below entitled "Covenant to Commence Superior Court Foreclosure."

Reserve Fund

The Reserve Fund will be a source of available funds to advance to the Redemption Fund in the event of delinquent Assessment Installments. See "THE BONDS — Reserve Fund" herein. **The City's obligation to advance funds to the Redemption Fund in the event of delinquent Assessment Installments is limited to the balance in the Reserve Fund. Pursuant to the Fiscal Agent Agreement, the City has no obligation to replenish the Reserve Fund except to the extent that delinquent Assessment Installments are paid or proceeds from foreclosure sales are realized.**

Covenant to Commence Superior Court Foreclosure

The City has covenanted to institute judicial foreclosure in the event of a delinquency and thereafter to prosecute diligently to completion, court foreclosure proceedings upon the lien of any and all delinquent Assessment Installments and interest.

Pursuant to Part 14 of Division 10 of the California Streets and Highways Code, as amended, in the event any Assessment Installment is not paid when due, the City may order the institution of a court action to foreclose the lien of the delinquent unpaid Assessment Installments. In such an action, the property subject to the unpaid Assessment Installment may be sold at judicial foreclosure sale. This foreclosure sale procedure is

not mandatory. However, the City covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced, judicial foreclosure proceedings against properties with delinquent

Assessment Installments in excess of \$10,000 by the October 1 following the close of the Fiscal Year in which such installments were due, and will commence judicial foreclosure proceedings against all properties with delinquent Assessment Installment by the October 1 following the close of each Fiscal Year in which it receives Assessment Revenues in an amount which is less than 95% of the total Assessment Revenues which were to be received in the Fiscal Year and diligently pursue to completion such foreclosure proceedings.

Judicial Foreclosure Proceedings. The Act provides that the court in a foreclosure proceeding has the power to order property securing delinquent Assessment Installments to be sold for an amount not less than all Assessment Installments, interest, penalties, costs, fees, and other charges that are delinquent at the time the foreclosure action is ordered, and certain other fees and amounts as provided therein (the "Minimum Price"). The court may also include subsequent delinquent Assessment Installments and all other delinquent amounts.

The City may, at its discretion, but is not required to, become the purchaser of any property sold in a foreclosure proceeding. If the City becomes the purchaser, it shall pay into the Redemption Fund an amount necessary to satisfy the judgment, less any advances by the City to cover delinquent Assessment Installments plus simple interest on such net amount, at the interest rates borne by the Bonds, from the dates of delinquency. Unless such property is subsequently resold, the City must transfer to the Redemption Fund any future Assessment Installments pending redemption. The City may thereupon be reimbursed for any amount advanced from the City to the Redemption Fund to cover such future Assessment Installments with respect to the property so sold from the proceeds of such sale.

If the property is sold to a purchaser other than the City, the City will deposit the proceeds from the sale of the property into the Redemption Fund. From such amount, the City will reimburse the Reserve Fund the amount, if any, of funds advanced from the Reserve Fund to the Redemption Fund to cover the delinquent Assessment Installments with respect to the property which is sold. After reimbursement of the Reserve Fund, the City may be reimbursed for any other amounts advanced from it to the Redemption Fund to cover delinquent Assessment Installments and interest with respect to the property sold in such proceedings. Any funds in excess of the amount necessary to reimburse the City may be applied by the City to pay interest and penalties, costs, fees and other charges, to the extent they were included in the sales proceeds.

If the property to be sold fails to sell for the Minimum Price, the City may petition the court to modify the judgment so that the property may be sold at a lesser price or without a Minimum Price. Notice of the hearing on such petition must be given to all Bondowners. In certain circumstances, the court may modify the judgment after the hearing to permit the sale of the property at a price lower than the Minimum Price if the court makes certain determinations, including determinations that the sale at less than the Minimum Price will not result in an ultimate loss to Bondowners or that Bondowners of at least 75% of the principal amount of Bonds outstanding have consented to the petition and that certain other circumstances described in the statute exist. Neither the property owner nor any holder of a security interest in the property nor any defendant in the foreclosure action may purchase the property at the foreclosure sale for less than the Minimum Price.

A period of 140 days must elapse after the date notice of levy of the interest in real property is served on the judgment debtor before the sale of such lot or parcel with not more than four dwelling units can be made. However, pursuant to Streets and Highways Code Section 8832, the 140-day period may be shortened to 20 days for undeveloped property. If the judgment debtor fails to redeem, and if the purchaser at the sale is the judgment creditor (e.g., the City), an action may be commenced by the delinquent property owner within 90 days after the date of sale to set aside such sale. The constitutionality of the repeal of the one year redemption period has not been tested; and there can be no assurance that, if tested, such legislation will be upheld.

In the event such Superior Court foreclosure or foreclosures are necessary, there may be a delay in payments to Bondowners pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale; it is also possible that no bid for the purchase of the applicable property would be received at the foreclosure sale. See the section herein entitled “BONDOWNERS’ RISKS.”

Covenants with Respect to Arbitrage and Maintenance of Tax Exemption

During the term of the Bonds, the City covenants and agrees that it will make no use of Bond proceeds which, if such use had been reasonably expected at the date the Bonds are issued, would have caused the Bonds to be “arbitrage bonds” within the meaning of the United States Internal Revenue Code of 1986 (the “Code”), and regulations of the Internal Revenue Service authorized thereby, and further will rebate to the United States any amounts actually earned as rebatable arbitrage in accordance with the provisions of the Code and such regulations.

Bonds Create a Lien

The Assessment Installments and any interest and penalties thereon constitute a lien against the parcels on which they were levied until the same is paid. Such lien has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general and special taxes.

Limited City Obligation Upon Delinquency

The City’s obligation to advance monies to pay Bond debt service in the event of delinquent Assessment Installments is limited to the balance in the Reserve Fund.

Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

THE DISTRICT

Description of the Property within the District

General. The District is located northeast of the downtown area of the City. The City is the County seat 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 366 gross acres that lie within the eastern portion of Hunter Business Park. Hunter Business Park is generally bounded by the 91 Freeway (Riverside Freeway) to the west, Highway 60 and Spruce Street to the south, Box Springs Mountain Regional Park to the east and the Riverside/San Bernardino County boundary to the north.

The Hunter Business Park Specific Plan HBSP adopted on April 19, 1988 (Resolution 1523) designates the District as Industrial Park, as amended on November 13, 1990, Resolution Nos. 17628 and 17629; as amended on October 23, 1990, Resolution No. 17615; as amended on May 26, 1998, Resolution No. 19282; as amended on July 27, 1999, Resolution No. 19545; as amended on November 14, 2000, Resolution No. 19794; as amended on January 23, 2001, Resolution No. 19832; as amended on February 12, 2002, Resolution No. 20098; and as amended on August 27, 2002, Resolution No. 20252 (as so amended, the “Specific Plan”). The HBSP includes development standards and design guidelines for the development of this area, including site design and landscaping requirements. The zoning designation for the majority of the

District is MP-Manufacturing Park. The Industrial Park District is intended to serve industrial users with the desire to locate within an attractive and cohesive working environment. The District is intended to include, but not limited to, light industrial uses, research and development facilities (including laboratories), administration facilities, limited types of warehousing and wholesale operations. The City is working on an amendment to the Specific Plan for Hunter Business Park which may modify permitted uses of property within the District but which is not expected to adversely impact the development of the property within the District as described herein.

Construction and Environmental Issues. The City Council of the City has reviewed the environmental impacts of the District facilities as case numbers P03-1359 and P03-1360, and has determined that the facilities in the District will not have a significant impact on the environment. In conformance with the requirements of the California Environmental Quality Act, the City Council of the City has adopted Mitigated Negative Declarations, which is on file with the City Planning Department.

The portion of the project within Springbrook Arroyo situated along the northerly boundary of the District involves the Jurisdictional Waters of the United States for which the City has obtained permits from the (i) Army Corps of Engineers pursuant to Section 404 of the federal Clean Water Act; (ii), the State Water Resources Control Board pursuant to Section 401 of the State Clean Water Act; and (iii) the State Department of Fish and Game pursuant to Section 1602 of the State Permit Streamlining Act.

Additionally, as part of the its comprehensive regional planning effort begun in 1999, the Riverside County Board of Supervisors and the Riverside County Transportation Commission have initiated a plan to protect certain environmentally sensitive species. This plan is known as the Multiple Species Habitat Conservation Plan (“MSHCP”). According to a study conducted by the City, the District has been determined to be in compliance with the MSHCP.

The Improvement Project

The following is a summary of the Improvement Project cost estimate prepared by Michael Katusian, P.E., the assessment engineer and Albert A. Webb Associates, assessment support services. The City has executed a construction contract with H&H General Contractors of San Bernardino contingent on the sale of the Bonds. It is currently expected that the Improvement Project will be completed on or about approximately March 2007.

TABLE 2
CITY OF RIVERSIDE
HUNTER PARK ASSESSMENT DISTRICT
ENGINEER’S ESTIMATE OF COSTS AND EXPENSES

<i>Components</i>	<i>Estimated Cost</i>
Street Improvements (including contingency)	\$ 1,634,565
Storm Drain Improvements & Drainage System (including contingency)	11,373,139
Incidental Expenses ⁽¹⁾	<u>2,601,541</u>
TOTAL AMOUNT ASSESSED	\$ 15,609,245

⁽¹⁾ Includes costs for inspection, engineering, administration, printing, appraisal, consultants and legal fees, as well as the Reserve Requirement, capitalized interest through September 2, 2006 and the Underwriter’s discount.

Assessments

The City Council of the City has conducted proceedings pursuant to the 1913 Act for the formation of the District and has confirmed an assessment, which assessment and a related diagram were recorded in the office of the Public Works Director, acting as the Superintendent of Streets, and with the County Recorder of the County. A notice of assessment, as prescribed in Section 3114 of the Streets and Highways Code, has been recorded with the County Recorder of the County, whereupon the assessment attached as a lien upon the property assessed within the District as provided in Section 3115 of the Streets and Highways Code. On January 3, 2006, the City Council of the City conducted a duly noticed public hearing and election regarding the formation of the District and the levy of the assessments. At the election, the property owners approved the levy of the assessments. At the end of the 30-day cash collection period, a list of unpaid assessments was filed with the City Treasurer pursuant to Section 8620 of the 1915 Act. Prepaid assessments totaled \$339,339.

The amounts to be assessed against the parcels of property to pay the costs and expenses of the work and improvements have been based on the estimated benefits to be derived by the various properties within 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 2005-06 is shown in Table 3 below (the "Debt Report").

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

TABLE 3
CITY OF RIVERSIDE
HUNTER PARK ASSESSMENT DISTRICT
SECURED PROPERTY TAX ROLL AND DIRECT AND OVERLAPPING DEBT

2005-06 Local Secured Assessed Valuation: \$100,365,047

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 12/12/05</u>
Riverside City Community College District	0.168%	\$112,453
Riverside Unified School District	0.168	336,545
Metropolitan Water District	0.002	8,388
City of Riverside	0.557	109,116
City of Riverside Hunter Park Assessment District	100.00%	- ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$566,502
<u>OVERLAPPING GENERAL FUND DEBT:</u>	<u>% Applicable ⁽²⁾</u>	<u>Debt 12/12/05</u>
Riverside County General Fund Obligations	0.024%	\$145,862
Riverside County Pension Obligations	0.024	96,000
Riverside County Board of Education Certificates of Participation	0.024	2,698
Riverside Unified School District Certificates of Participation	0.218	57,389
City of Riverside Certificates of Participation	0.198	110,732
City of Riverside Pension Obligations	0.198	293,594
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$706,275
Less: Riverside County self-supporting obligation		4,928
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$701,347
GROSS COMBINED TOTAL DEBT		\$1,272,777 ⁽³⁾
NET COMBINED TOTAL DEBT		\$1,267,849

Ratios to 2005-06 Assessed Valuation:

Direct Debt	- %
Total Direct and Overlapping Tax and Assessment Debt	0.56%
Gross Combined Total Debt	1.27%
Net Combined Total Debt	1.26%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: \$0

⁽¹⁾ Excludes issue to be sold.

⁽²⁾ Based on redevelopment adjusted all property assessed valuation of \$29,957,440.

⁽³⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Description of Taxes

The following discussion of 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 at a rate of \$2.83 per unit of benefit with; 12 units of benefit per acre for commercially zoned parcels, or 9 units of benefit per acre for industrially zoned parcels, to fund the maintenance of storm drains under the National Pollutant Discharge Elimination System for the City.

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.

Northwest Mosquito Abatement District Assessment. The assessment is assessed to provide funding for mosquito and vector control programs. The annual assessment ranges from \$0.11 to \$7.35 per parcel, determined by land use.

Other Assessments and Special Taxes

City of Riverside Hunter Park Assessment District. The Assessment is levied to pay debt service on Bonds to be issued as described in this Official Statement which are to be issued by the City to finance the acquisition and construction of the Improvement Project. See “THE FINANCING PLAN — Purpose of the Bonds” herein.

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 0.0052% 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 \$418,190,000 was outstanding as of June 30, 2005.

Riverside Unified School District Debt Service. Property within the District is subject to a Riverside Unified School District Debt Service tax. The rate on such property is 0.04054% of assessed value. The tax is used to pay debt service on \$60,000,000 in bonds which were issued by the Riverside Unified School District under an authorization of \$175,000,000, of which approximately \$53,590,000 was outstanding as of June 30, 2005.

Riverside Community College District Debt Service. Property within the District is subject to a Riverside Community College District Debt Service tax. The rate on such property is 0.018% of assessed value. The tax is used to pay debt service on \$65,000,000 in bonds which were issued by the Riverside Unified School District under an authorization of \$175,000,000, of which approximately \$57,416,000 was outstanding as of June 30, 2005.

City of Riverside Debt Service. Property within the District is subject to a City Debt Service tax. The rate on such property is 0.008613% of assessed value. The tax is used to pay debt service on \$20,000,000 in bonds which were issued by the City under an authorization of \$20,000,000, of which approximately \$20,000,000 was outstanding as of June 30, 2005.

Estimated District Land Values

The value of the land within the District is significant because in the event of a delinquency in the payment of Assessment Installments, the City may foreclose only against delinquent parcels.

Estimated Value of Undeveloped Property. Stephen G. White, MAI (the “Appraiser”) has prepared an appraisal report dated January 26, 2006 (the “Appraisal”) with respect to the undeveloped property, only, within the District (the “Undeveloped Property”) Based upon a number of assumptions and limiting conditions contained in the Appraisal as set forth in APPENDIX B, in the opinion of the Appraiser, the market value of the fee simple interest of the Undeveloped Property in the District, assuming the improvements to be financed with the Bonds are complete, was \$63,110,000 as of January 21, 2006 (the “Appraised Value”). The Appraisal states land value for each ownership of undeveloped land in the District.

Certain of the other assumptions in the Appraisal include an assumption that information obtained by the Appraiser from the subject property owners is reasonably correct and an assumption that there are no hidden or unapparent conditions of the properties that render them more or less valuable.

No assurance can be given that the assumptions made by the Appraiser will, in fact, be realized, which is one reason that no assurance can be given that the Undeveloped Property within the District could be sold at the Appraised Value. See “BONDOWNERS’ RISKS — Land Values.”

Undeveloped land is inherently less valuable than developed land. Although the Undeveloped Property has been appraised as of January 21, 2006 at \$63,110,000, on a parcel by parcel basis values in the District range dramatically. See “PROPERTY OWNERSHIP AND STATUS OF DEVELOPMENT — Property Ownership and Status — Table 8” and “APPENDIX B — “APPRAISAL REPORT” herein for the appraised value of each undeveloped parcel within the District. Dividing the Appraised Value by the aggregate principal amount of the Bonds attributable to the Undeveloped Property of \$11,671,677 results in an overall estimated appraised value to lien ratio of 5.41 to 1. However, several individual parcels within the Undeveloped Property have significantly lower appraised value-to-lien ratios. This ratio excludes \$566,502 of direct and overlapping tax and assessment debt applicable to the District shown on Table 3 herein above. See

“PROPERTY OWNERSHIP AND STATUS OF DEVELOPMENT — Property Ownership and Status — Table 8” and “—Table 9” herein for the estimated appraised value-to-lien ratios for the Undeveloped Property organized by development status (Table 8) and landowner (Table 9), as of January 21, 2006. The District will not annually conduct an appraisal of any property within the District and, therefore, the appraised value-to-lien ratios for the Undeveloped Property will not be annually updated. The assessed value of undeveloped property within the District on the tax assessor’s roll as of January 1, 2005 was \$23,015,612.

The following table sets forth the number of undeveloped parcels and aggregate number of acres in the District having certain ranges of value to lien ratios. The Appraiser aggregated values on an ownership, rather than parcel-by-parcel, basis; thus the value to lien ratios in Table 4 do not necessarily reflect individual parcels, if any, which have value to lien ratios lower than 2.48:1 or higher than 10.16:1.

TABLE 4
APPRAISED VALUE TO LIEN RATIO RANGES FOR
UNDEVELOPED PROPERTY IN THE DISTRICT

<i>Number of Undeveloped Parcels</i>	<i>Total Acreage</i>	<i>Appraised Value to Lien Ratio Range</i>
5	11.23	2.48:1 to 3.00:1
18	216.73	4.30:1 to 7.84:1
9	37.63	8.16:1 to 10.16:1

Estimated Value of Developed Property. As is the case with Undeveloped Property in the District, the value of individual developed parcels within the District vary greatly. Dividing the Assessed Value (based on the most recent published County Assessor’s Roll dated as of January 1, 2005) of the aggregate developed and partially developed property within the District (the “Developed Property”) of \$75,044,483 by the aggregate principal amount of the Bonds attributable to the Developed Property of \$3,598,229 results in an overall estimated assessed value to lien ratio of 20.86 to 1 for Developed Property only. However, several individual parcels within the Developed Property have significantly lower assessed value-to-lien ratios. This ratio excludes \$566,502 of direct and overlapping tax and assessment debt applicable to the District shown on Table 3 herein above. See “PROPERTY OWNERSHIP AND STATUS OF DEVELOPMENT — Property Ownership and Status — Table 6” and “—Table 7” herein for the estimated assessed value-to-lien ratios for the Developed Property organized by development status (Table 6) and landowner (Table 7).

The following table sets forth the number of developed parcels and aggregate number of acres of Developed Property in the District having certain ranges of value to lien ratios.

TABLE 5
ASSESSED VALUE TO LIEN RATIO RANGES FOR
DEVELOPED PROPERTY IN THE DISTRICT

<i>Number of Developed Parcels</i>	<i>Total Acreage</i>	<i>Assessed Value to Lien Ratio Range</i>
6	32.23	7.14:1 to 11.46:1
9	48.01	18.61:1 to 27.12:1
5	20.73	28.44 to 32.11:1

Landowner Allocation of Assessments

The land within the District is currently owned by 27 landowners. Table 6 below identifies the total amount of the Assessment Installments and the percentage of the estimated total amount of the Assessment Installments for Fiscal Year 2005-06 for which each landowner is expected to be responsible. As Table 6 indicates, if no interim sales occur to other owners, OEF will be responsible for approximately 30.62% of the Assessment Installments for Fiscal Year 2005-06, and RCI and the RCI Affiliates will be collectively responsible for approximately 32.37% of the Assessment Installments for Fiscal Year 2005-06. RCI, the RCI Affiliates and OEF will be collectively responsible for approximately 62.99% of the estimated Assessment Installments for Fiscal Year 2005-06. The remaining 21 landowners will be collectively responsible for approximately 37.01% of the Assessment Installments for Fiscal Year 2005-06. See “PROPERTY OWNERSHIP AND STATUS OF DEVELOPMENT” and “BONDOWNERS’ RISKS—Concentration of Ownership” herein.

TABLE 6
CITY OF RIVERSIDE
HUNTER PARK ASSESSMENT DISTRICT
ALLOCATION OF ASSESSMENTS BY PROPERTY OWNERSHIP
AS OF MAY 1, 2005

<i>Owner</i>	<i>Development Status</i>	<i>Acres</i>	<i>Estimated Annual Assessment Installments</i>	<i>Percent of Aggregate Estimated Annual Assessment Installments</i>
Operating Engineers Funds, Inc.	Undeveloped	12.71	\$ 35,070	3.22%
Operating Engineers Funds, Inc.	Developed	10.42	28,062	2.57
Operating Engineers Funds, Inc.	Developed	7.73	21,025	1.93
Operating Engineers Funds, Inc.	Undeveloped	82.38	215,884	19.80
Operating Engineers Funds, Inc.	Undeveloped	13.54	33,801	3.10
OEF Total		126.78	\$ 333,842	30.62%
The Grove Business Park, LLC	Undeveloped	3.50	\$ 25,932	2.38
The Grove Business Park, LLC	Undeveloped	3.21	24,914	2.29
The Grove Business Park, LLC	Undeveloped	12.78	100,125	9.18
GBP Total		19.49	\$ 150,971	13.85%
Caspian Properties and Darrell A. Butler, as tenants in common	Undeveloped	4.08	11,258	1.03
RCI Total		4.08	\$ 11,258	1.03%
Pacific Park Investors, LLC	Developed	14.35	39,430	3.62
PPI Total		14.35	\$ 39,430	3.62%
RCI M&N Partners	Developed	4.08	34,270	3.14
RCI Total		4.08	\$ 34,270	3.14%
Highland Corporate Center, LLC	Undeveloped	2.85	\$ 7,864	0.72
Highland Corporate Center, LLC	Undeveloped	10.51	22,046	2.02
Highland Corporate Center, LLC	Undeveloped	6.10	8,085	0.74
Highland Corporate Center, LLC	Undeveloped	9.64	26,599	2.44
Highland Corporate Center, LLC	Undeveloped	20.94	52,398	4.81
HCC Total		50.04	\$ 116,992	10.73%
Aust, Robert D.	Undeveloped	1.04	\$ 6,319	0.58
Aust, Robert D.	Undeveloped	1.00	6,441	0.59
Aust, Robert D.	Undeveloped	1.03	6,392	0.59
Aust, Robert D.	Undeveloped	4.08	19,772	1.81
Aust Total		7.15	\$ 38,924	3.57%
Zapeda, Alfredo ⁽¹⁾	Developed	24.48	46,990	4.31
Zapeda Total		24.48	\$ 46,990	4.31%
Laura Lane, LLC	Developed	2.36	\$ 6,512	0.60
Laura Lane, LLC	Developed	1.22	3,366	0.31
Laura Lane, LLC	Developed	1.35	3,725	0.34
Laura Lane, LLC	Developed	1.59	4,387	0.40
Laura Lane, LLC	Developed	1.23	3,394	0.31
LLL Total		7.75	\$ 21,384	1.96%
Guthrie Richter, LLC	Undeveloped	4.26	\$ 11,754	1.08
Guthrie Richter, LLC	Undeveloped	17.65	48,646	4.46
Guthrie Richter, LLC	Undeveloped	3.98	10,982	1.01
GRL Total		25.89	\$ 71,382	6.41%
Russ, LP	Undeveloped	9.30	24,640	2.26
Russ, LP	Undeveloped	4.25	11,258	1.03
Russ Total		13.55	\$ 35,898	3.29%
Guy Evans	Developed	1.49	4,111	0.38
Evans Total		1.49	\$ 4,111	0.38%
Edward Ruiz	Developed	2.18	6,015	0.55
Ruiz Total		2.18	\$ 6,015	0.55%
Lee, Richard B.	Undeveloped	4.05	10,706	0.98
Lee Total		4.05	\$ 10,706	0.98%
Unire Real Estate Group	Developed	6.39	17,632	1.62
URE Total		6.39	\$ 17,632	1.62%
Golden State Real Estate Investments II	Developed	7.13	19,673	1.80
GSREI Total		7.13	\$ 19,673	1.80%
Harrigan Holdings	Developed	2.54	7,008	0.64
HH Total		2.54	\$ 7,008	0.64%
Columbia Hunter I	Developed	2.94	8,112	0.74
CH Total		2.94	\$ 8,112	0.74%

(continued on next page)

<i>Owner</i>	<i>Development Status</i>	<i>Acres</i>	<i>Estimated Annual Assessment Installments</i>	<i>Percent of Aggregate Estimated Annual Assessment Installments</i>
Method Art Corp.	Developed	4.67	12,886	1.18
MA Total		4.67	\$ 12,886	1.18%
Columbia Building, LLC	Developed	2.21	6,098	0.58
CBL Total		2.21	\$ 6,098	0.58%
Blue Mountain	Undeveloped	2.87	7,919	0.73
BIC Total		2.87	\$ 7,919	0.73%
Redevelopment Agency, County of Riverside	Undeveloped	3.15	8,692	0.80
Redevelopment Agency, County of Riverside	Undeveloped	4.32	11,920	1.09
Lee Total		7.47	\$ 20,612	1.89%
Albanna Development Co.	Developed	2.61	7,202	0.66
Albanna Total		2.61	\$ 7,202	0.66%
STN Realty California	Undeveloped	4.17	11,506	1.06
STN Realty California	Undeveloped	4.40	12,141	1.11
STN Total		8.57	\$ 23,647	2.17%
Doshi, McCarthy, Semler, Semler	Undeveloped	2.34	6,457	0.59
DMSS Total		2.34	\$ 6,457	0.59%
Kenneth Thompson, Vera Thompson	Undeveloped	4.78	12,720	1.17
Kenneth Thompson, Vera Thompson	Undeveloped	4.56	12,168	1.12
Thompson Total		9.34	\$ 24,888	2.28%
C&W	Undeveloped	0.98	2,704	0.25
C&W	Undeveloped	1.14	3,146	0.29
C&W Total		2.12	\$ 5,850	0.54%
TOTALS		366.56	\$ 1,090,155	100.00%

⁽¹⁾ Partially developed. A single building exists on this parcel. This parcel originally existed as four separate parcels, but has since been aggregate into a single parcel.
Source: Albert A. Webb Associates.

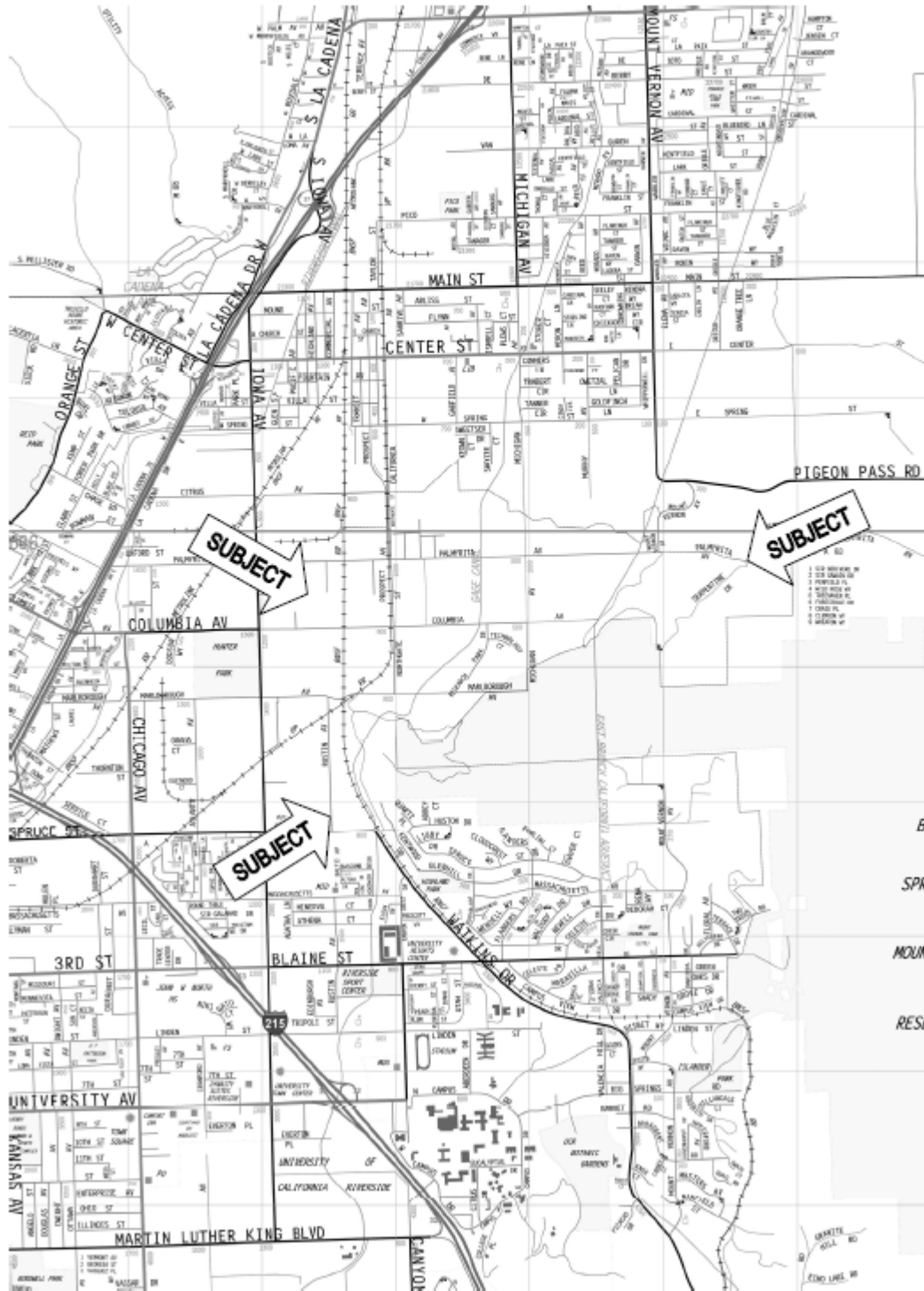
Property Owner Delinquencies

The Riverside County records currently reflect two parcels within the District as delinquent in the payment of the property tax installment due December 10, 2005. Assessor's Parcel Number 257020036-1 owned by Golden State Real Estate Investments II, is delinquent in \$42,721.83 of property taxes and other special assessments. One of the parcels owned by Highland Corporate Center, Assessor's Parcel Number 257050006-7, is delinquent in \$614.91 of property taxes and other special assessments. No parcels within the District reflect any unpaid delinquency from prior years.

**SITE MAP OF
HUNTER PARK ASSESSMENT DISTRICT**

SITE MAP OF
HUNTER PARK ASSESSMENT DISTRICT

LOCATION MAP



PROPERTY OWNERSHIP AND DEVELOPMENT

Property Ownership and Status of Improvements

Twenty-seven entities owned property within the District as of January 15, 2006 of which fourteen owned improved properties in the District comprising approximately 100.97 net acres and the remaining 265.59 net acres of the District remain in undeveloped condition. Table 7 below sets forth the ownership, size, use and status of the improved properties. For a discussion of the landowners within the District and their plans for development, see “Operating Engineers Fund, Inc.,” “RCI and the RCI Affiliates” and “Other Land Ownership” below.

**TABLE 7
CITY OF RIVERSIDE
HUNTER PARK ASSESSMENT DISTRICT
STATUS OF IMPROVEMENTS
(As of January 15, 2006)**

<i>Owner</i>	<i>Acres</i>	<i>Size (Square Feet)</i>	<i>Use</i>	<i>Status</i>
Zapeda, Alfredo ⁽¹⁾	24.48	104,100	Furniture/Warehouse/Distribution Center	Active Business
Caspian Properties and Darrell A. Butler, as tenants in common	4.08	64,000	Industrial/Office Space	Completed/100% Leased
Laura Lane, LLC	2.36	26,790	Commercial Office	Active Business
Laura Lane, LLC	1.22	16,900	Commercial	Active Business
Laura Lane, LLC	1.35	20,900	Commercial	Active Business
Laura Lane, LLC	1.59	14,740	Commercial	Active Business
Laura Lane, LLC	1.23	17,100	Commercial	Active Business
Guy Evans	1.49	21,348	Commercial	Active Business
Edward Ruiz	2.18	86,231	Industrial Warehouse	Active Business
Pacific Park Investors, LLC	14.35	245,000	Industrial/Office Space	Completed/100% Leased
Unire Real Estate Group	6.39	131,600	Commercial	Active Business
Golden State Real Estate Investments II	7.13	141,720	Commercial	Active Business
Harrigan Holdings	2.54	52,336	Commercial	Active Business
Columbia Hunter I	2.94	57,599	Commercial	Active Business
Method Art Corp.	4.67	80,380	Commercial	Active Business
Columbia Building, LLC	2.21	43,550	Commercial	Active Business
Operating Engineers Funds, Inc.	18.15	340,645	Warehouse/Office Space	Completed/50% Leased/50% Leased Under Final Negotiations
Albanna Development Co	2.61	25,085	Office	Active Business

⁽¹⁾ Partially developed. A single building exists on this parcel. This parcel originally existed as four separate parcels, but has since been aggregate into a single parcel.
Source: Albert A. Webb Associates.

Approximately 265.59 acres of the approximately 366.56 acres in the District are in undeveloped condition. For a discussion of the Major Landowners plan of development, see “Operating Engineers Fund, Inc.” and “The RCI Development Group” herein below. The City does not have any information regarding the plans of landowners other than the Major Landowners of undeveloped property and no assurance can be given that landowners of undeveloped property will develop such land in the future. See “BONDOWNERS’ RISKS — Failure to Develop Properties” herein.

Table 8 below sets forth property status and ownership of land within the District by developed property and undeveloped property. Table 8 also provides estimated value-to-lien ratios for each property based upon appraised value and the lien on Bonds.

**TABLE 8
CITY OF RIVERSIDE
HUNTER PARK ASSESSMENT DISTRICT
PROPERTY SUMMARY BY DEVELOPMENT STATUS**

<i>Assessment Parcel Number</i>	<i>Owner</i>	<i>Development Status</i>	<i>Acres</i>	<i>Estimated Annual Assessment</i>	<i>Percent of Aggregate Annual Assessments</i>	<i>Value ⁽¹⁾</i>	<i>Bonds Lien</i>	<i>Value/Lien ⁽²⁾</i>
249060030-0	Zapeda, Alfredo ⁽³⁾	Developed	24.48	\$ 46,890	4.31%	\$ 4,702,443	\$ 658,194	7.14:1
257020028-4	Caspian Properties and Darrell A. Butler, TIC	Developed	4.08	11,234	1.03	2,934,953	157,688	18.61:1
PM 31936, Par. 1-5	Laura Lane, LLC	Developed	7.75	21,339	1.96	3,432,565	299,530	11.46:1
257030033-9	Guy Evans	Developed	1.49	4,102	0.38	1,433,100	57,587	24.89:1
257030034-0	Edward Ruiz	Developed	2.18	6,002	0.55	2,284,800	84,255	27.12:1
257030035-1	Pacific Park Investors, LLC	Developed	14.35	39,345	3.62	13,465,000	552,296	24.38:1
257020037-2	Unire Real Estate Group	Developed	6.39	17,594	1.62	7,170,700	246,968	29.03:1
257020036-1	Golden State Real Estate Investments II	Developed	7.13	19,631	1.80	7,838,500	275,568	28.44:1
249070031-2	Harrigan Holdings	Developed	2.54	6,994	0.64	3,117,128	98,169	31.75:1
249070032-3	Columbia Hunter I	Developed	2.94	8,095	0.74	2,483,673	113,628	21.86:1
PM 30325, PAR 3	Method Art Corp.	Developed	4.67	12,858	1.18	5,796,150	180,491	32.11:1
PM 30325, PAR 4	Columbia Building, LLC	Developed	2.21	6,085	0.56	2,252,160	85,414	26.37:1
255120038-8, 255120025-8	Operating Engineers Funds, Inc.	Developed	18.15	48,983	4.50	16,108,711	687,567	23.43:1
257030026-3	Albanna Development Co	Developed	2.61	7,186	0.66	2,024,600	100,874	20.07:1
TOTAL DEVELOPED			100.97	\$ 260,688	23.55%	\$ 75,044,483	\$ 3,598,229	20.86:1
249130022-9, 249130023-0 ⁽⁴⁾	Aust, Robert D.	Undeveloped	7.15	38,840	3.57	1,430,000	545,211	2.62:1
LL-P05-0323 Par. A - C	The Grove Business Park, LLC	Undeveloped	19.49	150,648	13.85	9,930,000	2,114,661	4.70:1
257030017-5, 257060002-4 ⁽⁵⁾	Guthrie Richter, LLC	Undeveloped	25.89	71,229	6.55	4,300,000	999,852	4.30:1
257020003-1, 257020004-2	Russ, LP	Undeveloped	13.55	35,821	3.29	5,110,000	502,825	10.16:1
249130010-8	Lee, Richard B.	Undeveloped	4.05	10,683	0.98	1,260,000	149,958	8.40:1
255120036-6, 257040009-9 ⁽⁶⁾	Operating Engineers Funds, Inc.	Undeveloped	108.63	284,146	26.12	21,600,000	3,988,586	5.42:1
249-140-028-6	Blue Mountain	Undeveloped	2.87	7,902	0.73	870,000	110,923	7.84:1
257030012-0, 257030014-2	Redevelopment Agency, County of Riverside	Undeveloped	7.47	20,567	1.89	1,530,000	288,709	5.30:1
257020043-7, 257020042-6	STN Realty California	Undeveloped	8.57	23,596	2.17	2,890,000	331,223	8.73:1
257030013-1	Doshi, McArthy, Semler, Semler	Undeveloped	2.34	6,443	0.59	600,000	90,439	6.63:1
249060009-2, 249060010-2	Kenneth Thompson, Vera Thompson	Undeveloped	9.34	24,835	2.28	2,940,000	348,615	8.43:1
249-140-021, 249-140-022	C&W	Undeveloped	2.12	5,837	0.54	780,000	81,936	9.52:1
249070011-4	RCI/M&N Partners	Undeveloped	4.08	34,196	3.14	1,190,000	480,017	2.48:1
257-050-003-4, 257-050-004-5 ⁽⁷⁾	Highland Corporate Center, LLC	Undeveloped	50.04	116,741	10.73	8,680,000	1,638,721	5.30:1
TOTAL UNDEVELOPED			265.59	\$ 851,308	76.43%	\$ 63,110,000	\$11,671,677	5.41:1
TOTAL			366.56	\$1,090,157	100.00% ⁽⁸⁾	\$138,154,483	\$15,269,906	9.05:1

⁽¹⁾ For Developed Property, value is based on tax roll assess value as of January 1, 2005. For Undeveloped Property, value is based on the Appraisal Value as of January 21, 2006.

⁽²⁾ Does not include \$566,502 in direct and overlapping tax and assessment debt. See Table 3 herein above.

⁽³⁾ Partially developed. A single building exists on this parcel. This parcel originally existed as four separate parcels, but has since been aggregate into a single parcel.

⁽⁴⁾ Also includes Assessment Parcel Numbers 249130024-1 and 249130026-3.

⁽⁵⁾ Also includes Assessment Parcel Numbers 257030016-4.

⁽⁶⁾ Also includes Assessment Parcel Number PM 30485-1, Reminder Par.

⁽⁷⁾ Also includes Assessment Parcel Numbers 257-050-006-7, 257-100-010-4 and 257-100-001-6.

⁽⁸⁾ Column does not add up to 100% due to rounding.

Source: Albert A. Webb Associates and the Appraiser.

Table 9 below sets forth a summary of property ownership of all land within the District, organized by ownership, including aggregated totals for the OEF and the RCI Development Group. Table 9 also indicates (i) the percentage of estimated maximum annual Assessment Installments for fiscal year 2005-06, determined as of February 7, 2006, (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 the lien of the Bonds.

TABLE 9
THE CITY OF RIVERSIDE
HUNTER PARK ASSESSMENT DISTRICT
PROPERTY OWNERSHIP SUMMARY

<i>Owner</i>	<i>Development Status</i>	<i>Acres</i>	<i>Estimated Annual Assessment</i>	<i>Percent of Estimated Annual Assessment</i>	<i>Value</i> ⁽¹⁾	<i>Bonds Lien</i>	<i>Value/Lien</i> ⁽²⁾
Operating Engineers Funds, Inc.	Undeveloped	108.63	\$ 284,755	26.12%	\$ 21,600,000	\$ 3,988,586	5.42:1
Operating Engineers Funds, Inc.	Developed	<u>18.15</u>	<u>49,087</u>	<u>4.50</u>	<u>16,108,711</u>	<u>687,567</u>	<u>23.43:1</u>
	OEF Total	126.78	\$ 333,842	30.62%	\$ 37,708,711	\$ 4,676,153	8.06:1
The Grove Business Park, LLC	Undeveloped	19.49	\$ 150,971	13.85%	\$ 9,930,000	\$ 2,114,661	4.70:1
Caspian Properties and Darrell A. Butler, as tenants in common	Developed	4.08	11,258	1.03	2,934,953	157,688	18.61:1
Pacific Park Investors, LLC	Developed	14.35	39,430	3.62	13,465,000	552,296	24.38:1
RCI/M&N Partners	Undeveloped	4.08	34,270	3.14	1,190,000	480,017	2.48:1
Highland Corporate Center, LLC	Undeveloped	<u>50.04</u>	<u>116,992</u>	<u>10.73</u>	<u>8,680,000</u>	<u>1,638,721</u>	<u>5.30:1</u>
	RCI Total	92.04	\$ 352,921	32.37%	\$ 36,199,953	\$ 4,943,383	7.32:1
Aust, Robert D.	Undeveloped	7.15	\$ 38,924	3.57%	\$ 1,430,000	\$ 545,211	2.62:1
Zapeda, Alfredo ⁽³⁾	Developed	24.48	46,990	4.31	4,702,443	658,194	7.14:1
Laura Lane, LLC	Developed	7.75	21,384	1.96	3,432,565	299,530	11.46:1
Guthrie Richter, LLC	Undeveloped	25.89	71,382	6.55	4,300,000	999,852	4.30:1
Russ, LP	Undeveloped	13.55	35,898	3.29	5,110,000	502,825	10.16:1
Guy Evans	Developed	1.49	4,111	0.38	1,433,100	57,587	24.89:1
Edward Ruiz	Developed	2.18	6,015	0.55	2,284,800	84,255	27.12:1
Lee, Richard B.	Undeveloped	4.05	10,706	0.98	1,260,000	149,958	8.40:1
Unire Real Estate Group	Developed	6.39	17,632	1.62	7,170,700	246,968	29.03:1
Golden State Real Estate Investments II	Developed	7.13	19,673	1.80	7,838,500	275,568	28.44:1
Harrigan Holdings	Developed	2.54	7,008	0.64	3,117,128	98,169	31.75:1
Columbia Hunter I	Developed	2.94	8,112	0.74	2,483,673	113,628	21.86:1
Method Art Corp.	Developed	4.67	12,886	1.18	5,796,150	180,491	32.11:1
Columbia Building, LLC	Developed	2.21	6,098	0.56	2,252,160	85,414	26.37:1
Blue Mountain	Undeveloped	2.87	7,919	0.73	870,000	110,923	7.84:1
Redevelopment Agency, County Of Riverside	Undeveloped	7.47	20,612	1.89	1,530,000	288,709	5.30:1
Albanna Development Co	Developed	2.61	7,202	0.66	2,024,600	100,874	20.07:1
STN Realty California	Undeveloped	8.57	23,647	2.17	2,890,000	331,223	8.73:1
Doshi, McArthy, Semler, Semler	Undeveloped	2.34	6,457	0.59	600,000	90,439	6.63:1
Kenneth Thompson, Vera Thompson	Undeveloped	9.34	24,888	2.28	2,940,000	348,615	8.43:1
C&W	Undeveloped	<u>2.12</u>	<u>5,850</u>	<u>0.55</u>	<u>780,000</u>	<u>81,936</u>	<u>9.52:1</u>
	Total Other Owners	156.52	\$ 403,394	37.00%	\$ 64,245,819	\$ 5,650,369	9.52:1
	TOTAL	366.56	\$ 1,090,157	100.00% ⁽⁴⁾	\$ 138,154,483	\$ 15,269,905 ⁽⁴⁾	9.05:1

⁽¹⁾ For Developed Property, value is based on tax roll assess value as of January 1, 2005. For Undeveloped Property, value is based on the Appraisal Value.

⁽²⁾ Does not include \$566,502 in direct and overlapping tax and assessment debt. See Table 3 herein above.

⁽³⁾ Partially developed. A single building exists on this parcel. This parcel originally existed as four separate parcels, but has since been aggregate into a single parcel.

⁽⁴⁾ Column does not add up to 100% due to rounding.

OEF and the RCI Development Group have provided the information in the following sections entitled “Operating Engineers Fund, Inc.” and “The RCI Development Group,” respectively.

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

No assurance can be given that the proposed development within the District will occur as described below or that it will occur in a timely manner or in the configuration or intensity described herein, or that OEF or the respective entity within the RCI Development Group will retain ownership of any of the land within the District. The Bonds and the Assessment Installments are not personal obligations of OEF, of any entity within the RCI Development Group or of any other landowners and in the event that OEF, any entity within the RCI Development Group or any other landowner defaults in the payment of the Assessment Installments, the District may proceed with judicial foreclosure but has no direct recourse to the assets of OEF, any entity within the RCI Development Group or any other landowner. As a result, other than as provided in this Official Statement, no financial statements or information is or will be provided about OEF, any entity within the RCI Development Group or any other landowner.

The descriptions of the landowners other than the Major Landowners under the heading “— Other Land Ownership” have been derived solely from the Appraisal. See APPENDIX B — “APPRAISAL REPORT.” Neither the District, the City nor the Underwriter has independently verified the information regarding landowners in the District other than the Major Landowners under the heading “— Other Land Ownership,” and do not guarantee its completeness or accuracy.

The Bonds are secured solely by the Assessment Revenues and other amounts pledged under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS” and “BONDOWNERS’ RISKS.”

Operating Engineers Fund, Inc.

One of the Major Landowners in the District is Operating Engineers Funds, Inc., a California corporation, as custodian for Operating Engineers Pension Trust (the “Trust”). The Trust was established on June 1, 1960 through an agreement between the International Union of Operating Engineers, Local 12 and the general contractors engaged in the construction industry in Southern California and Southern Nevada. The Trust includes as part of its investment program the development and ownership of major real estate properties in Southern California, Southern Nevada, Texas and Washington DC including the land in the District, owned by OEF, as custodian for the Trust.

The Trust has developed long term goals as it has an obligation to provide pensions to thousands of participants. Consequently, the investments in real estate properties are held for the long term. The Trust maintains direct control of the management and maintenance of its holdings to ensure their buildings remain in top condition at all times. The Trust’s real estate investment portfolio is currently comprised of 5.304 million square feet of industrial, 310,000 square feet of commercial, total of 570 rooms hotel in Dallas, Texas (Dallas Sheraton 267 rooms) and Washington DC (Washington Court, Capital Hill 303 rooms), 140 unit apartment residential building in Southern California and 609 spaces Mobil Home Park (Valley Vista, family 303 spaces and River Oaks, senior 306 spaces) in Southern Nevada.

Development Plan. OEF currently owns approximately 126.78 acres of land within the District, most of which it has held since 2000. OEF has completed development of two tilt-up warehouse/office buildings in the District with approximately 340,645 square feet of leased warehouse/office space located on two separate parcels totally 18.15 acres. One tenant is currently occupying one of the buildings under a minimum five-year

triple net lease. Negotiations for the lease of the second building have recently concluded and preparations for tenancy are under way pursuant to a minimum of a five-year triple-net lease.

On the remaining 108.63 acres OEF owns in the District, current development plans include the construction of 15 additional concrete tilt-up buildings totaling 1,557,000 square feet of warehouse/office, which land is currently vacant. Two of the 15 additional buildings are in the final planning stages. OEF estimates it will commencing the bidding process for construction contracts on the two buildings within the next three months and that construction will be complete by the end of summer 2006. Depending on demand, OEF estimates that construction on the remaining 13 building will be complete within five to 10 years.

In connection with the developments, construction is currently under way on a water booster station, with a value of \$1,117,614, which will provide ESFR fire protection for all 17 buildings. In addition, OEF is responsible for the development of offsite improvements, including streets, sewer, water and dry utilities. Infrastructures for a portion of Palmyrita and Michigan Avenues have been completed during 2005 and the remaining portion of Palmyrita and Columbia Avenues is scheduled to be completed during 2006 and 2007. Once construction has completed, OEF will have satisfied its obligations with respect to infrastructure improvements in the District.

Financing Plan. OEF plans to finance all development in the District with internal funds, and to pay its Annual Assessment Installments with bank savings.

Status of Entitlement Approvals. The property in the District owned by OEF has been zoned for commercial/industrial use. The City has approved the tentative map for Parcel Map 30485. Parcel Map 30485-1 was filed with the County of Riverside during 2003, created three legal parcels and the final map for 13 parcels is presently filed with the City of Riverside for third plan check. The final map is scheduled for filing with the County of Riverside during second quarter of 2006.

Environmental Constraints. There are no known existing environmental constraints on the development of the project.

The RCI Development Group

Rufus C. Barkley, III and Darrell A. Butler, individually, and through their respective operating companies, Riverside Commercial Investors, Inc. and Inland Investments, Inc. (the “Developer”), have managed or are managing the development of 92.04 acres in the District owned by various entities (“RCI Affiliates”) in which one or more of the Developers, Rufus C. Barkley, III and Darrell A. Butler, own substantial interests. The Developer and RCI Affiliates collectively constitute the second largest landowner in the District and include the following: The Grove Business Park, LLC (19.49 acres); Caspian Properties, Inc. and Darrell A. Butler, as tenants in common (4.08 acres); Pacific Park Investors, LLC (14.35 acres); RCI/M&N Partners (4.08 acres); and Highland Corporate Center, LLC (50.04 acres). The status of the development of these properties is discussed herein below.

The Developer has been involved in commercial real estate development in the Riverside San/Bernardino area for over 20 years, focusing its activities in the Inland Empire area of Southern California. The Developer has been ranked in the top 10 developers in the Inland Empire for the last seven years and was ranked number four in 2005, completing approximately 982,000 square feet of industrial/office space in that year. Some of the Developer’s recently completed projects are the following:

- The Interstate Business Center is a 236,000 square foot dock-high, multi-tenant industrial park located at the northeast corner of Riverside Avenue and Milliken Drive in Mira Loma, Riverside County. Construction was completed in November 2005, and the project 72% leased.

- Park Place is a development with 16 freestanding buildings completed in March 2004 in Rancho Cucamonga, California, containing a total of 254,855 square feet of industrial space. All 16 buildings were sold at completion of construction.
- The Cabot Distribution Center was completed in two phases, the first being a 401,000 square-foot building and the second being two dock-high buildings of 573,000 and 59,000 square feet located in Rancho Cucamonga, California. Construction of the first phase was completed in 2001 and was fully leased at completion to Cooper Tire. Construction of the second phase was completed in 2003. The 59,000 square foot building was leased, with an option to purchase. The 573,000 square foot building is 100% leased to Wickes Furniture/Rooms to Go.
- The Rancho Distribution Center is a 175,000 square-foot dock-high, divisible building located in Rancho Cucamonga, California. Construction was completed in 2002 and sold at completion.
- The Cabot Commerce Center is a 217,210 square-foot, dock-high, multi-tenant project located in Cucamonga, California. The project was completed in 2001 and was fully leased within twelve months thereafter.

Pacific Park Investors, LLC - Completed Development

Pacific Park Investors, LLC is a California limited liability company that owns 14.35 acres of property in the District. RCI, Inc., an entity in which Rufus C. Barkley, III is the sole owner and President, and Darrell A. Butler are members and Rufus C. Barkley, III and Darrell A. Butler are co-general managers of Pacific Park Investors, LLC. The Developer managed the development of “Pacific Park” on the property, which is a six-building project containing 334,168 square feet of industrial/office space. Phase I consisted of three buildings, and construction was complete in August 2003. The three Phase I buildings were sold within three months of construction completion. Phase II, the remaining three buildings, are still owned by Pacific Park Investors, LLC. Phase II consists of a total of 245,000 square feet, and construction was completed in September 2004 and is 100% leased. There is a \$10,850,000 permanent loan on Phase II from The Guardian Life Insurance Company of America. Phase II has a annual positive net cash flow in an amount of \$400,000.

Caspian Properties, Inc. and Darrell A. Butler, as Tenants in Common – Completed Development

Caspian Properties, Inc., and Darrell A. Butler, as tenants in common, own 4.08 acres of land in the District. The Developer managed the development of a 64,000 square-foot industrial building on such land, the construction of which was complete in 2003. The building is 100% leased. There is a permanent loan on the building of approximately \$2,700,000 from NorthMarq Capital. The project has an annual positive net cash flow in an amount of \$150,000.

Development Plan for The Grove Business Park, LLC.

The Grove Business Park, LLC (“The Grove”) is a California limited liability company that owns 19.49 acres in the District. The Grove Business Park, LLC is member managed and has three members: (i) CWT Barkley Family LLC, (ii) Darrell A. Butler, and (iii) James T. Rountree Revocable Trust. “The Grove” is a six-building, 350,000 total square-foot, master planned office project in the District. Each of the six buildings will be two stories and will consist of approximately 50,000 square feet of office space each. The seventh 50,000 square-foot building with The Grove is discussed herein below under the heading “Development Plan for RCI/M&N Partners.” Construction of The Grove is planned in six phases. The land for Phase I is owned free and clear, and the Developer has obtained a loan of approximately \$2,730,000 from Wells Fargo Bank for the purchase of the land for Phases II-VI.

The Developer estimates that construction costs for each of the six buildings in The Grove will be approximately \$8,000,000. The Developer currently has a \$7,378,000 construction loan from Wells Fargo Bank for Phase I, of which \$2,678,000 has been drawn down for completion of the construction. The Developer estimates that Phase I construction will be complete by April 2006, and the building is currently 80% leased.

The Developer plans to obtain similar construction loans for Phases II-VI for the remaining five buildings. The Developer anticipates construction to begin on Phases II and III by 2006 and to be complete by February 2007. The Developer anticipates completion of Phases IV, V and VI by 2010.

All entitlements for construction of The Grove have been obtained from the City. Building permits will be issued at the beginning of each construction phase. Infrastructure requirements will be completed in conjunction with the construction of the project.

Development Plan for RCI/M&N Partners

RCI/M&N Partners is a general partnership that owns 4.08 acres of property in the District. RCI/M&N Partners includes three equal general partners: Darrell A. Butler, as an individual, James T. Rountree as an individual and Rufus C. Barkley as an individual. The Developer will manage the development of office space consisting of 50,000 square feet, which will be the seventh building in The Grove development described above. The land for this project is owned free and clear. The Developer anticipates that construction of the project will begin in 2007. The Developer plans to obtain a construction loan to finance the costs of construction of the project.

All entitlements for construction of this portion of The Grove project have been obtained from the City. Building permits will be issued at the beginning of construction.

Development Plan for Highland Corporate Center, LLC

Highland Corporate Center, LLC is a California limited liability company that owns 50.04 acres of property in the District. Darrell A. Butler and Rufus C. Barkley, III are co-general managers of the LLC and California Wild Turkey LLC, of which Rufus C. Barkley is the sole member and Inland Investments, Inc., an entity in which Darrell A. Butler is the sole owner and President are members of Highland Corporate Center, LLC. The Developer will manage the development of 550,000 square feet of industrial space comprised of seven buildings. The Developer anticipates the project to be developed in one phase, with construction to begin in June 2006 and be complete by February 2007. The Developer plans to obtain financing for the project in the form of a construction loan. Land is owned free and clear.

All entitlements for construction of The Grove have been obtained from the City. Building permits will be issued at the beginning of each construction phase. Infrastructure requirements will be completed in conjunction with the construction of the project.

Environmental Constraints. There are no known existing environmental constraints on the development of the on any of the projects to be developed by the Developer and the RCI Development Group.

Other Land Ownership

Excluding the OEF and RCI and the RCI Affiliates, 21 entities own 35 parcels within the District totaling approximately 147.74 acres. These parcels range in size from 0.98 to 24.48 acres. Fifteen (15) of these parcels comprise approximately 64.39 net improved acres and the remaining 83.35 net acres remain in undeveloped raw condition. See "PROPERTY OWNERSHIP AND STATUS OF DEVELOPMENT — Property Ownership and Status — Table 9." This District does not have any information regarding the plans

of these landowners and no assurance can be given that such landowners will further develop their respective parcels.

Below is information the District has obtained regarding certain landowners in the District, other than the Major Landowners. The descriptions of certain landowners other than the Major Landowners have been derived solely from the Appraisal. See APPENDIX B — “APPRAISAL REPORT.” Neither the District, the City nor the Underwriter has independently verified the information regarding certain landowners in the District under the heading “— Other Land Ownership,” and do not guarantee its completeness or accuracy.

Guthrie-Richter, LLC. Guthrie-Richter, LLC (“Guthrie”) owns three parcels totaling approximately 25.89 acres within the District of approximately 3.98 gross acres, 4.26 gross acres and 17.65 gross acres, respectively. Approximately 6.45% of all Assessment Revenues will be levied on Guthrie’s property within the District. All of Guthrie’s property within the District is currently vacant land with no improvements. The properties are located on the southern end of Research Park Drive and the eastern end of Marlborough Avenue in the District. Guthrie acquired its three parcels within the District in three separate transactions between December 2000 and November 2003.

Jim Guthrie, the principal of Guthrie, has indicated to the Appraiser that Guthrie plans to develop approximately 30,000 square foot to approximately 40,000 square foot office buildings on its 3.98 gross acre parcel and its 4.26 gross acre parcel. Mr. Guthrie has indicated that such parcels are zoned for such use and entitled for such construction, but specific building plan approvals have not been obtained. The timing of construction will depend on market conditions and demand.

Guthrie’s third parcel, the approximately 17.65 gross acre parcel, is planned to become part of the University Research Park association in the District, and is tentatively planned for four office buildings. Preliminary site planning and engineering work has been completed and submitted to the City, but has not yet been approved.

Robert D. Aust. Robert D. Aust is the trustee of the Robert D. and Nelda R. Aust Family Survivor’s Trust (“Aust”) which owns four parcels totaling approximately 7.15 acres within the District. Approximately 3.49% of all Assessment Revenues will be levied on Aust’s property within the District. Aust’s property within the District is currently mostly vacant land with a small older house on the east end. The properties are located a the south side of Marlborough Avenue and east of Rustin Avenue in the District. Aust acquired the four parcels within the District 1999.

Mr. Aust has indicated to the Appraiser that Aust plans to develop the four parcels with three or four office buildings totaling approximately 80,000 square feet to 90,000 square feet of building space plus an additional parking area for the buildings. The timing of construction will depend on market conditions, demand and the success of Mr. Aust’s own business.

Russ and Jean L.P. Et Al. Russ and Jean L.P., Richard H. Brown and Palmyrita JP/PI, LLC (collectively “Russ”) own two parcels totaling approximately 13.55 acres within the District. Approximately 3.22% of all Assessment Revenues will be levied on Russ’ property within the District. Construction is currently underway on two large industrial-distribution buildings on Russ’ properties within the District. The properties are located on the south side of Palmyrita Avenue and the east side of Northgate Street. Russ acquired its two parcels within the District in July 2004.

Russ plans to develop the two large industrial-distribution buildings currently under construction and eight multi-tenant industrial buildings on the west end of Russ’ properties. The multi-tenant industrial buildings are planned to contain a total of 20 units comprising approximately 63,822 square feet. The total development on Russ’ properties is planned to contain approximately 191,000 square feet at buildout. Currently, the two industrial-distribution buildings have slabs completed and walls being formed on the slabs, and the multi-tenant buildings are in various stages of development ranging from foundation to slab. Russ

plans to hold and lease the industrial-distribution buildings, and plans to sell the multi-tenant industrial buildings at buildout.

Kenneth and Vera Thompson. Kenneth R. and Vera Ann Thomson (collectively, the “Thompsons”) own two parcels totaling approximately 9.34 acres within the District. Approximately 2.23% of all Assessment Revenues will be levied on the Thompsons’ property within the District. The Thompsons’ property within the District is currently a citrus grove. The properties are located on the north side of Columbia Avenue, east of Iowa Avenue in the District. The Thompsons plan to hold their properties within the District for investment and do not plan to develop the properties at this time.

STN Realty California. STN Realty California (“STN Realty”) owns two parcels totaling approximately 8.57 acres within the District. Approximately 2.12% of all Assessment Revenues will be levied on STN Realty’s property within the District. All of STN Realty’s property within the District is currently vacant land with no improvements, other than a fire access road. The properties are located on northwest corner of Columbia Avenue and Northgate Street. STN Realty acquired its two parcels within the District between 2001 and 2002. STN Realty plans to develop its properties within the District for its own use with a building that STN Realty would occupy.

Redevelopment Agency for the County of Riverside. The Redevelopment Agency for the County of Riverside (the “Redevelopment Agency”) owns two parcels totaling approximately 7.47 acres within the District. Approximately 1.85% of all Assessment Revenues will be levied on the Redevelopment Agency’s property within the District. The Redevelopment Agency’s property within the District is vacant land. One property is located on the east side of Research Park Drive south of Technology Court, and the other property is located at the southerly end of Technology Court. The Redevelopment Agency acquired and subdivided parcels within the District several years ago and one of these two parcels were deeded back to the Agency in January 2004. The Redevelopment Agency plans to sell the parcels for the development of technology oriented office use.

BONDOWNERS’ RISKS

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 Assessment Installments when due. Such failures to pay Assessment Installments could result in the inability of the City to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See “— Land Values” and “— Limited Secondary Market” below.

General

In order to pay debt service on the Bonds, it is necessary that unpaid Assessment Installments on land within the District are paid in a timely manner. The Reserve Fund will be used to offset delinquent Assessment Installments should they occur. The assessments are a lien on the parcels of land and the City can institute foreclosure proceedings to sell land with delinquent Assessment Installments for the amount of such delinquent installments in order to obtain funds to pay debt service on the Bonds.

Failure by owners of the parcels to pay Assessment Installments when due, depletion of the Reserve Fund or the inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent Assessment Installments for such parcels may result in the inability of the City to make full or punctual payments of debt service on the Bonds, and Bondowners would therefore be adversely affected.

Amendments to the 1915 Act enacted in 1988 and effective January 1, 1989 provide that under certain circumstances property may be sold upon foreclosure at a lesser Minimum Price or without a Minimum Price. “Minimum Price” as used in the 1915 Act is the amount equal to the delinquent installments of principal or interest of the assessment or assessment, together with all interest penalties, costs, fees, charges and other amounts more fully detailed in the 1915 Act. The court may authorize a sale at less than the Minimum Price if the court determines that sale at less than the Minimum Price will not result in an ultimate loss to the Bondowners or, under certain circumstances, if owners of 75% or more of the outstanding Bonds consent to such sale. There can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid depletion of the Reserve Fund and a delay in payments of debt service on the Bonds. See “SECURITY FOR THE BONDS — Covenant to Commence Superior Court Foreclosure.”

Unpaid Assessment Installments do not constitute a personal indebtedness of the owners of the parcels within the District. There is no assurance the owners will be able to pay the Assessment Installments or that they will pay such installments even though financially able to do so.

Concentration of Ownership

Currently, two landowner groups, OEF and the RCI Development Group, are responsible for approximately 62.99% of the Assessment Installments for Fiscal Year 2005-06. The receipt of the Assessment Revenues is dependent on the willingness and the ability of the landowners to pay the Assessment Installments when due. Failure of the landowners within the District, or any successors, to pay the Assessment Installments when due could result in a default in payments of the principal of, and interest on, the Bonds, when due. See “— Failure to Develop Properties” below.

No assurance can be made that the landowners will complete any further development in the District. See “— Failure to Develop Properties” below. As a result, no assurance can be given that the landowners, and their successors, will pay Assessment Installments in the future or that they will be able to pay such Assessment Installments on a timely basis. See “— Bankruptcy and Foreclosure” below, for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Limited Obligations

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

Failure to Develop Properties

Currently, Undeveloped Property is responsible for assessments securing approximately \$11,671,677* of the Bonds. 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 Assessment Installments. Currently approximately 265.59 net acres, of the total 366.56 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 assessments will be payable from undeveloped property, and may affect the willingness and ability of the owners of property within the District to pay the Assessment Installments 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 could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Assessment Installments. 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 Assessment Installments when due.

The payment of principal of and interest on the Bonds depends upon the receipt of Assessment Installments 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 Assessment Installments. Furthermore, an inability to develop the land within the District as currently proposed will make the Bondowners dependent upon timely payment of the Assessment Installments levied on undeveloped property for a longer period of time than projected. The timely payment of the Bonds depends upon the willingness and ability of the owners of property within the District, or their successors, to pay the Assessment Installments when due. See “— 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 pay Assessment Installments and could greatly reduce the value of property in the event it has to be foreclosed upon. See “— Land Values” below.

Delinquency Resulting in Ultimate or Temporary Loss on Bonds

If a temporary deficiency occurs in the Redemption Fund with which to pay Bonds that have then matured, past due interest or the principal and interest on Bonds coming due during the current year, but it does not appear to the City Treasurer that there will be an ultimate loss to the Bondowners, the City Treasurer will cause the Fiscal Agent to pay the principal of Bonds which have matured as presented and make interest payments on the Bonds when due, as long as there are available funds in the Redemption Fund, in the order of priority and as required by the Fiscal Agent Agreement. If it appears to the City Treasurer that there is a danger of an ultimate loss accruing to the Bondowners for any reason, he or she is required pursuant to the 1915 Act to withhold payment on all matured Bonds and interest on all Bonds and report the facts to the City Council so that the City Council may take proper action to equitably protect all Bondowners. See APPENDIX C — “SUMMARY OF FISCAL AGENT AGREEMENT.”

Non-Cash Payments of Assessments

The 1915 Act may permit the owner of a parcel that is subject to an unpaid Assessment Installment to tender any bond secured by such assessment in payment or partial payment of any installment of the assessment or interest or penalties thereon which may be due or payable. A bond so tendered is to be accepted at the par amount thereof and credit is to be given for any interest thereon accrued to the date of the tender. Thus, if Bonds can be purchased at a discount, it may be to the advantage of a property owner to pay amounts due with respect to an assessment by tendering a Bond. Such a practice would decrease the cash flow available to the City to make payments with respect to other Bonds then outstanding.

Limited City Obligation Upon Delinquency

Pursuant to the 1915 Act, the City has elected not to be obligated to advance funds from the treasury of the City for delinquent Assessment Installments. The only obligation of the City with respect to such delinquencies and the consequent deficiencies in the Redemption Fund is to advance money to the Redemption Fund from the Reserve Fund. The City has no obligation to replenish the Reserve Fund except to the extent that delinquent Assessment Installments are paid or proceeds from foreclosure sales are realized. There is no assurance that the balance in the Reserve Fund will always be adequate to offset all delinquent Assessment Installments, and if during the period of delinquency there are insufficient funds in the Reserve Fund, a delay may occur in payments to the Bondowners.

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 Assessment Installments secured by the land within 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 Assessment Installments.

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 “— 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 Assessment Installments 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 Assessment Installments 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 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 Assessment Installments 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 Assessment Installments. See “— Failure to Develop Properties” above and “— Property Values” below.

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 Assessment Installments 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 Assessments.

While there are no faults in the City, there are several faults in the region which could produce earthquakes resulting in seismic impacts on Riverside. The San Andreas, San Jacinto and Elsinore faults are within twenty miles of Riverside and the Whittier and San Gabriel faults are within thirty-five miles.

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.

There is a an abandoned underground concrete underground storage tank located off Columbia Avenue, approximately 1,200 feet east of Iowa Avenue on the 9.34-acre undeveloped parcel within the District owned by Kenneth and Vera Thompson. The City has notified Kenneth and Vera Thompson that the tank must be removed from the property at their expense, which the City estimates will costs less than \$100,000. The City has no knowledge of any additional 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.

Future Debt Issuance and Land Development Costs

The ability of an owner of land within the District to pay the Assessment Installments could be affected by the existence of other taxes and assessments imposed upon taxable parcels. In addition, the City and other public agencies whose boundaries overlap those of the District could impose additional taxes or assessment liens on the property within the District in order to finance public improvements or services to be located or provided inside of or outside of such area. The lien created on the property within the District through the levy of such additional taxes may be on a parity with the lien of the assessments levied by the District. See “THE DISTRICT — Estimated Direct and Overlapping Indebtedness” herein.

The imposition of additional liens on a parity with the Assessment Installments may reduce the ability or willingness of the landowners to pay the Assessment Installments and increase the possibility that foreclosure proceeds will not be adequate to pay delinquent Assessment Installments.

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

The City has no 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 Assessment Installments and could reduce the estimated value-to-lien ratios for property within the District described herein.

Payment of the Assessments is not a Personal Obligation of the Owners

No landowner within the District is personally obligated to pay the Assessment Installments. Rather, the Assessment Installments are an obligation secured only by a lien against the related parcel. The City has no recourse against the owner.

Land Values

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Assessment Installments, the City's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the delinquent Assessment Installments. 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 assessments. See "THE DISTRICT — Estimated District Land Values" herein.

The January 1, 2005 assessed value of the developed land in the District was \$75,044,483. Additionally, the Appraiser has estimated, on the basis of certain definitions, assumptions and limiting conditions contained in the Appraisal, that as of January 21, 2006, the market value of the undeveloped land within the District (only) was \$63,110,000. The Appraisal is based on the assumptions as stated in Appendix B — "APPRAISAL REPORT." The Appraisal 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. See "PROPERTY OWNERSHIP AND STATUS OF DEVELOPMENT — Appraisal."

Prospective purchasers of the Bonds should not assume that the land within the District could be sold for the assessed amount or the appraised amount, as applicable, at a foreclosure sale for delinquent Assessment Installments. 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 Assessment Installments offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Assessment Installments. See "SECURITY FOR THE BONDS — Covenant to Commence Superior Court Foreclosure."

FDIC/Federal Government Interests in Properties

The ability of the City to collect interest and penalties specified by the 1915 Act and to foreclose the lien of delinquent Assessment Installments may be limited in certain respects with regard to parcels in which the Federal Deposit Insurance Corporation (the "FDIC") has or obtains an interest. Specifically, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the

applicable Assessment Installment is not paid, the remedies available to the City may be constrained. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that taxes other than *ad valorem* taxes which are secured by a valid lien in effect before the FDIC acquired an interest in a property will be paid unless the FDIC determines that abandonment of its interests is appropriate. The Policy Statement provides that the FDIC generally will not pay installments of non-*ad valorem* taxes which are levied after the time the FDIC acquires its fee interest, nor will the FDIC recognize the validity of any lien to secure payment except in certain cases where the Resolution Trust Corporation had an interest in property on or prior to December 31, 1995. Moreover, the Policy Statement provides that, with respect to parcels on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed out by a taxing authority without its specific consent, nor will the FDIC pay or recognize liens for any penalties, fines or similar claims imposed for the non-payment of taxes.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a portion of the parcels 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 would prevent or delay the foreclosure sale.

The City's remedies may also be limited in the case of delinquent Assessment Installments with respect to parcels in which other federal agencies (such as the Internal Revenue Service and the Drug Enforcement Administration) have or obtain an interest.

Bankruptcy and Foreclosure

The payment of assessments and the ability of the City to foreclose the lien of a delinquent unpaid Assessment Installments, as discussed in the section entitled "SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure" herein, may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the law of the State of California relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to crowded local court calendars or procedural delays.

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

Although bankruptcy proceedings would not cause the assessments to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings and could result in delinquent Assessment Installments not being paid in full. Where property is encumbered by liens securing mortgage loans, it is highly probable that bankruptcy of a property owner would delay foreclosure for an extended period of time. Such a delay would increase the likelihood of a delay or default in payment of the principal and interest on the Bonds.

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 City 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 "CONCLUDING INFORMATION — 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.

Ballot Initiatives

From time to time constitutional initiatives or other initiative measures may be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations, or on the ability of the landowners to complete their developments.

Constitutional Amendment – Articles IIIC and IIID/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 IIIC ("Article IIIC") and Article IIID ("Article IIID") 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."

Article IIID requires that, beginning July 1, 1997, the proceedings for the levy of any assessment by the City under the Act (including, if applicable, any increase in such assessment or any supplemental assessment under the Act) must be conducted in conformity with the provisions of Section 4 of Article IIID. The City completed its proceedings for the levy of assessments in the District on June 26, 2001, after complying with the procedural requirements of Section 4 of Article IIID. Under Section 10400 of the Act, any challenge to the proceedings or the Assessment must be brought within 30 days after the date the assessment was levied.

Article IIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article IIIC does not define the term "assessment," and it is unclear whether this term is intended to include assessments levied under the Act. In the case of the unpaid assessments which are pledged

as security for payment of the Bonds, the 1915 Act provides a mandatory, statutory duty of the City and the County Auditor to post Assessment Installments on account of the unpaid assessments to the property tax roll of the County each year while any of the Bonds are outstanding, commencing with property tax year 2006/07, in amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year plus certain administrative costs. It is unlikely that the initiative power can be used to reduce or repeal the unpaid assessments which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the mandatory, statutory duty of the City and the County Auditor with respect to the unpaid assessments which are pledged as security for payment of the Bonds.

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.

CONCLUDING INFORMATION

Continuing Disclosure

The City has agreed to execute a Continuing Disclosure Agreement (the “Disclosure Agreement”) prior to delivery of the Bonds for the benefit of the Underwriter, holders and beneficial owners of the Bonds to provide certain financial information and operating data relating the District within seven months after the end of the City’s fiscal year (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events (the “Listed Events”). The Annual Reports will be filed on behalf of the City by U.S. Bank National Association (the “Dissemination Agent”) with each Nationally Recognized Municipal Securities Information Repository and the State Repository, if any. Notices of Listed Events will be filed by the Dissemination Agent with the Municipal Securities Rulemaking Board. The specific nature of the information to be included in the Annual Report and the notices of Listed Events is set forth in Appendix F - “Form of City Continuing Disclosure Agreement.” The City has agreed to execute the Disclosure Agreement in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). See APPENDIX F — “FORM OF CITY CONTINUING DISCLOSURE AGREEMENT.”

It should be noted that the City is required to file certain financial statements with the Annual Report. This requirement has been included in the Disclosure Agreement solely to satisfy the provisions of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City other than as described hereinabove. See “BONDOWNERS’ RISKS — Limited City Obligation Upon Delinquency.” It should also be noted that the list of significant events which the City has agreed to report includes one item which has absolutely no application to the Bonds. These items have been included in the list solely to satisfy the requirements of the Rule. Any implication from the inclusion of these items in the list to the contrary notwithstanding, the Bonds have not been assigned a credit rating.

The City has never failed to comply in any material respect with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

To assist the Underwriter in complying with the Rule, OEF and RCI will each enter into a Continuing Disclosure Agreement (the “Obligated Party Disclosure Agreement”) covenanting to provide an Annual Report not later than March 1 of each year beginning March 1, 2007, a Semiannual Report on each September 1, beginning September 1, 2007 and notice of certain material events as they occur. The Annual Report provided by the Major Landowners is to contain the audited financial statements of the Major Landowners, if prepared, and the additional financial and operating data outlined in Section 4 of the Obligated Party Disclosure Agreement attached in APPENDIX G. The Semiannual Report will contain certain operating data as set forth in Section 4 of the Obligated Party Disclosure Agreement.

The obligations of the RCI Development Group under the respective Obligated Party Disclosure Agreement will terminate upon the earliest to occur of: (i) the legal defeasance, prior redemption or payment

in full of all the Bonds; (ii) the date on which OEF or collectively, the RCI Development Group is no longer responsible for the payment of more than 20% of the annual Assessment Installments levied, respectively; or (iii) the date on which the OEF or collectively, the RCI Development Group delivers to the City an opinion of nationally-recognized bond counsel to the effect that the continuing disclosure is no longer required under the Rule for the respective entity. OEF and RCI have also agreed that if it sells or transfers an ownership interest in any property in the District which will result in the transferee becoming responsible for the payment of 20% or more of the annual Assessment Installments levied in the fiscal year following such transfer, OEF or the RCI, as appropriate, will cause any such transferee to enter into a disclosure agreement described in Section 12 of the Obligated Party Disclosure Agreement attached hereto in APPENDIX G.

The Obligated Party Disclosure Agreements will inure solely to the benefit of the City, the Underwriter and Bondowners.

Legal Opinion

All proceedings in connection with the issuance of the Bonds are subject to the approval of Best Best & Krieger LLP, Riverside, California, Bond Counsel (“Bond Counsel”). The opinion of Bond Counsel attesting to the validity of the Bonds will be delivered with each Bond. A form of the opinion to be delivered by Bond Counsel is set forth in Appendix D hereto.

The descriptions of the Bonds and statements of law and legal conclusions set forth in this Official Statement under the heading “THE BONDS,” “SECURITY FOR THE BONDS,” “CONCLUDING INFORMATION — Tax Matters” and Appendices C and D herein have been reviewed by Bond Counsel. Bond Counsel’s engagement is limited to a review of the legal procedures required for the authorization of the Bonds and the exemption of interest on the Bonds from income taxation. See “— Tax Matters” herein below. The opinion of Bond Counsel will not consider or extend to any documents, agreements, representations, offering circulars or other material of any kind concerning the Bonds, including the Official Statement, not mentioned in this paragraph.

Tax Matters

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

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

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

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

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.

No Litigation

There is no action, suit, or proceeding known by the City to be pending at the present time restraining or enjoining the delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any proceedings of the City taken with respect to the execution or delivery thereof. A no litigation certificate executed by the City will be required to be delivered to the Underwriter simultaneously with the delivery of the Bonds.

Financial Interests

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

No Rating

The City has not applied to and does not contemplate applying to any bond rating agency for the assignment of a rating on the Bonds.

Underwriting

The Bonds are being purchased by the Underwriter. The Underwriter has agreed to purchase the Bonds at a price of \$14,965,539.62 (\$15,269,906.00 par value, less net original issue discount of \$106,010.30, less an Underwriter’s discount of \$198,356.08). The Bond 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 being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

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

Miscellaneous

All quotations from, and summaries and explanations of, the Resolution and other statutes and documents contained herein do not purport to be complete, and reference is made to said documents, Resolution and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the City. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the City or the Underwriter. The information contained herein should not be construed as representing all conditions affecting the City or the Bonds.

The execution and delivery of this Official Statement have been authorized by the City.

CITY OF RIVERSIDE

By: /s/ Paul C. Sundeen
Assistant City Manager/Chief Financial
Officer/City Treasurer

APPENDIX A
ASSESSMENT DIAGRAM

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FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF RIVERSIDE, STATE OF CALIFORNIA.
THIS _____ DAY OF _____, 2005.

CITY CLERK OF THE CITY OF RIVERSIDE

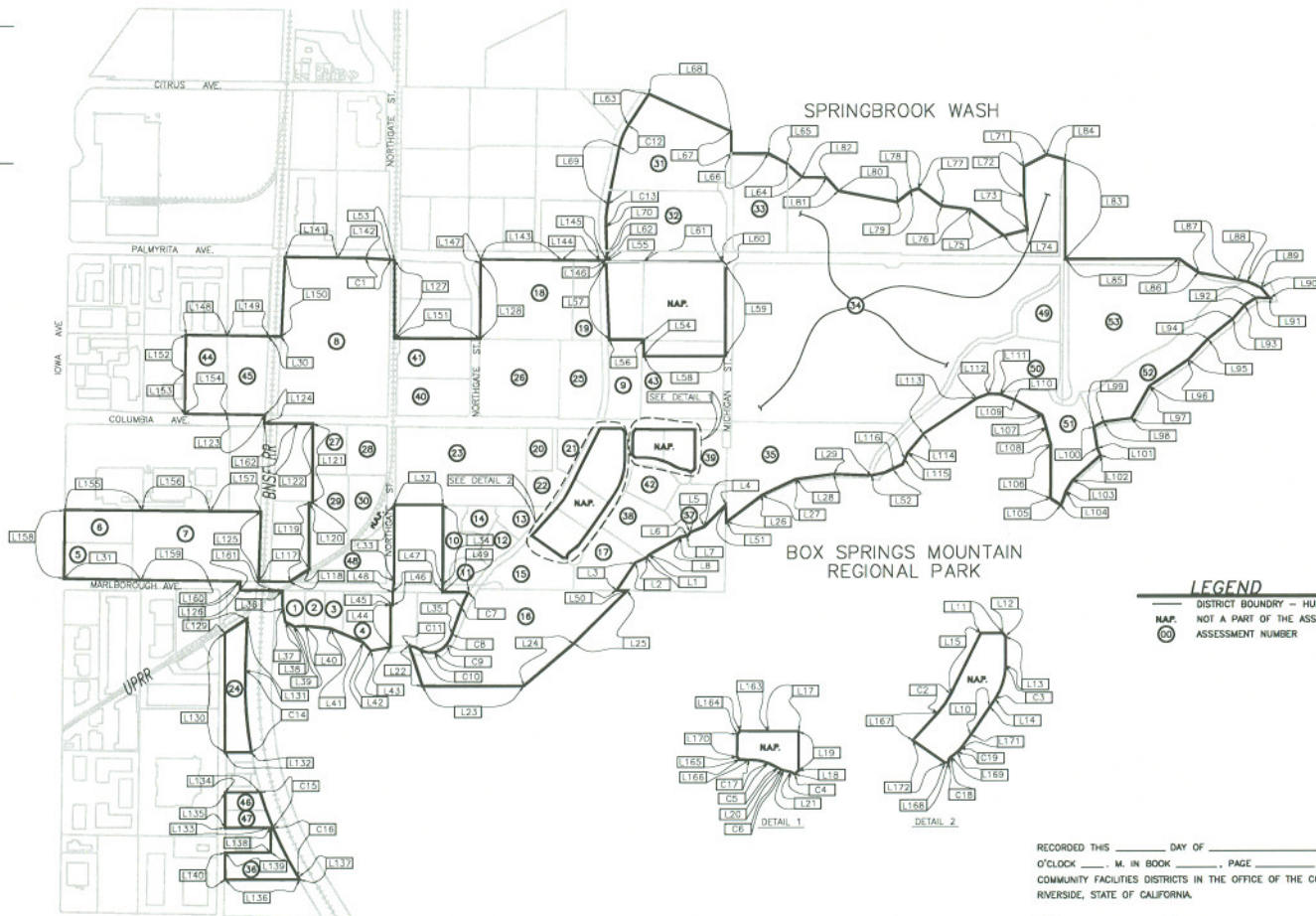
I HEREBY CERTIFY THAT THE WITHIN MAP WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF RIVERSIDE AT A
REGULAR MEETING THEREOF, HELD ON THE _____ DAY OF _____, 2005, BY ITS RESOLUTION NO.

CITY CLERK OF THE CITY OF RIVERSIDE

FILED IN THE OFFICE OF SUPERINTENDENT
OF STREETS OF THE CITY OF RIVERSIDE
THIS _____ DAY OF _____, 2005.

SUPERINTENDENT OF STREETS
CITY OF RIVERSIDE
STATE OF CALIFORNIA

ASSESSMENT DIAGRAM FOR HUNTER PARK ASSESSMENT DISTRICT CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



LEGEND

- DISTRICT BOUNDARY — HUNTER BUSINESS PARK
- N.A.P. NOT A PART OF THE ASSESSMENT DISTRICT
- ⊙ ASSESSMENT NUMBER



RECORDED THIS _____ DAY OF _____, 2005 AT THE HOUR OF _____
O'CLOCK _____ M. IN BOOK _____, PAGE _____, OF MAPS OF ASSESSMENT AND
COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF
RIVERSIDE, STATE OF CALIFORNIA.

FEE: _____ NO.: _____

LARRY W. WARD, RIVERSIDE COUNTY ASSESSOR, CLERK AND RECORDER

BY: _____ DEPUTY

ASSESSMENT DIAGRAM

FOR

HUNTER PARK ASSESSMENT DISTRICT

CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

LINE TABLE		
LINE	LENGTH	BEARING
L1	27.58	N39°30'28"E
L2	99.51	N66°09'20"E
L3	263.54	N3°44'40"E
L4	240.88	N44°43'30"E
L5	117.87	N87°27'47"E
L6	37.30	N37°49'55"E
L7	52.92	N81°32'11"E
L8	291.08	N60°28'01"E
L9	NOT USED	NOT USED
L10	276.00	N34°21'32"E
L11	176.91	N89°08'41"E
L12	33.60	N38°33'01"W
L13	228.95	N00°01'07"W
L14	76.13	N34°21'32"E
L15	540.88	N26°23'04"E
L16	NOT USED	NOT USED
L17	240.00	N88°58'41"E
L18	43.66	N48°49'08"E
L19	311.27	N00°01'07"W
L20	10.69	N58°30'21"W
L21	59.15	N76°43'00"W
L22	339.74	N18°03'00"W
L23	797.70	N89°54'00"W
L24	527.90	S49°44'00"W
L25	584.70	S45°00'00"W
L26	552.00	S52°30'00"W
L27	300.00	S65°00'00"W
L28	300.00	S82°30'00"W
L29	300.00	N87°30'00"W
L30	99.51	S88°47'28"E
L31	606.48	S89°02'07"E
L32	387.00	N89°58'52"W
L33	804.95	S00°04'23"E
L34	829.24	N00°04'23"W
L35	227.35	N19°25'15"E
L36	112.45	N00°17'15"E
L37	135.73	N10°00'15"W
L38	81.41	N81°58'45"W
L39	87.07	S88°00'00"W
L40	206.89	N84°13'00"W
L41	278.08	N68°49'00"W
L42	80.23	N43°04'00"W
L43	158.81	S79°51'15"W
L44	331.73	N00°05'45"W
L45	18.00	S89°06'46"E
L46	105.00	S00°05'45"E
L47	63.82	N00°04'23"W
L48	88.05	S05°14'03"W
L49	202.09	S89°06'46"E
L50	84.76	N89°41'53"E
L51	136.81	N00°04'23"W
L52	112.28	N77°42'53"E
L53	28.39	S84°02'01"E
L54	131.59	N00°03'27"W
L55	298.60	N00°04'23"W
L56	273.30	N89°58'56"W
L57	618.87	N02°24'23"W
L58	645.20	S89°58'56"W
L59	723.16	N00°02'56"E
L60	36.13	S41°41'28"E

LINE TABLE (CONT.)		
LINE	LENGTH	BEARING
L61	821.30	N89°58'09"E
L62	51.05	S08°33'18"W
L63	297.24	N33°17'08"E
L64	165.16	N48°47'47"W
L65	165.04	N100°11'16"W
L66	998.53	N89°42'32"W
L67	172.34	N00°02'31"E
L68	718.76	N62°44'18"W
L69	481.89	N111°22'52"E
L70	217.84	N02°23'38"W
L71	203.96	N82°28'04"E
L72	939.73	N00°26'46"W
L73	261.52	N02°36'56"W
L74	191.39	N79°57'48"E
L75	342.33	N92°15'14"W
L76	228.74	N82°58'14"W
L77	228.04	N53°01'43"W
L78	86.45	N22°15'19"E
L79	140.78	S51°09'11"W
L80	474.05	S78°08'47"E
L81	140.19	N41°37'20"E
L82	192.98	S88°43'44"E
L83	788.83	N00°08'30"W
L84	152.90	N74°38'38"W
L85	908.11	N89°55'00"W
L86	185.20	N42°50'00"W
L87	314.10	N79°10'00"W
L88	80.00	N79°55'00"W
L89	118.90	S64°40'00"E
L90	108.10	S40°53'00"E
L91	110.40	N87°28'00"W
L92	107.00	N67°24'00"E
L93	141.80	S49°46'00"W
L94	253.95	S31°02'00"W
L95	227.95	S43°20'00"W
L96	370.70	S52°52'00"W
L97	293.60	S58°20'00"W
L98	222.20	S82°58'00"W
L99	88.10	S81°22'00"E
L100	171.00	S09°00'00"E
L101	81.30	N25°18'00"W
L102	300.00	N48°10'00"E
L103	100.00	N30°58'00"E
L104	115.00	N19°35'00"E
L105	100.00	S26°20'00"E
L106	425.00	S00°06'00"W
L107	105.14	S19°09'00"E
L108	139.76	N15°15'59"W
L109	252.00	N81°12'00"W
L110	119.00	N89°03'00"W
L111	96.00	N87°00'00"E
L112	101.20	N70°08'00"E
L113	800.00	N56°18'00"E
L114	200.00	N49°04'00"E
L115	100.00	N27°58'00"E
L116	150.00	N64°24'00"E
L117	242.64	N89°42'48"W
L118	185.35	N67°12'28"E
L119	527.50	N00°02'56"E
L120	27.08	N89°43'50"W

LINE TABLE (CONT.)		
LINE	LENGTH	BEARING
L121	628.68	N00°04'40"W
L122	283.25	N89°45'11"W
L123	301.48	S89°04'29"E
L124	86.05	S01°02'23"W
L125	554.88	S02°23'43"W
L126	68.75	N01°09'56"E
L127	619.22	N00°08'38"W
L128	608.71	N02°02'12"W
L129	209.70	N52°35'02"E
L130	945.31	N00°07'30"W
L131	407.30	S01°53'15"W
L132	212.18	S89°41'50"E
L133	384.50	S89°53'05"W
L134	281.22	S89°53'05"W
L135	280.00	N00°07'30"W
L136	591.62	N89°100"E
L137	19.91	S31°18'00"E
L138	196.00	N00°07'30"W
L139	364.50	N89°53'05"E
L140	213.76	N00°07'30"W
L141	416.79	S89°07'33"E
L142	218.89	N89°07'04"W
L143	638.43	S88°23'38"E
L144	298.98	S89°21'40"E
L145	50.05	S88°23'36"E
L146	11.01	S01°46'13"E
L147	25.80	S00°33'00"W
L148	329.62	S89°03'09"E
L149	327.15	S89°03'22"E
L150	631.88	N02°32'43"E
L151	678.24	S89°37'14"E
L152	300.60	N00°44'09"E
L153	320.39	N00°28'48"E
L154	334.71	S89°03'32"E
L155	607.66	N89°27'04"W
L156	542.28	N89°27'02"W
L157	405.99	S89°27'01"E
L158	545.77	N02°32'27"E
L159	539.62	S89°07'38"E
L160	249.58	S88°50'24"E
L161	336.51	S88°49'46"E
L162	100.32	N89°04'09"W
L163	226.83	S89°18'47"E
L164	33.59	N37°11'02"E
L165	28.28	N44°19'38"W
L166	80.00	N89°18'19"W
L167	295.83	S42°02'01"W
L168	28.02	N89°08'42"E
L169	59.15	N53°16'31"E
L170	178.85	N00°41'30"E
L171	138.89	N36°30'00"E
L172	310.36	N54°51'41"W

CURVE TABLE				
CURVE	DELTA	LENGTH	RADIUS	TANGENT
C1	3°48'57"	203.58	3043.48	101.83
C2	1°35'29"	176.40	725.83	88.64
C3	34°22'39"	282.00	470.00	145.39
C4	35°24'10"	35.22	57.00	18.19
C5	11°31'23"	86.48	430.00	43.39
C6	18°12'47"	35.92	113.00	18.11
C7	9°43'53"	131.63	775.00	65.97
C8	18°08'31"	91.96	328.00	46.08
C9	44°20'35"	116.08	150.00	61.13
C10	41°25'35"	126.53	175.00	66.17
C11	21°59'21"	86.35	225.00	43.71
C12	22°05'01"	143.08	475.00	87.69
C13	13°59'44"	180.34	780.00	90.60
C14	12°39'31"	655.06	2964.93	328.87
C15	5°45'10"	297.70	2964.93	148.97
C16	8°31'11"	440.88	2964.93	220.85
C17	20°09'26"	150.03	428.63	75.79
C18	84°04'33"	53.63	57.03	29.11
C19	18°18'25"	35.91	112.71	18.11

APPENDIX B
APPRAISAL REPORT

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SUMMARY APPRAISAL REPORT
COVERING

City of Riverside
Hunter Park Assessment District
(Undeveloped Properties)

DATE OF VALUE:

January 21, 2006

SUBMITTED TO:

City of Riverside
3900 Main St.
Riverside, CA 92522

Attn: Brent A. Mason,
Assistant Finance Director

DATE OF REPORT:

January 26, 2006

SUBMITTED BY:

Stephen G. White, MAI
1370 N. Brea Blvd., Suite 205
Fullerton, CA 92835

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Stephen G. White, MAI



Real Estate Appraiser

1370 N. BREA BLVD., SUITE 205 · FULLERTON, CALIFORNIA 92835-4128
(714) 738-1595 · FAX (714) 738-4371

January 26, 2006

City of Riverside
3900 Main St.
Riverside, CA 92522

Re: City of Riverside
Hunter Park Assessment District
(Undeveloped Properties)

Attn: Brent A. Mason,
Assistant Finance Director

Dear Mr. Mason:

In accordance with your request and authorization, I have completed a Complete Appraisal of the undeveloped properties within the Hunter Park Assessment District. These properties consist of 14 different ownerships, of which 10 of the ownerships contain multiple parcels. The ownerships range in size from 2.12 to 99.16 net usable acres.

The purpose of this appraisal is to estimate the aggregate market value of the as is condition of each separate ownership, reflecting the raw or finished condition of the land, as well as the buildings under construction on two of the ownerships. This appraisal also reflects the planned Assessment District bond financing to fund construction of certain street improvements, utilities and storm drain facilities, as well as the annual assessments to the property owners for the bond lien and overlapping debt.

Based on the inspections of the property and analysis of matters pertinent to value, the following conclusions of market value have been arrived at, subject to the Assumptions and Limiting Conditions, and as of January 21, 2006:


<u>Assessment No.</u>	<u>Ownership</u>	<u>Market Value</u>
1-4	Robert D. Aust, Trustee	\$ 1,430,000
5-7	The Grove Business Park, LLC	\$ 9,930,000
15-17	Guthrie-Richter, LLC	\$ 4,300,000
18-19	Russ and Jean L.P., et al	\$ 5,110,000
24	Richard B. Lee, Trustee	\$ 1,260,000
31,34-35	Operating Engineers Funds, Inc.	\$21,600,000
48	RCI/M&N Partners	\$ 1,190,000
37-38	Redevelopment Agency	\$ 1,530,000
40-41	STN Realty Calif.	\$ 2,890,000
42	Sundip R. Doshi, et al	\$ 600,000
44-45	Kenneth R. & Vera Ann Thompson	\$ 2,940,000
46-47	C & W	\$ 780,000
36	Blue Mountain One	\$ 870,000
49-53	Highland Corporate Center, LLC	<u>\$ 8,680,000</u>
		\$63,110,000

(SIXTY-THREE MILLION ONE HUNDRED TEN THOUSAND DOLLARS)

MR. BRENT A. MASON
JANUARY 26, 2006
PAGE 2

The following is the balance of this 72-page Summary Appraisal Report which includes the Certification, Assumptions and Limiting Conditions, definitions, property data, exhibits, valuation and market data from which the value conclusions were derived.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen G. White", is written over a horizontal line.

Stephen G. White, MAI
(State Certified General Real Estate
Appraiser No. AG013311)

SGW:sw
Ref: 05056

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CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the properties that are the subject of this report, and no personal interest with respect to the parties involved.
4. I have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. I have made a personal inspection of the properties that are the subject of this report.
9. No one provided significant professional assistance to the person signing this report, other than data research and partial report writing by my associate, Kirsten Patterson.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.



Stephen G. White, MAI
(State Certified General Real Estate
Appraiser No. AG013311)

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal has been based upon the following assumptions and limiting conditions:

1. No responsibility is assumed for the legal descriptions provided or for matters pertaining to legal or title considerations. Title to the properties is assumed to be good and marketable unless otherwise stated.
2. The properties are appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies, if applicable, are assumed to be correct. Any plot plans or other illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the properties, subsoil, or structures that render them more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the properties are in full compliance with all applicable federal, state and local environmental regulations and laws unless the lack of compliance is stated, described and considered in the appraisal report.
8. It is assumed that the properties conform to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents and other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in the report are based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the properties described and that there are no encroachments or trespasses unless noted in the report.
11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the properties, was not observed by the appraiser. However, the appraiser is not qualified to detect such substances. The presence of such substances may affect the value of the property, but the values estimated in this

ASSUMPTIONS AND LIMITING CONDITIONS, Continuing

appraisal are based on the assumption that there is no such material on or in the properties that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The client should retain an expert in this field, if desired.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication, unless otherwise authorized. It is understood and agreed that this report will be utilized in the Official Statement, as required for the CFD bond issuance.
13. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the properties in question unless arrangements have previously been made.

SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS

1. The best available information has been obtained from the subject property owners, where possible. This information has been assumed to be reasonably correct in terms of net usable land areas and remaining costs to get to finished lot condition.
2. The valuation has assumed that the Assessment District bond proceeds will fund construction of certain street improvements, utilities and storm drain facilities in a total amount of \$12,668,365 within a total bond amount of \$15,269,906.

PURPOSE AND USE OF THE APPRAISAL

The purpose of this appraisal is to estimate the aggregate market value of the as is condition of the 14 separate ownerships of undeveloped land within the Hunter Park Assessment District, and reflecting the proposed bond financing. This Summary Appraisal Report is to be used as required in the bond issuance.

SCOPE OF THE APPRAISAL

It is the intent of this Complete Appraisal that all appropriate data considered pertinent in the valuation of the subject properties be collected, confirmed and reported in a Summary Appraisal Report, in conformance with the Uniform Standards of Professional Appraisal Practice and the guidelines of the California Debt and Investment Advisory Commission. This has included an inspection of the subject properties and their surroundings; obtaining of pertinent property data on the subject properties, including review of available maps, site plans and other documents relating to the properties and planned developments on some of the properties; obtaining of comparable land sales from a variety of sources; and analysis of all of the data to the value conclusions.

DATE OF VALUE

The date of value for this appraisal is January 21, 2006.

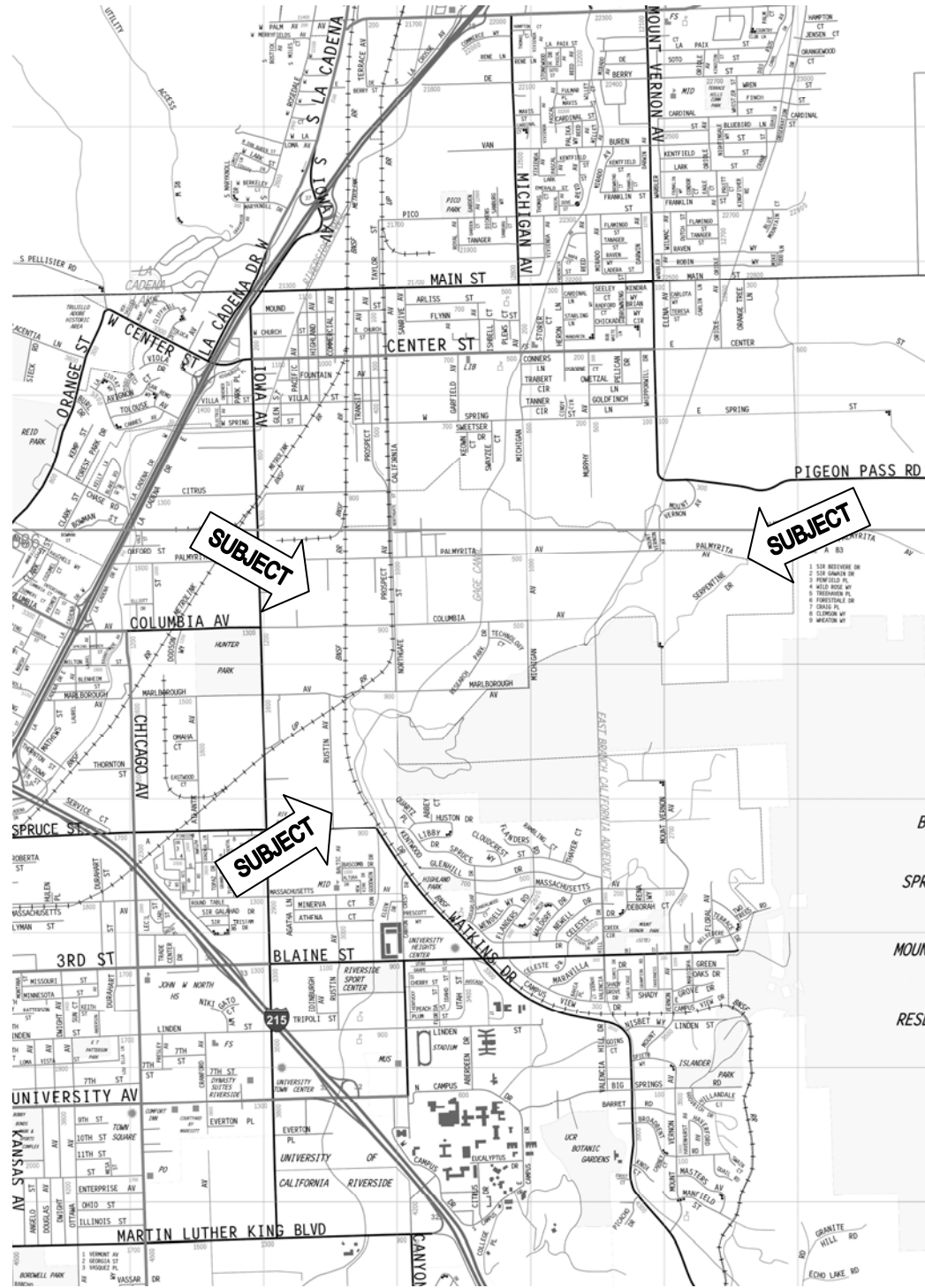
PROPERTY RIGHTS APPRAISED

This appraisal is of the fee simple interest in the subject properties, subject to the proposed bond lien for the Assessment District.

DEFINITION OF MARKET VALUE

The most probable price, as of a specified date, in cash or in terms equivalent to cash, or in other precisely revealed terms for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably and for self-interest, and assuming that neither is under undue duress.

LOCATION MAP



GENERAL PROPERTY DATA

LOCATION

Hunter Business Park is located in the northeast part of the City of Riverside, and is generally bounded by the 215 Freeway to the west, the 60/215 Freeway and Spruce St. to the south, Box Springs Mountain Reserve to the east and the Riverside City Limits to the north. The Hunter Park Assessment District, including the undeveloped properties which are the subject of this appraisal, is located in the easterly part of the overall Hunter Business Park, extending nearly 2 miles easterly from Iowa Ave. to just beyond Mt. Vernon Ave. at the east.

GENERAL AREA DESCRIPTION

To the north of the Hunter Park Assessment District is the natural drainage course called the Springbrook Wash which extends east-west through this area and partially follows the northerly City Limits of Riverside. Farther to the north is much undeveloped land, some limited industrial uses, and various tracts of middle-age homes. To the northeast, spanning both sides of Mt. Vernon Ave. and Spring Street, is undeveloped land that is planned to be developed with the community of Springbrook Estates which will include 650 dwelling units, a school site, park and open space. Farther to the east and northeast is land on which grading is underway for the ±785-acre master-planned community of Spring Mountain Ranch, which is to include ±1,450 dwelling units, a school site, two commercial sites and much park area and open space.

To the east and southeast of the Assessment District are the steep and rocky hills of Box Springs Mountain Reserve which encompasses 1,155 acres and includes equestrian and hiking trails. The Reserve extends southeasterly from Hunter Park through unincorporated Riverside County areas to the northwest corner of Moreno Valley. Farther to the south/southeast, beyond the westerly extension of the Box Springs Mountain Reserve, are various residential neighborhoods including homes and apartments, and farther south is the University of California at Riverside. To the southwest of the Assessment District are mostly industrial/manufacturing properties.

To the west of the Assessment District is the west part of Hunter Business Park with various industrial and office buildings ranging from fairly new construction to ±20-30 years old. Farther west, along the easterly side of the 215 Freeway and south from Columbia Ave., is a single-family residential area including new and old homes. The area to the southwest of the Assessment District consists of mostly industrial properties.

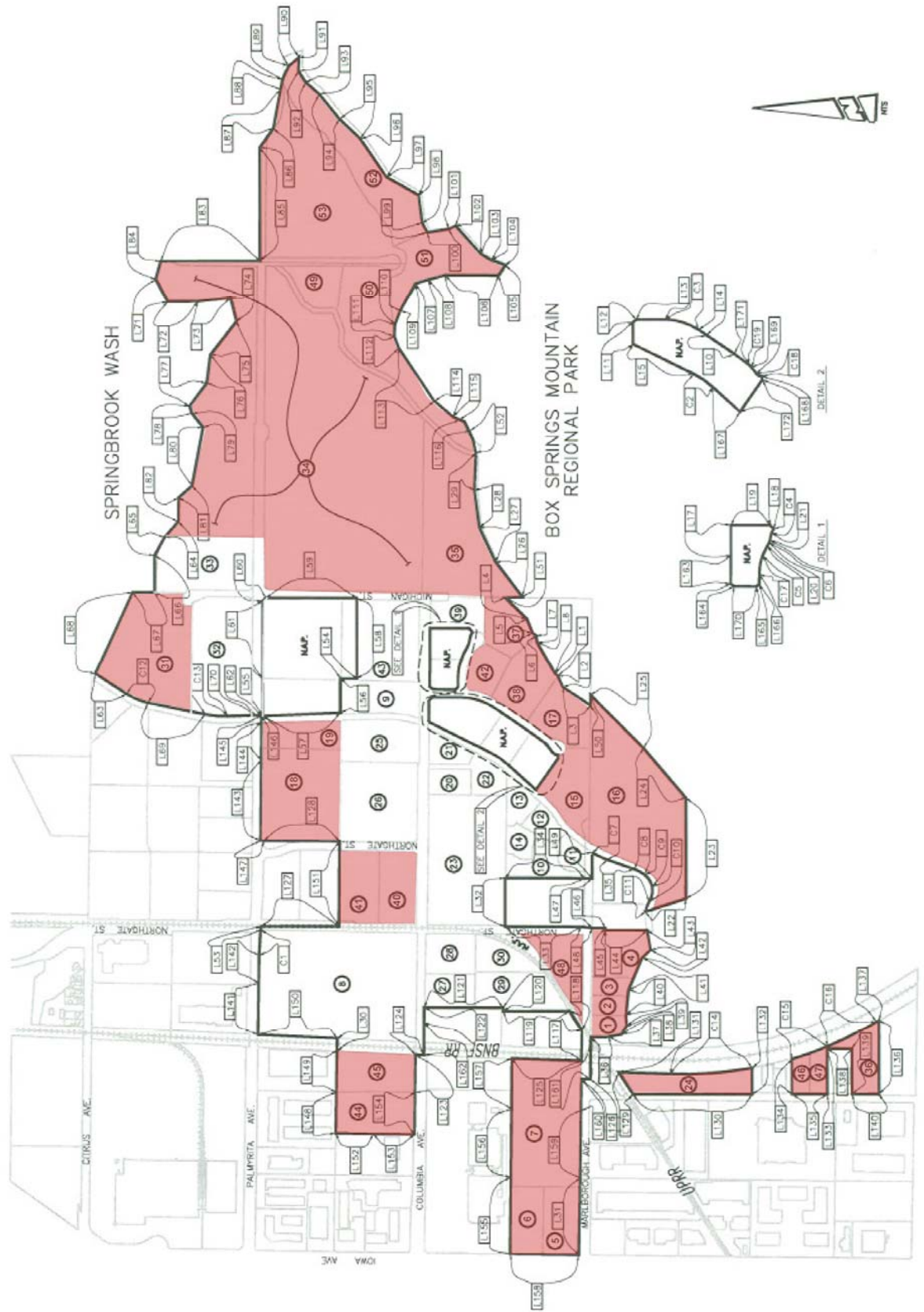
In summary, the Hunter Park Assessment District is located near several major freeways and interchanges, in a growing area with significant established industrial and business park uses and with more industrial, office and residential construction planned and underway.

ASSESSMENT DIAGRAM

FOR

HUNTER PARK ASSESSMENT DISTRICT

CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



OVERVIEW OF HUNTER PARK ASSESSMENT DISTRICT

Summary

The Hunter Business Park Specific Plan was adopted in 1988 to provide for the Hunter Business Park that comprises a total of approximately 1,300 acres, and was planned for industrial and related uses. The Hunter Park Assessment District comprises a total of approximately 375 acres in the east part of Hunter Business Park. There are 28 separate ownerships in the Assessment District that contain a total of 52 parcels (though some are currently being re-subdivided). Of these 28 ownerships, 14 are of developed properties, including both industrial and office buildings. The remaining 14 ownerships are of the undeveloped properties (though two ownerships currently have buildings under construction) and are the subject of this appraisal.

Streets and Access

The primary access to the subject properties in the Hunter Park Assessment District is by Palmyrita Ave., Columbia Ave. and Marlborough Ave. from the west, and Iowa Ave., Rustin Ave. and Northgate St. from the north and/or south. Additional streets within the area include Michigan Ave., Research Park Dr., Technology Ct. and Mt. Vernon Ave. Columbia Ave. has an interchange at the 215 Freeway to the west and Iowa Ave. has access to the 60/215 Freeway to the south via Spruce St. or 3rd St./Blaine St.

Palmyrita Ave. is currently a minor east-west road through this area, mostly a 66' right-of-way and improved with two travel lanes and left turn lanes in some areas. It is planned to be an 88' right-of-way and improved with four travel lanes. At the east side it currently is paved to a point about mid-way between Michigan St. and Mount Vernon Ave.

Columbia Ave. is currently a minor east-west road east of Iowa Ave., varying from a 66' to 88' right-of-way and improved with two travel lanes and left turn lanes in some areas and currently ending at Michigan Ave. at the east. It is planned to be a 110' right-of-way with four travel lanes and landscaped median from Iowa Ave. to near Northgate St., and an 88' right-of-way with four travel lanes from near Northgate St. to the east and then curving north to join Palmyrita Ave. nearby to the west of Mount Vernon Ave.

Marlborough Ave. is currently a minor east-west road through this area, a 66' to 88' right-of-way and improved with two travel lanes. It is planned to be an 88' right-of-way with four travel lanes.

Iowa Ave. is a currently a secondary north-south road through this area, a 105' right-of-way improved with four travel lanes. It is planned to be a primary road, a 120' right-of-way, and improved as a 6-lane divided street with landscaped median.

OVERVIEW OF HUNTER PARK ASSESSMENT DISTRICT, Continuing

Rustin Ave. is currently a minor north-south road extending only south from Marlborough Ave., and is a 50' to 66' right-of-way that is improved as a two-lane street. It is planned to be a 66' right-of-way with two travel lanes.

Northgate St. is currently a minor north-south road through this area, and the section between Palmyrita Ave. and Columbia Ave. jogs to the east. It is currently and ultimately a 66' right-of-way with two travel lanes.

Michigan Ave. is currently a minor north-south road extending north from Marlborough Ave. It is currently and ultimately a 66' right-of-way with two travel lanes.

Research Park Dr. and Technology Ct. are short cul-de-sac streets south of Columbia Ave., and are 60' rights-of-way with two travel lanes.

Mt. Vernon Ave. will be a 66' right-of-way with two travel lanes when it is constructed to the north of Palmyrita Ave. and as a short cul-de-sac street south from Palmyrita Ave.

Utilities

All utilities are installed in the major streets and are available to the properties. The utilities are provided as follows:

Water:	Riverside Public Utilities
Sewer:	Riverside Public Utilities
Electric:	Riverside Public Utilities
Gas:	Southern California Gas Company
Telephone:	SBC
Cable:	Charter Cable

Zoning/General Plan

The zoning designation for all of the subject properties (except for southerly sloping/unbuildable tips of the Highland Corporate Center, LLC property) is MP or Manufacturing Park. This designation generally permits manufacturing, assembly, fabrication and warehousing uses, as well as administrative or executive offices of a business or industrial establishment and research office and laboratories.

The general plan designation for all of the subject properties (except for the southerly portions of the Highland Corporate Center, LLC property) is IBP (14) Industrial Business Park. The intent of this designation is for high quality businesses and industry with strict design standards, with a typical FAR (floor area ratio) of .4 and a maximum of .5.

OVERVIEW OF HUNTER PARK ASSESSMENT DISTRICT, Continuing

All of the subject properties are located in the Hunter Business Park Specific Plan which was originally adopted on April 19, 1988 and most recently amended in August 2002. All of the subject properties except for the C&W/Crow-Lane Riverside No. 1 and the Blue Mountain One ownerships are located in the Industrial Park District of the Specific Plan, and these other two ownerships are located in the Garden Industrial District. The primary uses permitted in both of these Districts include wholesale distribution, warehousing/storage, manufacturing, research & development, publishing & printing, ancillary retail sales on-site, off-site retail sales, wholesale showroom, office & administrative, eating & drinking (part of a multi-tenant industrial park), and medical-health care services.

Topography

In general, the land within the Hunter Park Assessment District slopes up to the east and southeast toward the hills of the Box Springs Mountain Reserve. As a result, many of the subject properties include minor slope area as lots terrace or slope up to the east/southeast, and some properties have much unusable slope area.

Drainage/Flood Hazard

Per FEMA Flood Insurance Rate Map Nos. 060260 0005B and 060245 0070A, the subject properties are located in FEMA Flood Zone "C", and are determined to be outside of the 100-year floodplain.

It is also noted that storm drain improvements are part of the facilities that are to be funded by this Assessment District bond issuance, and these improvements will provide further protection to the subject properties.

Soil/Geologic/Seismic/Environmental Conditions

The overall subject area is not located within an Alquist-Priolo Special Studies zone. It is also noted that this appraisal has assumed that there are no abnormal geologic, soil or environmental issues that would inhibit development of the subject properties with industrial and/or office buildings or result in abnormal development costs.

Title Reports

A title report has been reviewed on the Operating Engineers Funds, Inc. property (discussed later), but reports have not been reviewed on the other subject properties. Thus, it has been assumed for these other properties that there are no pertinent exceptions to title that would have a negative affect on either the development potential or the valuation of the land.

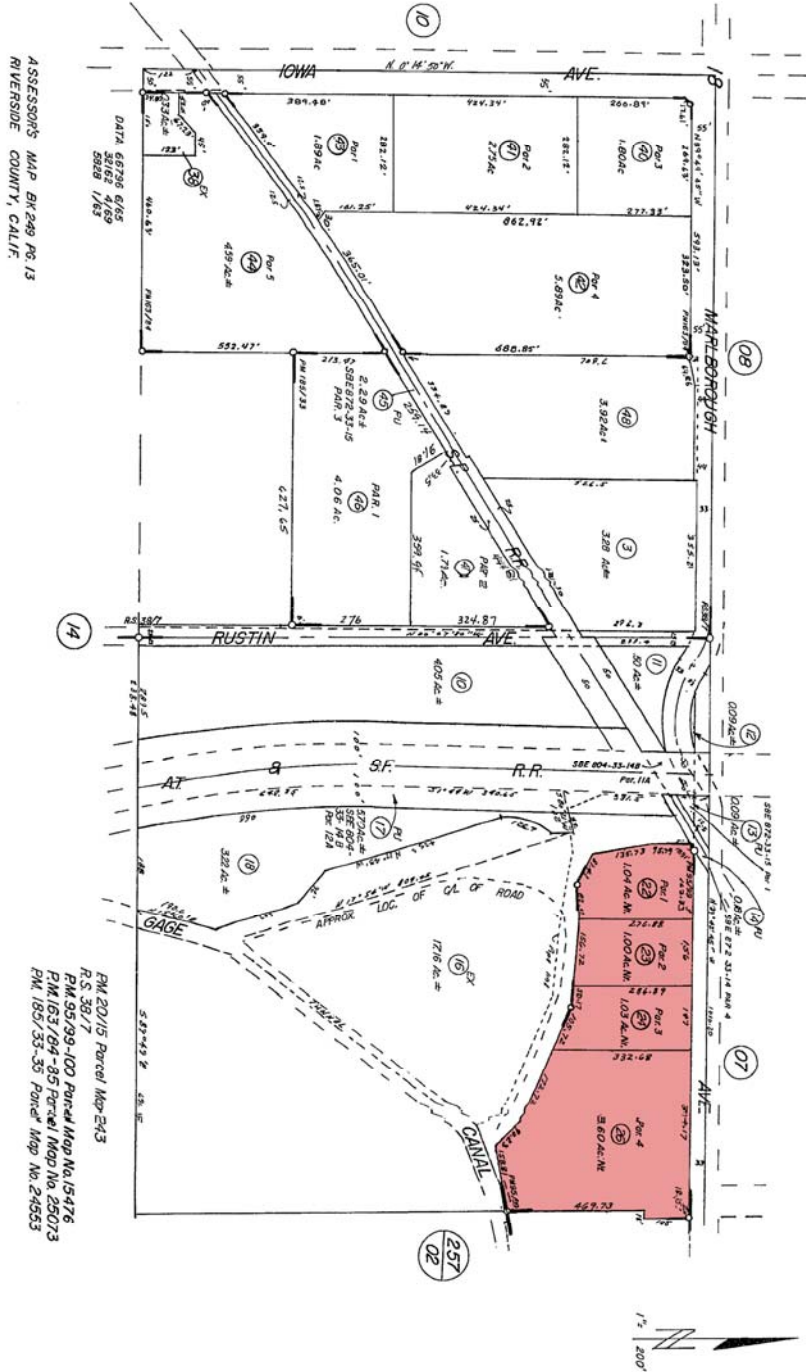
OVERVIEW OF HUNTER PARK ASSESSMENT DISTRICT, Continuing

Highest and Best Use

The term highest and best use is defined as that reasonable and probable use that will support the highest present value as defined, as of the effective date of the appraisal. Alternatively, it is that use from among reasonable, probable and legal alternative uses, found to be physically possible, legally permissible, appropriately supported, financially feasible, and which results in the highest land value.

In general, for all of the subject properties the highest and best use is concluded to be for development with industrial and/or office buildings, conforming to the Hunter Business Park Specific Plan and other new development in the area. Additional discussion is provided later for each of the subject ownerships.

ROBERT D. AUST, TRUSTEE OWNERSHIP



FOR S 1/2 SEC. 18, T2S R4W

T.R. M. 902
911
249-13
12-17

ASSESSOR'S MAP BK 249 PG 13
RIVERSIDE COUNTY, CALIF.

PM 20/15 Parcel Map E43
R.S. 38/7
PM 95/99-100 Parcel Map No. 19476
PM 163/64-85 Parcel Map No. 25073
PM 185/33-35 Parcel Map No. 24553

AUST OWNERSHIP

PROPERTY DATA

Location

The subject property is located on the south side of Marlborough Ave., at the southwest corner with Northgate St. (if extended southerly) and ±450' east of Rustin Ave.

Legal Description

The property is described as Parcels 1 through 4 of Parcel Map No. 15476, as per map recorded in Book 95, Pages 99-100, County of Riverside.

Property Owner/Sales History

The current owner is Robert D. Aust, Trustee of the Robert D. and Nelda R. Aust Family Survivor's Trust. Mr. Aust acquired these four parcels in 1999 at indicated prices ranging from \$.40 to \$.87 per s.f., per assessor records.

Assessor Data, 2005-06/Annual Assessments

The subject property consists of Assessor Parcel Nos. 249-130-022, 023, 024 & 026. The assessed values total \$448,941 for land and \$56,233 for improvements, or an overall total of \$505,174. The tax rate area is 9160, indicating a base tax rate of 1.07235%, and the reported current taxes are \$5,966.34. In addition, the projected annual assessments for the bond lien for this ownership are a total of \$38,840.

Land Size and Shape

The land is irregular in shape, with ±858' of frontage on Marlborough Ave. by a depth ranging from ±250' to ±450'. Per assessor information, the sizes of the four parcels are 1.04 acres, 1.00 acre, 1.03 acres and 3.60 acres, or a total of 6.67 acres. Reflecting an additional dedication of 11' to Marlborough Ave., the net usable area is estimated to be 6.45 acres. However, it appears that at least 10-20% of the land is fairly steep slope or terracing along the rear or south side of the property.

Streets

Marlborough Ave. is dedicated 33' to centerline, and is currently a narrow two-lane paved street with dirt shoulder along the subject frontage. Thus, an additional 11' dedication will be required, as well as street widening and improvements. (Note: The street improvements will be funded by the Assessment District bond issuance.)

PROPERTY DATA, Continuing

Topography

The subject site is at street grade and then slopes up to the hills to the south, with fairly steep slope or terracing along the southerly part of the property.

Existing and Planned Development

The property currently consists of mostly vacant land other than a small older house on the east end of the site, plus some fencing and several large trees.

Information provided by the property owner, Bob Aust, indicates that he plans to develop the land with 3 or 4 buildings (may combine the two lots in the center of the ownership), and would occupy part of the space with his business. He plans a total of 80,000 to 90,000 s.f. of building including much parking area. The timing of construction is dependent on the success of a new business that he recently launched, but this will hopefully be in the near future. He does not have an estimate of the cost to get the site to a finished and buildable condition.

Highest and Best Use

The highest and best use of this property is concluded to be for industrial development. Thus, the planned development by the owner is representative of the highest and best use. The total building area of 80,000 to 90,000 s.f. indicates an FAR of .28 to .32 on the estimated net usable area of 6.45 acres. This is relatively low for industrial development, but likely reflects that there is some unusable slope area.

VALUATION

Method of Analysis

Since this valuation is of land value, only the Sales Comparison Approach is applicable. This approach is based on a comparison of recent sales of reasonably similar land with the subject property, considering pertinent differences due to time or date of sale, location, size, physical characteristics of the land (i.e. topography and street improvements), and special assessments or lack thereof. The Cost Approach is not pertinent since there are no improvements to be considered in the valuation, and the Income Approach is not pertinent since this property would likely not be purchased for its income-producing potential on a lease basis.

Thus, a search was made for recent sales of comparable industrial/business park land in the general area that took place over the past 6 to 9 months. It was determined that 10 items of data were most pertinent in the analysis of the subject properties, of which 7 were closed sales, two were current escrows and one is a current negotiation

VALUATION, Continuing

that is close to being in escrow. Details on the data items are in the Tabulation of Industrial Land Sales in the Addenda section of this report. Discussion and analysis of the data is in following paragraphs.

Discussion and Analysis of Sales Data

Data No. 1 is located on Spruce St., just to the west of the 215 Freeway overpass and nearby to the west of Chicago Ave. This location is just outside of Hunter Park and just over a mile southwest of the subject property. It is a vacant 1.24-acre lot that is fairly level and with street improvements completed. It sold in June 2005 at a price of \$9.96 per s.f., and the buyer planned to build an industrial building for his business use.

In comparison to the subject, the location is slightly inferior in terms of the general area and surroundings. However, the size is much smaller than the subject which tends to result in a higher price per s.f., and the flat topography with completed street improvements together with the lack of special assessments is superior. Lastly, there could be at least a minor upward time adjustment since the date of sale in June 2005.

I have concluded that a downward adjustment for location is offset by an upward time adjustment. In terms of the topography, I have concluded that only $\pm 85\%$ of the subject site will be usable due to the slope along the rear, and then have considered a downward adjustment of $\pm \$1.00$ to $\$1.50$ per s.f. to reflect the slope and needed grading on the balance of the subject site. Then, it is noted that the allocation of the bond lien or assessment to the subject property is equivalent to \$545,211 or \$2.28 per s.f. of potentially usable area. In summary, downward adjustments of $\pm \$3.25$ to $\$3.75$ per s.f. to the sale price of $\pm \$10.00$ per s.f. result in an indication at $\pm \$6.25$ to $\$6.75$ per s.f., which is a close upper limit for the subject due to the smaller size of the sale.

Data No. 2 is located on Palmyrita Ave., just over $\frac{1}{4}$ mile west of Iowa Ave., within Hunter Park and about a mile northeast of the subject property. This is a mostly vacant and slightly sloping 1.03-acre site that has an old, ± 500 s.f. house and garage. It is currently in escrow at $\pm \$10.00$ per s.f., and the buyer is rezoning the property from residential to industrial and then plans an industrial development. This will also require street widening and improvements.

In comparison to the subject, the location in a mixed area that includes some old houses is slightly inferior to the subject, but the size is much smaller. The slightly sloping topography is superior to the subject and the required street improvements are far less in magnitude. In addition, this sale has no special assessments. A downward adjustment for size is more than offsetting to an upward adjustment for location, and then there would be downward adjustments of at least \$3.00 to \$3.50 per s.f. to reflect the inferior topography and assessments (reflecting a partial offset

VALUATION, Continuing

for the street improvements required on this sale). Then, due to the smaller size, this sale would support a close but firm upper limit for the subject at \$6.50 to \$7.00 per s.f.

Data No. 3 is located on Citrus Ave. nearby to the east of Iowa Ave., which is also within Hunter Park and just under a mile northerly of the subject property. This is a fairly large site of just under 14 acres that has a grove of old citrus trees. The land is fairly flat and perimeter street improvements are completed. The site sold in September 2005 at \$6.40 per s.f. and the buyer plans to develop a 5-building, 300,000 s.f. industrial park with mostly large, dock-high buildings.

In comparison to the subject, the location is fairly similar, the size is much larger, the topography is superior though the grading will also require removal of the trees, and this sale does not have special assessments. An upward adjustment to reflect the much larger size and an upward time adjustment since the sale was negotiated about 10 months ago are partially offsetting to downward adjustments for the factors of the topography and special assessments. The result is a close but firm upper limit indication for the subject at \$6.40 per s.f.

Data No. 4 is located on Rivera St. nearby to the west of Main St. in Riverside, about 2½ miles northwest of the subject property. It is a vacant, flat and finished 2.45-acre lot that sold in September 2005 at a price of \$6.00 per s.f. The buyer is a developer who plans to develop the site with 4,000 to 10,000 s.f. industrial buildings.

In comparison to the subject, the location in a somewhat mixed-use area is considered to be inferior to the Hunter Park location, with mostly newer buildings in the subject area. The size is fairly similar to the subject, but the flat topography with completed street improvements and no special assessments are superior to the subject. Overall, upward adjustments for location and date of sale are mostly offsetting to downward adjustments for the topography and the special assessments, resulting in a fairly close indication for the subject at \$6.00 per s.f.

Data No. 5 is located on Bartlett Ave. nearby to the east of Main St., and nearby to the east of Data No. 4, though this is within unincorporated County area. It is a vacant and flat .85-acre lot in an area of old houses and old industrial uses and on a narrow two-lane street that will require widening. The lot is currently in escrow at a price that is near the \$8.78 per s.f. asking price, due to close in mid-February, and reportedly the buyer plans an industrial development.

In comparison to the subject, the location is considered to be far inferior, the size is substantially smaller, the topography is superior, the need for street improvements is similar but the lack of special assessments is superior. Downward adjustments for the size, topography and lack of special assessments (partially offset by needed street

VALUATION, Continuing

improvements on this sale) are far more than offsetting to an upward adjustment for the location, resulting in a far upper limit for the subject at \$8.78 per s.f.

Data No. 6 is located in the Agua Mansa Industrial Park which straddles unincorporated Riverside and San Bernardino County areas. This sale is at the northwest corner of Wilson St. and Brown Ave. in Riverside County area, and about 3 miles northwest of the subject property. This is a vacant 6.36-acre site that is slightly sloping but with completed streets on both sides, and has an assessment that is equivalent to \pm \$1.00 per s.f. It sold in September 2005 at a price of \$4.50 per s.f. that was considered to be well below market. It was recently in escrow for a resale at \$8.20 per s.f. but this fell through, and current negotiations are underway and close to being in escrow at a price of \pm \$8.25 per s.f.

In comparison to the subject, the location is considered to be slightly inferior, though this is offset by the flexibility due to heavy manufacturing use being permitted in the Agua Mansa park. The size is similar to the subject, the topography is slightly superior, and the special assessments are much less than on the subject property. Overall, downward adjustments of \pm \$1.75 to \$2.25 per s.f. for factors of topography and special assessments result in an indication for the subject at \pm \$6.00 to \$6.50 per s.f.

Data No. 7 is also located in the Agua Mansa Industrial Park, but in the San Bernardino County area. This location is along the curve of Holly St., nearby to the east of Agua Mansa Rd. It is a vacant 18.58-acre site that is slightly sloping and with street improvements completed, and with assessments equivalent to an amount of \pm \$1.25 per s.f. The site sold in November 2005 at a price of \$7.41 per s.f. The buyer is a developer but the specific plans for the site are not known.

The comparison to the subject is similar to Data No. 6, except that this sale is much larger at 18.58 acres, and thus also much larger than the subject. Thus, downward adjustments of \pm \$1.75 to \$2.25 per s.f. for topography and special assessments results in a firm lower limit for the subject at \pm \$5.16 to \$5.66 per s.f.

Data No. 8 is located at the southeast corner of the Waterman Ave. frontage road (to the railroad overpass) and Industrial Rd. in San Bernardino, within ½ mile south of the I-10 Freeway. This is a vacant and flat 9.92-acre site consisting of 22 contiguous assessor parcels. It has street improvements completed, and is located below grade of the Waterman Ave. overpass and in a mixed older industrial area. The site sold in October 2005 at a price of \$6.02 per s.f., and the buyer plans some type of business park/industrial development.

In comparison to the subject, the location is considered to be far inferior, the size is fairly similar, but the topography and lack of special assessments are superior factors. Upward adjustments for location and date of sale since the price was set

VALUATION, Continuing

about 6 months ago are mostly offsetting to the factors of topography and special assessments. Thus, the indication at \$6.02 per s.f. would tend to support a close indication for the subject.

Data No. 9 is located on the east side of Mountain View Ave., extending from Lugonia Ave. to Almond Ave. in Redlands, nearby to the north of the I-10 Freeway. This is a desirable industrial area with existing new buildings nearby and various other under construction. It is a vacant and flat 37.5-acre site that requires street improvements. An assessment district in an amount equivalent to \pm \$1.50 per s.f. is being formed for street improvements and other offsites. The site sold in November 2005 at a price of \$9.34 per s.f. including some entitlements and approvals, and the buyer plans to develop 6 industrial-distribution buildings ranging in size from 103,000 s.f. to 150,000 s.f.

In comparison to the subject, the location is considered to be slightly superior in terms of the desirability of the area and the good distribution location with close proximity to the I-10 Freeway. The size is substantially larger than the subject, the fairly flat topography is superior, and the probable assessment will be lower than the subject. Overall, the location and size factors are approximately offsetting, and downward adjustments of \pm \$2.00 to \$2.50 per s.f. for the factors of topography and assessments result in an indication for the subject at \pm \$6.84 to \$7.34 per s.f.

Data No. 10 is located at the corner of Cactus Ave. and Frederick St. in Moreno Valley, about 7½ miles southeast of the subject property. This is a vacant and fairly flat 26.31-acre site that requires significant street improvements. The sale was negotiated in May and closed in September 2005 at a price of \$4.36 per s.f. The buyer is a developer who plans a 10 to 15-lot subdivision for industrial buildings.

In comparison to the subject, the location is considered to be far inferior and the size is much larger, but the topography is superior and the lack of the special assessments is superior though partially offset by the needed street improvements. Upward adjustments for location, date of sale and size are considered to be far more than offsetting to downward adjustments for topography and assessments, resulting in a far lower limit for the subject at \$4.36 per s.f.

Conclusion of Value

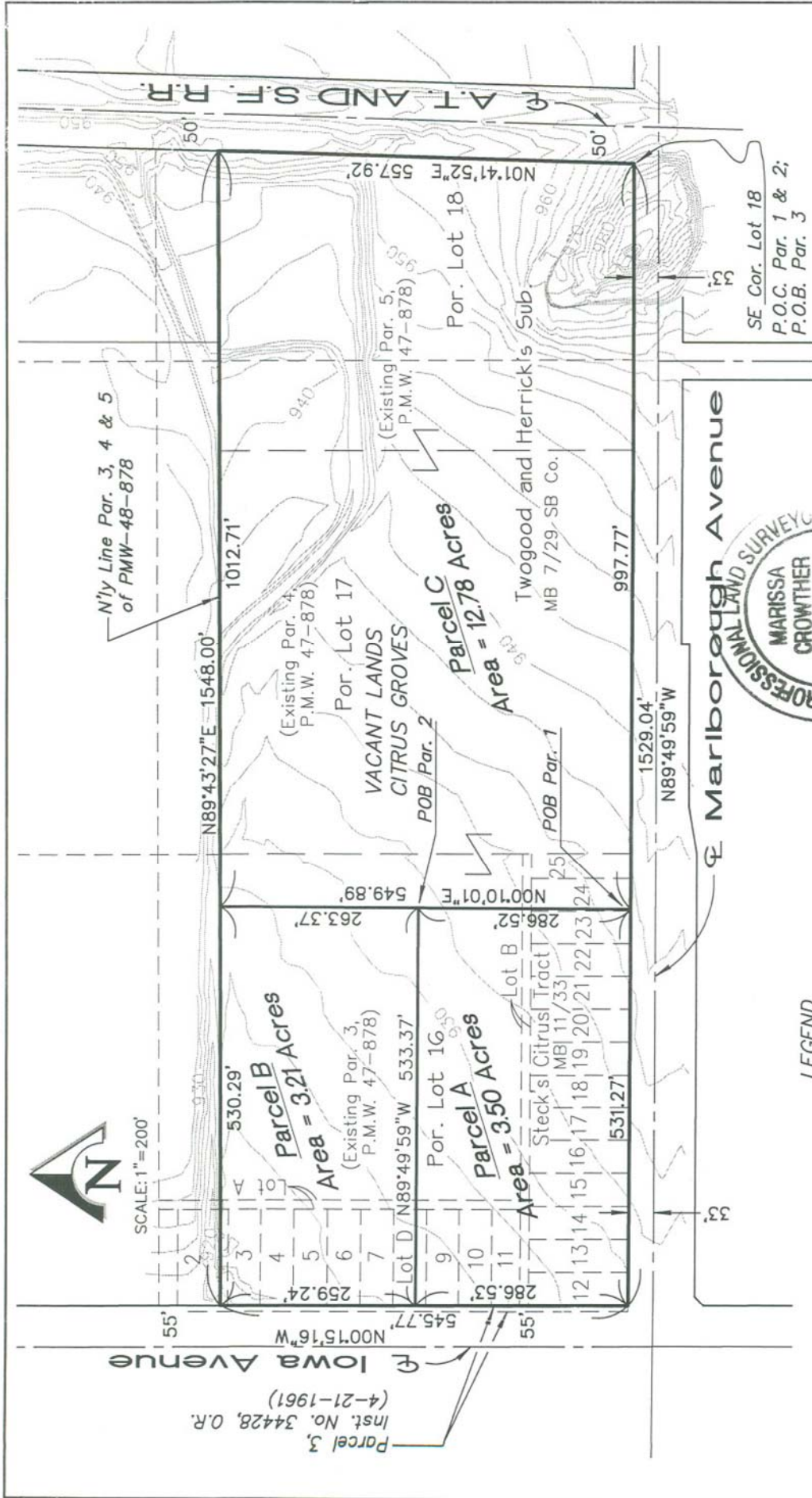
In summary, the analysis of the data indicates a far lower limit at \$4.36 per s.f., a firm lower limit at \$5.16 to \$5.66 per s.f., close indications from \$6.00 to \$7.34 per s.f., close upper limits from \$6.25 to \$7.00 per s.f., and a far upper limit at \$8.78 per s.f. The most supportable range is concluded to be the low end of the \$6.00 to \$7.34 per s.f. range, and the conclusion is at the low end of this range or \$6.00 per s.f. Then, as previously discussed, for purposes of this appraisal it is estimated that at

VALUATION, Continuing

least 15% of the net usable acreage will be unusable slope after grading is completed (subject to refinement with engineering input). Thus, the resulting calculations are as follows:

$$6.45 \text{ net usable acres} \times 85\% = 5.48 \text{ acres or } 238,818 \text{ s.f. @ } \$6.00/\text{s.f.} = \$1,432,908$$

Based on the foregoing, the conclusion of value for the subject Aust ownership, in its as is condition as of January 21, 2006, is \$1,430,000.



THE GROVE BUSINESS PARK, LLC OWNERSHIP

PROPERTY DATA

Location

The subject property is located at the northeast corner of Iowa Ave. and Marlborough Ave., extending east to the railroad right-of-way.

Legal Description

The property is described as Parcels A, B and C of Lot Line Adjustment LL-PO5-0323, recorded on June 30, 2005, Document No. 0522960.

Property Owner/Sales History

The current owner is The Grove Business Park, LLC. The parties of this entity purchased the property in June 2004 at a price of \$4,438,000 (\$5.28 per s.f. of net usable area), and then transferred the ownership to this entity in April 2005.

Assessor Data, 2005-06/Annual Assessments

The subject property consisted of Assessor Parcel Nos. 249-070-021, 024 & 025 prior to the lot line adjustment, and updated parcel numbers are not yet available. The assessed value is a total of \$5,807,528 for land and \$0 for improvements, which does not reflect the building currently under construction. The tax rate area is 9025, indicating a base tax rate of 1.07235%, and the reported current taxes are \$61,384.30. In addition, the projected annual assessments for the bond lien for this ownership are a total of \$150,648.

Land Size and Shape

Per the Lot Line Adjustment map, Parcel A contains 3.50 acres, Parcel B contains 3.21 acres and Parcel C contains 12.78 acres, or a total of 19.49 acres. All three parcels as well as the overall ownership are rectangular in shape.

However, it is noted that an additional 5' will be required for dedication along Iowa Ave. and a variable amount will be required for dedication along the west part of the Marlborough Ave. frontage. Per the Site Plan for the overall ownership prepared by HPA, Inc., the net usable sizes will be 3.32 acres for Parcel A, 3.18 acres for Parcel B and 12.78 acres for Parcel C, or a total of 19.28 net usable acres.

Streets

Iowa Ave. is dedicated 55' to centerline, and is currently a four-lane paved street with dirt shoulder along the subject frontage. Thus, an additional 5' dedication will

PROPERTY DATA, Continuing

be required, as well as street widening and improvements. Marlborough Ave. is dedicated 33' to centerline, and is currently a two-lane paved street with dirt shoulder along the subject frontage, and it also curves southerly around the southeast corner of the subject property. It will require additional dedication along the westerly part of the subject frontage, as well as widening and improvements, plus realignment along the easterly part of the subject frontage. (Note: The street improvements on both streets will be funded by the Assessment District bond issuance.)

Topography

The bulk of the subject site is fairly flat and at street grade, however the southeast corner of the site consists of a rocky knoll that is $\pm 20'$ - $30'$ above the balance of the site and above grade of Marlborough Ave.

Existing and Planned Development

A 50,128 s.f., two-story concrete tilt-up office building is under construction on Parcel A at the southwest corner of the overall ownership. This is Building 1 of the six buildings that are planned for the overall site. The building shell is nearly completed but not the interior build-out, and the parking and driveway areas have been asphalt paved but not yet landscaped. The balance of the ownership has not yet been graded.

Information provided by one of the property owners, Rufus Barkley, indicates that this overall site is planned to be developed with an office project called The Grove. There will be six two-story office buildings ranging in size from 48,728 s.f. to 53,868 s.f. or a total of 305,448 s.f. Two buildings will front on Iowa Ave. and four buildings will front on Marlborough Ave. The overall project indicates a lot coverage by building of 18% or an FAR of 36%. The onsite parking for the overall project indicates a ratio of 5.1 spaces per 1,000 s.f. of building.

The first building is due to be completed in about 3 months, and it is close to 50% pre-leased with negotiations underway for additional space. Construction is due to start on Building 2 and possibly also Building 3 in April or May 2006.

Highest and Best Use

The highest and best use of this property is concluded to be for continuation of construction of the planned office development, as approved through the City and as currently underway.

VALUATION

Method of Analysis

This is similar to the Aust ownership, except that an additional cost factor is considered to reflect the building that is under construction.

Analysis of Land Value

The discussion and analysis of the sales data is similar to the Aust ownership, except that this subject ownership has a far superior location on Iowa Ave. though a larger size at 19.28 acres. The topography is less sloping, 3.32 acres is finished graded, and at least part of the significant grading required at the southeast corner of the ownership will be covered by the Assessment District for realignment and construction of Marlborough Ave. It is also noted that the allocation of the bond lien or assessment to the subject property is equivalent to \$2,114,661 or \$2.52 per s.f. which is slightly higher than on the Aust ownership. The location on Iowa Ave. is superior in terms of the traffic exposure and identity, which results in the potential for the office development that is underway.

Considering these factors of location, size, topography/partial grading, and assessment on the property, I have concluded that the sales data supports the range of well over \$7.50 per s.f. and closer to but under \$9.00 per s.f. The conclusion of land value is at \$8.50 per s.f.

Allocation to Improvements Under Construction

Information provided by the owner is that the construction loan for Building 1 is \$8,000,000 to \$8,500,000 and approximately 35-40% of those costs have been expended. This indicates an amount of \$2,800,000 to \$3,400,000 that has been expended thus far in the construction that has been completed. As an allocation to the value, I have concluded on the low end of this range.

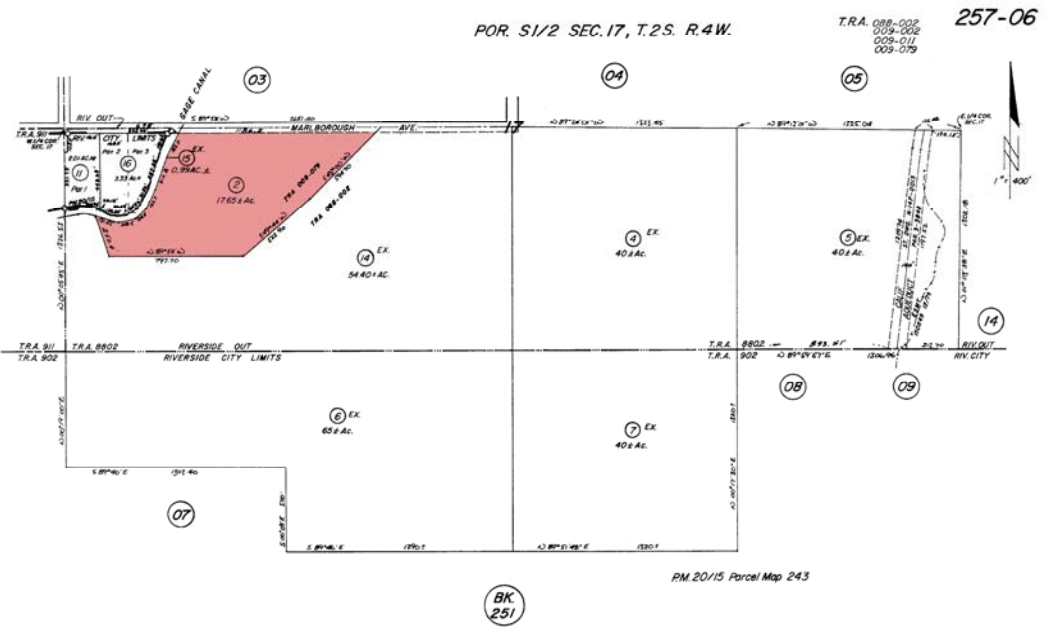
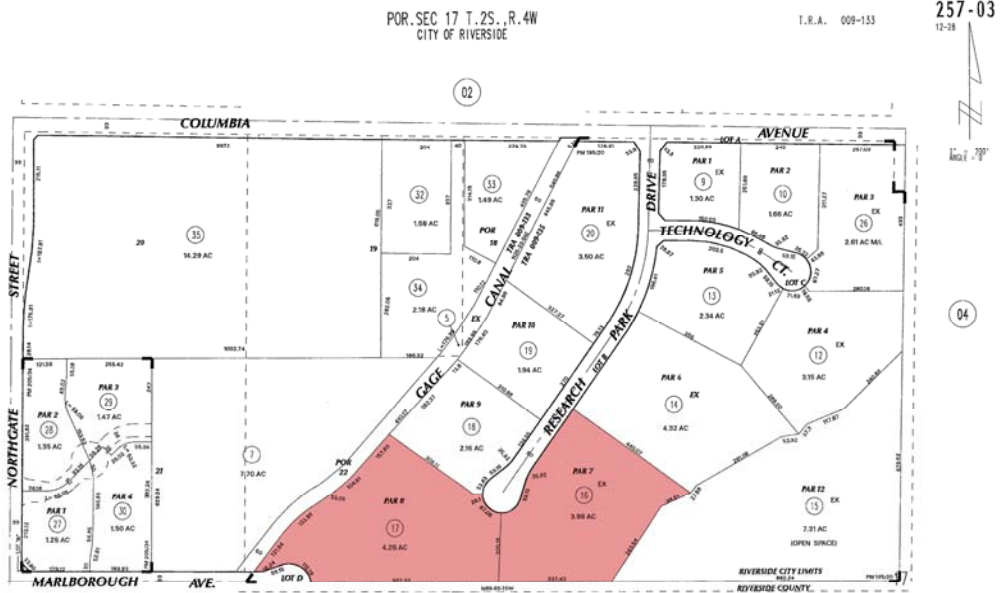
Conclusion of Value

Based on the foregoing, the indicated value is calculated as follows:

Land: 19.28 net usable acres or 838,837 s.f. @ \$8.50/s.f. =	\$7,130,000
Improvements:	<u>+2,800,000</u>
	\$9,930,000

The conclusion of value for the subject The Grove Business Park, LLC ownership, in its as is condition as of January 21, 2006, is \$9,930,000.

GUTHRIE-RICHTER, LLC OWNERSHIP



GUTHRIE-RICHTER, LLC OWNERSHIP

PROPERTY DATA

Location

The overall subject property is located at the southerly end of Research Park Dr. and the easterly end of Marlborough Ave., in the area called University Research Park. One lot (Parcel 7) is located on the easterly side of Research Park Dr., $\pm 550'$ southerly of Technology Ct.; a second lot (Parcel 8) is located at the southwest quadrant of the Research Park Dr. cul-de-sac and at the northeast quadrant of the indicated Marlborough Ave. cul-de-sac (though construction of this is not certain); and the raw acreage is located adjacent to the south of these two lots.

Legal Description

The property is described as Parcels 7 and 8 of Parcel Map No. 29161, as per map recorded in Book 195, Pages 20-22 of Parcel Maps, County of Riverside; and a portion of the southwest quarter of Section 17, Township 2 South, Range 4 West.

Property Owner/Sales History

The current owner is Guthrie-Richter, LLC. They acquired these three parcels in three separate transactions from December 2000 through November 2003.

Assessor Data, 2005-06/Annual Assessments

The subject property consists of Assessor Parcel Nos. 257-030-016 & 017, and 257-060-002. The assessed values total \$1,660,577 for land and \$0 for improvements. The tax rate areas are 9135 and 9079, indicating a base tax rate of 1.07235%, and the reported current taxes are a total of \$19,440. In addition, the projected annual assessments for the bond lien for this ownership are a total of \$71,229.

Land Size and Shape

Parcel 7 contains 3.98 acres per the assessor map, but the net usable area (excluding slopes) is 1.87 acres. Parcel 8 contains 4.26 acres per the assessor map, but the net usable area (excluding slopes) is 2.85 acres. The raw acreage site contains 17.65 acres per the assessor map, but only about two-thirds will be flat/usable upon completion of grading per the owner, indicating a usable area of ± 11.77 acres. Thus, the total usable area is indicated to be ± 16.49 acres, and all three lots are irregular in shape.

PROPERTY DATA, Continuing

to the south will also have driveway access from Research Park Dr. through Parcels 7 and 8, and that it is not certain whether the Marlborough Ave. cul-de-sac will be constructed into the overall site at the west side.

Topography

Parcel 7 slopes up from the street with the flat pad/usable area set back from the street and against the hills to the southeast. Parcel 8 has a flat pad/usable area that is well below grade of the street with slope area down to the west and up to the east. The raw acreage site to the south has a fairly flat area in the north center portion, with a slope down to the west and a slope up to the south and southeast into the hills.

Existing and Planned Development

The property currently consists of vacant land with no improvements. Information provided by the property owner, Jim Guthrie, indicates that he has plans for developing 30,000 to 40,000 s.f. office buildings on Parcels 7 and 8 that would conform to the restrictions of University Research Park (office/R&D uses, not industrial uses). He has the approvals/entitlements for this development, though subject to specific building plan approvals. Timing of construction is subject to market conditions evidencing sufficient demand.

The south site is planned to become part of the University Research Park association, and the tentative planning is for four office buildings that would be clustered in the center area of the site. Preliminary site planning and engineering work has been completed and submitted to the City, but has not yet been approved.

Highest and Best Use

The highest and best use is concluded to be for office/R&D development, as planned for these parcels.

VALUATION

Method of Analysis

This is similar to the Aust ownership.

Analysis of Land Value

The pertinent factors to consider are that two of the parcels comprising the subject ownership are finished lots with graded building pads and street improvements completed, but the larger raw acreage parcel is sloping and requires grading and street improvements. The overall size of 16.49 usable acres is relatively large and

VALUATION, Continuing

the restriction to office/R&D development is a limiting factor. However, this University Research Park subdivision has several existing newer buildings and several buildings currently under construction, thus evidencing good demand for space. In addition, there is view potential from these sites that are elevated against the hills. It is also noted that the allocation of the bond lien or assessment to the subject ownership is a total of \$999,852 or \$1.44 per s.f. of usable area.

Thus, based on the sales data as previously discussed, the analyses of the two previous subject ownerships, and later discussion for the subject Redevelopment Agency ownership, I have concluded that the supportable range for Lots 7 and 8 is \$8.00 to \$8.50 per s.f. of usable area, and the conclusion for the raw acreage is \$5.00 to \$6.00 per s.f. of usable area. This results in the following:

4.72 acres or 205,603 s.f. @ \$8.00 to \$8.50/s.f. =	\$1,645,000	to	\$1,748,000
11.77 acres or 512,701 s.f. @ \$5.00 to \$6.00/s.f. =	<u>\$2,564,000</u>	to	<u>\$3,076,000</u>
	\$4,209,000	to	\$4,824,000

Conclusion of Value

Based on the foregoing, the conclusion of value is toward the low end of the indicated range. Thus, the conclusion of value for the subject Guthrie-Richter, LLC ownership, in its as is condition as of January 21, 2006, is \$4,300,000.

RUSS AND JEAN L.P., ET AL OWNERSHIP



RUSS AND JEAN L.P., ET AL OWNERSHIP

PROPERTY DATA

Location

The subject property is located on the south side of Palmyrita Ave. and the east side of Northgate St., but excepting the immediate corner of the intersection.

Legal Description

The property was described as the portion of Lot 6 lying westerly of the Gage Canal and all of Lot 7 in Section 17, Township 2 South, Range 4 West, San Bernardino Meridian, as shown by Map of Lands of the East Riverside Land Company in the City of Riverside, recorded in Book 6, Page 44 of Maps, Records of San Bernardino County. However, the property owner indicates that a lot line consolidation was filed to create one parcel, and now a tentative parcel map to create three parcels is currently being processed.

Property Owner/Sales History

The current owner is Russ and Jean L.P. (62.66% interest), Richard H. Brown (7.31% interest), and the balance of the ownership held by Palmyrita JP/PI, LLC. Palmyrita JP/PI, LLC acquired the property from Fresh Start Bakeries, Inc. in July 2004 at a reported price of \$2,393,990 (\$4.15 per s.f. of net usable area).

Assessor Data, 2005-06/Annual Assessments

The subject property currently consists of Assessor Parcel Nos. 257-020-003 & 004. The assessed values total \$2,024,739 for land and \$0 for improvements. The tax rate area is 9133, indicating a base tax rate of 1.07235%, and the reported current taxes are \$24,764.52. In addition, the projected annual assessments for the bond lien for this ownership are a total of \$35,821.

Land Size and Shape

The assessor map indicates a total size of 13.55 acres. However, dedication will be required along the Palmyrita Ave. frontage. The owner indicates that the net usable area, after street dedication, is 13.24 acres. The shape is nearly rectangular but with a slightly angled east line.

Streets

Palmyrita Ave. is currently 33' to centerline along the subject property, and is improved as a two-lane paved street. Thus, it will require additional dedication plus widening and improvements along the subject frontage. Northgate St. is currently a

PROPERTY DATA, Continuing

66' dedicated right-of-way and is improved as a two-lane paved street with curb and gutter, thus no additional dedication will be required.

Topography

The overall site is at grade of Palmyrita Ave., with a slight terracing down to the west, and is several feet above grade of Northgate St.

Existing and Planned Development

Construction is currently underway on two large industrial-distribution buildings on the east and center portions of the overall site, and eight smaller multi-tenant industrial condominium buildings on the west end of the site. The two distribution buildings have the slabs completed and walls being formed on the slabs, and the condominium buildings range from the foundation to slab stage.

Information provided by one of the owners, Taylor Gerry at Panattoni Development Company, indicates that the two dock-high industrial/distribution will have a total of 191,000 s.f. and will be able to accommodate up to four tenants each. The industrial condominium buildings will have a total of 20 units comprising 63,822 s.f., with the units ranging in size from about 2,500 to 3,000 s.f., and built-out with $\pm 15\%$ office space. The distribution buildings will be leased and held as an investment, and the condominiums will be sold.

Highest and Best Use

The highest and best use of the subject property is concluded to be as planned and underway with the industrial-distribution buildings and the industrial condominiums.

VALUATION

Method of Analysis

This is the same as for The Grove Business Park, LLC ownership.

Analysis of Land Value

The pertinent factors for consideration are the overall size of 13.24 net usable acres, the fairly flat topography, the needed street improvements on Palmyrita Ave., and the allocation of the bond lien or assessment to the subject ownership being a total of \$502,825 or \$.87 per s.f. Considering these factors, and based on the discussion and analysis of the sales data in the Aust ownership, the data supports the range of over \$7.00 per s.f. but under \$8.00 per s.f. on this subject ownership, and the conclusion is at \$7.50 per s.f.

VALUATION, Continuing

Allocation to Improvements Under Construction

The owner indicated that the total cost for the overall project is estimated at approximately \$18,100,000 including their land cost (\pm \$2,400,000), or an approximate cost of \$15,700,000 for the buildings and site improvements. This indicates an average cost amount of \$61.61 per s.f. of building, based on the total building area of 254,822 s.f. However, an estimate of the approximate costs expended to date was not available.

I have concluded on a conservative estimate based on \pm 5% of the total budgeted costs to reflect the grading/site work, building foundations and slabs, and wall framing work that has been completed. This results in the following:

$$\text{\$15,700,000} \times 5\% = \text{\$785,000}$$

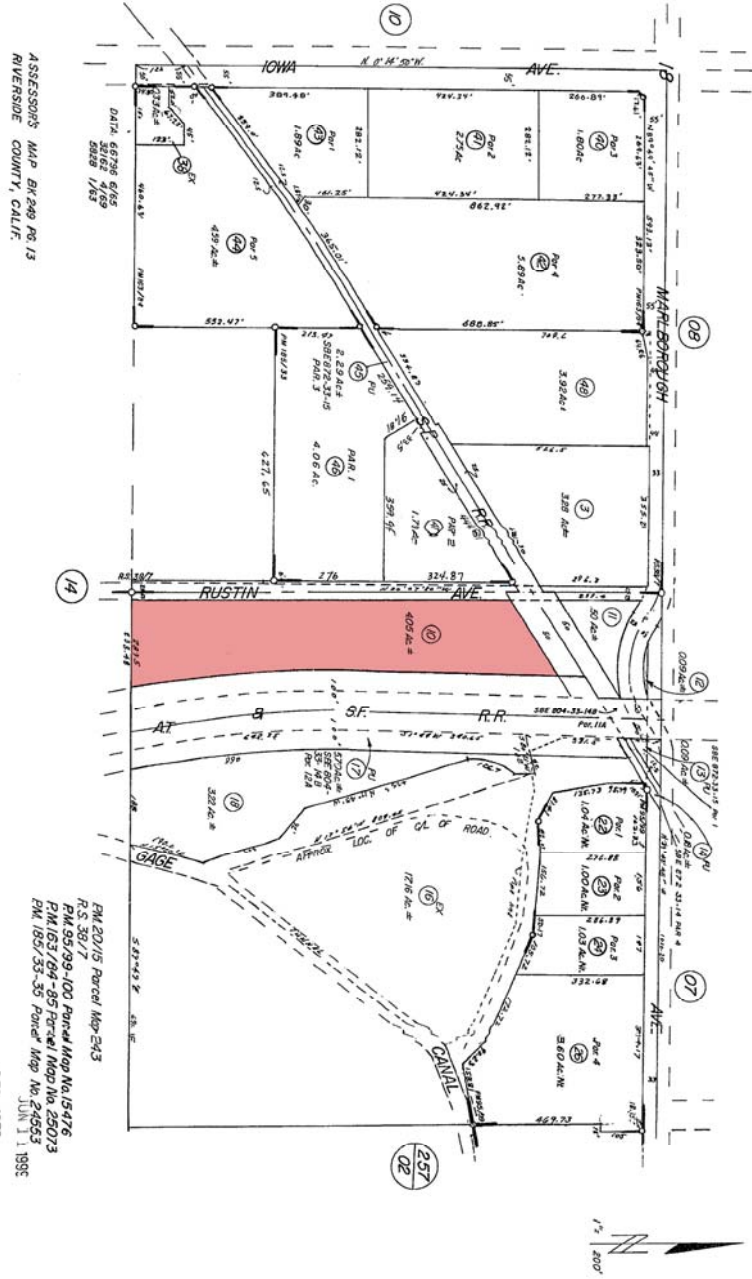
Conclusion of Value

Based on the foregoing, the indicated value is calculated as follows:

Land: 13.24 net usable acres or 576,734 s.f. @ \$7.50/s.f. =	\$4,326,000
Improvements:	<u>+ 785,000</u>
	\$5,111,000

The conclusion of value for the subject Russ and Jean L.P. et al ownership, in its as is condition as of January 21, 2006, is \$5,110,000.

RICHARD B. LEE, TRUSTEE OWNERSHIP



POR. S. 1/2 SEC. 18, T.2S. R.4W.

T.R. M. 902
911
249-13
12-17

RICHARD B. LEE, TRUSTEE OWNERSHIP

PROPERTY DATA

Location

The subject property is located on the east side of Rustin Ave., $\pm 350'$ south of Marlborough Ave.

Legal Description

The property is described by metes and bounds as a portion of the west half of the northeast quarter of the southeast quarter of Section 18, Township 2 South, Range 4 West, San Bernardino Base and Meridian.

Property Owner/Sales History

The current owner is Richard E. Lee, Trustee of the Nora E. Lee Trust. This property has been in the family for many years, thus there have been no recent sales of the property.

Assessor Data, 2005-06/Annual Assessments

The subject property consists of Assessor Parcel No. 249-130-010. The assessed value is \$42,519 for land and \$0 for improvements, though the total reported assessed value is \$43,930. The tax rate area is 9159, indicating a base tax rate of 1.07235%, and the reported current taxes are \$873.44. In addition, the projected annual assessments for the bond lien for this ownership are \$10,683.

Land Size and Shape

Per the assessor map, the size is 4.05 acres. However, an additional 8' dedication will be required to Rustin Ave., which is an area of $\pm .18$ acre and results in a net usable size of ± 3.87 acres. The parcel is mostly rectangular in shape but with an angled north line and a slightly curving rear or east line.

Streets

Rustin Ave. is currently a 58' dedicated right-of-way along the subject property, 25' to centerline, and improved as a two-lane paved street with dirt shoulder along the subject frontage. Thus, it will require an additional 8' dedication plus street improvements. (Note: The northerly $\pm 50'$ of the street improvements will be funded by the Assessment District bond issuance.

PROPERTY DATA, Continuing

Topography

The subject site has a slight slope up to the north and south from the center area. It is mostly at street grade, but below grade of the railroad lines to the north and east.

Existing and Planned Development

The property currently consists of vacant land. Information provided by the property owner, Richard Lee, is that the property has been in the family for over 50 years, and there are no current plans to develop or sell.

Highest and Best Use

The highest and best use of this property is concluded to be for some type of industrial development.

VALUATION

Method of Analysis

This is similar to the Aust ownership.

Analysis of Land Value

The pertinent factors to consider are the size of 3.87 net usable acres, the slightly sloping topography, the needed street improvements, and the allocation of the bond lien or assessment to the subject ownership being a total of \$149,958 or \$.89 per s.f. While the shape of the parcel has much street frontage but fairly shallow depth, this could provide for the potential to split the overall site into smaller parcels. Considering these factors as well as the previous analyses, the supportable range for the subject is concluded to be \$7.00 to \$8.00 per s.f., and the conclusion is at the mid-portion of the range or \$7.50 per s.f. Thus, the resulting calculations are as follows:

$$3.87 \text{ net usable acres or } 168,577 \text{ s.f. @ } \$7.50/\text{s.f.} = \$1,264,328$$

Conclusion of Value

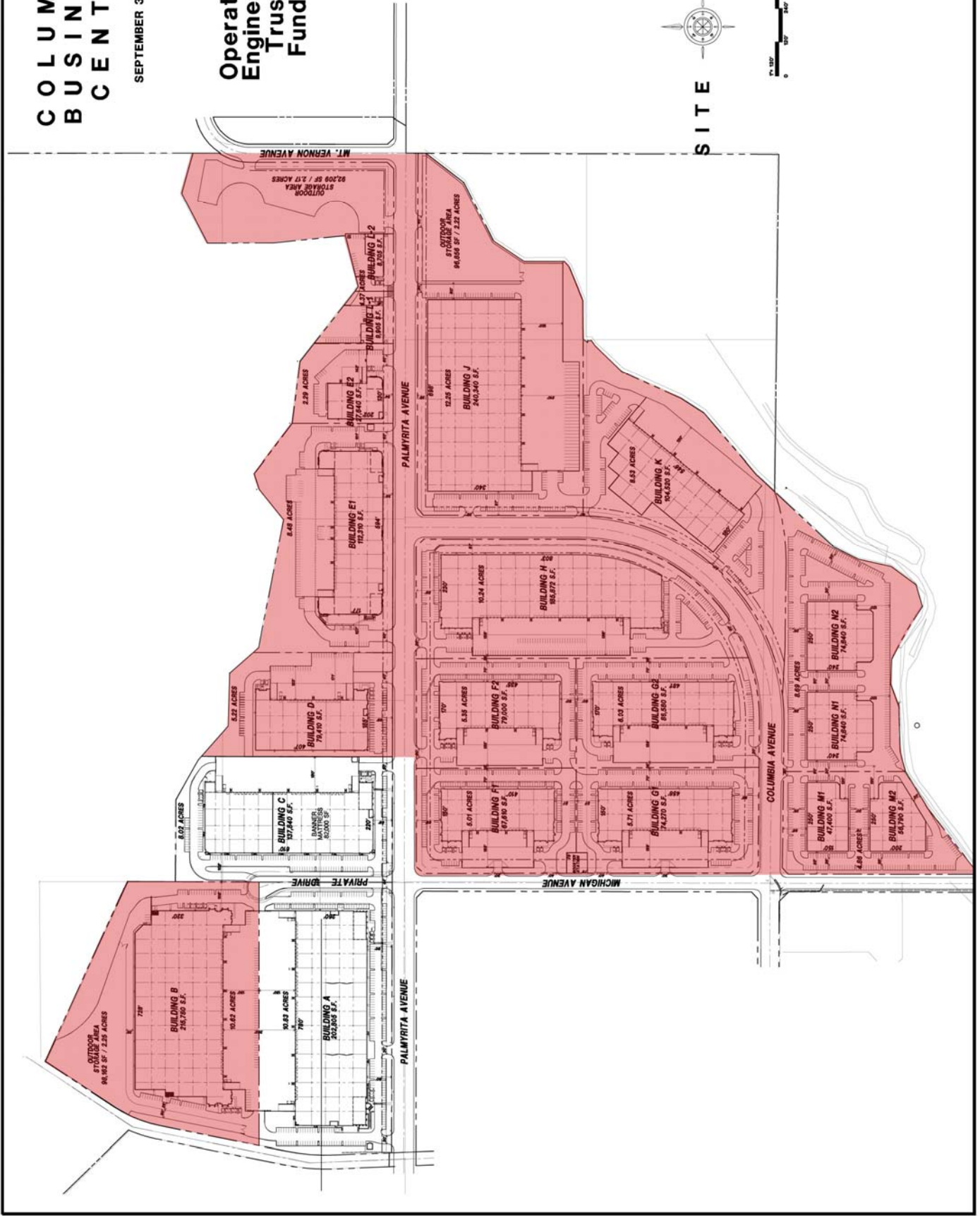
Based on the foregoing, the conclusion of value for this subject Richard B. Lee, Trustee ownership, in its as is condition as of January 21, 2006, is \$1,260,000.

COLUMBIA BUSINESS CENTER

SEPTEMBER 30, 2005

Operating Engineers Trust Funds

SITE PLAN



OPERATING ENGINEERS FUNDS, INC. OWNERSHIP

PROPERTY DATA

Location

One parcel is located at the northwest quadrant of the Michigan Ct. cul-de-sac, ±460' north of Palmyrita Ave.; and the balance of the ownership is located east of Michigan Ave., on both sides of future Columbia Ave., and on both sides of Palmyrita Ave. extending easterly to Mt. Vernon Ave.

Legal Description

The property is described as Parcel 2 of Parcel Map No. 30485-1, recorded in Parcel Map Book 206 Pages 24-26, County of Riverside; Parcels 1 through 12 of Tentative Parcel Map No. 30485; and that portion of the south half of the northeast quarter of Section 17, Township 2 South, Range 4 West, San Bernardino Meridian, lying north and below the flow of the Old East Riverside Irrigation District Canal.

Property Owner/Sales History

The current owner is Operating Engineers Funds, Inc. They acquired the property from November 2000 through November 2002 at a total price of \$8,817,866.

Assessor Data, 2005-06/Annual Assessments

The subject property consists of Assessor Parcel Nos. 255-120-036; 257-040-003, 004, 009, 011 & 012; 257-050-002, 005 & 009; and 255-140-016, 017, 023, 026 & 027. The assessed values total \$6,632,881 for land and \$1,079 for improvements, or an overall total of \$6,634,499. The tax rate areas are 9161 and 9078, indicating a base tax rate of 1.07235%, and the reported current taxes are a total of \$77,086.82. In addition, the projected annual assessments for the bond lien for this ownership are a total of \$284,146.

Land Size and Shape

The separate parcel on Michigan Ct. contains 12.71 net acres per the assessor map and the Parcel Map, and it is irregular in shape.

The assessor maps indicate that the balance of the ownership contains 92.54 acres, but not reflecting required street dedications, including the extension of Columbia Ave. through the center of the property. Tentative Parcel Map No. 30485 indicates parcel sizes of 3.28 to 10.32 net acres or a total of 77.76 net acres for all of the remainder of the ownership except for the most southerly area south of future Columbia Ave. and east of Michigan Ave. The Site Plan for Columbia Business Center indicates that this southerly area contains 8.69 net acres.

PROPERTY DATA, Continuing

Thus, the indicated size of the overall ownership is indicated to be 99.16 net acres, after dedications for all street rights-of-way. Some of the future parcels will be rectangular in shape but most will be irregular in shape.

Streets

Columbia Ave. currently ends at Michigan Ave. from the west but will extend easterly into the subject property and then curving north to terminate into Palmyrita Ave. It will be an 88' right-of-way and improved as a four-lane paved street. Michigan Ave. is a 66' right-of-way, and it has recently been widened and fully improved along the subject with curb, gutter and sidewalk. Michigan Ct. is also a fully improved two-lane cul-de-sac street north from Palmyrita Ave.

Palmyrita Ave. will be dedicated as an 88' right-of-way, and it has recently been fully widened and improved on both sides from Michigan Ave. to the point where Columbia Ave. will intersect it. Farther east it is a narrow two-lane paved street with dirt shoulders and will need widening and improving through this portion. Mt. Vernon Ave. is a 60' right-of-way and is currently improved as a two-lane paved street with dirt shoulders, thus will also require widening and improving.

Topography

The separate lot on Michigan Ct. is fairly flat but has many piles of fill material that will need to be compacted and graded. The land on the north side of Palmyrita Ave. is fairly flat but with a gradual slope down to the north and up to the east. The land to the south of Palmyrita Ave. has a gradual slope up to the hills to the south.

Existing and Planned Development

The property currently consists of vacant land. Information provided by the property owner and by their architect is that the entire ownership is planned to be developed with a project called Columbia Business Center. There are to be a total of 19 buildings of which two buildings have already been constructed at the northwest and northeast corners of Palmyrita Ave. and Michigan Ct. These two buildings and their respective lots are not included in this appraisal.

Thus, the remaining vacant land in this ownership, included in the appraisal, is to be developed with 17 buildings. These buildings are planned to range in size from 8,705 s.f. to 240,340 s.f., or a total of 1,545,812 s.f. It is also noted that there are three designated outdoor storage areas, one at the north end of the lot on Michigan Ct., and the other two at the northeast and southeast ends of the remaining ownership. These areas comprise 2.25 acres, 2.17 acres and 2.22 acres, or a total of 6.64 acres.

PROPERTY DATA, Continuing

As to the timing of development, construction on two more buildings is anticipated to start by late Spring 2006, with the remaining buildings to be completed over the next 5 to 10 years depending on market conditions.

Highest and Best Use

The highest and best use of this property is concluded to be for continued development of the planned industrial buildings in this business center.

VALUATION

Method of Analysis

This is similar to the Aust ownership.

Analysis of Land Value

The pertinent factors to consider are the overall size of the ownership at 99.16 net usable acres though being subdivided into 17 parcels ranging from 3.28 acres to 12.71 acres; the sloping topography though this is mostly on the central and southerly portion of the ownership; the needed street improvements, reflecting that these have been completed on Michigan Ave. and part of Palmyrita Ave., but some is still needed on Palmyrita Ave. and all of Columbia Ave. needs to be constructed between Michigan Ave. and Palmyrita Ave.; and the allocation of the bond lien or assessment to the subject ownership being a total of \$3,988,586 or \$.92 per s.f. of net usable area.

Initially, it is evident that this ownership is substantially larger than the other subject ownerships that have been as large as just under 20 acres in size. As previously discussed, the sales data generally evidences that the large size tends to result in a lower price per s.f., as indicated by Data Nos. 1 and 2 that are at or just over 1 acre in size and indicate the highest prices at near \$10.00 per s.f. In addition, Data Nos. 6 and 7 are both located in the Agua Mansa park, and the larger size of Data No. 7 indicated the lower price of \$7.41 per s.f. in contrast to Data No. 6 at ±\$8.25 per s.f.

However, Data No. 9 is the largest of the data at 37.5 acres but also indicated the relatively high price of \$9.34 per s.f. This reflects the desirable location and with good freeway accessibility, but it also reflects the good demand by developers for large ownerships of land for development of industrial/business parks. In contrast, Data No. 10 is a relatively large site of 26.31 acres that sold at the much lower price of \$4.36 per s.f. However, the location is far inferior and the price was considered to be on the low side, as the buyer considered current value to be nearer to \$6.00 per s.f.

VALUATION, Continuing

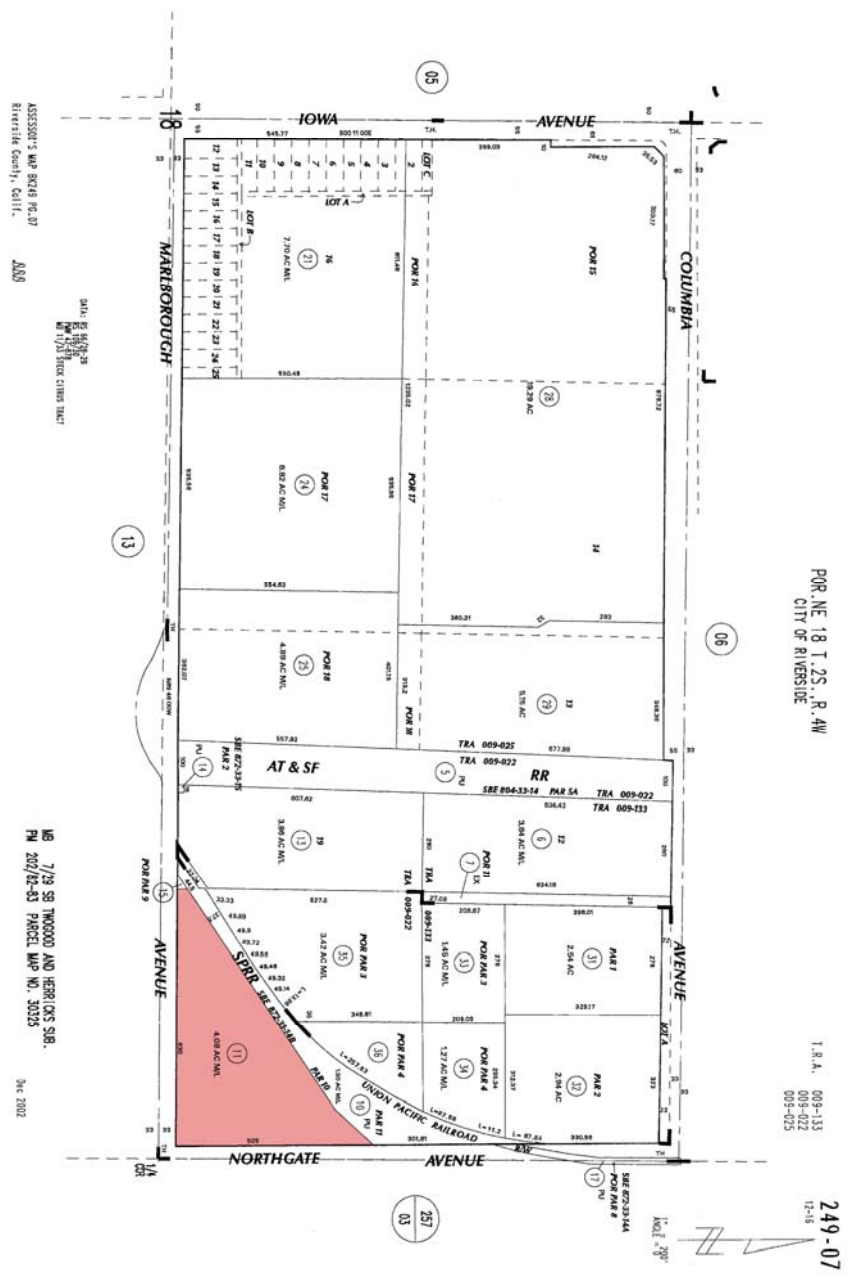
In summary, I have concluded that a discount or downward adjustment of $\pm 25-30\%$ for the large size of the subject ownership is supportable. Considering the other factors of the topography, needed street improvements and assessment of \$.92 per s.f., and based on the previous analyses, the low end of the \$7.00 to \$8.00 per s.f. range, or \$7.00 per s.f. is most supportable for the subject property. Then, considering the size adjustment of 25-30%, the indication for the subject is \$4.90 to \$5.25 per s.f., which results in the following:

99.16 net usable acres or 4,319,410 s.f. @ \$4.90-\$5.25/s.f. = \$21,165,109 to \$22,676,903

Conclusion of Value

Based on the foregoing, the conclusion of value for this subject Operating Engineers Funds, Inc. ownership, in its as is condition as of January 21, 2006, is \$21,600,000.

RCI/M&N PARTNERS OWNERSHIP



RCI/M&N PARTNERS PROPERTY

PROPERTY DATA

Location

The subject property is located at the northwest corner of Northgate St. and Marlborough Ave.

Legal Description

The property is described as that portion of Block 20 of Twogood and Herrick's Subdivision of the northeast quarter of Section 18, Township 2 South, Range 4 West, San Bernardino Base and Meridian.

Property Owner/Sales History

The current owner is RCI/M&N Partners. They acquired this property in 1990 at an indicated price of \$200,000.

Assessor Data, 2005-06/Annual Assessments

The subject property consists of Assessor Parcel No. 249-070-011. The assessed value is \$582,299 for land and \$0 for improvements. The tax rate area is 9022, indicating a base tax rate of 1.07235%, and the reported current taxes are \$7,635.78. In addition, the projected annual assessments for the bond lien for this ownership are \$34,196.

Land Size and Shape

The assessor map indicates a size of 4.08 acres. However, an additional 11' dedication will be required on Marlborough Ave., resulting in a dedication of ± 0.16 acre and a net usable land area of ± 3.92 acres. The site is triangular in shape.

Streets

Marlborough Ave. is dedicated 33' to centerline, and is currently a narrow two-lane paved street with dirt shoulder along the subject frontage. Thus, an additional 11' dedication will be required as well as street widening and improvements. Northgate Ave. is currently dedicated 33' to centerline and is a two-lane paved street with dirt shoulder along the subject frontage, thus it will require widening but no further dedication. (Note: The street improvements for both streets will be funded by the Assessment District bond issuance.)

PROPERTY DATA, Continuing

Topography

The site has been graded to a fairly flat pad which is above street grade at the west and north ends, and slightly below street grade at the intersection. It is also above grade of the railroad to the northwest.

Existing and Planned Development

The site currently consists of vacant land. However, it is planned to be developed in conjunction with The Grove office project that was previously discussed and is located beyond the future retention basin to the west. The same developer plans to develop this site with Building 7 of the office project, which will be a similar two-story office building containing 48,832 s.f. The timing of development will be based on market conditions.

Highest and Best Use

The highest and best use of this site is concluded to be as planned with a two-story office building in conjunction with The Grove office project.

VALUATION

Method of Analysis

This is similar to the Aust ownership.

Analysis of Land Value

The analysis is similar to The Grove Business Park, LLC ownership, with the differing factors being the smaller size at just under 4 acres, but also the inferior location being well off of Iowa Ave., though benefiting from being part of the larger development. However, this factor also means that the development potential will trail time-wise from the main site for Buildings 1 through 6. In addition, this site is a flat graded pad, though the triangular shape is inferior and results in less efficient development. In addition, the allocation of the bond lien or assessment to this ownership is \$480,017 or \$2.81 per s.f. based on 3.92 acres. Considering these factors, the value for this subject ownership is concluded to be \$7.00 per s.f., which results in the following:

3.92 net usable acres or 170,755 s.f. @ \$7.00/s.f. = \$1,195,285

Conclusion of Value

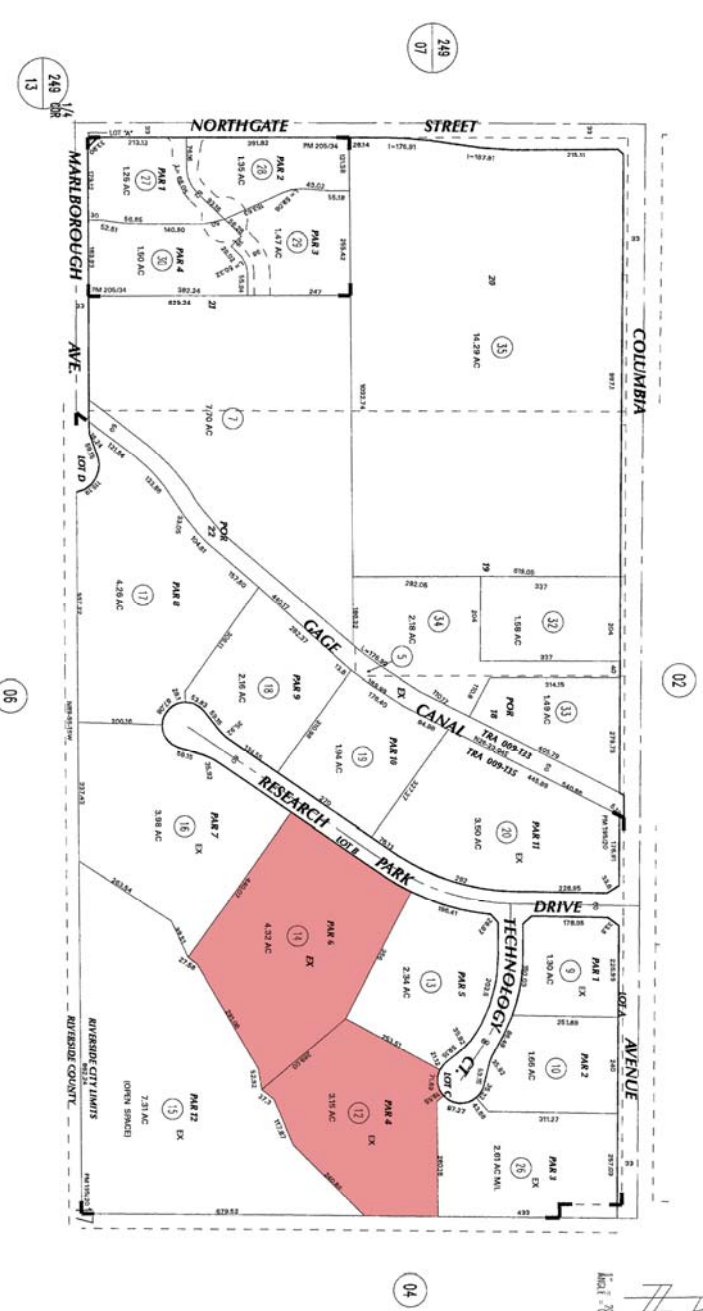
Based on the foregoing, the conclusion of value for this subject RCI/M&N Partners ownership, in its as is condition as of January 21, 2006, is \$1,190,000.

REDEVELOPMENT AGENCY OWNERSHIP

ASSESSOR'S MAP 8625/ PG. 03
Riverside County, Calif.

DATE: 6/14/04
BY: JMD

MB 6/14/04 SR EAST RIVERSIDE LAND CO.
PW 185/20-33 PARCEL MAP NO. 28181
PW 205/24-36 PARCEL MAP 30547



POR. SEC. 17 T. 2S., R. 4W
CITY OF RIVERSIDE

I. R. A. 009-133

257-03
12-28

REDEVELOPMENT AGENCY OWNERSHIP

PROPERTY DATA

Location

The subject property consists of two lots, one of which is located on the east side of Research Park Dr., ±200' south of Technology Ct., and the other which is located at the southerly end of the Technology Ct. cul-de-sac.

Legal Description

The property is described as Parcels 4 and 6 of Parcel Map No. 29161 as shown by Map on file in Book 195, Pages 20-22 of Parcel Maps, County of Riverside.

Property Owner/Sales History

The current owner is the Redevelopment Agency for the County of Riverside. They subdivided the lots in this University Research Park some years ago, developed the lots to finished condition and sold most of them off. However, one of these subject lots was deeded back to the Agency in January 2004.

Assessor Data, 2005-06/Annual Assessments

The subject property consists of Assessor Parcel Nos. 257-030-012 & 014, but assessed values are not indicated for these parcels. The tax rate area is 9135, indicating a base tax rate of 1.07235%. In addition, the projected annual assessments for the bond lien for this ownership are a total of \$20,975.

Land Size and Shape

The assessor map indicates that Parcel 4 contains 3.15 acres and Parcel 6 contains 4.32 acres, or a total of 7.47 acres. However, per information provided by the property owner, the net usable area excluding slopes is 2.09 acres for Parcel 4 and 2.18 acres for Parcel 6, or a total of 4.27 acres. Both parcels are irregular in shape.

Streets

Research Park Dr. and Technology Ct. are both 60' dedicated rights-of-way and both are fully improved two-lane paved streets.

Topography

Parcel 4 has a flat pad area that is slightly above grade of Technology Ct., above grade of the lots to the west and south, and backing to a moderate to steep slope at the rear or southeast at the base of the hills. Parcel 6 slopes moderately up from

PROPERTY DATA, Continuing

Research Park Dr., with the flat building pad area set well back from the street and backing to moderate to steep slopes to the southeast at the base of the hills. It is also above grade of the lot to the southwest and below grade of the lot to the north. Both parcels have views of the City area to the west.

Existing and Planned Development

Both parcels consist of vacant land. The owner (Redevelopment Agency) plans to sell the parcels for anticipated development of technology/software/research-oriented office use, per the University Research Park guidelines.

Highest and Best Use

The highest and best use is concluded to be for development with office/R&D type of uses that would be consistent with the University Research Park guidelines and with the existing and ongoing development in this park.

VALUATION

Method of Analysis

This is similar to the Aust ownership.

Analysis of Land Value

The analysis is similar to the previous Guthrie-Richter, LLC ownership in which the most supportable range for these finished lots was concluded to be \$8.00 to \$8.50 per s.f. It is also noted that the Redevelopment Agency recently had these parcels in escrow at a price based on \$5.00 per s.f. of gross area which is equivalent to \$8.74 per s.f. of net usable area. However, the escrow fell through and the parcels are available for sale.

Based on the foregoing, supportable range for the subject ownership is concluded to be \$8.00 to \$8.50 per s.f., and the conclusion is at the middle of the range or \$8.25 per s.f. This results in the following:

4.27 net usable acres or 186,001 s.f. @ \$8.25/s.f. = \$1,534,508

Conclusion of Value

Based on the foregoing, the conclusion of value for this subject Redevelopment Agency ownership, in its as is condition as of January 21, 2006, is \$1,530,000.

STN REALTY CALIF OWNERSHIP



FOR SEC 17 T. 2S., R. 4W
CITY OF RIVERSIDE

I.R.A. 009-133
009-157

257-02
17-28

ASSESSOR'S MAP BOOK 7 PG 42
Riverside County, Calif. 0045

DATE: 6.1.04-5-04

MB 6/44-58 EAST RIVERSIDE LAND CO.

APR 04 2005

MAP 2005

STN REALTY CALIF OWNERSHIP

PROPERTY DATA

Location

The subject property is located at the northwest corner of Columbia Ave. and Northgate St.

Legal Description

The property appears to be described as Lot 9 in Section 17, Township 2 South, Range 4 West, San Bernardino Meridian, as shown by Map of Lands of the East Riverside Land Company in the City of Riverside, recorded in Book 6, Page 44 of Maps, Records of San Bernardino County.

Property Owner/Sales History

Per assessor records, the current owner is STN Realty Calif. A representative of the owner indicates that they acquired this property in 2001 or 2002.

Assessor Data, 2005-06/Annual Assessments

The subject property consists of Assessor Parcel Nos. 257-020-042 & 043. The assessed values total \$786,098 for land and \$0 for improvements. The tax rate area is 9133, indicating a base tax rate of 1.07235%, and the reported current taxes are \$9,627.08. In addition, the projected annual assessments for the bond lien for this ownership are a total of \$23,596.

Land Size and Shape

Per the assessor map, the sizes of the two parcels are 4.4 acres and 4.17 acres, or a total of 8.57 acres. As both streets are fully dedicated, this is also the net usable acreage. The overall site is rectangular in shape with a minor angled corner cut.

Streets

Columbia Ave. is currently a 110' right-of-way and improved as a four-lane paved street with curb and gutter along the subject. Thus, no additional dedication is required. Northgate St. is a 66' right-of-way and improved as a two-lane paved street with curb along the subject, and also requiring no further dedication.

Topography

The subject site is slightly sloping down to the west and is also below grade of Northgate St. toward the northerly end of the site.

PROPERTY DATA, Continuing

Existing and Planned Development

The property currently consists of vacant land, other than a fire access road along the northerly part of the Northgate St. frontage which extends north to the adjacent building (also owned by STN Realty Calif.). Information provided by a representative of the owner, Gary Ziznewski with Sabert Corp., indicates that they ultimately plan to develop the site with a building that they would occupy.

Highest and Best Use

The highest and best use of the property is concluded to be for some type of industrial development.

VALUATION

Method of Analysis

This is similar to the Aust ownership.

Analysis of Land Value

The pertinent factors of this property include the size of 8.57 acres, the rectangular shape, the slightly sloping topography, mostly completed street improvements and an allocation of the bond lien or assessment to this ownership of \$331,223 or \$.89 per s.f. Based on previous analyses, the conclusion of value is toward the upper end of the range of \$7.00 to \$8.00 per s.f., or a conclusion of \$7.75 per s.f. This results in the following:

$$8.57 \text{ net usable acres or } 373,309 \text{ s.f. @ } \$7.75/\text{s.f.} = \$2,893,145$$

Conclusion of Value

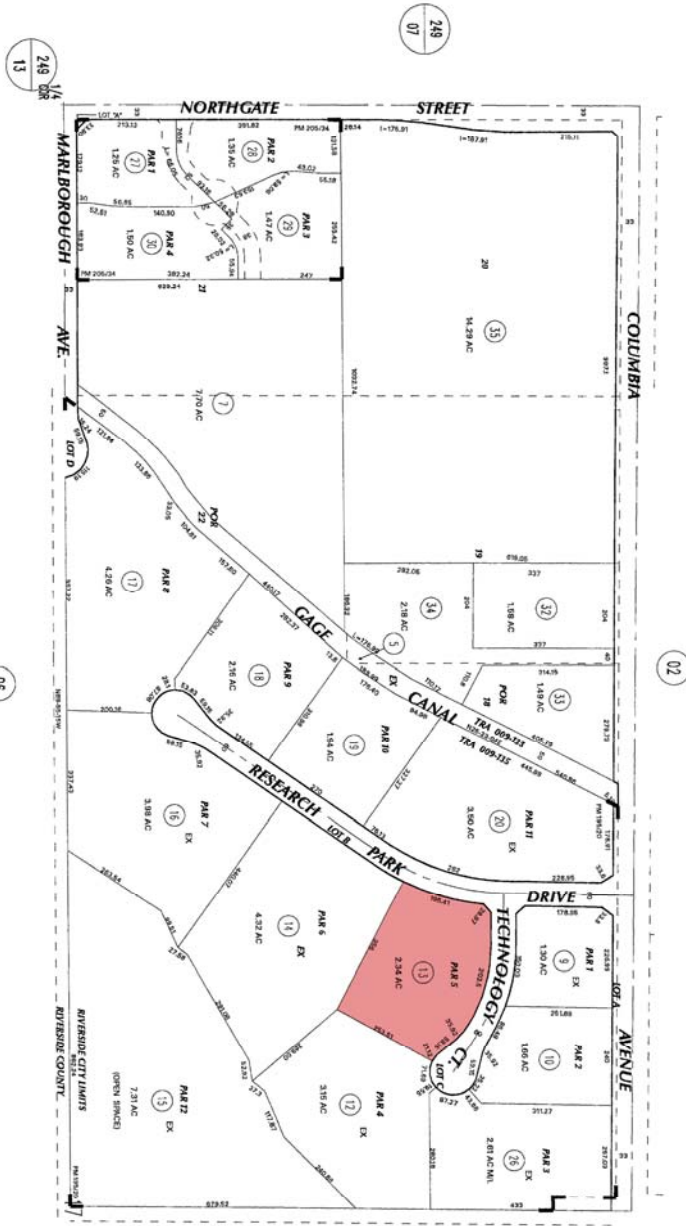
Based on the foregoing, the conclusion of value for this subject STN Realty Calif. ownership, in its as is condition as of January 21, 2006, is \$2,890,000.

SUNDIP R. DOSHI, ET AL OWNERSHIP

ASSESSOR'S MAP BOOK PG. 03
Riverside County, Calif.

DATE: 5/11/2010

MAP 6/14/98 EAST RIVERSIDE LAND CO.
PW 195/20-33 PARCEL MAP NO. 29161
PW 205/24-36 PARCEL MAP 30547



POR. SEC. 17 T. 2S., R. 4W
CITY OF RIVERSIDE

I. R. A. 009-133

257-03
12-78

SUNDIP R. DOSHI, ET AL OWNERSHIP

PROPERTY DATA

Location

The subject property is located at the southeast corner of Research Park Dr. and Technology Ct.

Legal Description

The property is described as Parcel 5 of Parcel Map No. 29161 as shown by Map on file in Book 195, Pages 20-22 of Parcel Maps, County of Riverside.

Property Owner/Sales History

The current owner is Sundip R. & Bridget E. Doshi (25% interest), Cheryl L. McCarthy (25% interest), Ronald & Lisa Semler, Trustees (16.667% interest), Deanna Tabitha Semler (16.666% interest) and Nanu C. Patel (16.667% interest). Sundip R. & Bridget E. Doshi and Cheryl L. McCarthy acquired this property from the Redevelopment Agency for the County of Riverside in January 2001.

Assessor Data, 2005-06/Annual Assessments

The subject property consists of Assessor Parcel No. 257-030-013. The assessed value is \$396,394 for land and \$0 for improvements. The tax rate area is 9135, indicating a base tax rate of 1.07235%, and the reported current taxes are \$5,276.02. In addition, the projected annual assessments for the bond lien for this ownership are \$6,570.

Land Size and Shape

The assessor map indicates a size of 2.34 acres and an irregular but somewhat rectangular shape. However, the net usable area, excluding slopes, is 1.66 acres.

Streets

Research Park Dr. and Technology Ct. are both 60' dedicated rights-of-way and both are fully improved two-lane paved streets.

Topography

The graded flat pad area is well above grade at the intersection of both streets with slope areas down to both streets. As Technology Ct. slopes up to the east, there is driveway access to the flat pad area at the northeast corner of the site from near the end of the cul-de-sac. The land then slopes up to the adjacent lot to the east and

PROPERTY DATA, Continuing

down to the adjacent lot to the south. The pad area has a view of the City area to the west.

Existing and Planned Development

The parcel consists of vacant land. Information provided by one of the owners is that they plan to develop a 35,000-36,000 s.f. office/R&D building. They plan to occupy part of the building and lease out the remainder. Plans have been approved but timing of construction is unknown.

Highest and Best Use

The highest and best use is concluded to be for development with office/R&D type of uses that would be consistent with the University Research Park guidelines and with the existing and ongoing development in this park.

VALUATION

Method of Analysis

This is similar to the Aust ownership.

Analysis of Land Value

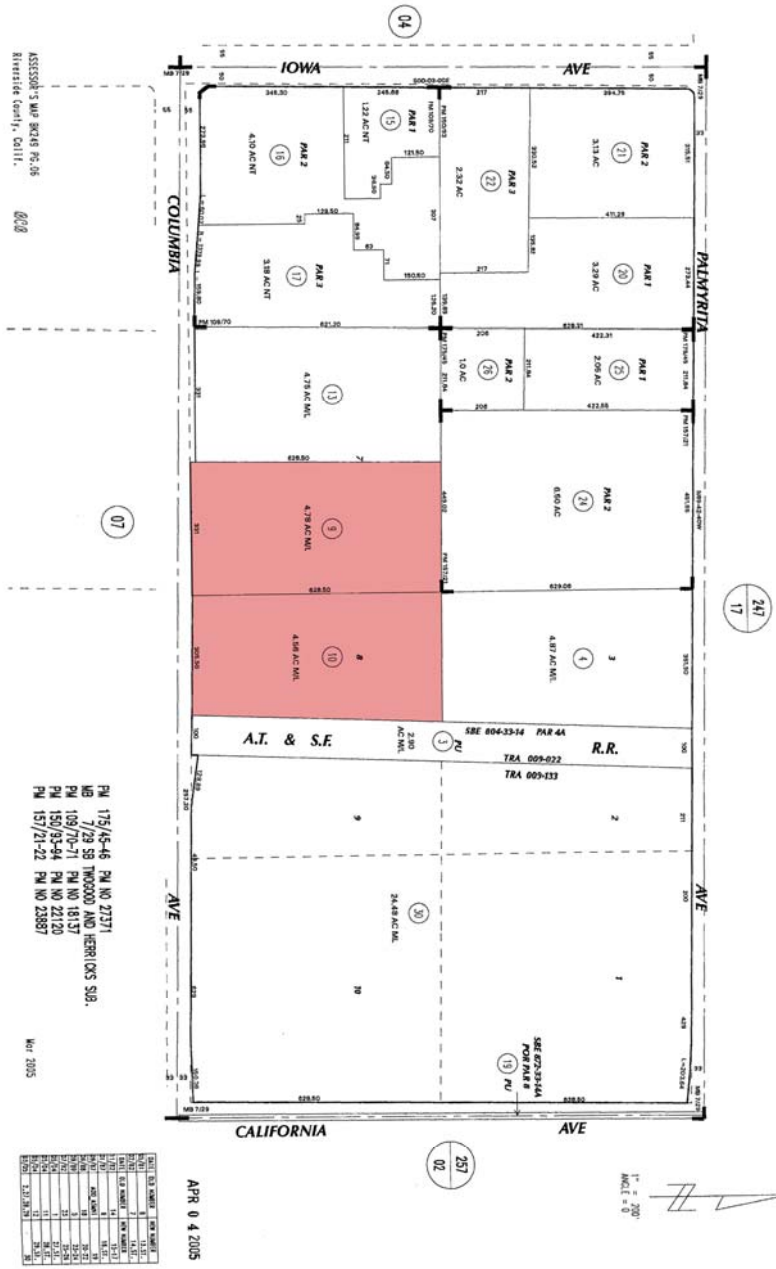
The analysis is similar to the previous Guthrie-Richter, LLC and Redevelopment Agency ownerships, and the conclusion is the same as for the Redevelopment Agency ownership or \$8.25 per s.f. on the indicated net usable area. This results in the following:

1.66 net usable acres or 72,310 s.f. @ \$8.25/s.f. = \$596,558

Conclusion of Value

Based on the foregoing, the conclusion of value for this subject Sundip R. Doshi, et al ownership, in its as is condition as of January 21, 2006, is \$600,000.

KENNETH & VERA THOMPSON OWNERSHIP



POR. 18 T. 2S., R. 4W
 CITY OF RIVERSIDE

T.R.A. 009-022
 009-133

249-06
 12-15

ASSISTANT MAP BOOKS PG. 05
 Riverside County, Calif. 0000

PM 175/45-46 PM NO 21371
 MS 1729 38 THROCKMORTON AND HERBOLDS SUB.
 PM 109/70-71 PM NO 18137
 PM 150/93-94 PM NO 22120
 PM 157/21-22 PM NO 23887

Apr 2005

NO.	DATE	DESCRIPTION
1	12-15-04	PREPARED
2	12-15-04	REVIEWED
3	12-15-04	APPROVED
4	12-15-04	FILED
5	12-15-04	RECORDED
6	12-15-04	INDEXED
7	12-15-04	SEARCHED
8	12-15-04	SERIALIZED
9	12-15-04	FILED
10	12-15-04	RECORDED
11	12-15-04	INDEXED
12	12-15-04	SEARCHED
13	12-15-04	SERIALIZED
14	12-15-04	FILED
15	12-15-04	RECORDED
16	12-15-04	INDEXED
17	12-15-04	SEARCHED
18	12-15-04	SERIALIZED
19	12-15-04	FILED
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21	12-15-04	INDEXED
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23	12-15-04	SERIALIZED
24	12-15-04	FILED
25	12-15-04	RECORDED
26	12-15-04	INDEXED
27	12-15-04	SEARCHED
28	12-15-04	SERIALIZED
29	12-15-04	FILED
30	12-15-04	RECORDED
31	12-15-04	INDEXED
32	12-15-04	SEARCHED
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100	12-15-04	RECORDED

KENNETH & VERA THOMPSON OWNERSHIP

PROPERTY DATA

Location

This property is located on the north side of Columbia Ave., ±940' east of Iowa Ave.

Legal Description

The property is described as the east half of Lot 7 and all of Lot 8 of Twogood and Herrick's Subdivision, City of Riverside, shown by map on file in Book 7, Page 29 of Maps, Records of San Bernardino County.

Property Owner/Sales History

The current owner is Kenneth R. & Vera Ann Thompson. The property was deeded to them by Thompson Building Materials Inc. in September 2004 in a related-party transaction. The property has effectively been in the same ownership for many years.

Assessor Data, 2005-06/Annual Assessments

The subject property consists of Assessor Parcel Nos. 249-060-009 & 010. The assessed values total \$220,068 for land and \$3,816 for improvements, or an overall total of \$224,338. The tax rate area is 9022, indicating a base tax rate of 1.07235%, and the reported current taxes are \$21,498.10. In addition, the projected annual assessments for the bond lien for this ownership are a total of \$24,835.

Land Size and Shape

The assessor map indicates parcel sizes of 4.78 acres and 4.56 acres or a total of 9.34 acres, with a mostly rectangular shape other than a slightly angled east property line. However, an additional dedication of 22' to Columbia Ave. will be necessary which is equivalent to ±.32 acre, and results in a net usable size of 9.02 acres.

Streets

Columbia Ave. is currently dedicated 33' to centerline and improved as a two-lane paved street with dirt shoulder along the subject, thus requiring an additional dedication of 22' plus significant widening and improving.

Topography

The subject site is at street grade and has a slight slope down to the west.

PROPERTY DATA, Continuing

Existing and Planned Development

The property currently consists of a citrus grove. Information provided by the owner, Ken Thompson, indicates that they do not plan to develop this property, but will sell it at some point in the future.

Highest and Best Use

The highest and best use of the property is concluded to be for some type of industrial development.

VALUATION

Method of Analysis

This is similar to the Aust ownership.

Analysis of Land Value

The pertinent factors of this property include the size of 9.02 net usable acres, the rectangular shape, the slightly sloping topography, needed street improvements, and an allocation of the bond lien or assessment to this ownership of \$348,615 or \$.89 per s.f. Based on previous analyses, the conclusion of value is at the middle of the range of \$7.00 to \$8.00 per s.f., or a conclusion of \$7.50 per s.f. This results in the following:

$$9.02 \text{ net usable acres or } 392,911 \text{ s.f. @ } \$7.50/\text{s.f.} = \$2,946,833$$

Conclusion of Value

Based on the foregoing, the conclusion of value for this subject Kenneth & Vera Thompson ownership, in its as is condition as of January 21, 2006, is \$2,940,000.

C & W OWNERSHIP

PROPERTY DATA

Location

The subject property is located on the east side of Rustin Ave., ±702' north of Spruce St.

Legal Description

The property is described as Parcels 3 and 4 of Parcel Map 13680, as per map recorded in Book 69, Pages 67-68, County of Riverside.

Property Owner/Sales History

Per the assessor records, the current owner is C & W. It appears that they have owned this property for many years.

Assessor Data, 2005-06/Annual Assessments

The subject property consists of Assessor Parcel Nos. 249-140-021 & 022. The assessed values total \$52,249 for land and \$0 for improvements. The tax rate area is 9159, indicating a base tax rate of 1.07235%, and the reported current taxes are \$752.10. In addition, the projected annual assessments for the bond lien for this ownership are a total of \$5,837.

Land Size and Shape

Per the assessor map, the parcels contain .98 acre and 1.14 acres or a total of 2.12 acres. Since no further street dedication is required, this is also the net usable area. The shape is mostly rectangular with a slightly angled/curving rear or east property line.

Streets

Rustin Ave. is currently dedicated 33' to centerline and improved as a two-lane paved street with curb and gutter along the subject frontage. Thus, no further dedication is required and the street improvements are mostly complete.

Topography

The subject site is at street grade and has a slight slope down to the north.

PROPERTY DATA, Continuing

Existing and Planned Development

The property currently consists of vacant land. Contact was not able to be made with the owner, thus future plans for the land are not known.

Highest and Best Use

The highest and best use of the property is concluded to be for some type of industrial development.

VALUATION

Method of Analysis

This is similar to the Aust ownership.

Analysis of Land Value

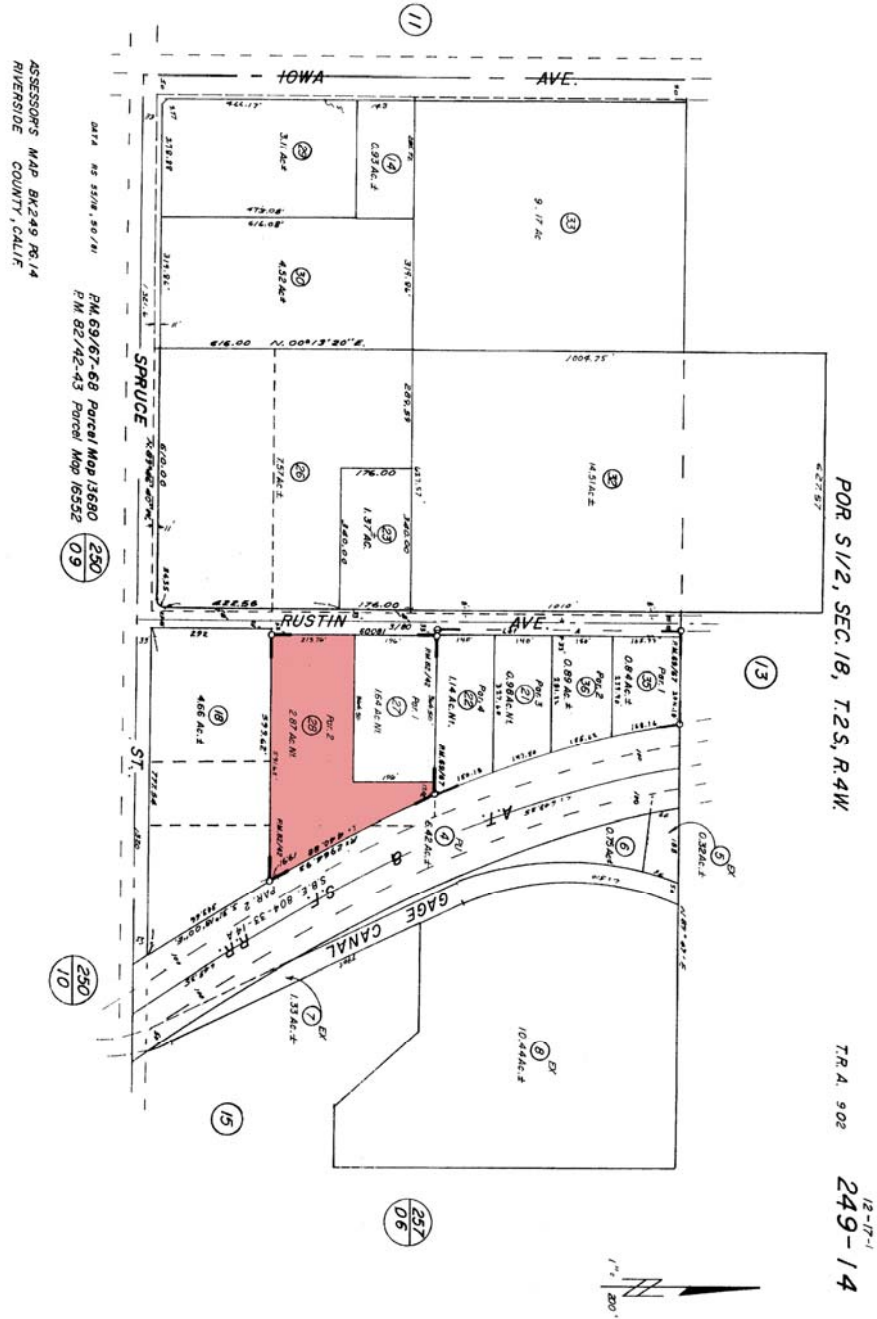
The pertinent factors of this property include the relatively small size of 2.12 net usable acres and being parceled into two smaller parcels, the slightly sloping topography, mostly completed street improvements, and an allocation of the bond lien or assessment to this ownership of \$81,936 or \$.89 per s.f. Based on previous analyses, and particularly reflecting the small size of the two parcels, the supportable range is concluded to be over \$8.00 per s.f. but under \$9.00 per s.f., or a conclusion of \$8.50 per s.f. This results in the following:

2.12 net usable acres or 92,347 s.f. @ \$8.50/s.f. = \$784,950

Conclusion of Value

Based on the foregoing, the conclusion of value for this subject C & W ownership, in its as is condition as of January 21, 2006, is \$780,000.

BLUE MOUNTAIN ONE OWNERSHIP



BLUE MOUNTAIN ONE OWNERSHIP

PROPERTY DATA

Location

This property is located on the east side of Rustin Ave. ±292' north of Spruce St.

Legal Description

The property is described as Parcel 2 of Parcel Map No. 16552, as recorded in Book 82, Pages 42-43, County of Riverside.

Property Owner/Sales History

The current owner is Blue Mountain One. They acquired this property together with two other parcels (contiguous to the south and nearby to the west) in July 2005 at an indicated price of \$1,132,000 for 12.05 acres or \$2.16 per s.f.

Assessor Data, 2005-06/Annual Assessments

The subject property consists of Assessor Parcel No. 249-140-028. The assessed value is \$371,594 for land and \$0 for improvements. The tax rate area is 9159, indicating a base tax rate of 1.07235%, and the reported current taxes are \$4,165.28. In addition, the projected annual assessments for the bond lien for this ownership are \$7,902.

Land Size and Shape

Per the assessor map, the parcel contains 2.87 acres. Since no further street dedication is required, this is also the net usable area. The site consists of an irregular L-shape wrapping around the property adjacent to the north, and with an angled east property line.

Streets

Rustin Ave. is currently dedicated 33' to centerline and improved as a two-lane paved street with dirt shoulder along the subject frontage. Thus, no further dedication is required and but street improvements would be needed.

Topography

The subject site is at street grade and has a slight slope down to the north.

PROPERTY DATA, Continuing

Existing and Planned Development

The property currently consists of vacant land. Information provided by the owner, Dan Burke of Burke Investment Co., is that they plan to hold the property as an investment, with no further plans at this time.

Highest and Best Use

The highest and best use of the property is concluded to be for some type of industrial development.

VALUATION

Method of Analysis

This is similar to the Aust ownership.

Analysis of Land Value

The pertinent factors of this property include the relatively small size of 2.87 net usable acres, but also the irregular and less desirable shape, the slightly sloping topography, needed street improvements, and an allocation of the bond lien or assessment to this ownership of \$110,923 or \$.89 per s.f. Based on previous analyses, and particularly reflecting the irregular shape, the conclusion is at the low end of the range of \$7.00 to \$8.00 per s.f., or a conclusion of \$7.00 per s.f. This results in the following:

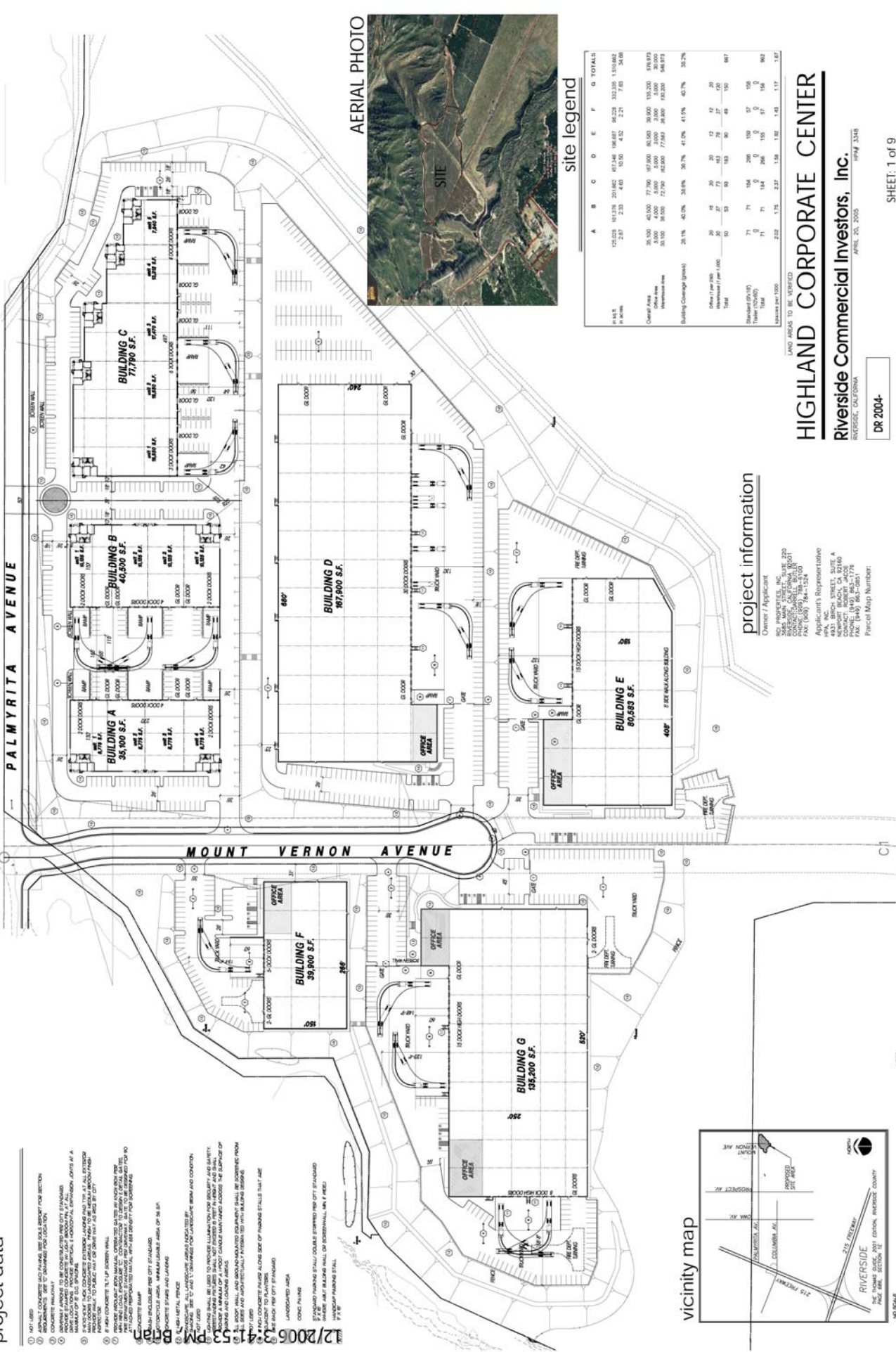
$$2.87 \text{ net usable acres or } 125,017 \text{ s.f. @ } \$7.00/\text{s.f.} = \$875,119$$

Conclusion of Value

Based on the foregoing, the conclusion of value for this subject Blue Mountain One ownership, in its as is condition as of January 21, 2006, is \$870,000.

project data

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site legend

	A	B	C	D	E	F	G	TOTALS
IN A.C.	125,028	103,378	201,862	457,346	196,687	86,228	332,335	1,510,682
IN B.M.	2.87	2.33	4.63	10.50	4.52	2.21	7.83	54.88
Overall Area	35,500	40,500	77,700	187,800	80,583	39,800	195,200	578,879
Office Area	3,000	4,000	8,000	5,000	3,000	5,000	30,000	53,000
Non-office area	32,500	36,500	72,700	182,800	77,583	34,800	165,200	525,879
Building Coverage (sq ft)	28.1%	40.0%	38.0%	38.7%	41.0%	41.0%	40.7%	39.2%
Office / Total	20	18	20	20	20	20	27	20
Non-office / Total	80	82	80	80	80	80	73	80
Standard (sq ft)	71	71	106	206	159	57	156	100
Trade (sq ft)	0	0	104	206	100	0	0	610
Total	232	175	237	158	158	143	117	1,187

project information

Owner / Applicant
 HPA, INC.
 4311 BIRCH ST., NEWPORT BEACH, CA 92660
 (949) 863-1770
 Applicant's Representative
 HPA, INC.
 4311 BIRCH ST., NEWPORT BEACH, CA 92660
 CONTACT: JACOB JACOBSON
 (949) 863-1770
 Project Map Number:

LAND AREAS TO BE VERIFIED
HIGHLAND CORPORATE CENTER
 Riverside Commercial Investors, Inc.
 APRIL 20, 2005 HPF# 3348

DR 2004-
HPA, INC.
 4311 BIRCH ST., NEWPORT BEACH, CA 92660
 SHEET: 1 of 9



NO SCALE
SITE PLAN
 SCALE: 1"=40'

HIGHLAND CORPORATE CENTER, LLC OWNERSHIP

PROPERTY DATA

Location

The subject property is located at the southeast corner of Palmyrita Ave. and future Mt. Vernon Ave., and extending west of Mt. Vernon Ave. at a point southerly from Palmyrita Ave.

Legal Description

The property is currently described as all or portions of Lots 10 through 15 of Vivienda Ranch, as shown by map on file in Book 2 Page 39 of Maps, Riverside County; portions of Lots 15 and 16 in Section 17, Township 2 South, Range 4 West, San Bernardino Meridian; and a portion of the northeast quarter of the northwest quarter of Section 16, Township 2 South, Range 4 West, San Bernardino Meridian.

Property Owner/Sales History

The current owner is Highland Corporate Center, LLC. They acquired this property in April 2004 at a price of ±\$2,817,000.

Assessor Data, 2005-06/Annual Assessments

The subject property consists of Assessor Parcel Nos. 257-050-003, 004 & 006 and 257-100-001 & 010. The assessed values total \$2,567,788 for land and \$1,684 for improvements, or an overall total of \$2,571,156. The tax rate area is 9146, indicating a base tax rate of 1.07235%, and the reported current taxes are \$28,168.58. In addition, the projected annual assessments for the bond lien for this ownership are a total of \$116,741.

Land Size and Shape

Per the assessor maps, the total property size is 50.04 acres. However, this does not reflect the ultimate dedication to Palmyrita Ave. or the dedication for Mt. Vernon Ave. A Site Plan provided by the owner indicates that there will ultimately be 7 lots or parcels ranging in size from 2.21 acres to 10.5 acres, or a total of 34.68 acres (net usable after street dedications). The overall ownership as well as the future parcels are irregular in shape.

Streets

Palmyrita Ave. is currently dedicated 30' to centerline and is a two-lane paved street with dirt shoulder along the subject property. Thus, it will require an additional 14' of dedication as well as widening and other improvements. Mt. Vernon Ave. does

PROPERTY DATA, Continuing

not currently exist south of Palmyrita Ave., thus it will need to be dedicated and improved as a short cul-de-sac extending about two-thirds of the way into the subject ownership from Palmyrita Ave.

Topography

The site is approximately at grade of Palmyrita Ave. and then has a gradual slope up to the hills to the south and southeast.

Existing and Planned Development

The property currently consists of vacant land. Information provided by the property owner is that the overall site is planned to be developed with a project called Highland Corporate Center. There are to be a total of 7 industrial buildings that are planned to range in size from 35,100 s.f. to 167,900 s.f., or a total of 576,973 s.f. Three of the buildings will be multi-tenant and four will be single-tenant, all buildings will have dock-high loading, and with an overall average office build-out of 5%.

Timing of development is contingent on construction of storm drain facilities by the Assessment District. In addition, utilities need to be extended in Palmyrita Ave. to the site. However, construction drawings are due to be underway within 30 days.

Highest and Best Use

The highest and best use of this property is concluded to be for industrial development, as represented by the plans for Highland Corporate Center.

VALUATION

Method of Analysis

This is similar to the Aust ownership.

Analysis of Land Value

The pertinent factors to consider are the overall size of the ownership at 34.68 net usable acres though being subdivided for the planned development of 7 buildings; the sloping topography; the needed construction of street improvements and utilities; and the allocation of the bond lien or assessment to the subject ownership being a total of \$1,638,721 or \$1.08 per s.f. of net usable area.

The analysis is similar to that for the Operating Engineers Fund, Inc. ownership, except that this subject ownership is much smaller, though still relatively large at

VALUATION, Continuing

34.68 acres. In summary, I have concluded that the supportable range for this subject ownership is over \$5.00 per s.f. but well under \$7.00 per s.f., and the conclusion is at the lower mid-portion of the range or \$5.75 per s.f. This results in the following:

34.68 net usable acres or 1,510,661 s.f. @ \$5.75/s.f. = \$8,686,301

Conclusion of Value

Based on the foregoing, the conclusion of value for this subject Highland Corporate Center, LLC ownership, in its as is condition as of January 21, 2006, is \$8,680,000.

ADDENDA

TABULATION OF INDUSTRIAL LAND SALES

<u>No.</u>	<u>Location/(APN)</u>	<u>Seller/Buyer</u>	<u>Rec. Date</u>	<u>Net Acres</u>	<u>Price/S.F.</u>	<u>Remarks</u>
1	S/S Spruce St., ±940' W/O Chicago Ave., Riverside (210-140-010)	Spruce Street Real Estate, LLC William & Nancy Durkee	6/05	1.24	\$9.96	Vacant, flat, rectangular site; street improvements complete; buyer is user and plans industrial building for wholesale electric company
2	N/S Palmyrita Ave., ±1,850' W/O Iowa Ave., Riverside (247-183-018,019,029,033)	Richard & Kimberley Riley n/a	Escrow	1.03	±\$10.00	Mostly vacant, slightly sloping lot with small old house; streets need widening; buyer is rezoning to industrial and plans industrial development
3	S/S Citrus St., ±900' E/O Iowa Ave., Riverside (Ptn 247-170-032)	Lin Tsui Su, Trustee Oakmont Riverside Hunter Park	9/05	13.98	\$6.40	Vacant but for old citrus grove; fairly flat; buyer plans to develop 5-building, 300,000 s.f. industrial park including dock-high buildings
4	W/S Rivera St. at N'ly end of cul-de-sac, Riverside (178-360-006)	Jim D. Guthrie John W. Wood	9/05	2.45	\$6.00	Vacant, fairly flat, mostly rectangular site; street improvements complete; buyer plans 4,000-10,000 s.f. industrial buildings
5	S/S Bartlett Ave., 378' E/O Main St., Unincorp. Riverside County (246-040-007)	Gertrude Johnson n/a	Escrow	.85	\$8.78 (asking)	Vacant, fairly flat, mostly rectangular site; street widening needed; buyer plans industrial development
6	NWC Wilson St. & Brown Ave., Unincorp. Riverside County (175-190-017,022,026)	Tony & Evelyn Martinez n/a	Nego's	6.36	±\$8.25	Vacant, slightly sloping, rectangular site; buyer paid \$4.50/s.f. in 9/05; recent escrow at \$8.20/s.f. fell through; ±\$1.00/s.f. in bonds
7	S/S & W/S Holly St., ±660' E/O Agua Mansa Rd., Unincorp. San Bernardino County (260-113-014)	Kemiron Agua Mansa, LLC Holly Street Ventures, LLC	11/05	18.58	\$7.41	Vacant, slightly sloping, irregular-shaped site; buyer is developer but plans are unknown; ±\$1.25/s.f. in bonds
8	SEC Waterman Ave. (frontage road) & Industrial Rd., San Bernardino (141-342-01 to 12; 141-351-02 to 12)	Daljit & Elaine Charitab Waterman BP, LLC	10/05	9.92	\$6.02	Vacant, fairly flat, mostly rectangular-shaped site; 22 contiguous parcels; street improvements complete; buyer plans business park/industrial development
9	SEC Mountain View Ave. & Almond Ave., Redlands (0167-401-02,03; 0167-451-05,06,07; 0167- 511-08)	Majestic Realty Co. Redlands Industrial Center, LLC	11/05	37.50	\$9.34	Vacant, fairly flat, mostly rectangular-shaped site; street improvements needed; buyer plans 6 industrial buildings, 103,000 s.f. to 150,000 s.f.
10	NWC Cactus Ave. & Frederick St., Moreno Valley (297-150-036)	DJ&T Foundation OMP Devel. Cactus, LLC	9/05	26.31	\$4.36	Vacant, fairly flat, rectangular site; street improvements needed; buyer plans a 10 to 15-lot subdivision for devel. of industrial buildings

**QUALIFICATIONS
OF
STEPHEN G. WHITE, MAI**

PROFESSIONAL EXPERIENCE

Real Estate Appraiser since 1976.

1983 through current date: Self-employed; office located at 1370 N. Brea Blvd., Suite 205, Fullerton, CA 92835 (Phone: 714-738-1595)

1976-1982: Employed by Cedric A. White, Jr., MAI, independent appraiser located in Anaheim.

Real estate appraisals have been completed on most types of properties for purposes of fair market value, leased fee value, leasehold value, easement value, partial acquisitions and severance damages.

PROFESSIONAL ORGANIZATIONS

Member, Appraisal Institute; MAI designation obtained 1985

Affiliate Member, Pacific West Association of Realtors

LICENSES

Licensed by the State of California as a Certified General Real Estate Appraiser; OREA ID No. AG013311; valid through September 22, 2006.

EDUCATION

B.A. Economics & Business, Westmont College, Santa Barbara (1976)

Appraisal Institute Courses:

Basic Appraisal Principles, Methods and Techniques

Capitalization Theory and Techniques

Urban Properties

Litigation Valuation

Standards of Professional Appraisal Practice

Numerous seminars and continuing education on various appraisal subjects, including valuation of easements and leased fee interests, litigation, the money market and its impact on real estate, and standards of professional appraisal practice.

COURT/TESTIMONY EXPERIENCE

Qualified as an expert witness in the Superior Courts of Orange, Los Angeles, Riverside and San Bernardino Counties; also before the Assessment Appeals Board of Orange and Los Angeles Counties.

TYPES OF PROPERTY APPRAISED

Residential: vacant lots, acreage and subdivisions; single family residences, condominiums, townhomes and apartment complexes.

Commercial: vacant lots/acreage; office buildings, retail stores, shopping centers, restaurants, hotels and motels.

QUALIFICATIONS, Page 2

Industrial: vacant lots and acreage; warehouses, manufacturing buildings, R&D buildings, industrial parks, mini-warehouses.

Special Purpose: mobilehome parks, churches, automobile agencies, medical buildings, convalescent hospitals, easements, leased fee and leasehold interests.

CLIENT LIST

Corporations:

Aera Energy
British Pacific Properties
BSI Consultants
Crown Central Petroleum
Eastman Kodak Company
Firestone Building Materials
Foodmaker Realty Corp.
Greyhound Lines
Holiday Rambler Corp.
International Baking Co.
Johnson Controls
Kampgrounds of America
La Habra Products, Inc.

MCP Foods
Merrill Lynch Relocation
Orangeland RV Park
Pacific Scientific
Penhall International
Pic 'N Save Stores
Sargent-Fletcher Co.
Shell-Western E&P
Southern Distributors Corp.
Southern California Edison
The Home Depot
Tooley and Company
Wastewater Disposal Co.

Developers:

Brighton Homes
Citation Builders
Davison-Ferguson Investment Devel.
D.T. Smith Homes
Irvine Company
Kathryn Thompson Developers
Mark Taylor, Inc.

Mission Viejo Co.
Premier Homes
Presley Homes
Rockefeller & Associates
Taylor Woodrow Homes
Unocal Land & Development

Law Firms:

Baldikoski, Klotz & Dragonette
Best, Best & Krieger
Bowie, Arneson, Kadi, Wiles & Giannone
Bradshaw, John
Bye, Hatcher & Piggott
Callahan, McCune & Willis
Cooksey, Coleman & Howard
Hamilton & Samuels
Horgan, Rosen, Beckham & Coren
Kent, John
Kirkland & Ellis
Lathan & Watkins
McKee, Charles C.
Mosich, Nicholas J.
Long, David M.

Nossaman, Guthner, Knox & Elliott
Oliver, Barr & Vose
Ollestad, Freedman & Taylor
Palmieri, Tyler, Wiener, Wilhelm & Waldron
Paul, Hastings, Jonofsky & Walker
Piggott, George B.
Pothier, Rose
Rosenthal & Zimmerman
Rutan & Tucker
Sikora & Price, Inc.
Smith & Politiski
Williams, Gerold G.
Woodruff, Spradlin & Smart
Yates, Sealy M.

QUALIFICATIONS, Page 3

Financial Institutions:

Barclays Bank
Chino Valley Bank
Continental Bank
First Interstate Mortgage
Security Pacific Bank
Washington Square Capital

San Clemente Savings & Loan
United Calif. Savings Bank
National Credit Union Admin.
First Wisconsin Bank
Ahmanson Trust Company
Sunwest Bank

Cities:

City of Anaheim
City of Baldwin Park
City of Buena Park
City of Cypress
City of Duarte
City of La Habra
City of Laguna Beach
City of Mission Viejo

City of Orange
City of Placentia
City of Riverside
City of Santa Ana
City of Santa Fe Springs
City of Stanton
City of Tustin
City of Yorba Linda

Counties:

County of Orange

County of Riverside

Other Governmental:

Agua Mansa Industrial Growth Association
El Toro Water District
Federal Deposit Insurance Corporation (FDIC)
Kern County Employees Retirement Association

Metropolitan Water District
Orange County Water District
Trabuco Canyon Water District
U.S. Postal Service

School Districts:

Anaheim Union High School Dist.
Banning Unified School Dist.
Capistrano Unified School Dist.
Castaic Union School Dist.
Cypress School Dist.
Etiwanda School Dist.
Fullerton School Dist.
Garden Grove Unified School Dist.
Irvine Unified School Dist.
Lake Elsinore Unified School Dist.

Moreno Valley Unified School Dist.
Newhall School Dist.
Newport-Mesa Unified School Dist.
Placentia-Yorba Linda Unified Dist.
Poway Unified School Dist.
Rialto Unified School Dist.
Saddleback Unified School Dist.
Santa Ana Unified School Dist.
So. Org. Cnty Comm. College Dist.
Temple City School Dist.

Churches/Church Organizations:

Calvary Church, Santa Ana
Central Baptist Church, Pomona
Christian & Missionary Alliance Church, Santa Ana
Christian Church Foundation
Congregational Church, Fullerton

First Church of the Nazarene
Lutheran Church, Missouri Synod
Presbytery of Los Rancho
St. Mark's Lutheran Church, Hac. Hts.
Vineyard Christian Fellowship

Other:

Biola University
Cedars-Sinai Medical Center

Garden Grove Boys' Club
The Sheepfold

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following is a summary of certain provisions of the Fiscal Agent Agreement (the "Agreement") which are not described elsewhere in this Official Statement. This summary does not purport to be comprehensive and reference should be made to the Agreement for a full and complete statement of its provisions. All capitalized terms not defined in this summary have the meaning set forth in the Agreement, a copy of which is available upon request to the City Clerk of the City of Riverside.

General

The Agreement provides for the appointment of the Fiscal Agent by the City and the acceptance of such appointment by the Fiscal Agent. The Agreement also provides for the establishment and administration of funds and for the authentication and delivery of the Bonds.

U. S. Bank National Association has been appointed Fiscal Agent pursuant to the Agreement. In addition to holding and administering the various funds, the Fiscal Agent will invest funds held in trust and will also pay Bonds when presented for payment at maturity or on earlier redemption pursuant to the terms of the Agreement. The Fiscal Agent will also act as registrar of the Bonds.

The Agreement establishes the Improvement Fund, the Costs of Issuance Fund, the Redemption Fund, the Reserve Fund and the Rebate Fund. On the date of delivery of the Bonds, the Fiscal Agent will receive the proceeds of the sale of the Bonds to be deposited as described in "THE FINANCING PLAN — Sources and Uses of Funds" in the Official Statement.

Definitions

The following are some of the definitions which are contained in the Agreement:

"Assessment" or "Assessments" means the assessment levied on the lots and parcels of property within the Assessment District by the adoption by the City Council of Resolution No. 21096 on January 3, 2006 and the recording of the assessment diagram and notice of assessment for the Assessment District with the County Recorder of the County of Riverside pursuant to Section 3114 of the California Streets and Highways Code.

"Assessment Prepayment" means an amount received by the City from a property owner as a payment in full of the unpaid amount of the Assessment levied on his or her property.

"Assessment Revenues" means the revenues received by the City in each Fiscal Year from the collection of the annual installments of the unpaid Assessments, including penalties and interest on delinquent installments of the unpaid Assessments and proceeds from the sale of property for delinquent Assessment installments, but excluding the amounts of the annual assessments collected by the City for the payment of administration costs pursuant to Sections 8682, 8682.1 and 10204(f) of the California Streets and Highways Code and Assessment Prepayments.

"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.

“Depository” means The Depository Trust Company, New York, New York, and its successors and assigns.

“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 the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States), or obligations, the payment of principal of and interest on which is unconditionally guaranteed by the United States.

“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 amount determined by the City to be the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

“Outstanding,” when used as of any particular time with reference to the Bonds, means 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 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; 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.

“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 or any of its affiliates provides investment 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, 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 or corporations the long-term debt or claims paying ability of which or, in the case of a guaranteed corporation, the long-term debt, or, in the case of a monoline financial guaranty insurance company, the financial strength, of the guarantor is rated in 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;

(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 it 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 upon and enforceable against 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 levels and upon such conditions as would be acceptable to Standard & Poor's and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) assign the investment agreement and all of its obligations thereunder to a financial institution mutually acceptable to the provider and the City 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, as appropriate; and

(f) the investment agreement shall provide and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this shall mean the Holder of the Collateral is in possession of such collateral); and

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

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the City or the Fiscal Agent, be accelerated and amounts invested and accrued but unpaid interest thereon shall be paid to the City or the Fiscal Agent, as appropriate; and

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be paid to the City or the Fiscal Agent, as appropriate;

(viii) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by Standard & Poor's;

(ix) Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one of the two highest rating categories assigned by them;

(x) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or better by Standard & Poor's;

(xi) Repurchase agreements which satisfy the following criteria:

(a) Repurchase agreements must be between the City or the Fiscal Agent and 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;

(b) The written agreement must include the following:

(1) Securities which are acceptable for transfer are:

(A) direct obligations of the United States government, or

(B) obligations of federal agencies backed by the full faith and credit of the United States of America (or the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)),

(2) The collateral must be delivered to the City or the Fiscal Agent (if the Fiscal Agent is not supplying the collateral) or a third party acting as agent for the Fiscal Agent (if the Fiscal Agent is supplying the collateral) before or simultaneous with payment (perfection by possession of certificated securities),

(3) (A) The securities must be valued weekly, marked-to-market at current market price plus accrued interest, and

(B) The value of the collateral must be at least equal to one hundred four percent (104%) of the amount of money transferred by the Fiscal Agent to the dealer, bank or security firm 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 be 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.

“Rebate Certificate” means the certificate delivered by the City upon the delivery of the Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate.

“Regulations” means the temporary and permanent regulations of the United States Department of the Treasury promulgated under the Code.

“Reserve Requirement” means on any date in any Bond Year the lesser of (i) 10 percent of the Proceeds of the sale of the Bonds, (ii) Maximum Annual Debt Service, or (iii) 125 percent of average Annual Debt Service on the Bonds, as determined by the City.

Improvement Fund

(A) *Creation of Improvement Fund.* There is hereby established, as a separate account to be held by the Fiscal Agent, the “Improvement Fund,” to the credit of which a deposit shall be made as required by a specific section of the Agreement. Moneys in the Improvement Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed, except as otherwise provided in subsection (D) of this Section, for the payment or reimbursement of the costs of the design, acquisition and construction of the Project and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(B) *Procedure for Disbursement.* 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 the Improvement Fund.

(C) *Investment.* Moneys in the Improvement Fund shall be invested and deposited in accordance with a specific section of the Agreement. Investment Earnings shall be retained by the Fiscal Agent in the Improvement 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 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 City, and the City shall apply such amount as provided in Section 10427.1 of the California Streets and Highways Code.

(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.

Pledge of Assessment Revenues

(A) *Pledge of Assessment Revenues.* The Bonds shall be secured by a pledge (which pledge shall be effected in the manner and to the extent herein provided) of all of the Assessment Revenues and all moneys deposited in the Redemption Fund, all moneys deposited in the Reserve Fund and, until disbursed as provided in the Agreement, all moneys deposited in the Improvement Fund. The Assessment Revenues and all moneys deposited into such funds (except as otherwise provided herein with respect to moneys disbursed from the Improvement Fund) are hereby dedicated in their entirety to the payment of the principal of the Bonds, and interest and any premium on, the Bonds, as provided herein and in the Improvement Bond Act of 1915, until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose.

(B) *Transfers of Assessment Revenues.* On or before the second (2nd) Business Day preceding each Interest Payment Date, the City Treasurer shall transfer to the Fiscal Agent for deposit in the Redemption Fund an amount of the Assessment Revenues which the Fiscal Agent has advised the City Treasurer will be needed to pay Debt Service on the Bonds on such Interest Payment Date. Upon receipt of each such transfer of Assessment Revenues, the Fiscal Agent shall deposit the amount thereof in the Redemption Fund for the payment of Debt Service on the Bonds on the Interest Payment Date for which the transfer is made. Notwithstanding the preceding provisions of this subsection, the City Treasurer shall not transfer to the Fiscal Agent for deposit in the Redemption Fund any amount for the payment of Debt Service on the Bonds on the Interest Payment Date which occurs on September 2, 2006, and the amount deposited in the Redemption Fund pursuant to another section of the Agreement, representing capitalized interest on the Bonds and Investment Earnings thereon, shall be utilized by the Fiscal Agent to pay interest on the Bonds on such Interest Payment Date.

Redemption Fund

(A) *Deposits.* There is hereby established, as a separate account to be held by the Fiscal Agent, the "Redemption Fund" to the credit of which deposits shall be made as required by the provisions of the Agreement and the Improvement Bond Act of 1915. Moneys in the Redemption Fund shall be held 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 each Interest Payment Date, the Fiscal Agent shall withdraw from the Redemption Fund and pay to the Owners of the Bonds the principal of and interest and any premium then due and payable on the Bonds on the Interest Payment Date.

In the event that amounts on deposit in the Redemption Fund are insufficient for the purpose set forth in the preceding paragraph, the Fiscal Agent shall transfer from the Reserve Fund, to the extent of any funds therein, to the Redemption Fund the amount of such insufficiency.

If, after such a transfer from the Reserve Fund, there are insufficient funds in the Redemption Fund to make the payments provided for in the first paragraph of this Section, the City Treasurer shall instruct the Fiscal Agent in writing to apply the available funds to the payment of the principal of and interest on the Bonds in the manner and in the priorities provided in Section 8775 of the California Streets and Highways Code, as it existed on the Closing Date or as it may thereafter be amended. The City Treasurer shall specify in

such written instructions how the available funds shall be utilized to pay interest on and principal of the Bonds and the Fiscal Agent may conclusively rely upon such written instructions, and shall not have any responsibility or liability as a result of its reliance upon any such written instructions. When funds become available for the payment of the portion of the principal of any Bond which was not paid upon its maturity date, the City Treasurer shall provide notice to the Owner of such Bond as provided in Section 8776 of the California Streets and Highways Code.

On September 3 of each year, beginning on September 3, 2007, the amount on deposit in the Redemption Fund shall not exceed the greater of (i) one year's earnings on such amount, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year. If on September 3 of any year the amount on deposit in the Redemption Fund exceeds the maximum amount allowable pursuant to the preceding sentence and if on such September 3 the City shall have delivered to the Fiscal Agent an Officer's Certificate containing the information required below in this paragraph, the excess shall be transferred by the Fiscal Agent as directed by such Officer's Certificate 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 paid by the Fiscal Agent to the City as directed by such Officer's Certificate. On September 3 of each year, after any such excess amount has been transferred as hereinabove provided, the amount on deposit in the Redemption 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. An Officer's Certificate delivered by the City to Fiscal Agent pursuant to this paragraph shall (1) specify the dollar amount of the excess determined pursuant to the first sentence of this paragraph, (2) specify the dollar amount of such excess which the Fiscal Agent is to transfer to the Reserve Fund, and (3) specify the dollar amount of such excess which the Fiscal Agent is to pay to the City. Upon receipt of such an Officer's Certificate, the Fiscal Agent is authorized to act thereon without further inquiry, shall not be responsible for the accuracy of the statements contained therein, and shall be absolutely protected and incur no liability in relying on such Officer's Certificate.

Amounts in the Redemption Fund shall also be withdrawn and deposited in the Rebate Fund as provided in a specific section hereof.

(C) *Investment.* Moneys in the Redemption Fund shall be invested and deposited in accordance with a specific section of the Agreement. Investment Earnings shall be retained in the Redemption Fund, except to the extent they are required to be deposited by the Fiscal Agent in the Reserve Fund (as provided in subsection (B) above) or in the Rebate Fund in accordance with specific section of the Agreement.

(D) *Deficiency.* Upon making a transfer from the Reserve Fund to the Redemption Fund, pursuant to subsection (B) of this Section or another section of the Agreement, the Fiscal Agent shall report such fact to the City. As provided in the form of the Bonds attached hereto as Exhibit A, the City Council has determined in the Resolution of Intention that the City will not obligate itself to advance funds from the City Treasury to cure any deficiency which may occur in the Redemption Fund.

(E) *Determination of Ultimate Loss.* Notwithstanding the provisions of subsection (B) of this Section, if the City Treasurer determines, pursuant to Section 8770 of the California Streets and Highways Code, that there is a danger of an ultimate loss accruing to the Bond Owners, for any reason, the provisions of that section and Sections 8771, 8772 and 8773 of the California Streets and Highways Code shall govern with respect to the procedures which shall be followed in paying the principal of and interest on the Outstanding Bonds.

Reserve Fund

(A) *Creation of Fund.* There is hereby established, as a separate account to be held by the Fiscal Agent, the "Reserve Fund" to the credit of which a deposit shall be made as required by a specific section hereof, which deposit is equal to the Reserve Requirement as of the Closing Date, and to which deposits shall be made as provided in another specific section hereof. Moneys in the Reserve Fund shall be held 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 deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Redemption Fund in the event of any deficiency at any time in the Redemption Fund of the amount then required for payment of the principal of, and interest and any premium on the Bonds or, in accordance with the provisions of subsection (E) of this Section, or for the purpose of redeeming Bonds.

Amounts transferred from the Reserve Fund to the Redemption Fund pursuant to this subsection shall be restored by the City from the collection of delinquent installments on the Assessments levied on parcels for which such installments are delinquent, and penalties and interest thereon, whether by judicial foreclosure proceedings or otherwise, as soon as is reasonably possible following the receipt by the City of such delinquent installments, penalties and interest.

(C) *Transfer Due to Deficiency in Redemption Fund.* Whenever transfer is made from the Reserve Fund to the Redemption Fund due to a deficiency in the Redemption Fund, the Fiscal Agent shall report such fact to the City.

(D) *Transfers on Payment of Assessments.* Whenever an Assessment levied on a lot or parcel of property within the Assessment District is paid off, the Fiscal Agent shall, upon receiving an Officer's Certificate regarding such Assessment, transfer from the Reserve Fund to the Redemption Fund an amount equal to the reduction in such Assessment determined pursuant to Section 8881 of the California Streets and Highways Code, which amount shall be specified in the Officer's Certificate. Upon receipt of such an Officer's Certificate, the Fiscal Agent is authorized to act thereon without further inquiry, shall not be responsible for the accuracy of the statements contained therein, and shall be absolutely protected and incur no liability in relying on such Officer's Certificate.

(E) *Transfer of Excess of Reserve Requirement.* Whenever, on any September 3, the amount in the Reserve Fund, less Investment Earnings resulting from the investment of the funds therein which pursuant to a specific section hereof must be rebated to the United States, exceeds the then applicable Reserve Requirement, the Fiscal Agent shall provide written notice to the City of the amount of the excess and shall, subject to the requirements of a specific section hereof, transfer an amount equal to the excess from the Reserve Fund to the Redemption Fund to be used for the payment of Debt Service on the next succeeding Interest Payment Date in accordance with a specific section hereof.

(F) *Transfer When Balance Exceeds Outstanding Bonds.* Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon receiving written direction from an Authorized Officer, transfer the amount in the Reserve Fund to the Redemption Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption, in accordance with specific sections hereof, as applicable, of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Redemption Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred by the Fiscal Agent to the City to be applied as provided in Section 8885 of the California Streets and Highways Code. Upon receipt of such an Officer's Certificate, the Fiscal Agent is authorized to act thereon without further inquiry, shall not be responsible for the accuracy of the statements contained therein, and shall be absolutely protected and incur no liability in relying on such Officer's Certificate.

(G) *Investment.* Moneys in the Reserve Fund shall, except as provided in subsection (D) above, be invested and deposited in accordance with a specific section hereof.

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 Assessment 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 are payable solely from and secured solely by the Assessment Revenues and the amounts in the Redemption Fund, the Reserve Fund and the Improvement 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 hereunder, 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 Assessment Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by the Agreement.

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 Assessment Revenues. The City shall comply with all requirements of the Improvement Bond Act of 1915 so as to assure the timely collection of Assessment Revenues, including without limitation, the enforcement of the payment or collection of delinquent Assessments.

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 hereby covenants that:

(A) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of the initial issuance and delivery of the Bonds, would have caused any of the Bonds to be “arbitrage bonds” within the meaning of Section 103(b) and Section 148 of the Code;

(B) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Bonds, would result in loss of exclusion from gross income for purposes of federal income taxation under Section 103(a) of the Code of interest paid with respect to the Bonds;

(C) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Bonds, would have caused any of the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(D) It will comply with the Rebate Certificate as a source of guidance for achieving compliance with the Code; and

(E) In order to maintain the exclusion from gross income for purposes of federal income taxation of interest paid with respect to the Bonds, it will comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code.

Covenant to Foreclose. The City hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced, judicial foreclosure proceedings against properties with delinquent Assessment installments in excess of \$10,000 by the October 1 following the close of the Fiscal Year in which such installments were due, and will commence judicial foreclosure proceedings against all properties with delinquent Assessment installments by the October 1 following the close of each Fiscal Year in which it receives Assessment Revenues in an amount which is less than ninety-five percent (95%) of the total Assessment Revenues which were to be received in the Fiscal Year and diligently pursue to completion such foreclosure proceedings.

Deposit and Investment of Moneys in Funds

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 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 may act as principal or agent in the 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 hereunder, 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).

The Fiscal Agent shall be entitled to rely conclusively upon the written instructions of the City directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. With respect to any restrictions contained in the definition of Permitted Investments which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Fiscal Agent shall be entitled to rely conclusively on an opinion of counsel obtained at the City's expense.

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 herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent hereunder, 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 in accordance herewith.

The City acknowledges that notwithstanding regulations of the Comptroller of the Currency or other applicable regulatory entity may grant the City the right to receive brokerage confirmations of securities transactions as they occur, the City agrees that the Fiscal Agent shall not send such confirmations to the City 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 hereunder.

Rebate Fund; Rebate to the United States

There is hereby created, to be held by the Fiscal Agent, as a separate fund 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 direction of the City. Moneys on deposit in the Rebate Fund shall be applied only to payments made to the United States, to the extent such payments are required by the Rebate Certificate. The Fiscal Agent shall, upon written request and direction of the City, make such payments to the United States.

The Fiscal Agent's sole responsibilities under this Section are to follow the written instructions of the City pertaining hereto. The City shall be responsible for any fees and expenses incurred by the Fiscal Agent pursuant to this Section.

The Fiscal Agent shall, upon written request and direction from the City, transfer to or upon the order of the City any moneys on deposit in the Rebate Fund in excess of the amount, if any, required to be maintained or held therein in accordance with the Rebate Certificate. Upon receipt of such a written request and direction the Fiscal Agent is authorized to act thereon without further inquiry, shall not be responsible for the accuracy thereof, and shall be absolutely protected and incur no liability in relying thereon.

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 herein 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 company having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) 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 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, the combined capital and surplus of such 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 herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City 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 herein 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 hereunder, 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 willful misconduct, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates, written directions 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 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 bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the City herein or in any of the documents executed by the City in connection with the Bonds.

The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer of 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 hereunder, or in the exercise of any of its rights or powers unless an indemnity and security satisfactory to the Fiscal Agent shall have been provided to the Fiscal Agent.

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 shall have no responsibility with respect to the payment of Debt Service by the City or with respect to the observance or performance by the City of the other conditions, covenants and terms contained herein, or with respect to the investment of any moneys in any fund or account established, held or maintained by the City pursuant to this Fiscal Agent Agreement or otherwise.

All indemnification and releases from liability granted herein to the Fiscal Agent shall extend to the agents, consultants, directors, officers and employees of the Fiscal Agent (including legal counsel). The Fiscal Agent may execute any of its trusts or powers or perform its duties through attorneys, agent or receivers.

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, written direction, 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 opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Fiscal Agent hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under the Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, 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.

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 with respect to the expenditure of amounts disbursed from the Redemption Fund, the Reserve Fund, the Improvement Fund and the Cost 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.

Amendment of the Agreement

(A) The Agreement and the rights and obligations of 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 a specific section hereof. 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 to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, (ii) permit the creation of any pledge of or lien upon the Assessment Revenues, or the moneys on deposit in the Redemption Fund, the Reserve Fund, or the Improvement 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 Improvement Bond Act of 1915, the laws of the State of California or the Agreement), (iii) reduce the percentage of Bonds required for the amendment hereof, (iv) reduce the principal amount of or redemption premium on any Bond or reduce the interest rate thereon. Any such amendment may not modify the rights or obligations of the Fiscal Agent without its prior consent. The City shall provide to the Fiscal Agent 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 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 herein reserved to or conferred upon the City;

(2) to make modifications not adversely affecting any Outstanding series of Bonds in any material respect;

(3) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions of the Agreement, or in regard to questions arising under the Agreement, as the City and the Fiscal Agent may deem necessary or desirable and not inconsistent with the Agreement, and which shall not adversely affect the rights of the Owners; or

(4) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of moneys to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

Owners' Meetings

The City may at any time call a meeting of the Owners. In such event the City is authorized to fix the time and place of any such meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of the meeting.

Procedure for Amendment with Written Consent of Owners

The City 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 a specific section hereof, 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 City 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 City 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 a specific section) 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 a specific section of 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 City 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 papers 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 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.

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 hereunder 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.

Endorsement or Replacement of Bonds Issued After Amendments

The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and upon presentation of his or her Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the Fiscal Agent may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for like Bonds then Outstanding, upon surrender of such Bonds.

Discharge of Agreement

If the City shall pay and discharge the entire indebtedness on all Bonds in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of and interest and any premium on all Bonds, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, an amount of money which, together with the amounts then on deposit in the Redemption Fund and the Reserve Fund, is fully sufficient to pay all Bonds, including all principal, interest and redemption premiums, if any; or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash or non-callable Federal 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 Redemption Fund and Reserve Fund, be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Assessment Revenues and other funds provided for in the Agreement and all other obligations of the City under the Agreement with respect to all Bonds shall cease and terminate, except the obligation of the City to pay or cause to be paid to the Owners of the 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 a specific section of the Agreement, and the obligations of the City pursuant to the covenants contained in a specific section of the Agreement; and thereafter Assessment Revenues shall not be payable to the Fiscal Agent. Notice of such election shall be filed with the Fiscal Agent. The satisfaction and discharge of the Agreement shall be without prejudice to the rights of the Fiscal Agent to charge and be reimbursed by the City for the expenses which it shall thereafter incur in connection herewith.

Any funds held by the Fiscal Agent to pay and discharge the indebtedness on all 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.

Execution of Documents and Proof of Ownership by Owners

Any request, declaration or other instrument which the Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such a request, declaration or other instrument, or of a writing appointing such an attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such a notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registration books maintained by the Fiscal Agent pursuant to a specific section of the Agreement.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

Payment on Business Day

In any case where the date of the payment of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption is other than a Business Day, the payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required, and no interest shall accrue for the period from and after such date.

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APPENDIX D

FORM OF LEGAL OPINION

(Delivery Date)

Mayor and City Council
City of Riverside
Riverside, California

Re: \$15,269,906 City of Riverside Hunter Park Assessment District Limited Obligation
Improvement Bonds (Property Secured Only - No Issuer Liability)

We have examined the record of the proceedings taken by the City of Riverside (the "City") for the levy of special assessments and the authorization and issuance of bonds, including the above-referenced bonds (the "Bonds"), with respect to a special assessment district known as Hunter Park Assessment District (the "Assessment District"), pursuant to Resolution No. 19901 adopted by the City Council of the City on November 15, 2005 (the "Resolution of Intention").

The proceedings were taken pursuant to the Municipal Improvement Act of 1913 (Division 12 of the Streets and Highways Code of the State of California). The Bonds are issued pursuant to the Improvement Bond Act of 1915 (Division 10 of the Streets and Highways Code of the State of California), a resolution adopted by the City Council on February 14, 2006, and the Fiscal Agent Agreement dated March 1, 2006 between the City and U. S. Bank National Association, as fiscal agent (the "Agreement").

The Bonds are designated "City of Riverside Hunter Park Assessment District Limited Obligation Improvement Bonds (Property Secured Only - No Issuer Liability)." The Bonds are issued in fully registered form and, except for one bond maturing on September 2, 2007 in the principal amount of \$4,906, in the denomination of \$5,000 or any integral multiple thereof. The Bonds bear interest from their date to their respective dates of maturity, payable semiannually beginning September 2, 2006, and thereafter on the second day of March and September of each year.

The Bonds are subject to optional and mandatory sinking payment redemption as provided in the Agreement.

Based upon such examination, we are of the opinion that the proceedings have been taken in accordance with the law and Constitution of the State of California and that the Bonds, having been duly issued, executed and delivered in the manner provided by law, are regularly issued Bonds, and that the Bonds are secured by the monies in the redemption fund established pursuant to the Agreement and by the unpaid assessments levied on property within the Assessment District for the financing of the construction and acquisition of the public improvements within and for the Assessment District as authorized by the Resolution of Intention.

The City has covenanted in the Agreement to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), which must be satisfied for the interest on the Bonds to be and remain excluded from gross income for purposes of federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds.

We are of the opinion that, 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 under existing statutes, regulations, rulings and court decisions. We are further of the opinion that the interest on the Bonds is exempt from personal income taxes imposed by the State of California under present state income tax laws.

We are further of the opinion that the interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, such interest received by corporations will be included in adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations. Although the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of such interest may otherwise affect the total income tax liability of the recipient. The extent of these tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such tax 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 E

BOOK-ENTRY ONLY SYSTEM

The following description of the procedures and record-keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

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

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

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 DTC. If less than all of the Certificates 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 prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical Certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and Agency believe to be reliable, but the City and Agency take no responsibility for the accuracy thereof.

APPENDIX F

FORM OF CITY CONTINUING DISCLOSURE AGREEMENT

This City Continuing Disclosure Agreement, dated as of March 1, 2006 (the "Disclosure Agreement"), is made and entered into by and among the City of Riverside (the "City"), U.S. Bank National Association, as dissemination agent (the "Dissemination Agent") and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent") in connection with the issuance by the City of its Hunter Park Assessment District Limited Obligation Improvement Bonds, in the aggregate principal amount of \$15,269,906 (the "Bonds") pursuant to the Fiscal Agent Agreement, dated as of March 1, 2006 (the "Fiscal Agent Agreement"), by and between the City and the Fiscal Agent.

The City, the Dissemination Agent and the Fiscal Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the Owners and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities Exchange Commission.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement or parenthetically defined herein, which apply to any capitalized terms 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 City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean U.S. Bank National Association, acting in its capacity as the Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Fiscal Agent a written acceptance of such designation.

"Fiscal Agent" means U.S. Bank National Association, as Fiscal Agent with respect to the Bonds, and any successor thereto.

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

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

"Official Statement" shall mean the Official Statement, dated February 28, 2006, relating to the Bonds.

"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 information depository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days following the end of the City's fiscal year, commencing with the City's fiscal year ending June 30, 2006, provide to each Repository and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than five business days prior to said date, the City shall provide the Annual Report (in a form suitable for filing with the Repositories) to the Dissemination Agent and to the Fiscal Agent (if the Dissemination Agent is not the Fiscal Agent). The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if the audited Financial Statements are not available by that date.

(b) If the Fiscal Agent has not received a copy of the Annual Report by the date required in Subsection (a), the Fiscal Agent shall contact the City and the Dissemination Agent (if the Fiscal Agent is not the Dissemination Agent) in order to determine if the City is in compliance with the second sentence of Subsection (a). If the Fiscal Agent is unable to verify that an Annual Report has been provided to the Repositories and the Participating Underwriter by the date required in Subsection (a), the Fiscal Agent shall send a notice to the Municipal Securities Rulemaking Board ("MSRB") and to the State Repository, if any, in substantially the form attached as Exhibit "A."

(c) The Dissemination Agent shall:

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

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

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

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) a copy of its annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants (if audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report and audited financial statements shall be filed in the same manner as the Annual Report when and if available); and

(b) the information referred to in Exhibit "B" hereto.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City 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 MSRB. The City shall clearly identify each such document so included by reference.

SECTION 5. Reporting of Significant Events. (a) Pursuant to the provisions of this Section 5, the City shall provide or cause to be provided, in a timely manner, to the MSRB, the State Repository, if any, and the Participating Underwriter, notice of any of the following events with respect to the Bonds, if such event is material:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of bondholders;
- (viii) Contingent or unscheduled Bond calls;
- (ix) Defeasances;
- (x) Release, substitution or sale of property security repayment of the Bonds; or
- (xi) Rating changes.

(b) The Fiscal Agent shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the City, inform the City of the Listed Event and request that the City promptly notify the Dissemination Agent in writing whether or not to report such Listed Event pursuant to Subsection (e) of this Section.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Fiscal Agent pursuant to Subsection (b) of this Section or otherwise, the City shall promptly (i) determine if such event would be material under applicable federal securities laws and (ii) if the City determines that such event would be material under applicable federal securities laws, so notify the Dissemination Agent and the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Subsection (e) of this Section.

(d) If in response to a request under Subsection (b) of this Section, the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent) and the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence thereof pursuant to Subsection (e) of this Section.

(e) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file notice of such occurrence with the MSRB, the State Repository and the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in clauses (viii) and (ix) of Subsection (a) of this Section need not be given any earlier than the notice (if any) of the underlying event is required to be given to Owners of affected Bonds pursuant to the Fiscal Agent Agreement.

(f) In the event that the City's fiscal year changes, the City shall give notice of such change to the Dissemination Agent and the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent) and shall instruct the Dissemination Agent to report such change in the same manner and to the same parties as a material Listed Event would be reported pursuant to Subsection (e) of this Section.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the City no longer constitutes an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall instruct the Dissemination Agent to provide a notice of such termination in the same manner and to the same parties as would be provided for a Listed Event under Section 5(e).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist the City in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Fiscal Agent shall be the Dissemination Agent.

The Dissemination Agent (if other than the Issuer) shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advance 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 and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the owners of the Bonds, or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City, the Dissemination Agent and the Fiscal Agent may amend this Disclosure Agreement (and the Dissemination Agent and the Fiscal Agent shall agree to any amendment so requested by the City, so long as such amendment does not adversely affect the rights or obligations of the Dissemination Agent or the Fiscal Agent), and any provision of this Disclosure Agreement may be waived, provided that (a) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements or a change in law; (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of Bond Counsel approved by the City and the Participating Underwriter, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Owners, or (ii) does not, in the opinion of the Fiscal Agent or Bond Counsel, materially impair the interests of the Owners or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type or presentation of operating data or financial information being provided.

As required by the Rule, if an amendment is made to the provisions hereof specifying the accounting principles to be followed in preparing Financial Statements, the annual financial information for the year in which the change is made shall present a comparison between the Financial Statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the manner as for a Listed Event under Section 5(e).

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City 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 City chooses to include any information in any Annual Report or notice of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and at the written request of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Bonds, and upon being indemnified to its reasonable satisfaction against the costs, expenses and liabilities to be incurred in compliance with such request, shall), or any Participating Underwriter and 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 City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

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

SECTION 12. Assignability. The Dissemination Agent may, but only with the consent of the City, assign this Disclosure Agreement and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

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.

CITY OF RIVERSIDE

By: _____
Its: _____

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent

By: _____
Its: _____

U.S. BANK NATIONAL ASSOCIATION, as Fiscal Agent

By: _____
Its: _____

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Riverside (the "City")

Name of Bond Issue: City of Riverside Hunter Park Assessment District Limited Obligation Improvement Bonds (Property Secured Only – No Issuer Liability), in the aggregate principal amount of \$15,269,906

Date of Issuance: March ____, 2006

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the City Continuing Disclosure Agreement dated _____. The City anticipates that the Annual Report will be filed by _____.

Dated: _____, _____

U.S. BANK NATIONAL ASSOCIATION, as Fiscal Agent

By: _____
Its: _____

EXHIBIT B

CONTENTS OF ANNUAL REPORTS

In addition to the audited financial statements of the City required to be included in the City's Annual Report pursuant to Section 4, the City's Annual Report shall contain or include by reference the following information (except where otherwise noted, such information to be as of the second business day in September immediately preceding the date of the Annual Report):

1. The principal amount of Bonds outstanding;
2. The balance on deposit in the Reserve Fund and the then applicable Reserve Requirement and the balances on deposit in the Improvement Fund and the Redemption Fund;
3. A table setting forth the percentage of delinquent Assessment Installments as of June 30 of each fiscal year, and a description of the status of any foreclosure actions being pursued by the City with respect to delinquent Assessment Installments.

APPENDIX G

FORM OF OBLIGATED PARTY CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) dated as of March 1, 2006 is executed and delivered by _____ (the “Landowner”), and U.S. Bank National Association, as dissemination agent (the “Dissemination Agent”), in connection with the execution and delivery by the City of Riverside (the “City”) of \$15,269,906 aggregate principal amount of its Hunter Park Assessment District (the “District”) Limited Obligation Improvement Bonds (the “Bonds”). The Bonds are being executed and delivered pursuant to a Fiscal Agent Agreement dated as of _____, 2006 by and between the City and U.S. Bank National Association, as Fiscal Agent (the “Fiscal Agent Agreement”).

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Landowner for the benefit of the Owners and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). Pursuant to this Disclosure Agreement, the Landowner agrees to provide the information required to be provided by the Landowner hereunder at the time and in the manner required hereunder and as otherwise required to comply with the Rule as specified in a written opinion of counsel to the Underwriter or a nationally recognized bond counsel. This Disclosure Agreement does not address additional undertakings, if any, by or with respect to persons other than the Landowner who may be considered obligated persons for purposes of the Rule, which additional undertakings, if any, may be required for the Participating Underwriter to comply with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the 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:

“Affiliate” shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of such Person, (b) each Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person or (c) each of such Person’s executive officers, directors, joint venturers and general partners. For the purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise. [_____] are Affiliates of the Landowner for purposes of this Disclosure Agreement.

“Annual Report” shall mean any Annual Report provided by the Landowner on or prior to March 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

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

“Dissemination Agent” shall mean U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Landowner and which has filed with the Landowner and the City a written acceptance of such designation.

“District” shall mean City of Riverside Hunter Park Assessment District.

“Equity Securities” of any Person shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“Fiscal Year” shall mean the period beginning on ____ 1 of each year and ending on the next succeeding ____ 30.

“Government Authority” shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

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

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

“Official Statement” shall mean the Official Statement, dated February 28, 2006, relating to the Bonds.

“Participating Underwriter” shall mean Wedbush Morgan Securities.

“Person” shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

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

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

“Semiannual Report” shall mean any report to be provided by the Landowner on or prior to September 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“State” shall mean the State of California.

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

SECTION 3. Provision of Annual Reports.

(a) The Landowner shall, or upon its receipt of the Annual Report the Dissemination Agent shall, not later than March 1 of each year, commencing March 1, 2007, provide to each Repository, the Participating Underwriter and the City an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement provided that the audited financial statements, if any, of the Landowner may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if they are not available by that date. In addition, the Landowner shall, or upon its receipt of the Semiannual Report the Dissemination Agent shall, not later than September 1 of each year, commencing September 1, 2002, provide to each Repository, the Participating Underwriter and the City a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement.

(b) Not later than 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report and Semiannual Report to Repositories, the Landowner shall provide the Annual Report or the Semiannual Report, as applicable, to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Landowner is preparing, or causing to be prepared, the Annual Report or the Semiannual Report, as applicable, and the date which the Annual Report or the Semiannual Report, as applicable, is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Annual Report or the Semiannual Report, as applicable, or notification as described in the preceding sentence, the Dissemination Agent shall contact the Landowner to determine if the Landowner is in compliance with the requirements of this subsection (b).

(c) If the Dissemination Agent is unable to provide an Annual Report or Semiannual Report to Repositories by the date required in subsection (a) or to verify that an Annual Report or Semiannual Report has been provided to Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

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

(ii) file a report with the Landowner and the City certifying that the Annual Report or the Semiannual Report, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual and Semi-Annual Reports. The Landowner's Annual Report and Semi-Annual Report shall contain or incorporate by reference the information set forth on Exhibit B, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Landowner or Affiliates, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Landowner shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

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

(i) Failure to pay any real property taxes, special taxes or assessments levied within the District on a parcel owned by the Landowner or any Affiliate;

(ii) Damage to or destruction of any of the public or private improvements constructed by the Landowner which has a material adverse effect on the value of the parcels owned by the Landowner or any Affiliate;

(iii) Material default by the Landowner or any Affiliate on any loan with respect to the construction or permanent financing of the improvements being constructed by the Landowner;

(iv) Material default by the Landowner or any Affiliate on any loan secured by property within the District owned by the Landowner or any Affiliate;

(v) Payment default by the Landowner or any Affiliate located in the United States on any loan of the Landowner or any Affiliate (whether or not such loan is secured by property within the District) which is beyond any applicable cure period in such loan;

(vi) The filing of any proceedings with respect to the Landowner or any Affiliate, in which the Landowner or any Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts; and

(vii) The filing of any lawsuit against the Landowner or its Affiliates located in the United States which, in the reasonable judgment of the Landowner, will adversely affect the completion of the improvements being financed by the District or the Landowner or the development of parcels owned by the Landowner or its Affiliates within the District, or litigation which if decided against the Landowner, or any of its Affiliates, in the reasonable judgment of the Landowner, would materially adversely affect the financial condition of the Landowner or its Affiliates.

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

(c) If the Landowner determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Landowner shall promptly file a notice of such occurrence with the Dissemination Agent which shall then distribute such notice to the Municipal Securities Rulemaking Board and each State Repository, with a copy to the City.

(d) The Landowner shall also give notice immediately upon the occurrence of any of the following events (to the extent the Landowner has actual knowledge thereof) in accordance with the procedures set forth in (c) above: (i) a sale or transfer of all or substantially all of the Landowner's assets and (ii) a material change in the legal structure or organization of the Landowner.

SECTION 6. Termination of Reporting Obligation. The Landowner's obligations under this Disclosure Agreement shall terminate upon the earliest of the following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds,

(b) if as of the date for filing the Annual Report or the Semi-Annual Report the Landowner and its Affiliates own property within the District which is responsible for less than 20% of the Assessment Installments levied in the Fiscal Year for which the Annual Report is being prepared, or

(c) upon the delivery by the Landowner to the City of an opinion of nationally recognized bond counsel, acceptable to the City and the Underwriter, to the effect that the information required by this Disclosure Agreement is no longer required. Such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Landowner or a private letter ruling obtained by a similar entity to the Landowner. If such termination occurs prior to the final maturity of the Bonds, the Landowner shall give notice of such termination in the same manner as for an Annual Report hereunder.

SECTION 7. Dissemination Agent. The Landowner may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Landowner, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Landowner pursuant to this Disclosure Agreement.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Landowner may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

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

(b) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel addressed to the City, the Fiscal Agent and the Participating Underwriter, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver either (i) is approved by the Owners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the City and the Fiscal Agent, materially impair the interests of the Owners of the Bonds; and

(d) The Landowner, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) and (c) above.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Landowner shall describe such amendment in the next Annual Report or Semiannual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Landowner. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given to the Municipal Securities Rulemaking Board, the State Repository, if any, and the Repositories; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison of financial data described in clause (ii) of the preceding sentence shall be provided at the time financial statements, if any, are filed under Section 4 hereof.

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

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

SECTION 10. Default. In the event of a failure of the Landowner to comply with any provision of this Disclosure Agreement, the Participating Underwriter or any Owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Landowner or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Landowner to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement and the Landowner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Landowner, the Participating Underwriter, Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Landowner or an opinion of nationally recognized bond counsel. The obligations of the Landowner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement.

The Dissemination Agent will not, without the Landowner's prior written consent, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification may be sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Landowner and its controlling persons from all liability arising out of such claim, action or proceedings. If a claim, action or proceeding is settled with the consent of the Landowner or if there is a final judgment (other than a stipulated final judgment without the approval of the Landowner) for the plaintiff in any such claim, action or proceeding, with or without the consent of the Landowner, the Landowner agrees to indemnify and hold harmless the Dissemination Agent to the extent described herein.

If the Dissemination Agent is other than the Fiscal Agent, the Dissemination Agent shall be paid compensation by the Developer for its services provided hereunder in accordance with the Dissemination Agent's schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances incurred by the Dissemination Agent in the performance of its duties hereunder. If the Dissemination Agent is the Fiscal Agent, the City shall be responsible for paying the fees and expenses of the Dissemination Agent for its services provided hereunder in accordance with its agreement with the City.

SECTION 12. Reporting Obligation of Landowner's Transferees. If a portion of the land within the District owned by the Landowner is conveyed by the Landowner to a person or entity other than an Affiliate that will result in the transferee (which term shall include any successors and assigns of the Landowner) becoming responsible for the payment of more than 20% of the annual installments of unpaid Assessments levied on property within the District in the Fiscal Year following such transfer, the Landowner shall cause the transferee to assume its obligations hereunder with respect to such transferred property. In order to effect such assumption, the Landowners shall cause such transferee to enter into an agreement containing terms

substantially similar to the terms of this Disclosure Agreement, whereby such transferee agrees to provide annual and semi-annual reports and notices of significant events with respect to the property in the District owned by such transferee and its Affiliates.

SECTION 13. Landowner as Independent Contractor. In performing under this Disclosure Agreement, it is understood that the Landowner is an independent contractor and not an agent of the City.

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

SECTION 15. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Landowner, the City, the Dissemination Agent, the Participating Underwriter and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

[LANDOWNER]

By: _____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of the Issuer: City of Riverside
Name of Bond Issue: City of Riverside Hunter Park Assessment District, Limited Obligation Improvement Bonds (Property Secured Only – No Issuer Liability), in the aggregate principal amount of \$15,269,906
Date of Issuance: March 9, 2006

NOTICE IS HEREBY GIVEN that [Landowner] has not provided an [Annual Report/Semi-Annual Report] with respect to the above-named Bonds as required by the Continuing Disclosure Agreement of the Landowner. The Landowner anticipates that such [Annual Report/Semi-Annual Report] will be filed not later than [_____, ____].

Dated: _____

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent

cc: City of Riverside

EXHIBIT B

[ANNUAL/SEMI-ANNUAL] REPORT

**CITY OF RIVERSIDE
HUNTER PARK ASSESSMENT DISTRICT
LIMITED OBLIGATION IMPROVEMENT BONDS**

This [Annual/Semi-Annual] Report is hereby submitted under Section 4 of the Continuing Disclosure Agreement dated as of March 1, 2006, executed by the undersigned (the “Landowner”) in connection with the issuance of the above-captioned bonds by the City of Riverside.

1. Status of property tax payments, including payment of Assessment Installments

2. Official Statement Updates

Describe any significant changes in the information relating to the Landowner or its Affiliates or the property currently owned by the Landowner or its Affiliates contained in the Official Statement under the heading “_____.”

3. Change in Development or Financing Plans

Describe any development plans or financing plans relating to the Hunter Business Park project *that are materially different from* the proposed development and financing plan described in the Official Statement (including, without limitation, significant amendments to land use, environmental or other development entitlements, or litigation affecting development in the District).

4. Legal and Financial Status of Landowner

Describe any change in the legal structure of the Landowner or its Affiliates, or the financial condition and financing plan of the Landowner or its Affiliates, that would materially interfere with its ability to complete the development plan described in the Official Statement.

5. Audited Financials

If the Landowner prepares audited financials, attach the audited financials for the most recently completed fiscal year.

Dated: _____

REGARDING [ANNUAL/SEMI-ANNUAL] REPORT

**CITY OF RIVERSIDE
HUNTER PARK ASSESSMENT DISTRICT
LIMITED OBLIGATION IMPROVEMENTS**

The undersigned (the "Landowner") hereby certifies that the attached Semi-Annual Report constitutes the [Annual/Semi-Annual] Report required to be furnished by the Landowner under the Continuing Disclosure Agreement dated as of March 1, 2006, executed by the Landowner in connection with the issuance of the above-captioned bonds.

Dated: _____

By: _____

Its: _____



PACIFIC FINANCIAL PRINTING