

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2020A Bonds described herein is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" with respect to tax consequences relating to the Bonds.*

**\$2,440,000**

**COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE)  
OF THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA  
SPECIAL TAX BONDS, SERIES 2020A (TAX EXEMPT) AND SERIES 2020B (FEDERALLY TAXABLE)**

**\$2,075,000**

**SERIES 2020A (TAX EXEMPT)**

**\$365,000**

**SERIES 2020B (FEDERALLY TAXABLE)**

**Dated: Delivery Date**

**Due: September 1, as shown on inside cover page**

The Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside, County of Riverside, State of California, Special Tax Bonds, Series 2020A (Tax Exempt) (the "2020A Bonds") and Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside, County of Riverside, State of California, Special Tax Bonds, Series 2020B (Federally Taxable) (the "2020B Bonds" and, together with the 2020A Bonds, the "Bonds") are being issued by Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside, County of Riverside, State of California (the "District") to: (i) finance certain public improvements needed with respect to the development of property located within the District, including public improvements to be owned by the City and school facilities to be owned and operated by the Riverside Unified School District; (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance for the Bonds. The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the Government Code of the State of California) (the "Act"), and pursuant to a Bond Indenture, dated as of March 1, 2020 (the "Indenture"), by and between the District and U.S. Bank National Association, as trustee (the "Trustee").

The Bonds are payable from Net Taxes (as defined herein) derived from a certain annual Special Tax (as defined herein) to be levied on taxable parcels within the District and from certain other funds pledged under the Indenture, all as further described herein. The Special Tax is to be levied according to the rates and method of apportionment approved by the City Council of the City and the qualified electors within the District. See the caption "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes" and Appendix A — "RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Interest on the Bonds will be payable on each March 1 and September 1, commencing September 1, 2020. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the Beneficial Owners of the Bonds.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND OTHER AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

*The 2020A Bonds are subject to optional redemption, special mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth herein. The 2020B Bonds are not subject to optional redemption prior to maturity, but are subject to special mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth herein. See the caption "THE BONDS — Redemption."*

**Investment in the Bonds involves risks that are not appropriate for certain investors. Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the caption "SPECIAL RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF THE SECURITY OR TERMS OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

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

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*The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the City and the District by the City Attorney, and for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, for the Underwriter by Kutak Rock LLP, Irvine, California, and for the Trustee by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery on or about March 5, 2020.*

**RAYMOND JAMES®**

**MATURITY SCHEDULES**

**\$2,075,000**

**COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE)  
OF THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA  
SPECIAL TAX BONDS, SERIES 2020A (TAX EXEMPT)**

**BASE CUSIP®769053**

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.†</i>
2028	\$60,000	4.000%	1.720%	117.936	GN3
2029	65,000	4.000	1.810	117.894 <sup>C</sup>	GP8
2030	65,000	4.000	1.900	117.198 <sup>C</sup>	GQ6
2031	70,000	4.000	1.980	116.583 <sup>C</sup>	GR4
2032	70,000	4.000	2.040	116.124 <sup>C</sup>	GS2
2033	75,000	4.000	2.080	115.820 <sup>C</sup>	GT0
2034	75,000	4.000	2.110	115.592 <sup>C</sup>	GU7
2035	80,000	4.000	2.160	115.213 <sup>C</sup>	GV5
2036	85,000	4.000	2.200	114.912 <sup>C</sup>	GW3
2037	85,000	4.000	2.240	114.611 <sup>C</sup>	GX1
2038	90,000	4.000	2.280	114.311 <sup>C</sup>	GY9
2039	95,000	4.000	2.320	114.011 <sup>C</sup>	GZ6
2040	95,000	4.000	2.350	113.788 <sup>C</sup>	HA0

\$1,065,000 4.000% Term Bonds due September 1, 2049 Yield: 2.530% Price: 112.456<sup>C</sup> CUSIP No.† HC6

<sup>C</sup> Priced to option call at 103% on September 1, 2027.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2020 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such numbers.

**\$365,000**  
**COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE)**  
**OF THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**  
**SPECIAL TAX BONDS, SERIES 2020B (FEDERALLY TAXABLE)**

**BASE CUSIP<sup>®†</sup>769053**

\$365,000 3.400% Term Bonds due September 1, 2027 Yield: 3.400% Price: 100.000 CUSIP No.<sup>†</sup> HD4

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**CITY OF RIVERSIDE  
COUNTY OF RIVERSIDE, CALIFORNIA**

**CITY COUNCIL**

William R. Bailey, III, *Mayor*  
Erin Edwards, *Councilmember, Ward 1*  
Andy Melendrez, *Councilmember, Ward 2*  
Ronald Fierro, *Councilmember, Ward 3*  
Chuck Conder, *Councilmember, Ward 4*  
Gaby Plascencia, *Councilmember, Ward 5*  
Jim Perry, *Councilmember, Ward 6*  
Steve Hemenway, *Councilmember, Ward 7*

**CITY STAFF**

Al Zelinka, *City Manager*  
Lea Deesing, *Assistant City Manager*  
Rafael Guzman, *Assistant City Manager*  
Colleen J. Nicol, *City Clerk*  
Edward Enriquez, *Chief Financial Officer/Treasurer*  
Gary G. Geuss, *City Attorney*

**BOND AND DISCLOSURE COUNSEL**

Stradling Yocca Carlson & Rauth, a Professional Corporation  
Newport Beach, California

**MUNICIPAL ADVISOR**

CSG Advisors Incorporated  
San Francisco, California

**SPECIAL TAX CONSULTANT**

Webb Municipal Finance, LLC  
Riverside, California

**APPRAISER**

Kitty Siino & Associates, Inc.  
Tustin, California

**TRUSTEE**

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 and the District. No dealer, broker, salesperson or other person has been authorized by the City, the District, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the District, the Trustee 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.

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 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, the District or any other parties described herein since the date hereof. All summaries of the Indenture 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.**

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

**THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.**

The City maintains a website. However, the information presented on such website is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

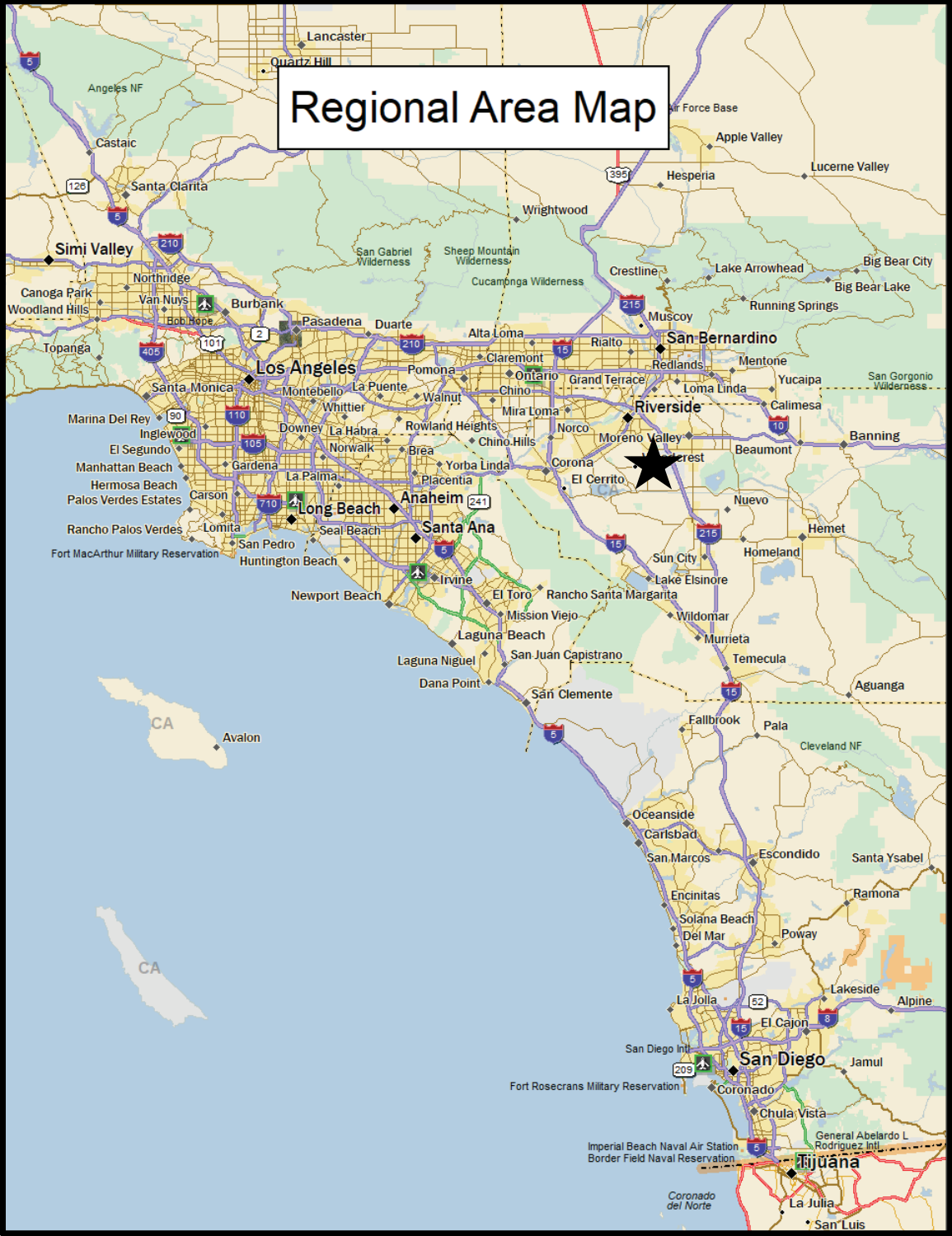
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# Regional Area Map



**City of Riverside**  
**Community Facilities District No. 2015-1**  
**(Autumn Grove by Lennar)**



Boundaries Approximate  
Aerial flown by Air Views 10/24/19

**\$2,440,000**  
**COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE)**  
**OF THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**  
**SPECIAL TAX BONDS, SERIES 2020A (TAX EXEMPT) AND SERIES 2020B (FEDERALLY TAXABLE)**

**\$2,075,000**  
**SERIES 2020A (TAX EXEMPT)**

**\$365,000**  
**SERIES 2020B (FEDERALLY TAXABLE)**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside, County of Riverside, State of California (the “District”) of its Special Tax Bonds, Series 2020A (Tax Exempt) in the aggregate principal amount of \$2,075,000 (the “2020A Bonds”) and Special Tax Bonds, Series 2020B (Federally Taxable) in the aggregate principal amount of \$365,000 (the “2020B Bonds” and, together with the 2020A Bonds, the “Bonds”). The proceeds of the Bonds will be used to: (i) finance certain public improvements needed with respect to the development of property located within the District, including public improvements to be owned by the City and school facilities to be owned and operated by the Riverside Unified School District; (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance for the Bonds.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and a Bond Indenture, dated as of March 1, 2020 (the “Indenture”), by and between the District and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are secured under the Indenture by a pledge of and lien upon Net Taxes (as such term is defined herein) and all moneys in the Special Tax Fund (other than the Administrative Expense Account therein) as described in the Indenture.

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined have the meanings set forth in Appendix E.

**The District**

**General.** The City of Riverside (the “City”) is located in the northwestern portion of the County of Riverside (the “County”), California (the “State”). The District contains approximately 13.528 gross acres and approximately 8.49 net acres, and is located in the southeastern portion of the City, just under one mile north of Van Buren Boulevard, one mile south of Alessandro Boulevard and less than one-quarter miles east of Trautwein Road, approximately two-and-one-half miles west of Interstate 215 and approximately five miles southeast of State Route 91. The District consists of Tract Map No. 39534 and includes 85 single family detached homes in a project that has been marketed by Lennar Homes of California, Inc., a California corporation (“Lennar Homes”) as “Autumn Grove.” As of November 14, 2019, as described in the Appraisal Report (defined below), within the District, there were 83 completed homes owned by individual homeowners. As of such date, Lennar Homes owned one completed model home (which was in escrow) and one home under construction. As of January 15, 2020, all of the 85 planned homes within the District had been conveyed to individual homeowners.

See the captions “THE DISTRICT” and “PROPERTY OWNERSHIP AND THE DEVELOPMENT” for further information with respect to the District, Lennar Homes and development within the District.

**Formation Proceedings.** The District was formed on August 11, 2015 pursuant to the Act. The Act was enacted to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, on June 23, 2015, the City Council adopted Resolution No. 22868 (the “Resolution of Intention”), stating its intention to form the District and to authorize the levy of a special tax on the taxable property within the District, and Resolution No. 22869, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$3,000,000 for the purpose of financing the design, construction and acquisition of certain public facilities to serve the area within the District.

Subsequent to a noticed public hearing on August 11, 2015, the City Council adopted Resolution Nos. 22892 and 22893 on August 11, 2015 (collectively the “Resolution of Formation”). The Resolution of Formation: (i) established the District; (ii) authorized the levy of a special tax (the “Special Tax”) within the District; (iii) determined the necessity to incur bonded indebtedness in an amount not to exceed \$3,000,000 within the District; and (iv) called an election within the District on the proposition of incurring bonded indebtedness, levying the Special Tax and setting an appropriations limit.

On August 11, 2015, an election was held within the District in which the property owner within the District approved the proposition authorizing the issuance of bonds in an amount not to exceed \$3,000,000 to finance the Facilities. A Notice of Special Tax Lien for the District was recorded in the office of the County Recorder on August 13, 2015, as Document No 2015-0360158. On August 25, 2015, the City Council adopted Ordinance No. 7298 (the “Ordinance”) which authorizes the levy of a special tax pursuant to the Rates and Method of Apportionment approved at the August 11, 2015, election (the “Rates and Method”), a copy of which is attached hereto as Appendix A.

### **Sources of Payment for the Bonds**

**Special Taxes.** As used in this Official Statement, the term “Special Tax” means the annual Special Tax (as defined in the Rates and Method) which has been authorized pursuant to the Act and the Rates and Method to be levied upon taxable property within the District. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” and Appendix A — “RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” See the caption “THE DISTRICT.”

Under the Indenture, the District has pledged to repay the Bonds and any Parity Bonds (as defined herein) from the Special Tax revenues remaining after the payment of certain annual Administrative Expenses of the District (the “Net Taxes”) and from other amounts in the Special Tax Fund (other than the Administrative Expense Account therein) established under the Indenture. The Special Taxes are the primary source of security for the repayment of the Bonds and any Parity Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds and any Parity Bonds are amounts held by the Trustee in the Special Tax Fund, including amounts held in the Reserve Account therein, to the limited extent described in the Indenture. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund.”

The Rates and Method authorizes the District to levy a Special Tax for Services (as defined in the Rates and Method). The Special Tax for Services is not pledged to and is not available to pay debt service on the Bonds.

**Foreclosure Proceeds.** The District will covenant in the Indenture for the benefit of the owners of the Bonds and Parity Bonds that it will: (i) commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied; and (iii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — Proceeds of Foreclosure Sales.” There is no assurance that the property within the District can be sold for the appraised or assessed values described herein, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current or future landowners within the District. See the caption “SPECIAL RISK FACTORS— Property Values.”

**EXCEPT FOR THE NET TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET TAXES AND AMOUNTS HELD UNDER THE INDENTURE, AS MORE FULLY DESCRIBED HEREIN.**

### **Appraisal Report**

Kitty Siino & Associates, Inc. (the “Appraiser”) has conducted an Appraisal dated January 7, 2020 (the “Appraisal Report”) of certain land and existing improvements within the District to provide an estimate of the market value of the fee simple interest of such land and improvements. The Appraisal Report provides an estimate of the approximate market value of the “as-is” condition of the property in the District subject to the levy of Special Taxes, assuming that development of the property as currently planned will consist of 85 single-family detached residential units. Based on the assumptions and limiting conditions in the Appraisal Report, the Appraiser concluded that the minimum market value of all of the parcels within the District subject to the Special Tax was \$38,189,232 as of November 14, 2019 (the “Date of Value”). Additionally, in a Supplement to Appraisal Report dated February 25, 2020 (the “Supplement to Appraisal Report”), the Appraiser has concluded that, as of February 24, 2020, the value of the taxable property within the District is not less than the value concluded in the Appraisal Report. See Appendix D-2 — “SUPPLEMENT TO APPRAISAL REPORT.”

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in Appendix D-1. The District makes no representation as to the accuracy of the Appraisal Report. See “THE DISTRICT — Appraisal Report,” Appendix D-1— “APPRAISAL REPORT” and “SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness.”

### **Description of the Bonds**

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

Principal of, premium, if any, and interest on the Bonds is payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. See Appendix G — “BOOK-ENTRY ONLY SYSTEM.”

The 2020A Bonds are subject to optional redemption, special mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth herein. The 2020B Bonds are not subject to optional redemption prior to maturity, but are subject to special mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth herein. See the caption “THE BONDS — Redemption.” For a more complete description of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see the caption “THE BONDS” and Appendix E — “SUMMARY OF THE INDENTURE.”

### **Tax Matters**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2020A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS.”

Set forth in Appendix C is the form of opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain tax consequences incident to the ownership of the Bonds, see the caption “TAX MATTERS.”

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

U.S. Bank National Association, Los Angeles, California, will act as Trustee under the Indenture. Raymond James & Associates, Inc. (the “Underwriter”) is the Underwriter of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel to the District in connection with the issuance of the Bonds. Certain legal matters will be passed on for the City and the District by the City Attorney, for the Underwriter by Kutak Rock LLP, Irvine, California, and for the Trustee by its counsel. Other professional services have been performed by Webb Municipal Finance, LLC, Riverside, California, as Special Tax Consultant (the “Special Tax Consultant”) and by Kitty Siino & Associates, Tustin, California, as Appraiser.

For information concerning circumstances in which certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see the caption “FINANCIAL INTERESTS.”

### **Continuing Disclosure**

Pursuant to a Continuing Disclosure Certificate to be executed by the District (the “District Continuing Disclosure Certificate”), the District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“EMMA”), maintained on the Internet at <http://emma.msrb.org>, certain annual financial information and operating data and notices of certain enumerated events. These covenants are being made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission (“Rule 15c2-12”).

See “CONTINUING DISCLOSURE” and Appendix F — “FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

### **Parity Bonds for Refunding Purposes Only**

The District will covenant in the Indenture not to issue additional indebtedness secured by the Net Taxes on a parity with the Bonds (“Parity Bonds”) other than for refunding all or a portion of the Bonds or Parity Bonds. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Parity Bonds for Refunding Purposes Only.” Other taxes and/or special assessments with liens equal in priority to the continuing lien of the Special Taxes may also be levied in the future on the property within the District, which could adversely affect the willingness of the landowners to pay the Special Taxes when due. See the captions “THE DISTRICT — Direct and Overlapping Debt” and “SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness.”

### **Bond Owners’ Risks**

Certain events could affect the ability of the District to pay the principal of and interest on the Bonds when due. See the caption “SPECIAL RISK FACTORS” for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds. The purchase of the Bonds involves risks, and the Bonds may not be appropriate investments for some types of investors.

### **Other Information**

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

Brief descriptions of the Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Bonds and the Constitution and laws of the State, as well as the proceedings of the City Council, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Indenture. Capitalized terms not otherwise defined in this Official Statement have the meanings set forth in Appendix E.

Copies of the Indenture and other documents and information are available for inspection and copies may be obtained from the City, 3900 Main Street, Riverside, California 92522, Attention: City Clerk.

### **Update of Certain Information Since the Date of the Preliminary Official Statement**

The Official Statement includes certain changes since the date of the Preliminary Official Statement. Since the date of the Preliminary Official Statement, in the Supplement to Appraisal Report, the Appraiser has concluded that, as of February 24, 2020, the value of the taxable property within the District is not less than the value concluded in the Appraisal Report. See Appendix D-2 — “SUPPLEMENT TO APPRAISAL REPORT.”

## ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of Bond proceeds and certain funds on hand.

	<b>2020A Bonds</b>	<b>2020B Bonds</b>	<b>Total</b>
<b>Sources of Funds</b>			
Principal Amount of Bonds	\$ 2,075,000.00	\$ 365,000.00	\$ 2,440,000.00
Plus Original Issue Premium	289,235.60	--	289,235.60
Plus Funds on Hand	<u>76,974.00</u>	<u>84,303.87</u>	<u>161,277.87</u>
Total Sources	<u>\$ 2,441,209.60</u>	<u>\$ 449,303.87</u>	<u>\$ 2,890,513.47</u>
<b>Uses of Funds:</b>			
Acquisition and Construction Fund	\$ 2,021,395.33	\$ 394,910.00	\$ 2,416,305.33
Costs of Issuance Account <sup>(1)</sup>	193,663.10	28,153.05	221,816.15
Reserve Account of the Special Tax Fund	123,819.67	21,780.33	145,600.00
Additional Special Tax Reserve Account of the Special Tax Fund <sup>(2)</sup>	76,974.00	--	76,974.00
Underwriter's Discount	<u>23,357.50</u>	<u>4,460.49</u>	<u>29,817.99</u>
Total Uses	<u>\$ 2,441,209.60</u>	<u>\$ 449,303.87</u>	<u>\$ 2,890,513.47</u>

<sup>(1)</sup> To pay costs of issuance of the Bonds, including legal fees, printing costs, formation deposit reimbursement, and fees of the Appraiser, Special Tax Consultant, Municipal Advisor and Trustee.

<sup>(2)</sup> On the Delivery Date of the Bonds, the District will deposit \$76,974.00 from Special Taxes on hand into the Additional Special Tax Reserve Account. After the September 1, 2020 Interest Payment Date, the District will deposit into the Additional Special Tax Reserve Account available Special Taxes, if any, to increase the amount therein to the Additional Special Tax Reserve Requirement. While the District expects to have sufficient Special Taxes to increase the amount in the Additional Special Tax Reserve Fund to the Additional Special Tax Reserve Requirement after the payment of debt service on the Bonds on September 1, 2020, the District can make no assurances as to the sufficiency of such amounts.

## THE BONDS

### General Provisions

The Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing September 1, 2020 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless: (i) such date of authentication is an Interest Payment Date, in which event interest will be payable from such date of authentication; (ii) the date of authentication is after the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day (each, a "Record Date") but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication; or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest will be payable from the dated date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on such Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment, or, if no interest has been paid or made available for payment on such Bond, interest on such Bond will be payable from its dated date.



Interest on any Bond will be paid to the person whose name appears as its owner in the registration books held by the Trustee on the close of business on the Record Date. Principal of, premium, if any, due upon redemption is payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Trustee in Los Angeles, California.

The Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. So long as DTC is the securities depository all payments of principal and interest on the Bonds will be made to DTC and will be paid to the Beneficial Owners in accordance with DTC's procedures and the procedures of DTC's Participants. See APPENDIX G — "BOOK-ENTRY-ONLY SYSTEM."

In the event the Bonds are not held in book-entry form, interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, to the Bondowner at its address on the registration books kept by the Trustee. Pursuant to a written request prior to the Record Date of a Bondowner of at least \$1,000,000 in aggregate principal amount of Bonds, payment will be made by wire transfer in immediately available funds to a designated account in the United States.

## Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemptions), assuming that there are no optional or special mandatory redemptions. See the caption “—Redemption” below.

<i>Year Ending September 1</i>	<i>2020A Bonds Principal</i>	<i>2020A Bonds Interest</i>	<i>2020B Bonds Principal</i>	<i>2020B Bonds Interest</i>	<i>Total Debt Service</i>
2020	\$ --	\$ 40,577.78	\$ --	\$ 6,067.11	\$ 46,644.89
2021	--	83,000.00	45,000.00	12,410.00	140,410.00
2022	--	83,000.00	50,000.00	10,880.00	143,880.00
2023	--	83,000.00	50,000.00	9,180.00	142,180.00
2024	--	83,000.00	50,000.00	7,480.00	140,480.00
2025	--	83,000.00	55,000.00	5,780.00	143,780.00
2026	--	83,000.00	55,000.00	3,910.00	141,910.00
2027	--	83,000.00	60,000.00	2,040.00	145,040.00
2028	60,000.00	83,000.00	--	--	143,000.00
2029	65,000.00	80,600.00	--	--	145,600.00
2030	65,000.00	78,000.00	--	--	143,000.00
2031	70,000.00	75,400.00	--	--	145,400.00
2032	70,000.00	72,600.00	--	--	142,600.00
2033	75,000.00	69,800.00	--	--	144,800.00
2034	75,000.00	66,800.00	--	--	141,800.00
2035	80,000.00	63,800.00	--	--	143,800.00
2036	85,000.00	60,600.00	--	--	145,600.00
2037	85,000.00	57,200.00	--	--	142,200.00
2038	90,000.00	53,800.00	--	--	143,800.00
2039	95,000.00	50,200.00	--	--	145,200.00
2040	95,000.00	46,400.00	--	--	141,400.00
2041	100,000.00	42,600.00	--	--	142,600.00
2042	105,000.00	38,600.00	--	--	143,600.00
2043	110,000.00	34,400.00	--	--	144,400.00
2044	115,000.00	30,000.00	--	--	145,000.00
2045	120,000.00	25,400.00	--	--	145,400.00
2046	120,000.00	20,600.00	--	--	140,600.00
2047	125,000.00	15,800.00	--	--	140,800.00
2048	130,000.00	10,800.00	--	--	140,800.00
2049	140,000.00	5,600.00	--	--	145,600.00
<b>Total</b>	<b>\$ 2,075,000.00</b>	<b>\$ 1,703,577.78</b>	<b>\$ 365,000.00</b>	<b>\$ 57,747.11</b>	<b>\$4,201,324.89</b>

Source: Underwriter.

## Redemption

**Optional Redemption of 2020A Bonds.** The 2020A Bonds may be redeemed at the option of the District from any source of funds on any Interest Payment Date on or after September 1, 2027, in whole or in part, from such maturities as are selected by the District and by lot within a maturity, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

<i>Redemption Date</i>	<i>Redemption Price</i>
September 1, 2027 and March 1, 2028	103%
September 1, 2028 and March 1, 2029	102
September 1, 2029 and March 1, 2030	101
September 1, 2030 and any Interest Payment Date Thereafter	100

In the event that the District elects to redeem 2020A Bonds as provided above, the District will give written notice to the Trustee of its election to so redeem, the redemption date and the principal amount of the Bonds of each maturity to be redeemed. The notice to the Trustee will be given at least 30 but no more than 60 days prior to the redemption date, or by such later date as is acceptable to the Trustee.

***Optional Redemption of 2020B Bonds.*** The 2020B Bonds are not subject to optional redemption prior to maturity.

***Mandatory Sinking Fund Redemption.*** The 2020A Bonds maturing on September 1, 2049 (the “2049 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 2041, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2049 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2049 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

**Term 2020A Bonds Maturing September 1, 2049**

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2041	\$ 100,000
2042	105,000
2043	110,000
2044	115,000
2045	120,000
2046	120,000
2047	125,000
2048	130,000
2049 <sup>†</sup>	140,000

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<sup>†</sup> Maturity.

The 2020B Bonds maturing on September 1, 2027 (the “2027 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 2021, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2027 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2027 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

**Term 2020B Bonds Maturing September 1, 2027**

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2021	\$ 45,000
2022	50,000
2023	50,000
2024	50,000
2025	55,000
2026	55,000
2027 <sup>†</sup>	60,000

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<sup>†</sup> Maturity.

If the District purchases Term Bonds during the Fiscal Year immediately preceding one of the sinking fund redemption dates specified above, the District will notify the Trustee at least 45 days prior to the redemption date as to the principal amount purchased, and the amount purchased will be credited at the time of purchase to the next Sinking Fund Payment for the Term Bond so purchased, to the extent of the full principal amount of the purchase. All Term Bonds purchased will be cancelled pursuant to the Indenture.

In the event of a special mandatory redemption of the Term Bonds, each of the remaining Sinking Fund Payments for such Term Bonds will be reduced, as nearly as practicable, on a pro rata basis.

***Special Mandatory Redemption from Special Tax Prepayments.*** The Bonds are subject to special mandatory redemption as a whole or in part on a pro rata basis among maturities and by lot within a maturity, on any Interest Payment Date, and will be redeemed by the Trustee, from any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the Rates and Method (the “Prepayments”) deposited to the Redemption Account pursuant to the Indenture, plus amounts transferred from the Reserve Account pursuant to the Indenture, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

<i>Redemption Date</i>	<i>Redemption Price</i>
Any Interest Payment Date from September 1, 2020 through March 1, 2028	103%
September 1, 2028 and March 1, 2029	102
September 1, 2029 and March 1, 2030	101
September 1, 2030 and any Interest Payment Date thereafter	100

See the caption “SPECIAL RISK FACTORS—Potential Early Redemption of Bonds from Prepayments or Other Sources” for a discussion of the potential for a lower than expected yield on the Bonds as a result of a special mandatory redemption from Special Tax prepayments.

***Notice of Redemption.*** So long as the Bonds are held in book-entry form, notice of redemption will be sent by the Trustee to DTC and not to the Beneficial Owners of the Bonds under the DTC book-entry only system. Neither the District nor the Trustee is responsible for notifying the Beneficial Owners, who are to be notified in accordance with the procedures in effect for the DTC book-entry system. See Appendix G — “BOOK-ENTRY ONLY SYSTEM.”

The Trustee will give notice, in the name of the District, of the redemption of Bonds. Such notice of redemption will: (i) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds selected for redemption, except that where all of the Bonds are subject to redemption, or all of the Bonds of one maturity are to be redeemed, the bond numbers of such issue need not be specified; (ii) state the

date fixed for redemption and surrender of the Bonds to be redeemed; (iii) state the redemption price; (iv) state the place or places where the Bonds are to be redeemed; (v) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (vi) state the date of issue of the Bonds as originally issued; (vii) state the rate of interest borne by each Bond being redeemed; and (viii) state any other descriptive information needed to identify accurately the Bonds being redeemed as specified by the Trustee. Such notice will further state that on the date fixed for redemption, there will become due and payable on each Bond, or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon will cease to accrue and be payable. At least 30 days but no more than 45 days prior to the redemption date, the Trustee will mail a copy of such notice of redemption, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register, and to the original purchaser of any Bonds; provided, however, so long as the Bonds are registered in the name of the Nominee, such notice shall be given in such manner as complies with the requirements of the Depository. The actual receipt by the Owner of any Bond of notice of such redemption is not a condition precedent to redemption, and neither the failure to receive nor any defect in such notice will affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee that notice of such redemption has been given as provided in the Indenture will be conclusive as against all parties and the Owner is not entitled to show that he or she failed to receive notice of such redemption.

In addition to the foregoing notice, further notice will be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption will be sent not later than the date that notice of redemption is given to the Owners pursuant to the Indenture by first class mail or facsimile to the Depository and to any other registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds as determined by the Trustee and to one or more of the national information services that the Trustee determines are in the business of disseminating notice of redemption of obligations such as the Bonds.

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

With respect to any notice of optional redemption of Bonds, such notice may state that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if such moneys have not been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

***Selection of Bonds for Redemption.*** If less than all of the Bonds or Parity Bonds Outstanding of a Series are to be redeemed (except with respect to mandatory sinking fund redemption), the Trustee will select Bonds or Parity Bonds pro rata among maturities of such Series and by lot within a maturity. With respect to any special mandatory redemption of Bonds or Parity Bonds from Prepayments in accordance with the Indenture, the Trustee will select all of the 2020A Bonds to be redeemed before selecting any of the 2020B Bonds to be redeemed. The portion of any Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof. In selecting portions of such Bonds for redemption, the Trustee will treat such Bonds, as applicable, as representing that number of Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bonds to be redeemed in part by \$5,000. The procedure for the selection of Parity Bonds for redemption may be modified as set forth in the

Supplemental Indenture for such Parity Bonds. The Trustee will promptly notify the District in writing of the Bonds, or portions thereof, selected for redemption.

***Partial Redemption of Bonds.*** Upon surrender of any Bond to be redeemed in part only, the District will execute and the Trustee will authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity.

***Effect of Notice and Availability of Redemption Money.*** Notice of redemption having been duly given, as provided in the Indenture, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption: (i) the Bonds, or portions thereof, designated for redemption will, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in the Indenture, anything in the Indenture or in the Bonds to the contrary notwithstanding; (ii) upon presentation and surrender thereof at the Principal Office of the Trustee, the redemption price of such Bonds will be paid to the Owners thereof; (iii) as of the redemption date the Bonds, or portions thereof so designated for redemption will be deemed to be no longer Outstanding and such Bonds, or portions thereof, will cease to bear further interest; and (iv) as of the date fixed for redemption no Owner of any of the Bonds, or portions thereof so designated for redemption will be entitled to any of the benefits of the Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

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

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

***Transfer or Exchange.*** Subject to the limitations set forth in the following paragraph, the registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office of the Trustee, accompanied by delivery of written instrument of transfer in a form acceptable to the Trustee and duly executed by the Owner or his or her duly authorized attorney.

Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds for other authorized denominations of the same maturity and issue. The Trustee may not collect from the Owner any charge for any new Bond issued upon any exchange or transfer, but will require the Owner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. Whenever any Bonds are surrendered for registration of transfer or exchange, the District will execute and the Trustee will authenticate and deliver a new Bond or Bonds, as applicable, of the same issue and maturity, for a like aggregate principal amount; provided that the Trustee is not required to register transfers or make exchanges of: (i) Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed; or (ii) any Bonds chosen for redemption.

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

### **Limited Obligations**

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

The Special Taxes are the primary source of security for the repayment of the Bonds. Under the Indenture, the District has pledged to repay the Bonds from the Net Taxes (which are Special Tax revenues remaining after the payment of the annual Administrative Expenses in an amount not to exceed the Administrative Expenses Cap (as defined in the Indenture)) and from amounts held in the Special Tax Fund

(other than amounts held in the Administrative Expense Account therein). Special Tax revenues include the proceeds of the annual Special Tax levy received by the District, including any scheduled payments and Prepayments thereof, and the net proceeds of the redemption of delinquent Special Taxes or sale of property sold as a result of foreclosure of the lien of delinquent Special Taxes to the amount of said lien, and penalties and interest thereon; provided that any delinquent Special Tax sold to an independent third-party or to the City for 100% of the delinquent amount shall no longer be pledged under the Indenture to the payment of the Bonds or Parity Bonds.

In the event that the Special Tax revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Trustee in the Special Tax Fund (other than the Administrative Expense Account therein), including amounts held in the Reserve Account therein, for the exclusive benefit of the Owners of the Bonds.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE NET TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE NET TAXES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

### **Special Taxes**

***Authorization and Pledge.*** In accordance with the provisions of the Act, the City established the District on August 11, 2015 for the purpose of financing of various public improvements required in connection with the proposed development within the District. At a special election held on August 11, 2015, the qualified elector within the District authorized the District to incur indebtedness in an amount not to exceed \$3,000,000 for the District and the levy of the Special Taxes on property within the District to repay such bonds and to finance the Facilities (as defined below). The qualified elector within the District also voted to approve the Rates and Method which authorized the Special Tax to be levied to repay indebtedness of the District, including the Bonds.

The Bonds will be repaid only from annual Net Taxes derived from the levy and collection of Special Taxes pursuant to the Rates and Method. The Rates and Method permits the prepayment of Special Taxes for an Assessor's Parcel, and any such Prepayments will be applied to redeem Bonds and Parity Bonds, if any. The Net Taxes collected from the annual Special Tax levy and the proceeds of any Prepayment have been pledged under the Indenture to the repayment of the Bonds and Parity Bonds.

The Special Taxes levied in any Fiscal Year may not exceed the maximum rates authorized pursuant to the Rates and Method. See "*— Rates and Method of Apportionment of Special Tax*" and Appendix A— "RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX." There is no assurance that the Net Taxes will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See the caption "SPECIAL RISK FACTORS—Insufficiency of Special Tax Revenues."

***Rates and Method of Apportionment of Special Tax.*** The Rates and Method applicable to the District is contained in Appendix A — "RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX." The meaning of the defined terms used in this section are as set forth in Appendix A.

Under the Rates and Method, commencing with Fiscal Year 2015-16, all Taxable Property in the District has and will continue to be classified as Developed Property (Residential or Non-Residential), Approved Property or Undeveloped Property and has and will continue to be subject to a Special Tax levy at the maximum rates described in Section C of the Rates and Method.

For purposes of the levy of Special Taxes to satisfy the Special Tax Requirement, a parcel will be classified as Developed Property if it is Taxable Property for which a building permit for residential dwelling units or non-residential construction was issued prior to March 1 of the Fiscal Year preceding the Special Tax levy. The Maximum Special Tax for each parcel of Developed Property will be the greater of (a) the applicable amount set forth in Table 1 of the Rates and Method (ranging from \$2,804 per parcel to \$2,932 per parcel for parcels classified as Residential Property, and \$30,352 per acre for parcels classified as Non-Residential Property), and (b) the applicable amount of “Backup Special Tax.”

The total amount of the Backup Special Tax for Assessor’s Parcels of Taxable Property, exclusive of Assessor’s Parcels of Non-Residential Property, Taxable Association Property and Taxable Public Property, in a Final Subdivision will be determined by multiplying the Acreage of all such Assessor’s Parcels of Taxable Property by the Backup Special Tax per Acre. If a Final Subdivision will include Assessor’s Parcels of Residential Property, the total amount of the Backup Special Tax for such Assessor’s Parcels of Residential Property will be based only on the Acreage of those Assessor’s Parcels.

The Backup Special Tax for each Assessor’s Parcel of Residential Property in a Final Subdivision will be determined by multiplying the Maximum Special Tax per Acre for Undeveloped Property by the total Acreage of Taxable Property within such Final Subdivision which created such Assessor’s Parcel.

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

1. Determine the total Backup Special Taxes anticipated to apply to the changed or modified Final Subdivision area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified Final Subdivision area, as reasonably determined by the District Administrator.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Special Tax per square foot of Acreage which shall be applicable to Assessor’s Parcels of Developed Property in such changed or modified Final Subdivision area for all remaining Fiscal Years in which the Special Tax may be levied.

After classifying the parcels in the District, the City Council will determine the Special Tax Requirement (as defined in the Rates and Method) for the District for the Fiscal Year. “Special Tax Requirement” means for the District that amount required in any Fiscal Year after taking into consideration available funds pursuant to the Fiscal Agent Agreement: (1) to pay principal of and interest on all outstanding bonds which are payable from Special Taxes levied on Taxable Property in the District, (2) to pay periodic costs for the Bonds, including, but not limited to, costs related to credit enhancement and rebate payments, (3) to pay Administrative Expenses, (4) to provide an amount equal to reasonably anticipated delinquencies in the collection of Special Taxes, (5) pay any amount required to replenish the reserve fund for the outstanding Bonds, (6) to pay annually the allocable share of other obligations of the City relating to such facilities, and (7) provide any amounts that the City Council determines are necessary to pay the costs on the provision, construction and acquisition of public facilities and/or to accumulate funds therefor.

The Special Tax will be levied first on Developed Property in the District up to 100% of the applicable rate for the District is set forth in Table 1 of the Rates and Method. If additional monies are needed to satisfy the Special Tax Requirement after levying on all Developed Property in the District at the applicable Table 1 rate, the Special Tax will be levied first on Approved Property in the District up to 100% of the Maximum Special Tax for Approved Property and then on Undeveloped Property in the District up to 100% of the Maximum Special Tax for Undeveloped Property. If additional moneys are needed to satisfy the Special



Tax Requirement after the first two steps have been completed, the Special Tax to be levied on all Assessor's Parcels of Developed Property whose Maximum Special Tax is its Backup Special Tax will be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel. If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax will be levied Proportionately on all Assessor's Parcels of Taxable Association Property up to 100% of its Maximum Special Tax. If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax will be levied Proportionately on all Assessor's Parcels of Taxable Public Property up to 100% of its Maximum Special Tax.

No Special Tax shall be levied on Assessor's Parcels of Undeveloped Property in the District to provide any amounts that the City Council determines are necessary to pay the costs of the provision, construction and acquisition of public facilities and/or to accumulate funds therefor, as described in clause (vii) of the definition of Special Tax Requirement.

Within the District, all 85 parcels will be classified as Developed Property for the Fiscal Year 2020-21 Special Tax levy.

For Fiscal Year 2020-21, the Assigned Special Tax for Developed Property within the District that is classified as Residential Property will range from \$2,804 per taxable unit with a Residential Floor Area of 2,700 square feet or less to \$2,932 per taxable unit with a Residential Floor Area of 2,900 square feet or greater. For Fiscal Year 2020-21, the Maximum Special Tax for Non Residential Property will be \$30,352 per acre.

Annual Debt Service for the Bonds has been structured so that Developed Property levied at the Assigned Special Tax rate based on the development status within the District as of March 1, 2020 (which consisted of all 85 parcels of Developed Property for the Fiscal Year 2020-21 Special Tax levy), assuming no delinquencies, will generate in each Fiscal Year not less than the Administrative Expenses Cap plus 110% of debt service payable with respect to the Bonds in the calendar year that begins in that Fiscal Year, assuming that Special Taxes are levied and collected on such Developed Property pursuant to the Rates and Method.

Table 1 below sets forth the Assigned Special Tax per unit of Developed Property, the projected Fiscal Year 2020-21 Special Tax levy and the percent of such levy based on land use type.

**TABLE 1  
COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE)  
OF THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA  
ASSIGNED SPECIAL TAXES**

<i>Land Use Category</i>	<i>Residential Floor Area</i>	<i>No. of Unit/Acres</i>	<i>Assigned Special Tax Per Unit or Acre<sup>(1)</sup></i>	<i>Projected Fiscal Year 2020-21 Special Tax Per Unit</i>	<i>Total Projected Fiscal Year 2020-21 Special Tax Levy<sup>(2)</sup></i>	<i>Percent of Total</i>
1. Residential Property	2,700 sq. ft. or less	85	\$ 2,804.00	\$ 2,005.00	\$ 170,410.00	100.00%
2. Residential Property	2,701 sq. ft. to 2,900 sq. ft.	0	2,865.00	0.00	0.00	0.00
3. Residential Property	Greater than 2,900 sq. ft.	0	2,932.00	0.00	0.00	0.00
4. Non-Residential Property	N/A	0	30,352.00	0.00	0.00	0.00
<b>Total</b>		<b>85</b>			<b>\$ 170,410.00</b>	<b>100.00%</b>

(1) Reflects the Assigned Special Tax or acre for Non Residential Property.

(2) Levied in an amount sufficient to cover debt service on the Bonds and pay Administrative Expenses of \$30,000.

Source: Webb Municipal Finance, LLC.

The annual Special Tax obligation for an Assessor's Parcel may be prepaid in full, or in part, provided that the terms set forth under the Rates and Method are satisfied. The Prepayment Amount is calculated based on the sum of the Non Parks Prepayment Amount (consisting of the sum of the Redemption Premium, the

Prepaid Facilities Amount, the Defeasance Amount, the Administrative Costs and less a credit for the resulting reduction in the Reserve Fund for the Bonds (if any)) plus the Parks Prepayment Amount (which is equal to the Parks Special Tax Present Value), all as specified in Section H of the Rates and Method attached as Appendix A. Prepayments of Special Taxes will be applied to effect an extraordinary redemption of Bonds and Parity Bonds. See “THE BONDS — Redemption — *Special Mandatory Redemption from Special Tax Prepayments.*”

***Estimated Debt Service Coverage.*** In connection with the issuance of the Bonds, the Special Tax Consultant will certify that the Maximum Special Tax that may be levied in each Fiscal Year on Assessor’s Parcels within the District classified as Taxable Property will be at least equal to the sum of: (i) 110% of Maximum Annual Debt Service on the Bonds; plus (ii) the Administrative Expenses Cap. Actual collections of the Special Tax will depend on the amount of Special Tax delinquencies.

***Limitation on Special Tax Levy and Potential Impact on Coverage.*** Pursuant to Section 53321(d) of the Government Code, the special tax levied against any Assessor’s parcel for which an occupancy permit for private residential use has been issued shall not be increased as a consequence of delinquency or default by the owner of any other Assessor’s parcel within the District by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. As a result, it is possible that the District may not be able to increase the tax levy to the Assigned Special Tax in all years.

***Levy, Collection and Application of Special Taxes.*** The Special Taxes are levied and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes, although it is possible that the District could elect to provide handbills to property owners within the District.

The District will covenant in the Indenture that each year it will levy Special Taxes up to the maximum rates permitted under the Rates and Method in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay the principal of and interest on any Outstanding Bonds and Parity Bonds, to replenish the Reserve Account to the Reserve Requirement, to replenish the Additional Special Tax Reserve Account to the Additional Special Tax Reserve Requirement, and to pay Administrative Expenses.

The District will make certain covenants in the Indenture which are intended to ensure that the current maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District’s ability to collect sufficient Special Taxes to pay debt service on the Bonds, Parity Bonds and Administrative Expenses when due.

First, the District will covenant in the Indenture that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District’s authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

Second, the District will covenant in the Indenture, to the maximum extent that the law permits it to do so, not to initiate proceedings to reduce the maximum Special Tax rates for the District, unless, in connection therewith, the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that: (i) such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than the Administrative Expense Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such proposed reduction; and (ii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

Third, the District will covenant in the Indenture that, in the event that any initiative is adopted by the qualified electors within the District which purports to reduce the maximum Special Tax below the levels specified in the preceding paragraph or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, it will commence and pursue legal action in order to preserve its ability to

comply with such covenants. The District can provide no assurance that any such legal action will be successful. See the caption “SPECIAL RISK FACTORS — Proposition 218.”

Fourth, the District will covenant in the Indenture that it will not adopt any policy pursuant to the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District has first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Net Taxes to pay the principal of and interest on the Bonds and Parity Bonds when due.

See Appendix E under the caption “COVENANTS AND WARRANTY.”

Although the Special Taxes constitute liens on taxed parcels within the District, they do not constitute a personal indebtedness of the owners of property within the District. Moreover, other liens for taxes and assessments already exist on the property located within the District and others could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in the District. See the captions “THE DISTRICT—Direct and Overlapping Debt” and “SPECIAL RISK FACTORS—Direct and Overlapping Indebtedness.” There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described under the caption “SPECIAL RISK FACTORS.”

***Proceeds of Foreclosure Sales.*** The net proceeds received following a judicial foreclosure sale of property within the District resulting from a property owner’s failure to pay the Special Taxes when due are included within the Net Taxes pledged to the payment of principal of and interest on the Bonds under the Indenture.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Taxes levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a Superior Court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District will covenant in the Indenture for the benefit of the owners of the Bonds and any Parity Bonds that it will: (i) commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied; and (iii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement.

The District will covenant in the Indenture that it will deposit the net proceeds of any foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal and interest on the Bonds and any Parity Bonds, to bring the amount on deposit in the Reserve Account up to the Reserve Requirement and to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds.

If foreclosure is necessary and other funds (including amounts in the Reserve Account) have been exhausted, debt service payments on the Bonds could be delayed unless the foreclosure proceedings produce sufficient net foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City and the District. See the caption “SPECIAL RISK FACTORS — Enforcement Delays – Bankruptcy.” Moreover, no assurances can be given

that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the net proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See the caption “SPECIAL RISK FACTORS — Property Values.” Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

***Collection of Special Taxes and Flow of Funds.*** The Special Taxes will be levied and collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes, although it is possible that the District could elect to provide handbills to property owners within the District. When the County apportions Special Taxes to the District, the District will transmit the Special Taxes to the Trustee for deposit in the Special Tax Fund established by the Indenture.

Except for Prepayments, which shall be deposited to the Redemption Account of the Special Tax Fund, the Trustee shall, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee shall transfer the Special Taxes on deposit in the Special Tax Fund on the dates, in the amounts and in the following order of priority, to:

- First: To the Administrative Expense Account in an amount up to the Administrative Expenses Cap.
- Second: To the Interest Account, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date is equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date. Moneys in the Interest Account will be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.
- Third: To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year, commencing September 1, 2020, is equal the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.
- Fourth: To the Redemption Account, the amount needed to make the balance in the Redemption Account one Business Day prior to each September 1 on which a Sinking Fund Payment is due equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1 and thereafter, to pay the principal and premium, if any, due in connection with an optional redemption of Bonds or Parity Bonds.
- Fifth: To the Reserve Account of the Special Tax Fund to the extent necessary to replenish the Reserve Account to the Reserve Requirement.
- Sixth: To the Additional Special Tax Reserve Account of the Special Tax Fund to the extent necessary to replenish the Additional Special Tax Reserve Account to the Additional Special Tax Reserve Requirement.
- Seventh: To the Administrative Expense Account of the Special Tax Fund the amount of any Administrative Expenses for the current Bond Year in excess of the Administrative Expenses Cap as directed by the City.

- Eighth: To the Rebate Fund established by the Indenture to the extent directed by the City pursuant to the Indenture.
- Ninth: To the Surplus Fund established by the Indenture such remaining amounts in the Special Tax Fund after making the foregoing transfers on September 1.

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

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement. “Reserve Requirement” is defined in the Indenture to mean, as of any date of calculation, the lesser of: (i) 10% of the initial principal amount of the Bonds and any Parity Bonds; (ii) the Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds; or (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds.

Subject to the limits on the maximum annual Special Tax levy set forth in the Rates and Method and in the Indenture, the District will covenant in the Indenture to levy Special Taxes in an amount sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Account at the Reserve Requirement. Amounts in the Reserve Account are to be applied: (i) to pay debt service on the Bonds, or any Parity Bonds, including Sinking Fund Payments, to the extent that other monies are not available therefor; (ii) to redeem Bonds or Parity Bonds in the event of prepayment of Special Taxes, to optionally redeem Bonds or Parity Bonds or in connection with a partial defeasance of Bonds or Parity Bonds, in accordance with the Indenture; and (iii) to pay any rebate requirements. See Appendix E under the caption “CREATION OF FUNDS AND APPLICATION OF PROCEEDS — Reserve Account of the Special Tax Fund.”

### **Additional Special Tax Reserve Account**

On the Delivery Date of the Bonds, the District will deposit into the Additional Special Tax Reserve Account, from available Special Taxes, an amount equal to \$76,974.00. After the September 1, 2020 Interest Payment Date, the District will deposit into the Additional Special Tax Reserve Account any available Special Taxes to increase the amount therein to the Additional Special Tax Reserve Requirement. “Additional Special Tax Reserve Requirement” is defined in the Indenture to mean an amount equal to \$145,600.00. Subject to the Act and the Rates and Method, the District has covenanted to include in each annual Special Tax levy, any amount necessary to increase the amount on deposit in the Additional Special Tax Reserve Account to the Additional Special Tax Reserve Requirement.

Moneys in the Additional Special Tax Reserve Account shall be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds or any Parity Bonds when due or in the event that the balance on deposit in the Interest Account or the Principal Account, as the case may be, is insufficient for such purpose and for the purpose of making any required transfer to the Rebate Fund pursuant to the Indenture upon written direction from the District. If the amounts in the Interest Account or Principal Account, as the case may be, are insufficient to pay the principal of, including Sinking Fund Payments, or interest on the Bonds or any Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee shall withdraw from the Additional Special Tax Reserve Account for deposit in the Interest Account or the Principal Account, as the case may be, or the Rebate Fund, as applicable, moneys necessary for such purposes.

See “SPECIAL RISK FACTORS — Insufficiency of Special Tax Revenues.” For a further discussion of the Additional Special Tax Reserve Account, see Appendix E under the caption “CREATION OF FUNDS AND APPLICATION OF PROCEEDS — Additional Special Tax Reserve Account of the Special Tax Fund.”

## **No Teeter Plan**

Although the Riverside County Board of Supervisors has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”) which allows each entity levying secured property taxes in the County to draw on the amount of property taxes levied rather than the amount actually collected, as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, the District is not included in the County Teeter Plan. Consequently, the District may not draw on the County Tax Loss Reserve Fund in the event of delinquencies in Special Tax payments within the District.

## **Parity Bonds for Refunding Purposes Only**

The District will covenant in the Indenture not to issue Parity Bonds except as provided in the Indenture and only for the purposes of refunding all or a portion of the Bonds and any Parity Bonds. See Appendix E under the caption “DEFEASANCE AND PARITY BONDS.”

## **THE DISTRICT**

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

The District contains approximately 13.528 gross acres and approximately 8.49 net acres, and is located in the southeastern portion of the City, just under one mile north of Van Buren Boulevard, one mile south of Alessandro Boulevard and less than one-quarter miles east of Trautwein Road, approximately two-and-one-half miles west of Interstate 215 and approximately five miles southeast of State Route 91. The District consists of Tract Map No. 39534 and includes 85 single family detached homes in a project that has been marketed by Lennar Homes as “Autumn Grove.” As of the Date of Value, within the District, there were 83 completed homes owned by individual homeowners. As of such date, Lennar Homes owned one completed model home (which was in escrow) and one home under construction. As of January 15, 2020, all of the 85 planned homes within the District had been conveyed to individual homeowners.

All backbone and in-tract infrastructure relating to the development within the District is complete and all fees relating to such development have been paid. A small community park, tot lot, and small walking trail are located on within the District. The parcels associated with the park site, tot lot and walking trail are owned and maintained by the homeowner’s association and are not subject to the Special Tax levy.

Based on the number of building permits obtained for lots within the District as of March 1, 2020, all 85 lots will be classified as Developed Property under the Rates and Method for the Fiscal Year 2020-21 Special Tax levy. See APPENDIX A — “RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Water, sewer and electricity service to the property within the District is currently supplied by the City of Riverside Public Utilities. Public education instruction is provided by the Riverside Unified School District.

Although, like all of Southern California, the land within the District is subject to seismic activity, it is not located within an Alquist-Priolo Earthquake Fault Zone.

A map showing the location of the District and an aerial photograph thereof appear following the Table of Contents.

### **The Project**

The Project includes the financing of the costs of construction of City facilities, and the costs of certain school facilities to be owned and operated by the Riverside Unified School District.

## Assessed Value

The assessed value of the property within the District represents the secured assessed valuation established by the County Assessor. Assessed values do not necessarily represent market values. Article XIII A of the California Constitution (Proposition 13) defines “full cash value” to mean “the County assessor’s valuation of real property as shown on the 1975/76 roll under ‘full cash value’, or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors. Because of the general limitation to 2% per year in increases in full cash value of properties which remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values. There can be no assurance that the assessed valuations of the properties within the District accurately reflect their respective market values, and the future fair market values of those properties may be lower than their current assessed valuations.

Table 2 below sets forth historic assessed values within the District from Fiscal Years 2015-16 through 2019-20.

**TABLE 2  
COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE)  
OF THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA  
HISTORIC ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Total Parcels</i>	<i>Parcels with Improvement Assessed Value</i>	<i>Land Assessed Value</i>	<i>Improvement Assessed Value</i>	<i>Total Assessed Valuation<sup>(1)</sup></i>	<i>Annual Percent Change</i>
2015-16	2	0	\$ 5,500,000	\$ 0	\$ 5,500,000	N/A
2016-17	2	0	5,695,438	0	5,695,438	3.55%
2017-18	2	0	7,400,000	0	7,400,000	29.93
2018-19	85	10	7,548,000	1,396,800	8,944,800	20.88
2019-20	85	59	8,023,525	20,089,021	28,112,546	214.29

<sup>(1)</sup> As of January 1 of each year as shown on the County Assessor’s roll. Total Assessed Value is calculated as the sum of Land Assessed Value and Improvement Assessed Value.

Sources: Webb Municipal Finance, LLC; County Assessor.

## Appraisal Report

The estimated assessed value of the property within the District, as shown on the County’s assessment roll for Fiscal Year 2019-20, is approximately \$28,112,546. However, as a result of the requirements of Article XIII A of the California Constitution, a property’s assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the property within the District subject to the levy of Special Taxes, the City engaged the Appraiser to prepare the Appraisal Report. The Appraiser has an “MAI” designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the City and has no material relationships with the City or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal Report. The City instructed the Appraiser to prepare its analysis and report in conformity with City-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal Report is included as Appendix D-1 — “APPRAISAL REPORT” to this Official Statement.

The purpose of the Appraisal Report was to estimate the minimum market value of the property within the District subject to the lien of the Special Taxes. The estimate of market value assumes that all improvements and benefits to the subject properties, which are to be funded with the proceeds of the Bonds are completed and in place.

Additionally, in the Supplement to Appraisal Report, the Appraiser has concluded that, as of February 24, 2020, the value of the taxable property within the District is not less than the value concluded in the Appraisal Report. See Appendix D-2 — “SUPPLEMENT TO APPRAISAL REPORT.”

Subject to the assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of the Date of Value (November 14, 2019), the minimum market value of the Taxable Property within the District was \$38,189,232.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in Appendix D-1. The City, the District and the Underwriter make no representation as to the accuracy of the Appraisal Report. See Appendix D-1 — “APPRAISAL REPORT.” There is no assurance that the property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by the landowner. See “SPECIAL RISK FACTORS — Property Values” and Appendix D-1 — “APPRAISAL REPORT.”

#### **Estimated Value-to-Lien Ratio**

The aggregate appraised value of property within the District \$38,189,232. Dividing the aggregate estimate of value by the principal amount of the Bonds results in value to lien ratio of 15.65-to-1 for the District. See “SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness.” The assessed value of the property within the District is \$28,112,546 for Fiscal Year 2019-20. Dividing the assessed value by the principal amount of the Bonds results in an estimated assessed value-to-lien ratio of 11.52-to-1 for the District.

Table 3 below sets forth the appraised value-to-lien ratio of the 85 parcels of the Taxable Property within the District as of the Date of Value (November 14, 2019) based on the appraised values set forth in the Appraisal Report and the principal amount of the Bonds. As of January 15, 2020, Lennar Homes had completed and conveyed all of the 85 planned homes within the District to individual homeowners. Based on such ownership status, individual homeowners are expected to be responsible for approximately 100% of the projected Fiscal Year 2020-21 Special Tax levy.



**TABLE 3  
COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE)  
OF THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA  
ESTIMATED VALUE-TO-LIEN RATIOS**

<i>Property Owner<sup>(1)</sup></i>	<i>Parcels</i>	<i>Maximum Special Tax</i>	<i>Percent of Maximum Special Tax</i>	<i>Projected Fiscal Year 2020-21 Special Tax Levy<sup>(2)</sup></i>	<i>Percent of Projected Fiscal Year 2020-21 Special Tax Levy</i>	<i>Appraised Value</i>	<i>Allocation of Bonds<sup>(3)</sup></i>	<i>Aggregate Value-to- Lien<sup>(4)</sup></i>
Individual Homeowners	83	\$ 247,180	97.65%	\$ 166,400	97.65%	\$ 37,600,470	\$ 2,382,588	15.78:1
Lennar Homes	<u>2</u>	<u>5,956</u>	<u>2.35</u>	<u>4,010</u>	<u>2.35</u>	<u>588,762</u>	<u>57,412</u>	<u>10.26:1</u>
<b>Total</b>	<b>85</b>	<b>\$ 253,136</b>	<b>100.00%</b>	<b>\$ 170,410</b>	<b>100.00%</b>	<b>\$ 38,189,232</b>	<b>\$ 2,440,000</b>	<b>15.65:1</b>

(1) Ownership status is based on information from Appraisal Report as of November 14, 2019. As of January 15, 2020, Lennar Homes had completed and conveyed all of the 85 planned homes within the District to individual homeowners.

(2) Based on par amount of the Bonds plus Administrative Expenses in the amount of \$30,000.

(3) Based on projected Fiscal Year 2020-21 Special Tax levy.

(4) Aggregate Value-to-Lien based upon the par amount of the Bonds. Excludes direct and overlapping debt shown on Table 5.

Source: Webb Municipal Finance, LLC.

**TABLE 4  
COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE)  
OF THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA  
APPRAISED VALUE-TO-LIEN STRATIFICATION**

<i>Appraised Value-to-Lien<sup>(1)</sup></i>	<i>No. of Parcels</i>	<i>Percent of Total Parcels</i>	<i>Projected Fiscal Year 2020-21 Special Tax Levy<sup>(4)</sup></i>	<i>Percent of Fiscal Year 2020-21 Levy</i>	<i>Fiscal Year 2020-21 Assigned Special Tax</i>	<i>Percent of Total Assigned Special Tax</i>	<i>Appraised Value</i>	<i>Percent of Appraised Value</i>	<i>Allocation of Bonds<sup>(5)</sup></i>	<i>Aggregate Value-to-Lien</i>
Less than 14.00:1 <sup>(2)</sup>	1	1.18%	\$ 2,005	1.18%	\$ 2,804	1.18%	\$ 158,292	0.41%	\$ 28,706	5.51:1
14.00:1 to 14.99:1	23	27.06	46,111	27.06	64,492	27.06	9,771,120	25.59	660,235	14.80:1
15.00:1 to 15.99:1	27	31.76	54,130	31.76	75,708	31.76	12,378,420	32.41	775,059	15.97:1
Greater than 15.99:1 <sup>(3)</sup>	<u>34</u>	<u>40.00</u>	<u>68,164</u>	<u>40.00</u>	<u>95,336</u>	<u>40.00</u>	<u>15,881,400</u>	<u>41.59</u>	<u>976,000</u>	<u>16.27:1</u>
<b>Total</b>	<b>85</b>	<b>100.00%</b>	<b>\$ 170,410</b>	<b>100.00%</b>	<b>\$ 238,340</b>	<b>100.00%</b>	<b>\$ 38,189,232</b>	<b>100.00%</b>	<b>\$2,440,000</b>	<b>15.65:1</b>

(1) Appraised Value-to-Lien based upon par amount of the Bonds. Excludes direct and overlapping debt shown on Table 5.

(2) Minimum estimated appraised value-to-lien is 5.51:1.

(3) Highest estimated appraised value-to-lien is 16.27:1.

(4) Based on par amount of the Bonds plus Administrative Expenses in the amount of \$30,000.

(5) Based on projected Fiscal Year 2020-21 Special Tax levy.

Source: Webb Municipal Finance, LLC.

## **Direct and Overlapping Debt**

The District is included within the boundaries of overlapping local agencies providing governmental services. Some of these local agencies have outstanding bonds, and/or the authority to issue bonds, payable from taxes or assessments. The existing and authorized indebtedness payable from taxes and assessments that may be levied upon the property within the District is shown in Table 5 below. In addition to current debt, new community facilities districts and/or special assessment districts could be formed in the future encompassing all or a portion of the property within the District; and such districts or the agencies that formed them could issue more bonds and levy additional special taxes or assessments.

**TABLE 5**  
**COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE)**  
**OF THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**  
**DIRECT AND OVERLAPPING DEBT**

**I. Appraised Value**  
Appraised Valuation<sup>(1)</sup>

\$38,189,232

**II. Land Secured Bond Indebtedness**

<i>Outstanding Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Issued</i>	<i>Outstanding<sup>(2)</sup></i>	<i>% Applicable</i>	<i>Parcels</i>	<i>Amount Applicable</i>
CFD NO. 2015-1 ORANGECREST GROVE	CFD	\$ 2,440,000	\$ 2,440,000	100.00%	85	\$ 2,440,000
<b>TOTAL OUTSTANDING LAND SECURED BONDED DEBT <sup>(3)</sup></b>						<b>\$ 2,440,000</b>

<i>Authorized and Unissued Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Authorized</i>	<i>Unissued<sup>(4)</sup></i>	<i>% Applicable</i>	<i>Parcels</i>	<i>Amount Applicable</i>
CFD NO. 2015-1 ORANGECREST GROVE	CFD	\$ 3,000,000	\$ 0	100.00%	85	\$ 0
<b>TOTAL UNISSUED LAND SECURED INDEBTEDNESS <sup>(3)</sup></b>						<b>\$ 0</b>

**TOTAL OUTSTANDING AND UNISSUED LAND SECURED INDEBTEDNESS** **\$ 2,440,000**

**III. General Obligation Bond Indebtedness**

<i>Outstanding Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable<sup>(5)</sup></i>	<i>Parcels</i>	<i>Amount Applicable</i>
City of Riverside (0.005430%)	GO	\$ 20,000,000	\$ 7,795,000	0.09%	85	\$ 7,282
Riverside Unified School B & I (0.095170%)	GO	275,000,000	189,385,000	0.11	85	201,978
Riverside Community College B & I (0.014760%)	GO	349,998,424	284,166,017	0.03	85	71,447
MWD West (0.00350%)	GO	850,000,000	48,050,000	0.00	85	437
<b>TOTAL OUTSTANDING GENERAL OBLIGATION BONDED DEBT <sup>(3)</sup></b>						<b>\$ 281,144</b>

<i>Authorized and Unissued Direct and Overlapping Indebtedness</i>	<i>Type</i>	<i>Authorized</i>	<i>Unissued</i>	<i>% Applicable<sup>(5)</sup></i>	<i>Parcels</i>	<i>Amount Applicable</i>
City of Riverside (0.005430%)	GO	\$ 20,000,000	\$ 0	0.09%	85	\$ 0
Riverside Unified School B & I (0.095170%)	GO	567,000,000	292,000,000	0.11	85	311,416
Riverside Community College B & I (0.014760%)	GO	350,000,000	1,576	0.03	85	0
MWD West (0.00350%)	GO	850,000,000	0	0.00	85	0
<b>TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS <sup>(3)</sup></b>						<b>\$ 311,416</b>

**TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS** **\$ 592,560**

**TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT** **\$ 2,721,144**  
**TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS** **\$ 3,032,560**

**IV. Ratios to Appraised Valuation**

Outstanding Land Secured Bonded Debt 15.65:1  
Total Outstanding Bonded Debt 14.03:1

(1) Appraised value is per the Appraisal Report as of November 14, 2019.  
(2) Amount outstanding is equal to the initial principal amount of the Bonds.  
(3) Additional bonded debt or available bond authorization may exist but is not shown because a tax was not levied for FY 2019-20.  
(4) The District has covenanted in the Indenture not to issue additional bonds other than for refunding purposes. See "SOURCES OF PAYMENT FOR THE BONDS—Parity Bonds for Refunding Purposes Only."  
(5) Percentage applicable determined by FY 2019-20 Equalized Roll Assessed Value information.  
Source: Webb Municipal Finance, LLC.

Annual Debt Service for the Bonds has been structured so that Developed Property at buildout levied at the Assigned Special Tax rate, assuming no delinquencies, will generate in each Fiscal Year not less than the Administrative Expenses Cap plus 110% of debt service payable with respect to the Bonds in the calendar year that begins in that Fiscal Year, assuming that Special Taxes are levied and collected on such Developed Property pursuant to the Rates and Method.

Based on the appraised value of the property within the District set forth in the Appraisal Report, the projected debt service on the Bonds, and Administrative Expenses Cap of \$30,000, the City expects that, in Fiscal Year 2020-21, the projected effective tax rate levied on taxable property in the District, will be approximately 1.58% of average appraised value of the property within the District within each Land Use Type (as defined in the Rates and Method).

Table 6 below describes the estimated Fiscal Year 2020-21 effective tax burden for an average unit of property within the District based on the estimated Special Taxes levy and Fiscal Year 2019-20 actual levies for all other overlapping taxing jurisdictions.

**TABLE 6  
COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE)  
OF THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA  
ESTIMATED FISCAL YEAR 2020-21 TAX OBLIGATION<sup>(1)</sup>**

Average Home Value <sup>(2)</sup>	\$ 453,018.00
 Ad Valorem Property Taxes:	
Basic Levy (1.00000%)	\$ 4,530.18
Riverside Unified School B & I (0.095170%)	431.14
Riverside Community College B & I (0.014760%)	66.87
Metropolitan Water West (0.00350%)	<u>15.86</u>
<b>Total General Property Taxes</b>	<b>\$ 5,044.04</b>
 Assessment, Special Taxes & Parcel Charges:	
CFD No. 2015-1 Orangecrest Grove <sup>(3)</sup>	\$ 2,053.13
Flood Control Stormwater/Cleanwater	2.02
CSA 152 - Riverside Stormwater	10.00
Riverside Lighting District	27.60
Riverside City Library Services	19.00
NW Mosquito & Vector - Riverside	10.78
MWD Standby West	<u>9.22</u>
<b>Total Assessment Charges</b>	<b>\$ 2,131.75</b>
 <b>Average Total Property Tax</b>	 <b>\$ 7,175.79</b>
<b>Average Effective Tax Rate</b>	<b>1.58%</b>

<sup>(1)</sup> Average Fiscal Year 2020-21 tax rates based upon Fiscal Year 2019-20 Overlapping Taxes and Assessment Rates.

<sup>(2)</sup> Average Home Value is based upon average appraised values for parcels of developed property conveyed to individual homeowners.

<sup>(3)</sup> Reflects District's Average Projected Fiscal Year 2020-21 Special Tax Levy for parcels of developed property.

Source: Webb Municipal Finance, LLC, based on assessed value information provided by the County.

## Delinquency History

Table 7 below sets forth the Special Tax levy, collections and delinquency rates in the District for Fiscal Year 2018-19 and the first installment payment of Special Taxes for Fiscal Year 2019-20.

**TABLE 7**  
**COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE)**  
**OF THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**  
**SPECIAL TAXES LEVIES, DELINQUENCIES AND DELINQUENCY RATES**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies Following Fiscal Year End</i>			<i>Delinquencies as of February 4, 2020</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2018-19 <sup>(1)</sup>	\$92,319.86	31	0	\$0	0.00%	0	\$0	0.00%
2019-20 <sup>(2)</sup>	115,994.87	85	N/A	N/A	N/A	1	1,402	1.21

(1) First year of District Special Tax levy.

(2) Reflects first installment payment of Special Taxes due on December 10, 2019 for the Fiscal Year 2019-20 Special Tax levy.

Source: Webb Municipal Finance, LLC.

## PROPERTY OWNERSHIP AND THE DEVELOPMENT

**The Development.** The District contains approximately 13.528 gross acres and approximately 8.49 net acres, and is located in the southeastern portion of the City, just under one mile north of Van Buren Boulevard, one mile south of Alessandro Boulevard and less than one-quarter miles east of Trautwein Road, approximately two-and-one-half miles west of Interstate 215 and approximately five miles southeast of State Route 91. The District consists of Tract Map No. 39534 and includes 85 single family detached homes in a project that has been marketed by Lennar Homes as “Autumn Grove.”

As of January 15, 2020, all of the 85 planned homes within the District had been conveyed to individual homeowners. A summary of the product mix of the homes within the Autumn Grove project that were completed by Lennar Homes, including square footage and average sales prices for each floor plan is set forth below:

<i>Plan</i>	<i>Number of Homes</i>	<i>Base Square Footage<sup>(1)</sup></i>	<i>Number of Bedrooms/ Bathrooms</i>	<i>Average Sales Price<sup>(2)</sup></i>
1	22	2,295	3+/2.5	\$439,314
2	27	2,547	4+/3	482,214
3	36	2,700	4+/3	488,026
<b>TOTAL:</b>	<b>85</b>			

(1) Actual square footage may vary based on options selected.

(2) Sales prices for individual homes varied based on premiums, upgrades, options and incentives.

Source: Lennar Homes.

All backbone and in-tract infrastructure relating to the development within the District is complete and all fees relating to such development have been paid. A small community park, tot lot, and small walking trail are located on within the District. The parcels associated with the park site, tot lot and walking trail are owned and maintained by the homeowner’s association and are not subject to the Special Tax levy.

As used in this Official Statement, “Lennar Homes” is Lennar Homes of California, Inc., a California corporation, which is based in Irvine, California, and has been in the business of developing residential real estate communities in California since 1995.

Lennar Homes is wholly-owned by U.S. Home Corporation, a Delaware corporation (“U.S. Home”). U.S. Home is wholly-owned by Lennar Corporation.

Lennar Corporation, founded in 1954 and publicly traded under the symbol “LEN” since 1971, is one of the nation’s largest home builders, operating under a number of brand names, including Lennar Homes and U.S. Home. Lennar Corporation primarily develops residential communities both within the Lennar Corporation family of builders and through consolidated and unconsolidated partnerships in which Lennar Corporation maintains an interest.

## **SPECIAL RISK FACTORS**

The Bonds have not been rated by any rating agency, and the purchase of the Bonds involves significant risks that are not appropriate for certain 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 and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See “— Property Values” below.

### **Risks of Real Estate Secured Investments Generally**

The Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation: (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses; (iv) adverse changes in local market conditions; and (v) increased delinquencies due to rising mortgage costs and other factors.

No assurance can be given that the property owners within the District will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption “— Enforcement Delays — Bankruptcy” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

### **Tax Cuts and Jobs Act**

H.R. 1 of the 115th U.S. Congress, known as the “Tax Cuts and Jobs Act,” was enacted into law on December 22, 2017 (the “Tax Act”). The Tax Act makes significant changes to many aspects of the Internal Revenue Code of 1986, as amended (the “Code”). For example, the Tax Act reduces the amount of mortgage interest expense and state and local income tax and property tax expense that individuals may deduct from their gross income for federal income tax purposes, which could increase the cost of home ownership within the District. However, neither the City nor the District can predict the effect that the Tax Act may have on the cost of home ownership or the ability or willingness of homeowners to pay Special Taxes or property taxes.

## **Insufficiency of Special Tax Revenues**

As discussed below, the Special Taxes may not produce revenues sufficient to pay the debt service on the Bonds either due to nonpayment of the amounts levied or because acreage within the District becomes exempt from taxation due to the transfer of title to a public agency.

In order to pay debt service on the Bonds, it is generally necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the District has established a Reserve Account under the Indenture to be maintained in an amount equal to the Reserve Requirement and an Additional Special Tax Reserve Account under the Indenture to be maintained in an amount equal to the Additional Special Tax Reserve Requirement, to pay debt service on the Bonds to the extent other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund” and “— Additional Special Tax Reserve Account.” The District will covenant in the Indenture to maintain in the Reserve Account an amount equal to the Reserve Requirement and in the Additional Special Tax Reserve Account an amount equal to the Additional Special Tax Reserve Requirement, subject, however, to the availability of Net Taxes in amounts sufficient to do so and to the limitation that the District may not levy the Special Tax in any Fiscal Year at a rate in excess of the maximum amounts permitted under the Rates and Method. See Appendix E hereto. As a result, if a significant number of Special Tax delinquencies occurs within the District, the District could be unable to replenish the Reserve Account to the Reserve Requirement due to the limitations on the amount of the Special Tax that may be levied. If such defaults were to continue in successive years, the Reserve Account could be depleted and a default on the Bonds could occur.

The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts, but it is doubtful that they would be upheld as to, for example, property owned by the federal government. If for any reason property within the District becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitation of the Maximum Special Tax, the Special Tax will be reallocated to the remaining taxable parcels within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon their willingness and/or ability to pay the Special Tax. Moreover, if a substantial portion of additional land within the District became exempt from the Special Tax because of public ownership, or otherwise, the Maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the Bonds when due and a default will occur with respect to the payment of such principal and interest.

The District will covenant in the Indenture that, under certain circumstances, it will institute foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*” for provisions which apply in the event of such foreclosure and which the District is required to follow in the event of delinquencies in the payment of the Special Tax.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Owners of the Bonds (if the Reserve Account and the Additional Special Tax Reserve Account have been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City on behalf of the District of the proceeds of sale. The District may adjust the future Special Tax levied on taxable parcels in the District, subject to limitations described above under the caption “THE DISTRICT—Rates and Method of Apportionment,” to provide an amount required to pay interest on and principal of the Bonds, and



the amount, if any, necessary to replenish the Reserve Account to an amount equal to the Reserve Requirement and to replenish the Additional Special Tax Reserve Account to an amount equal to the Additional Special Tax Reserve Requirement, and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in the District will be at all times sufficient to pay the amounts required to be paid by the applicable Indenture, even if the Special Tax is levied at the Maximum Special Tax rates. See “— Enforcement Delays – Bankruptcy.”

No assurance can be given that the real property subject to sale or foreclosure will be sold, or if sold, that the proceeds of sale will be sufficient to pay any delinquent installments of the Special Tax. The Act does not require the City to purchase or otherwise acquire any lot or parcel of property to be sold at foreclosure if there is no other purchaser at such sale. The Act and the Indenture do specify that the Special Tax will have the same lien priority as for *ad valorem* property taxes in the case of delinquency. Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post judgment interest and authorized costs, unless the consent of the owners of 75% of the Outstanding Bonds is obtained.

Prior to July 1, 1983, the right of redemption from foreclosure sales was limited to a period of one year from the date of sale. Under legislation effective July 1, 1983, the statutory right of redemption from such foreclosure sales has been repealed. However, a period of 20 days must elapse after the date on which the notice of levy of the interest in real property was served on the judgment debtor before the sale of such lot or parcel can be made. Furthermore, if the purchaser at the sale is the judgment creditor (e.g., the District), 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 aforementioned legislation, which repeals the one year redemption period, has not been tested and there can be no assurance that, if tested, such legislation will be upheld. (Section 701.680 of the Code of Civil Procedure of the State.)

### **Property Values**

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District’s only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See “THE DISTRICT — Appraisal Report” and Appendix D-1 — “APPRAISAL REPORT.”

The Appraiser has estimated, on the basis of certain assumptions and limiting conditions contained in the Appraisal Report, that as of the Date of Value, the aggregate estimate of value of the property within the District was \$38,189,232. See “THE DISTRICT — Appraisal Report.” The Appraisal Report indicates the Appraiser’s opinion as to the market value of the properties referred to therein as of the date and under the conditions specified therein. The Appraiser’s opinion reflects conditions prevailing in the applicable market as of the Date of Value. The Appraiser’s opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

Prospective purchasers of the Bonds should not assume that the taxable land within the District could be sold for the appraised amount or for the assessed values at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value of the property within the District subject to the levy of Special Taxes, 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 D-1 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 taxable land and improvements within the District from the market value estimated by the Appraiser.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*”

### **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. The property within the District is not located in an Alquist Priolo Earthquake Study Zone and is not located within one-half mile of an active earthquake fault. Additionally, the District is not located in a flood plain area.

In recent years, wildfires have caused extensive damage throughout the State, including within the County. Certain of these fires have burned thousands of acres and destroyed hundreds and in some cases thousands of homes. In some instances entire neighborhoods have been destroyed. Several fires which occurred in 2017 damaged or destroyed property in areas that were not previously considered to be at risk from such events. The District is not located in an area which the Department of Forestry and Fire Protection of the State of California has designated as a very high fire hazard severity zone. However, there is a risk of residential property within the District being destroyed by wildfires and no assurance can be given as to the severity or frequency of wildfires within the vicinity of the District.

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

### **Hazardous Substances**

While government taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may also be relevant. One of the most serious in terms of the potential reduction in the value of a parcel is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions 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 “Super Fund 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 in effect. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the District be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition.

A Phase I Environmental Site Assessment Report for the property within the District was prepared by C.H.J., Incorporated, Colton, California in January 2002. The report found that the property within the District had been used for agricultural purposes and that soil tests contained detectable levels of residual pesticides which were below State regulatory levels.

The District is not aware of the presence of any federally or state classified hazardous substances in violation of any environmental laws, located on the property within the District. However, it is possible that such materials do currently exist and that the District is not aware of them.

It is possible that property in the District may be liable for hazardous substances in the future as a result of the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or the existence, currently, on the property of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling such substance. All of these possibilities could have the effect of reducing the value of the applicable property.

### **Enforcement Delays – Bankruptcy**

In the event of a delinquency in the payment of the Special Taxes, the District is required to commence enforcement proceedings under the circumstances described under the heading “SECURITY FOR THE BONDS — Covenant for Superior Court Foreclosure.” However, prosecution of such proceedings could be delayed due to crowded local court calendars or by bankruptcy, insolvency and other laws generally affecting creditors’ rights (such as the Soldiers’ and Sailors’ Relief Act of 1940) and by the laws of the State relating to judicial and non-judicial foreclosure. Although bankruptcy proceedings would not cause the liens of the Special Taxes to become extinguished, bankruptcy of a person or entity with an interest in the applicable property could result in a delay in the enforcement proceedings because federal bankruptcy laws provide for an automatic stay of foreclosure and tax sale proceedings. Any such delay could increase the likelihood of delay or default in payment of the principal of and interest on the applicable Bonds. The various legal opinions to be delivered in connection with the issuance of the Bonds, including Bond Counsel’s approving legal opinion, are qualified as to the enforceability of the Bonds and the Indenture by reference to bankruptcy, reorganization, moratorium, insolvency and other laws affecting the rights of creditors generally or against public entities such as the District.

### **FDIC/Federal Government Interests in Parcels**

The ability of the District to collect interest and penalties specified by the Act and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to parcels in which the Federal Deposit Insurance Corporation (the “FDIC”), or other federal government entities such as Fannie Mae or Freddie Mac, has or obtains an interest.

In the case of FDIC, in the event that any financial institution making a loan which is secured by parcels is taken over by the FDIC and the applicable Special Tax is not paid, the remedies available to the District 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 FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the Ninth Circuit Court of Appeals issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to 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.

In the case of Fannie Mae and Freddie Mac, in the event a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, or a private deed of trust secured by a parcel of taxable property is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae or Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that, based on the supremacy clause of the United States Constitution “this Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, anything in the Constitution or Laws of any State to the contrary notwithstanding.” In the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel of taxable property but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. For a discussion of risks associated with taxable parcels within the District becoming owned by the federal government, federal government entities or federal government sponsored entities, see “— Insufficiency of Special Tax Revenues.”

The District’s remedies may also be limited in the case of delinquent Special Taxes 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.

### **Direct and Overlapping Indebtedness**

The ability of an owner of property within the District to pay the applicable Special Taxes could be affected by the existence of other taxes and assessments imposed upon taxable parcels. See “THE DISTRICT — Direct and Overlapping Debt” herein. 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 Special Taxes applicable to the property within the District.

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

### **Payment of Special Taxes is not a Personal Obligation of the Property Owners**

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

## **No Acceleration Provision**

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

## **Limited Obligations**

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

The District's legal obligations with respect to any delinquent Special Taxes are limited to: (i) payments from the Reserve Account to the extent of funds on deposit therein; and (ii) the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes are delinquent. See the caption "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Proceeds of Foreclosure Sales.*" The Bonds cannot be accelerated in the event of any default.

The obligation to pay Special Taxes does not constitute a personal obligation of the current or subsequent owners of the respective parcels which are subject to such liens. See the caption "—Payment of the Special Tax is Not a Personal Obligation of the Property Owners." Enforcement of Special Tax payment obligations by the District is limited to judicial foreclosure in the Superior Court of California, County of Riverside. There is no assurance that any current or subsequent owner of a parcel subject to a Special Tax lien will be able to pay the amounts due or that such owner will choose to pay such amounts even though financially able to do so.

Failure by owners of the parcels to pay Special Tax installments when due, delay in foreclosure proceedings, or the inability of the District to sell parcels that have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Special Taxes levied against such parcels may result in the inability of the District to make full or timely payments of debt service on the Bonds, which may in turn result in the depletion of the Reserve Account. See the caption "—Enforcement Delays – Bankruptcy."

## **Ballot Initiatives**

Articles XIII A, XIII B, XIII C, and XIII D of the California Constitution were adopted pursuant to measures qualified for the ballot pursuant to the State's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the City, or other local agencies to increase revenues or to increase appropriations.

## **Proposition 218**

An initiative measure entitled "The Right to Vote on Taxes Act" ("Proposition 218") was approved by the voters at the November 5, 1996 statewide general election. Among other things, Proposition 218 added a new Article XIII C to the California Constitution which states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax

pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. While the application of Proposition 218 in this context has not yet been interpreted by the courts and the matter is not completely free from doubt, it is not likely that Proposition 218 has conferred on the voters the power to effect a repeal or reduction of the Special Tax if the result thereof would be to impair the security of the Bonds.

It may be possible, however, for voters or the City Council, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the future levy of Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Nevertheless, to the maximum extent that the law permits it to do so, the District will covenant that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates for the District, unless, in connection therewith, (i) such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than the Administrative Expense Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such proposed reduction; and (ii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. The District also will covenant that, in the event an initiative is adopted which purports to reduce or otherwise alter the Rates and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

### **Shapiro Case**

With respect to the approval of the Special Taxes, on August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997) (the “San Diego Decision”). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego (the “City of San Diego”). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIII A, Section 4 thereof and Article XIII C, Section 2 thereof require that the electors in such an election be the registered voters within the district.

The facts of the San Diego Decision show that there were hundreds of thousands of registered voters within the CCFD (viz., all of the registered voters in the City of San Diego). The elections held in the District at the time of had no registered voters at the time of such election. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court’s holding does not apply to the elections in connection with the formation of the District or the authorization of the Special Tax levy. Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. Voters in the District approved Special Tax on August 11, 2015. Based on Sections 53341 and

53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, Bond Counsel is of the opinion that no successful challenge to the Special Tax being levied in accordance with the Rates and Method may now be brought.

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

### **Loss of Tax Exemption**

As discussed under the heading “TAX MATTERS,” interest on the 2020A Bonds could cease to be excluded from gross income for purposes of federal income taxation, retroactive to the date the 2020A Bonds were issued, as a result of future acts or omissions of the District. In addition, it is possible that future changes in applicable federal tax laws could cause interest on the 2020A Bonds to be included in gross income for federal income taxation or could otherwise reduce the equivalent taxable yield of such interest and thereby reduce the value of the 2020A Bonds.

### **No Ratings – Limited Secondary Market**

The District has not applied to have the Bonds rated by any nationally recognized bond rating company, and it does not expect to do so in the future.

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the District has committed to provide certain financial and operating information, there can be no assurance that such information will be available to Bond owners on a timely basis. 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, the absence of a credit rating for the Bonds 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.

### **Limitations on Remedies**

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

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture 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 creditor’s rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. 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.

### **Potential Early Redemption of Bonds from Prepayments or Other Sources**

Property owners within the District are permitted to prepay their Special Taxes at any time. Such Prepayments could also be made from the proceeds of bonds issued by or on behalf of an overlapping special assessment district or community facilities district. Such Prepayments will result in a special mandatory redemption of the Bonds on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of the Prepayment. The resulting special mandatory redemption of Bonds that

were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption “THE BONDS—Redemption— Special Mandatory Redemption from Special Tax Prepayments.”

## **CONTINUING DISCLOSURE**

Pursuant to a Continuing Disclosure Certificate (the “Disclosure Agreement”), to be executed and delivered by the District at the time of issuance of the Bonds, the District will covenant for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District by February 15 following the end of the District’s Fiscal Year (currently its Fiscal Year ends on June 30) (the “Annual Report”), commencing with the report for the Fiscal Year ended June 30, 2020, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with EMMA. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in Appendix F—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12.

The District has not entered into any continuing disclosure undertakings during the previous five-year period. Although the City and its related governmental entities – specifically those entities for whom City staff is responsible for undertaking compliance with continuing disclosure undertakings – are not obligated persons pursuant to Rule 15c2-12 with respect to the Bonds, during the last five years the City and its related governmental entities have not, on a handful of occasions during the past five years, fully complied, in all material respects, with their disclosure undertakings because on certain occasions in the last five years, the City did not timely file: (1) defeasance notices and notices of rating changes to bond insurers and other credit and/or liquidity providers for City debt obligations; (2) certain financial information or operating data required to be filed with respect to debt obligations of the City or its related government entities; and (3) a notice of successor trustee for a prior City debt obligation. In addition, the City did not link certain financial information or operating data required to be filed with respect to debt obligations of the City or its related government entities to all relevant CUSIPs.

The City and its related governmental entities have made filings to correct all known instances of non-compliance during the last five years. The City believes that it has established internal processes, including a written continuing disclosure policy that will ensure that it and its related governmental entities will meet all material obligations under their respective continuing disclosure undertakings. The City also now handles its and its related governmental entities’ continuing disclosure obligations internally and no longer uses third-party dissemination agents for that purpose. Additionally, the City has engaged a consultant to annually verify its continuing disclosure filings and identify any deficiencies, whether material or otherwise, so that any required corrective action can be taken.

## **TAX MATTERS**

### **2020A Bonds**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2020A Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the 2020A Bonds is exempt from State of California personal income tax.

The difference between the issue price of a 2020A Bond (the first price at which a substantial amount of the 2020A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the 2020A Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original



issue discount will accrue to an Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by an Owner will increase the Owner's basis in the applicable 2020A Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of the 2020A Bond is excluded from gross income of such Owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of the 2020A Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2020A Bonds is based upon certain representations of fact and certifications made by the Agency and others and is subject to the condition that the Agency complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2020A Bonds to assure that interest (and original issue discount) on the 2020A Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the 2020A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2020A Bonds. The Agency will covenant to comply with all such requirements.

The amount by which an Owner's original basis for determining loss on sale or exchange in the applicable 2020A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Owner's basis in the applicable 2020A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in an Owner realizing a taxable gain when a 2020A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2020A Bond to the Owner. Purchasers of the 2020A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2020A Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any 2020A Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the 2020A Bonds is excluded from gross income for federal income tax purposes provided that the Agency continues to comply with certain requirements of the Code, the ownership of the 2020A Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2020A Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2020A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2020A Bonds.

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 2020A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2020A Bonds might be affected as a result of such an audit of the 2020A Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2020A Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2020A Bonds or their market value.

FOLLOWING THE ISSUANCE OF THE 2020A BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE 2020A BONDS OR THE MARKET VALUE OF THE 2020A BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2020A BONDS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES WILL BE INTRODUCED WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2020A BONDS. NO ASSURANCE CAN BE GIVEN THAT FOLLOWING THE ISSUANCE OF THE 2020A BONDS, STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 2020A BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2020A BONDS.

A copy of the proposed form of the opinion of Bond Counsel to be delivered at Closing with respect to the Bonds is attached hereto as Appendix C.

### **2020B Bonds**

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest with respect to the 2020B Bonds is exempt from State of California personal income tax.

The difference between the issue price of a 2020B Bond (the first price at which a substantial amount of the 2020B Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2020B Bond constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the 2020B Bond Owner will increase the 2020B Bond Owner's basis in the 2020B Bond.

The amount by which a 2020B Bond Owner's original basis for determining loss on sale or exchange in the applicable 2020B Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2020B Bond premium, which a 2020B Bond holder may elect to amortize under Section 171 of the Code; such amortizable 2020B Bond premium reduces the 2020B Bond Owner's basis in the applicable 2020B Bond (and the amount of taxable interest received), and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2020B Bond premium may result in a 2020B Bond Owner realizing a taxable gain when a 2020B Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2020B Bond to the Owner. Purchasers of the 2020B Bond should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable 2020B Bond premium.

In the event of a legal defeasance of a 2020B Bond, such bond might be treated as retired and "reissued" for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable 2020B Bond Owner generally equal to the difference between the amount deemed realized from the deemed redemption and reissuance and the 2020B Bond Owner's adjusted tax basis in such bond.

The federal tax and State of California personal income tax discussion set forth above is included for general information only and may not be applicable depending upon an owner's particular situation. The ownership and disposal of the 2020B Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2020B Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2020B

Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2020B Bonds.

A copy of the proposed form of the opinion of Bond Counsel to be delivered at Closing with respect to the Bonds is attached hereto as Appendix C.

### **LEGAL OPINION**

The legal opinion of Bond Counsel approving the validity of the Bonds, in substantially the form set forth as Appendix C hereto, will be made available to purchasers of the Bonds at the time of original delivery of the Bonds. Certain legal matters will be passed upon for the City and the District by the City Attorney, and for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, for the Underwriter by Kutak Rock LLP, Irvine, California, and for the Trustee by its counsel. Bond Counsel undertakes no responsibility to the purchasers of the Bonds for the accuracy, completeness or fairness of this Official Statement.

### **ABSENCE OF LITIGATION**

In connection with the issuance of the Bonds, the City Attorney will deliver an opinion to the effect that, to their actual knowledge, after due inquiry and investigation, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, or any unfavorable decision, ruling or finding, against or affecting the District, which would adversely impact the District's ability to complete the transactions described in, or contemplated by, the Indenture or this Official Statement, restrain or enjoin the collection of the Special Taxes, or in any way contest or affect the validity of the Bonds, the Indenture, the Special Taxes, or the transactions described herein.

### **NO RATING**

The District has not made, and does not contemplate making, an application to any rating organization for the assignment of a rating on the Bonds.

### **UNDERWRITING**

The Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the 2020A Bonds at a price of \$2,338,878.10 (being the aggregate principal amount thereof, plus original issue premium of \$289,235.60, less an Underwriter's discount of \$25,357.50) and the 2020B Bonds at a price of \$360,539.51 (being the aggregate principal amount thereof, less an Underwriter's discount of \$4,460.49). 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's compensation is contingent upon the successful issuance of the Bonds.

Under certain circumstances, the Underwriter may offer and sell the Bonds to certain dealers and others at prices lower or yields higher than those stated on the page immediately following the cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

### **FINANCIAL INTERESTS**

The fees being paid to the Underwriter and its counsel, Bond Counsel, Disclosure Counsel and the Trustee are contingent upon the issuance and delivery of the Bonds. From time to time, Stradling Yocca Carlson & Rauth, a Professional Corporation, represents the Underwriter on matters unrelated to the Bonds.

**MUNICIPAL ADVISOR**

The District has retained CSG Advisors Incorporated, San Francisco, California, as Municipal Advisor for the sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CSG Advisors Incorporated, is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

**MISCELLANEOUS**

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as presentations of fact, and actual results may differ substantially from those set forth therein. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the Owners of the Bonds.

The summaries of certain provisions of the Bonds, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City.

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

COMMUNITY FACILITIES DISTRICT NO. 2015-1  
(ORANGECREST GROVE) OF THE CITY OF  
RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF  
CALIFORNIA

By: \_\_\_\_\_ /s/ Al Zelinka  
City Manager of the City of Riverside

## APPENDIX A

### RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX

#### RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE) OF THE CITY OF RIVERSIDE

A Special Tax shall be levied on all Assessor's Parcels of Taxable Property within Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside (the "District" or the "CFD No. 2015-1") in each Fiscal Year, in an amount determined by the City Council of the City of Riverside (the "Council" or the "City") through the application of the appropriate Special Tax for Developed Property, Approved Property, Undeveloped Property, Taxable Association Property, or Taxable Public Property as provided below. All Assessor's Parcels within CFD No. 2015-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

#### A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

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

**"Administrative Expenses"** means the following actual or reasonably estimated costs directly related to the administration of the District: the costs of computing the Special Taxes and preparing the annual Special Tax levy schedules (whether by the City, the District, or an agent thereof); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the fiscal agent or trustee; the costs of the fiscal agent or trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, the District or any agent thereof in complying with arbitrage rebate requirements; the costs to the City, the District or any agent thereof to provide continuing disclosure information; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, the District or any agent thereof related to an appeal of the Special Tax. Administrative Expenses shall also include amounts advanced by the City or the District for any other administrative purposes of the District, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure proceedings for the collection of delinquent Special Taxes.

**"Approved Property"** means all Assessor's Parcels of Taxable Property: (i) that are included in a Final Subdivision that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have not been issued a Building Permit prior to the March 1st preceding the Fiscal Year in which the Special Tax is being levied.

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

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

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

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

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

**“Bonds”** means any bonds or other indebtedness (as defined in the Act), whether issued in one or more series, secured by the levy of Special Taxes on Assessor’s Parcels of Taxable Property.

**“Developed Property”** means all Assessor’s Parcels within CFD No. 2015-1, exclusive of Association Property and Public Property, upon which completed Dwelling Units or non-residential buildings have been constructed or for which building permits have been issued as of March 1 of the Fiscal Year preceding the Fiscal Year for which Special Taxes are being levied.

**“District Administrator”** means the Finance Director / Treasurer of the City, or his or her designee, or any agent appointed by him or her, who shall be responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

**“Dwelling Unit”** or **“DU”** means a residential unit that is used or intended to be used as a domicile by one or more persons, as determined by the District Administrator.

**“Exempt Property”** means all Assessor’s Parcels within CFD No. 2015-1 designated as being exempt from the Special Tax as provided in Section E.

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

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

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

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

**“Maximum Special Tax”** means the Maximum Special Tax, determined as provided in Section C, which can be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property within CFD No. 2015-1.

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

**“Proportionately”** means for Taxable Property that is (i) Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is the same for all Assessor’s Parcels of Developed Property, (ii) Approved Property, that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is the same for all Assessor’s Parcels of Approved Property, and (iii) Undeveloped Property, Taxable Public Property and Taxable Association Property, that the ratio of the actual Special Tax

levy per Acre to the Maximum Special Tax per Acre is the same for all Assessor's Parcels of Undeveloped Property, Taxable Public Property and Taxable Association Property.

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

**"Residential Floor Area"** for any Assessor's Parcel of Residential Property means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the original building permit(s) issued for each Assessor's Parcel or if the Building Permit is not available by reference to a similar official document as selected by the District Administrator.

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

**"Special Tax"** means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property within CFD No. 2015-1 to fund the Special Tax Requirement.

**"Special Tax Requirement"** means the amounts required in any Fiscal Year to: (i) pay debt service on all outstanding Bonds (taking into consideration the amount of funds that may be available pursuant to the Indenture to pay such debt service); (ii) pay periodic costs for the Bonds, including, but not limited to, costs related to credit enhancement and rebate payments; (iii) pay Administrative Expenses; (iv) provide an amount equal to reasonably anticipated delinquencies in the collection of Special Taxes; (v) pay any amount required to replenish the reserve fund for the outstanding Bonds; (vi) to pay annually the allocable share of other obligations of the City relating to such facilities; and (vii) provide any amounts that the Council determines are necessary to pay the costs of the provision, construction and acquisition of public facilities and/or to accumulate funds therefor.

**"Taxable Association Property"** means all Assessor's Parcels of Association Property within CFD No. 2015-1 which are not Exempt Property.

**"Taxable Property"** means all of the Assessor's Parcels within CFD No. 2015-1 which are not Exempt Property.

**"Taxable Public Property"** means all Assessor's Parcels of Public Property within CFD No. 2015-1 which are not Exempt Property.

**"Undeveloped Property"** means all Taxable Property within CFD No. 2015-1 not classified as Developed Property, Approved Property, Taxable Association Property or Taxable Public Property.

## **B. CLASSIFICATION AND LAND USE CATEGORIZATION**

For each Fiscal Year, all Assessor's Parcels of Taxable Property within CFD No. 2015-1 shall be classified as Developed Property, Approved Property, Undeveloped Property, Taxable Association Property, or Taxable Public Property and shall be subject to the levy of Special Taxes as determined pursuant to Sections C and D below. Assessor's Parcels of Developed Property shall be classified as either Residential Property or Non-Residential Property.

For purposes of determining the applicable Assigned Special Tax for Assessor’s Parcels of Developed Property which are classified as Residential Property, all such Assessor’s Parcels shall be assigned to a Land Use Category based upon the square footage of the Residential Floor Area of the Dwelling Unit(s) constructed or to be constructed thereon as specified in or shown on the building permit(s) issued therefor.

**C. ASSIGNED AND MAXIMUM SPECIAL TAXES**

**1. Developed Property**

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

a. Assigned Special Tax

The Assigned Special Tax amounts for all Land Use Categories of Developed Property are specified in Table 1 below.

**TABLE 1**

**Assigned Special Taxes for Land Use Categories of Developed Property**

<b>Land Use Category</b>	<b>Taxable Unit</b>	<b>Residential Floor Area</b>	<b>Assigned Special Tax per DU or Acre</b>
1. - Residential Property	DU	2,700 sq. ft or less	\$2,804
2. - Residential Property	DU	2,701 sq. ft. to 2,900 sq. ft.	\$2,865
3. - Residential Property	DU	Greater than 2,900 sq. ft.	\$2,932
4. - Non Residential Property	Acre	N/A	\$30,352

b. Backup Special Tax

The Backup Special Tax for an Assessor’s Parcel of Residential Property within a Final Subdivision shall be determined by multiplying the Maximum Special Tax per Acre for Undeveloped Property by the total Acreage of Taxable Property within the Final Subdivision which created such Assessor’s Parcel, excluding the Acreage associated with Non-Residential Property, Taxable Association Property, and Taxable Public Property, and dividing such amount by the number of Assessor’s Parcels within such Final Subdivision for which a building permit has been or is expected to be issued for Residential Property (i.e., the total number of residential lots with such Final Subdivision).

Notwithstanding the foregoing, if all or any portion of the Final Subdivision(s) described in the preceding paragraphs is subsequently changed or modified, then the Backup Special Tax for each Assessor’s Parcel of Developed Property in such Final Subdivision area that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Special Taxes anticipated to apply to the changed or modified Final Subdivision area prior to the change or modification.



2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified Final Subdivision area, as reasonably determined by the District Administrator.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified Final Subdivision area for all remaining Fiscal Years in which the Special Tax may be levied.

The Backup Special Tax shall not apply to Non-Residential Property, Taxable Association Property, or Public Property.

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

The Maximum Special Tax for Assessor's Parcels of Approved Property, Undeveloped Property, Taxable Association Property and Taxable Public Property shall be \$30,352 per Acre.

**D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

Commencing with Fiscal Year 2015-16 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement and shall levy the Special Tax on all Assessor's Parcels of Taxable Property until the aggregate amount of the Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied for each Fiscal Year as follows:

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

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

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcels of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property;

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

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

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

No Special Tax shall be levied on Assessor's Parcels of Undeveloped Property in CFD No. 2015-1 to provide any amounts that the Council determines are necessary to pay the costs of the provision, construction

and acquisition of public facilities and/or to accumulate funds therefor, as described in clause (vii) of the definition of Special Tax Requirement.

Notwithstanding the above, under no circumstances will the Special Taxes levied in any Fiscal Year against any Assessor's Parcel of Residential Property as a result of a delinquency or default in the payment of the Special Tax applicable to any other Assessor's Parcel be increased by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquency or default.

**E. EXEMPTIONS**

The District Administrator shall classify as Exempt Property Assessor's Parcels within CFD No. 2015-1 of (i) Public Property or (ii) Association Property; provided that such classification shall not reduce the Acreage of all Taxable Property within CFD No. 2015-1 to less than 8.06 Acres. The District Administrator shall not classify an Assessor's Parcel of Public Property or Association Property as Exempt Property if such classification would reduce the Acreage of all Assessor's Parcels of Taxable Property to less than 8.06 Acres. Such Assessor's Parcels that cannot be classified as Exempt Property because such classification would reduce the Acreage of all Assessor's Parcels of Taxable Property to less than 8.06 Acres will be classified as Taxable Association Property or Taxable Public Property, and will continue to be subject to the Special Tax. The District Administrator shall classify such Assessor's Parcels as Exempt Property in the chronological order in which property becomes Public Property or Association Property.

**F. MANNER OF COLLECTION**

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

**G. TERM OF THE SPECIAL TAX**

The Special Tax shall be levied each Fiscal Year on each Assessor's Parcels of Taxable Property within CFD No. 2015-1 as needed to satisfy the Special Tax Requirement. If any delinquent Special Taxes remain uncollected prior to or after all outstanding Bonds are retired, the Special Tax may be levied to the extent necessary, up to the applicable Maximum Special Tax, to make up the deficiency resulting from such delinquent Special Taxes, but not later than the 2055-56 Fiscal Year.

**H. PREPAYMENT**

As used in this Section H, the terms in quotes have the meanings given to them below:

**"CFD Facilities Amount"** means the amount of \$3,000,000 expressed in 2015 dollars, which shall increase on January 1, 2016 and on each January 1 thereafter, by the percentage increase in Construction Index since the preceding January 1, or such lesser amount (i) as shall be determined by the District Administrator to be sufficient to provide for the construction and acquisition of all of the public facilities, or (ii) as shall be determined by the Council at the time of the adoption of a covenant that the District will not issue any additional bonds.

**"Construction Fund"** means a fund or account established by the Indenture to hold funds which are to be used to pay costs associated with the construction and acquisition of public facilities.

**“Construction Index”** means the Engineering News-Record Building Cost Index for the City of Los Angeles. If this index ceases to be published, the Construction Index shall be another index which is determined by the District Administrator to be reasonably comparable to such index.

**“Future Facilities Costs”** means the amount determined by subtracting from the CFD Facilities Amount (i) the amount available in the Construction Fund to pay the costs of the construction and acquisition of public facilities, and (ii) the estimated amount of income that will be earned from the investment of such available amount prior to the date upon which the prepayment is to be made.

**“Indenture”** means the bond indenture, fiscal agent agreement or resolution pursuant to which the bonds of the District are issued and which establishes a construction or improvement fund into which proceeds of the sale of the bonds are deposited to pay for the construction and acquisition of public facilities.

**“Non Parks Special Tax”** means that portion of the Special Tax less the parks facilities portion of \$393.38 (I) the Assigned Special Tax minus the Parks Special Tax for an Assessor’s Parcel for which a building permit has been issued or (ii) the Backup Special Tax minus the Parks Special Tax for an Assessor’s Parcel for which a building permit has not been issued.

**“Outstanding Bonds”** means all bonds of the District that are secured by and paid from Special Taxes that are levied on Assessor’s Parcels of Taxable Property and that will remain outstanding after the first date following the current Fiscal Year on which interest on or interest on and principal of such bonds will be paid, excluding bonds to be redeemed on a later date with Prepayment Amounts (as defined below) for other Assessor’s Parcels for which the Special Tax Obligation has been prepaid.

**“Parks Discount Rate”** means 7.50%.

**“Park Facilities”** means parks and park and recreation improvements that are to be developed, constructed and installed to be owned and operated by the City.

**“Parks Special Tax Present Value”** means the present value, based on the Parks Discount Rate, of (i) the Parks Special Tax applicable to an Assessor’s Parcel in the current Fiscal Year not yet paid, plus (ii) the Parks Special Tax applicable to such Assessor’s Parcel in each remaining Fiscal Year until the Fiscal Year that is either (a) the first Fiscal Year in which no Bonds will remain outstanding if Bonds have been issued or (b) 30 years following the current Fiscal Year if Bonds have not been issued.

**“Parks Special Tax”** means that portion of the Special Tax for the Parks Facilities of \$393.38.

**“Special Tax Obligation”** means the total amount of Special Taxes which could be levied on an Assessor’s Parcel based on the Maximum Special Tax for the Assessor’s Parcel through the date of final maturity of the Outstanding Bonds.

#### **1. Prepayment in Full**

The Special Tax Obligation may only be prepaid and permanently satisfied for an Assessor’s Parcel of Developed Property or an Assessor’s Parcel of Undeveloped Property for which a building permit has been issued, or an Assessor’s Parcel of Taxable Association Property or Taxable Public Property. The Special Tax Obligation for an Assessor’s Parcel may be fully prepaid and the obligation of the Assessor’s Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to the Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Special Tax Obligation for the Assessor’s Parcel shall provide the District Administrator with written notice of the owner’s intent to prepay, and within fifteen (15) days of receipt of such notice, the District Administrator shall notify such owner of the amount of a non-refundable deposit to cover the cost to

be incurred by the City and the District in determining the Prepayment Amount for the Assessor's Parcel. Within thirty (30) days of receipt of such non-refundable deposit, the District Administrator shall notify the owner of the Prepayment Amount for the Assessor's Parcel. Prepayment must be made not later than sixty (60) days prior to any redemption date for any bonds which will be redeemed with the Prepayment Amount.

The Non Parks Prepayment Amount shall be calculated as follows (Except as provided above, capitalized terms have the meanings given below.):

Non Parks Redemption Amount  
plus Redemption Premium  
plus Prepaid Facilities Amount  
plus Defeasance Amount  
plus Administration Costs  
less Reserve Fund Credit  
equals Non Parks Prepayment Amount

The Prepayment Amount shall be calculated as follows (Except as provided above, capitalized terms have the meanings given below.):

Non Parks Prepayment Amount  
plus Parks Prepayment Amount

The Prepayment Amount shall be calculated, as of the proposed prepayment date, as follows:

**Paragraph No.:**

1. For an Assessor's Parcel of Developed Property, determine the Maximum Special Tax for the prepaying Assessor's Parcel. For an Assessor's Parcel of Undeveloped Property, determine the Maximum Special Tax for the Assessor's Parcel as though it was Developed Property, based on the building permit(s) issued for the Assessor's Parcel. For an Assessor's Parcel of Taxable Association Property or Taxable Public Property, determine the Maximum Special Tax for the Assessor's Parcel.
2. Divide the Maximum Special Tax for the Assessor's Parcel, determined pursuant to paragraph 1, by the total estimated amount of the Maximum Special Taxes that could be levied on all Assessor's Parcels of Developed Property, including the prepaying Assessor's Parcel and excluding any Assessor's Parcels that have previously prepaid the Special Tax Obligation.
3. Multiply the aggregate principal amount of the Outstanding Bonds by the percentage derived pursuant to paragraph 2 to determine the principal amount of the Outstanding Bonds to be redeemed with the Prepayment Amount (the "*Bond Redemption Amount*").
4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
5. Determine the Future Facilities Costs.
6. Multiply the Future Facilities Costs by the percentage derived pursuant to paragraph 2 to determine the amount of the Future Facilities Costs to be prepaid (the "*Prepaid Facilities Amount*").
7. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.

8. Determine the unpaid amount of the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year.

9. Estimate the earnings on the investment of the Prepayment Amount, less the Prepaid Facilities Amount and the Administration Costs (as defined below), from the date of prepayment until the redemption date for the Outstanding Bonds that will be redeemed with the Prepayment Amount (the "*Net Prepayment Amount*").

10. Add the amounts derived pursuant to paragraphs 7 and 8 and subtract the amount derived pursuant to paragraph 9 to derive the Defeasance Amount (the "*Defeasance Amount*").

11. Determine the amount that will be needed and will not be paid from a non-refundable deposit by the owner of the prepaying Assessor's Parcel for paying the costs of (i) determining the Prepayment Amount, (ii) investing the Net Prepayment Amount, (iii) redeeming the Outstanding Bonds, and (iv) recording any notices to evidence the prepayment and satisfaction of the Special Tax Obligation for the Assessor's Parcel (the "*Administration Costs*").

12. Determine the amount of the reserve fund credit (the "*Reserve Fund Credit*") which shall be the lesser of: (a) the amount, if any, by which the "Reserve Requirement" (as defined in the Indenture) will be reduced as a result of the redemption of Outstanding Bonds with the Prepayment Amount (the "*Reduced Reserve Requirement*") or (b) the amount (which shall not be less than zero) derived by subtracting the Reduced Reserve Requirement from the amount that will be on deposit in the Reserve Fund for the Outstanding Bonds on the prepayment date.

13. The Non Parks Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Prepaid Facilities Amount, the Defeasance Amount and the Administration Costs less the Reserve Fund Credit.

14. The Parks Prepayment Amount is equal to the Parks Special Tax Present Value, based on the Parks Discount Rate, of (i) the Parks Special Tax applicable to an Assessor's Parcel in the current Fiscal Year not yet paid, plus (ii) the Parks Special Tax applicable to such Assessor's Parcel in each remaining Fiscal Year until the Fiscal Year that is either (a) the first Fiscal Year in which no Bonds will remain outstanding if Bonds have been issued or (b) 30 years following the current Fiscal Year if Bonds have not been issued.

15. The Prepayment Amount is equal to the sum of the Non Parks Prepayment Amount and the Parks Prepayment Amount.

16. Upon receipt of the Non Parks Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, the Defeasance Amount and the Reserve Fund Credit shall be deposited into the appropriate fund established under the Indenture for the redemption of Outstanding Bonds and shall be used to redeem an aggregate principal amount of Outstanding Bonds which is equally divisible by \$5,000 and, to the extent of any portion of the sum thereof that is not so utilized, to pay interest on and principal of Outstanding Bonds. The Prepaid Facilities Amount shall be deposited into the Construction Fund. The Administration Costs shall be retained by the City and used to pay or reimburse such costs.

17. Upon receipt of the Parks Prepayment Amount, the funds shall be deposited into the appropriate fund for the payment of Park Facilities or the redemption of other bonds issued for Park Facilities.

Upon receipt of the Prepayment Amount for an Assessor's Parcel, the District Administrator shall cause the appropriate notice to be recorded in compliance with the Act to acknowledge that the

Special Tax Obligation for the Assessor's Parcel has been prepaid and satisfied and to cancel the Special Tax lien securing payment of Special Taxes.

Notwithstanding the foregoing, no Prepayment shall be allowed for any Assessor's Parcel unless the total amount of the Maximum Special Taxes that may be levied on Taxable Property (excluding Assessor's Parcels of Taxable Association Property and Taxable Public Property), both before and after expected buildout of the property, as then approved by the City, after the proposed Prepayment would be at least equal to the sum of (i) an amount equal to 110 percent of maximum annual debt service on all Outstanding Bonds, as determined by the District Administrator, a financial advisor or a special tax consultant, at the option of the District Administrator, plus (ii) Administrative Expenses in the amount of \$20,000.

## **2. Partial Prepayment**

An owner of not less than fifteen (15) Assessor's Parcels of Developed Property classified as Residential Property may partially prepay the Special Tax Obligation for all such Assessor's Parcels. The owner of an Assessor's Parcel of Undeveloped Property (i) for which a tentative subdivision map that will subdivide the Assessor's Parcel into not less than fifteen (15) Assessor's Parcels has been approved by the City, (ii) that will be classified as Residential Property and (iii) for which a building permit has been issued, may partially prepay the Special Tax Obligation for not less than fifteen (15) of such Assessor's Parcels. The amount of the Partial Prepayment shall be calculated pursuant to Section H.1 as modified by the following formula:

$$PP = NP_E \times F + PPV \times F$$

These terms have the following meaning:

PP = the Partial Prepayment

$NP_E$  = the Non Parks Prepayment Amount calculated according to Section H.1

F = the percentage by which the owner of the Assessor's Parcels is partially prepaying the Special Tax Obligation

PPV = the Parks Prepayment Amount calculated according to Section H.1

The owner of such Assessor's Parcels who desires to partially prepay the Special Tax Obligation shall notify the District Administrator of (i) the owner's intent to partially prepay the Special Tax Obligation and, (ii) the percentage by which the Special Tax Obligation for all such Assessor's Parcels will be prepaid, and within fifteen (15) days of receipt of such notice, the District Administrator shall notify such owner of the amount of a non-refundable deposit determined to cover the costs to be incurred by the City and the District in determining the amount of the Partial Prepayment for such Assessor's Parcels. Within thirty (30) days of receipt of such non-refundable deposit, the District Administrator shall notify the owner of the Partial Prepayment amount applicable to each of such Assessor's Parcels. A Partial Prepayment must be paid not later than sixty (60) days prior to the redemption date for any Outstanding Bonds which will be redeemed with the Partial Prepayment.

Upon receipt of a Partial Prepayment of the Special Tax Obligation for any such Assessor's Parcels, the District Administrator shall (i) allocate the amount of the Partial Prepayment pursuant to Paragraphs 16 and 17 of Section H.1 and (ii) note on the records of the District that there has been a Partial Prepayment of the Special Tax Obligation for such Assessor's Parcels and that the amount of Special Taxes that shall continue to be levied on such Assessor's Parcels pursuant to Section D shall be reduced based on the percentage (1.00 - F) of the remaining Special Tax Obligation for such Assessor's Parcels.

Notwithstanding the foregoing, no Partial Prepayment shall be allowed for any Assessor's Parcel unless the total amount of the Maximum Special Taxes that may be levied on Taxable Property (excluding Assessor's Parcels of Taxable Association Property and Taxable Public Property), both before and after expected buildout of the property in District, as then approved by the City, after the proposed Partial Prepayment would be at least equal to the sum of (i) an amount equal to 110 percent of maximum annual debt service on all Outstanding Bonds, as determined by the District Administrator, a financial advisor or a special tax consultant, at the option of the District Administrator, plus (ii) Administrative Expenses in the amount of \$20,000.

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**APPENDIX B**

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION**

*The following information relating to the City of Riverside (the “City”) and the County of Riverside, California (the “County”), California (the “State”) is supplied solely for purposes of information. Neither the City nor the County is obligated in any manner to pay principal of or interest on the Bonds or to cure any delinquency or default on the Bonds. The Bonds are payable solely from the sources described in the Official Statement.*

**General**

The City was founded in 1883 and incorporated as a charter city effective March 5, 1907 in Riverside County. The City encompasses approximately 81.54 square miles, located 55 miles east of downtown Los Angeles and 40 miles northeast of central Orange County.

**Population**

The following table offers population figures for the City, the County and the State for 2015 through 2019.

<i>Area</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
City of Riverside	318,914	321,723	323,934	326,270	328,101
County of Riverside	2,321,837	2,350,992	2,384,660	2,412,536	2,440,124
State of California	38,952,462	39,214,803	39,504,609	39,740,508	39,927,315

Source: California State Department of Finance, Demographic Research Unit. 2010 Census Benchmark.

**Building Activity**

The following tables provide summaries of the building permit valuations and the number of new dwelling units authorized in the City and County from 2014 through 2018.

**BUILDING PERMIT VALUATIONS  
City of Riverside  
2014-2018**

	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Valuation (\$000):					
Residential	\$80,368	\$86,165	\$80,222	\$120,080	\$109,885
Non-residential	<u>70,046</u>	<u>124,254</u>	<u>148,267</u>	<u>162,195</u>	<u>173,305</u>
Total*	\$150,414	\$210,419	\$228,489	\$174,275	\$283,190
Residential Units:					
Single family	230	222	219	172	171
Multiple family	<u>85</u>	<u>218</u>	<u>254</u>	<u>535</u>	<u>504</u>
Total	315	440	473	707	675

\* Totals may not add to sums because of rounding.  
Source: Construction Industry Research Board.

**BUILDING PERMIT VALUATIONS**  
**County of Riverside**  
**2014-2018**

	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Valuation (\$000):					
Residential	\$1,621,751	\$1,536,742	\$1,759,535	\$1,794,108	\$2,558,081
Non-residential	<u>814,990</u>	<u>911,465</u>	<u>1,346,019</u>	<u>1,093,090</u>	<u>1,959,680</u>
Total*	<u>\$2,436,741</u>	<u>\$2,448,207</u>	<u>\$1,433,691</u>	<u>\$1,903,417</u>	<u>\$4,517,761</u>
Residential Units:					
Single family	5,007	5,007	5,662	6,265	7,540
Multiple family	<u>1,931</u>	<u>1,189</u>	<u>1,039</u>	<u>1,070</u>	<u>1,628</u>
Total	<u>6,938</u>	<u>6,196</u>	<u>6,701</u>	<u>7,335</u>	<u>9,168</u>

\* Totals may not add to sums because of rounding.  
Source: Construction Industry Research Board.

**Employment**

The following tables show the largest employers located in the City and County as of June 30, 2019.

**LARGEST EMPLOYERS**  
**City of Riverside**  
**(as of June 30, 2019)**

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	County of Riverside	22,000	Government
2.	University of California	8,735	Education
3.	March Air Force Reserve	7,000	Government
4.	Kaiser	4,346	Medical and Health
5.	Riverside Unified School District	4,313	Education
6.	City of Riverside	4,313	Government
7.	Riverside Community Hospital	2,200	Medical Center
8.	Riverside Community College District	2,100	Education
9.	Alvord Unified School District	1,898	Education
10.	California Baptist University	1,442	Education

Source: City of Riverside Comprehensive Annual Financial Report for the year ending June 30, 2019.

**LARGEST EMPLOYERS**  
**County of Riverside**  
**(as of June 30, 2019)**

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	County of Riverside	21,215	County Government
2.	March Air Reserve Base	9,000	Military Reserve Base
3.	University of California-Riverside	8,735	University
4.	Kaiser Permanente Riverside Medical Center	5,592	Medical Center
5.	Corona-Norco Unified School District	4,989	School District
6.	Pechanga Resort and Casino	4,683	Casino & Resort
7.	Riverside Unified School District	4,335	School District
8.	Hemet Unified School District	4,302	School District
9.	Eisenhower Medical Center	3,743	Medical Center
10.	Morongo Casino, Resort & Spa	3,684	Casino & Resort

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Source: County of Riverside Comprehensive Annual Financial Report for the year ending June 30, 2019.

## Employment and Industry

Employment data by industry is not separately reported on an annual basis for the City but is compiled for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the “MSA”), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the MSA has large and growing commercial and service sector employment, as reflected in the table below.

The following table represents the Annual Average Labor Force and Industry Employment for the County for the period from 2014 through 2018.

### RIVERSIDE-SAN BERNARDINO-ONTARIO MSA INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE

	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Civilian Labor Force	1,916,500	1,954,200	1,983,300	2,017,700	2,053,400
Civilian Employment	1,761,200	1,825,800	1,865,200	1,914,900	1,966,800
Civilian Unemployment	155,300	128,500	118,000	102,800	86,600
Civilian Unemployment Rate	8.1%	6.6%	6.0%	5.1%	4.2%
Total Farm	14,400	14,800	14,600	14,500	14,500
Total Nonfarm	1,290,400	1,354,400	1,403,200	1,454,900	1,504,200
Total Private	1,061,600	1,121,100	1,160,900	1,203,900	1,246,600
Goods Producing	170,300	183,100	191,600	197,600	207,300
Mining & Logging	1,300	1,300	900	1,000	1,200
Construction	77,600	85,700	92,000	97,400	104,800
Manufacturing	91,400	96,200	98,700	99,200	101,300
Service Providing	1,120,100	1,171,200	1,211,700	1,257,300	1,296,900
Trade, Transportation & Utilities	314,800	333,100	347,900	365,500	378,300
Wholesale Trade	58,100	60,500	61,600	62,600	64,900
Retail Trade	169,600	174,400	178,300	180,900	180,800
Transportation, Warehousing & Utilities	87,100	98,100	108,000	122,100	132,600
Information	11,300	11,400	11,500	11,300	11,200
Financial Activities	42,900	44,000	44,600	44,200	43,700
Professional & Business Services	138,700	147,400	144,900	146,900	150,600
Educational & Health Services	195,900	206,300	215,700	226,700	240,000
Leisure & Hospitality	144,800	151,700	160,200	166,300	170,000
Other Services	43,000	44,000	44,600	45,400	45,600
Government	<u>228,800</u>	<u>233,300</u>	<u>242,300</u>	<u>251,000</u>	<u>257,500</u>
Total, All Industries	<u>1,303,700</u>	<u>1,362,400</u>	<u>1,169,400</u>	<u>1,200,200</u>	<u>1,247,800</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The “Total, All Industries” data is not directly comparable to the employment data found in this Appendix B.

Source: State of California, Employment Development Department, March 2018 Benchmark.

The following table summarizes the labor force, employment and unemployment figures for the period from 2014 through 2018 for the City, the County, the State and the nation as a whole.

**CITY OF RIVERSIDE,  
COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA AND UNITED STATES  
Average Annual Civilian Labor Force, Employment and Unemployment**

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment<sup>(2)</sup></i>	<i>Unemployment<sup>(3)</sup></i>	<i>Unemployment Rate (%)</i>
2014				
City of Riverside	144,800	133,500	11,300	7.8%
County of Riverside	1,011,100	928,300	82,900	8.2
State of California	18,714,700	17,310,900	1,403,800	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
City of Riverside	147,600	138,100	9,400	6.4%
County of Riverside	1,034,200	965,000	64,300	6.7
State of California	18,851,100	17,681,800	1,169,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
City of Riverside	149,000	140,900	8,200	5.5%
County of Riverside	1,052,400	988,100	64,300	6.1
State of California	19,044,500	18,002,800	1,041,700	5.5
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
City of Riverside	151,300	144,200	7,100	4.7%
County of Riverside	1,073,400	1,017,100	56,300	5.2
State of California	19,205,300	18,285,500	919,800	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
2018				
City of Riverside	154,000	148,100	5,900	3.8%
County of Riverside	1,092,400	1,044,600	47,800	4.4
State of California	19,398,200	18,582,800	815,400	4.2
United States	162,075,000	155,761,000	6,314,000	3.9

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. 2018 Benchmark.

### **Personal Income**

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

Total personal income in Riverside County increased by 52% between 2007 and 2018. The following tables summarize personal income for Riverside County for 2007 through 2018.

**PERSONAL INCOME**  
**Riverside County**  
**2007-2018**  
**(Dollars in Thousands)**

<i>Year</i>	<i>Riverside County</i>	<i>Annual Percent Change</i>
2007	\$65,561,491	5.1%
2008	66,718,107	1.8
2009	65,363,159	(2.0)
2010	67,585,240	3.4
2011	71,936,625	6.4
2012	74,050,799	2.9
2013	76,511,910	3.3
2014	80,555,648	5.3
2015	86,033,655	6.8
2016	90,385,180	5.1
2017	94,210,345	4.2
2018	99,591,680	5.7

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following table summarizes per capita personal income for Riverside County, California and the United States for 2007-2018. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

**PER CAPITA PERSONAL INCOME**  
**Riverside County, State of California and the United States**  
**2007-2018**

<i>Year</i>	<i>Riverside County</i>	<i>California</i>	<i>United States</i>
2007	\$31,593	\$43,629	\$39,844
2008	31,624	43,890	40,904
2009	30,448	42,044	39,284
2010	30,698	43,634	40,546
2011	32,196	46,170	42,735
2012	32,737	48,798	44,599
2013	33,440	49,277	44,851
2014	34,753	52,324	47,058
2015	36,642	55,758	48,978
2016	37,936	57,739	49,870
2017	38,975	60,156	51,885
2018	40,637	63,557	54,446

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## Taxable Sales

The table below presents taxable sales for the years 2014 through 2018<sup>(1)</sup> for the City.

**TAXABLE SALES**  
**City of Riverside**  
**2014-2018<sup>(1)</sup>**  
**(Dollars in Thousands)**

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2014	8,051	\$5,072,694
2015 <sup>(1)</sup>	9,309	5,371,364
2016	9,735	5,507,805
2017	9,737	5,534,192
2018	10,021	5,783,569

<sup>(1)</sup> Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

Source: "Taxable Sales in California (Sales & Use Tax)" — California State Board of Equalization for 2014. Taxable Sales in California, California Department of Tax and Fee Administration for 2015-2018.

The table below presents taxable sales for the years 2014 through 2018<sup>(1)</sup> for the County.

**TAXABLE SALES**  
**County of Riverside**  
**2014-2018<sup>(1)</sup>**  
**(Dollars in Thousands)**

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2014	48,453	\$32,035,687
2015 <sup>(1)</sup>	55,857	33,166,660
2016	57,742	34,483,693
2017	58,969	36,407,460
2018	61,433	38,919,498

<sup>(1)</sup> Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

Source: "Taxable Sales in California (Sales & Use Tax)" — California State Board of Equalization for 2014. Taxable Sales in California, California Department of Tax and Fee Administration for 2015-2018.

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## APPENDIX C

### FORM OF OPINION OF BOND COUNSEL

*Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

[Closing Date]

Community Facilities District No. 2015-1 (Orangecrest Grove)  
of the City of Riverside, County of Riverside, State of California  
Riverside, California

Re: *\$2,440,000 Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside, County of Riverside, State of California, Special Tax Bonds, Series 2020A (Tax Exempt) and Series 2020B (Federally Taxable)*

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City of Riverside (the "City") taken in connection with the formation of Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside, County of Riverside, State of California (the "District") and the authorization and issuance of the District's Special Tax Bonds, Series 2020A (Tax Exempt) in the aggregate principal amount of \$2,075,000 (the "2020A Bonds") and Special Tax Bonds, Series 2020B (Federally Taxable) in the aggregate principal amount of \$365,000 (the "2020B Bonds" and, together with the 2020A Bonds, the "Bonds") and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the City, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), a resolution adopted by the City Council of the City, acting in its capacity as the legislative body of the District (the "City Council") on February 11, 2020 (the "Resolution"), and a Bond Indenture (the "Indenture") dated as of March 1, 2020, by and between the District and U.S. Bank National Association, as trustee (the "Trustee"). All capitalized terms not defined herein shall have the meaning set forth in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Bonds have been duly and validly authorized by the District and are legal, valid and binding limited obligations of the District, enforceable in accordance with their terms and the terms of the Indenture. The Bonds are limited obligations of the District but are not a debt of the City, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and, except for the Net Taxes, neither the faith and credit nor the taxing power of the City, the State of California, or any of its political subdivisions is pledged for the payment thereof.

(2) The Indenture has been duly executed and delivered by the District. The Indenture creates a valid pledge of, and the Bonds are secured by, the Net Taxes and the amounts on deposit in certain funds and accounts established under the Indenture, as and to the extent provided in the Indenture. The Indenture is

enforceable in accordance with its terms; provided, however, we express no opinion as to the enforceability of the covenant of the District contained in the Indenture to levy Special Taxes for the payment of Administrative Expenses or as to indemnification, penalty, contribution, choice of law, choice of forum or waiver provisions contained therein.

(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the 2020A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

(4) Interest on the Bonds is exempt from State of California personal income tax.

(5) The difference between the issue price of a 2020A Bond (the first price at which a substantial amount of the 2020A Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such 2020A Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to the Owner of the 2020A Bond before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Owner of a 2020A Bond will increase the Owner's basis in the 2020A Bond. In the opinion of Bond Counsel the amount of original issue discount that accrues to the Owner of a 2020A Bond is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

(6) The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code") by Owners of the 2020A Bonds and which may at the election of owners of the 2020B Bonds be amortized under Section 171 of the Code. With respect to the 2020A Bonds, such amortizable bond premium reduces the Owner's basis in the applicable 2020A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. With respect to the 2020B Bonds, such amortizable bond premium reduces the Owner's basis in the applicable 2020B Bond (and the amount of taxable interest received) and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner.

The opinions expressed in paragraphs (3) and (5) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2020A Bonds is subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the 2020A Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the 2020A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2020A Bonds. The District has covenanted to comply with all such requirements. Except as set forth in paragraphs (3), (4), (5) and (6) above, we express no opinion as to any tax consequences related to the 2020A Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate executed by the District and the City and other documents related to the 2020A Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. We express no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on any 2020A Bond if any such change occurs or action is taken or omitted upon advice or approval of bond counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the Owners of the Bonds with respect to matters contained in the Official Statement or other offering material.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur).

Respectfully submitted,

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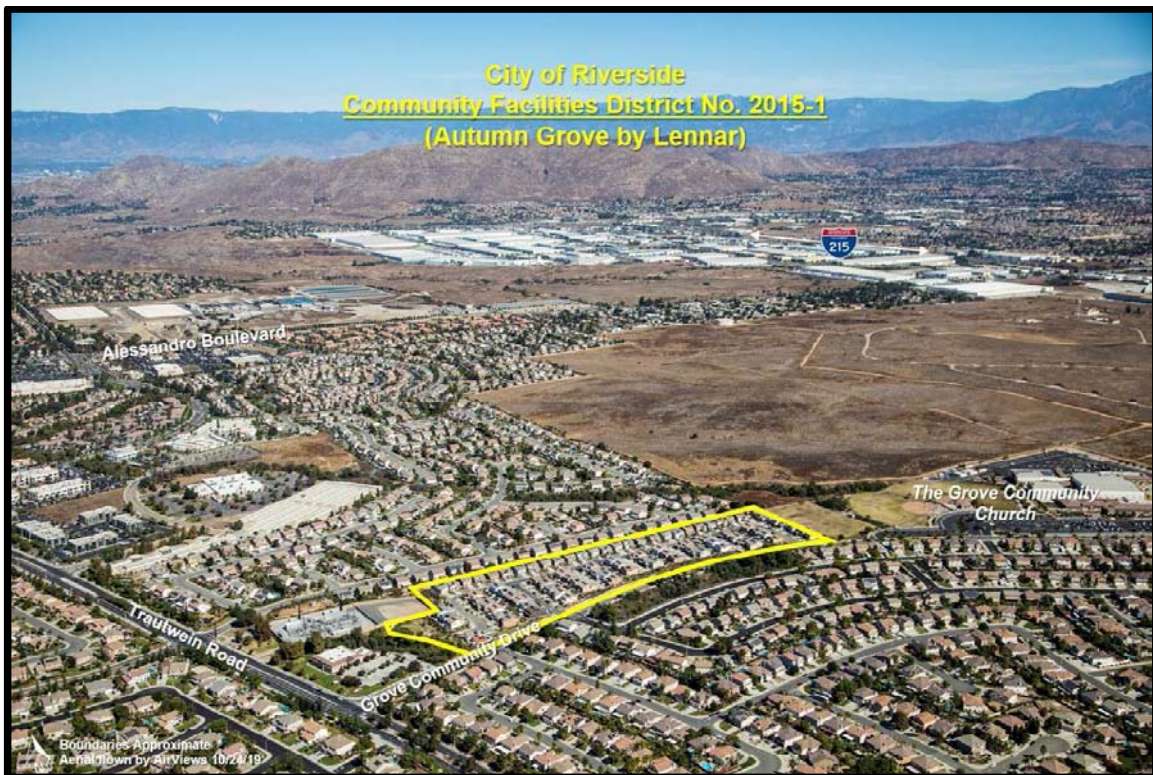
**APPENDIX D-1**  
**APPRAISAL REPORT**

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**APPRAISAL REPORT**

**CITY OF RIVERSIDE  
COMMUNITY FACILITIES DISTRICT NO. 2015-1  
(Orangecrest Grove)**

Tract No. 39534  
City of Riverside, Riverside County, California  
(Appraisers' File No. 2019-1203)



Prepared For  
City of Riverside  
3900 Main Street 6<sup>th</sup> Floor  
Riverside, CA 92501

Prepared By  
Kitty Siino & Associates, Inc.  
115 East Second Street, Suite 100  
Tustin, California 92780

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**KITTY SIINO & ASSOCIATES, INC.**  
**REAL ESTATE APPRAISERS & CONSULTANTS**

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January 7, 2020

Heidi Schrader, Debt Manager  
**City of Riverside**  
3900 Main Street, 6<sup>th</sup> Floor  
Riverside, CA 92522

Reference: Appraisal Report – Community Facilities District No. 2015-1  
Of the City of Riverside  
(Orangecrest Grove – Lennar)  
Northeast of the Trautwein Road and Orange Terrace Parkway Intersection,  
City of Riverside, California

Dear Ms. Schrader:

At the request and authorization of the City of Riverside, we have completed an Appraisal Report for Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside (“Riverside CFD No. 2015-1”). Riverside CFD No. 2015-1 consists of approximately 13.528 acres covered by Tract Map No. 39534 which encompass a total of 85 single family detached lots. Out of the total 85 proposed homes, 83 have closed to individuals.

The 85 lots are being developed into one neighborhood known as Autumn Grove being built and marketed by Lennar Homes. The site was previously known as Orangecrest Grove and is a part of the Orangecrest area of Riverside. Autumn Grove is not part of a master-planned community. The lots range in condition from completed, individually owned homes to a completed builder-owned model in escrow and the final home under construction.

The valuation methods used in this report include the Sales Comparison Approach, a Discounted Cash Flow Analysis and a mass appraisal technique as defined within this report. The fee simple estate of the subject property has been valued subject to the lien of the Riverside CFD No. 2015-1 Special Tax Bonds.



Ms. Heidi Schrader  
**City of Riverside**  
January 7, 2020  
Page Two

As a result of our investigation, the concluded Minimum Market Value (as defined within this report) for the subject property is:

Autumn Grove by Lennar

Builder Owned (1 finished lot and 1 completed house)	\$ 588,762
Individual Owned (83 completed houses)	<u>\$ 37,600,470</u>
<b>Aggregate Value of Riverside CFD No. 2015-1</b>	<b><u>\$ 38,189,232</u></b>

The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of November 14, 2019.

Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. This Appraisal Report is intended to comply with both the Uniform Standards of Professional Appraisal Practice ("USPAP" January 2018) and with the Appraisal Standards of the California Debt and Investment Advisory Commission ("CDIAC"). The appraiser is not responsible for unauthorized use of this report.

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

Respectfully submitted,

**KITTY SIINO & ASSOCIATES, INC.**



Kitty S. Siino, MAI  
California State Certified General  
Real Estate Appraiser (AG004793)

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### **ADDENDA**

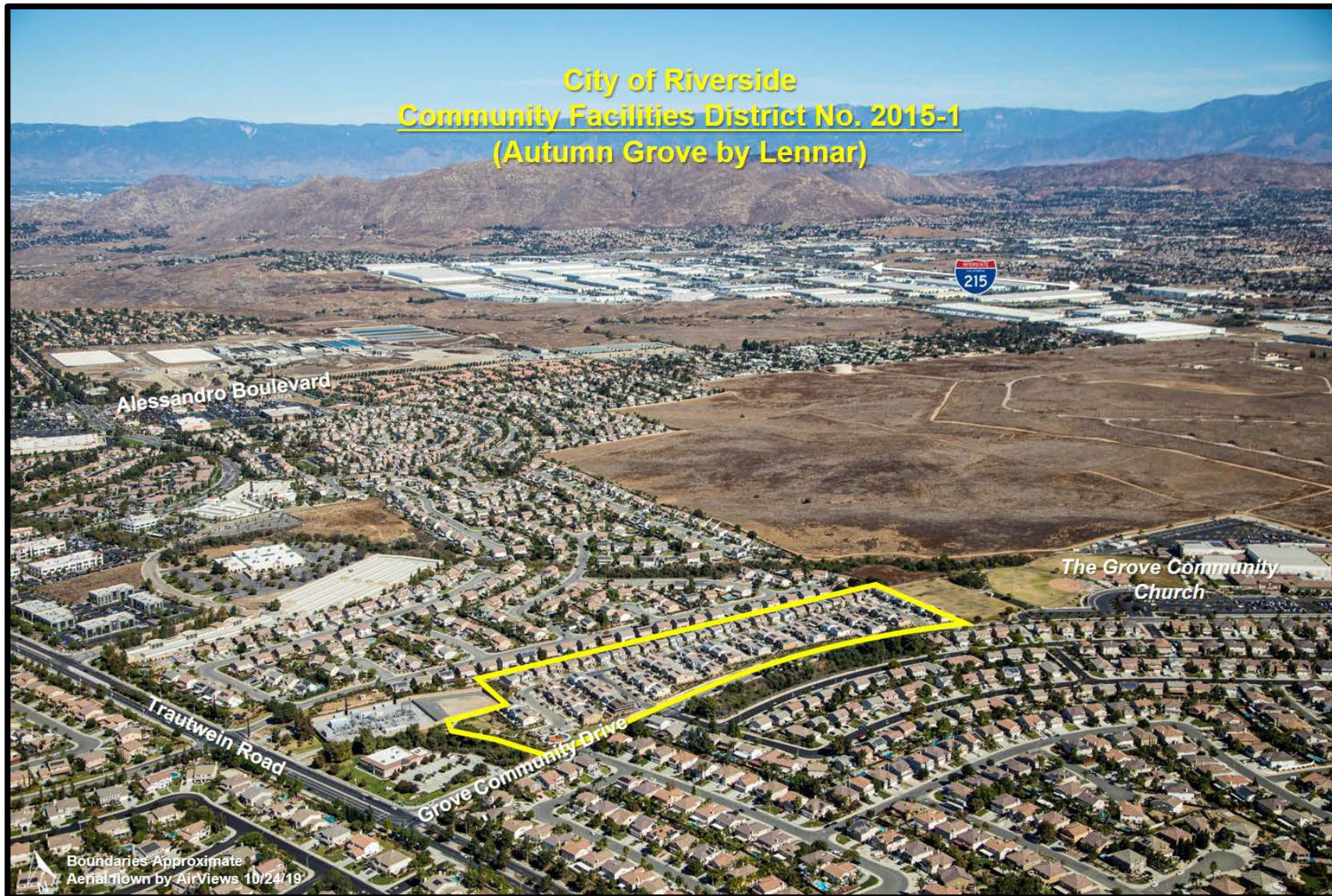
CFD Boundary Map for Riverside CFD No. 2015-1  
Tract No. 39534  
Discounted Cash Flow Analysis  
Land Sales Map and Summary Chart  
Improved Residential Sales Map and Summary Chart  
Appraiser's Qualifications

## **ASSUMPTIONS AND LIMITING CONDITIONS**

1. This report is an Appraisal Report that is intended to comply with the reporting requirements set forth under Standard Rule 2 of the Uniform Standards of Professional Appraisal Practice. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. The property is appraised subject to the special tax lien of Riverside CFD No. 2015-1.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable, however, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material used in this report are included only to assist the reader in visualizing the property and may not be to scale.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that would render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch included in this report may show approximate dimensions and is included only to assist the reader in visualizing the properties. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee regarding accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert relating to asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials that may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Proposed improvements, if any, are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings, if any, must not be used in conjunction with any other appraisal and are invalid if so used.
16. The Americans with Disabilities Act ("ADA") became effective on January 26, 1992. The appraiser has made no specific compliance survey and analysis of the property to determine whether they conform to the various detailed requirements of the ADA, nor is the appraiser a qualified expert regarding the requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, a possible noncompliance with requirements of the ADA in estimating the value has not been considered.
17. It is assumed there are no environmental concerns that would slow or thwart development of the subject property and that the soils are adequate to support the highest and best use conclusion.
18. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper qualification and only in its entirety. Permission is given for this appraisal to be published as a part of the Official Statement or similar document in association with the Riverside CFD No. 2015-1 Special Tax Bonds.

**City of Riverside**  
**Community Facilities District No. 2015-1**  
**(Autumn Grove by Lennar)**



## PURPOSE OF THE APPRAISAL

The purpose of this appraisal report is to estimate the value of the fee simple interest of the subject property, subject to the special tax lien of the Riverside CFD No. 2015-1 Special Tax Bonds.

## THE SUBJECT PROPERTY

The subject property consists of 85 proposed single-family detached homes, which represent Tract No. 39534, being developed into a single neighborhood by Lennar which is being marketed as Autumn Grove, however was previously known as Orangecrest Grove. There are 83 homes completed and closed to individuals with one model in escrow and the final lot under construction (also in escrow). Sales began in the subject property in late-November of 2017. Below is a summary of the status of each lot.

Description	No. Lots	Ownership	Condition/Status
<b>Autumn Grove – Tract No. 39534</b>			
Lots 1-70, 72 and 74-85	83	Individuals	Complete Homes / Closed
Lot 73	1	Lennar	Model Home (in escrow)
Lot 71	1	Lennar	Homes Under Construction (in escrow)
<b>RIVERSIDE CFD NO. 2015-1 TOTAL</b>	<b>85</b>		

## INTENDED USE OF THE REPORT

It is the appraiser's understanding that the client, the City of Riverside, will utilize this report in disclosure documents associated with selling bonds for Riverside CFD No. 2015-1 and that this report is to be included in the Official Statement or similar document to be distributed in connection with the offering of the bonds. It is the appraiser's understanding that there are no other intended uses of this report.

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## DEFINITIONS

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### **Market Value**

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

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

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."<sup>1</sup>

Inherent in the Market Value definition is exposure time or the time the property would have had to have been exposed on the open market prior to the appraisal in order to sell at the concluded values. In the case at hand and considering current market conditions the exposure time for the builder-owned property or for an individually owned home is under twelve months.

### **Aggregate Retail Proceeds**

As used in the Discounted Cash Flow Analysis, Aggregate Retail Proceeds is defined:

*"The sum of the appraised values of the individual units, as if all of the units were completed and available for retail sale, at date of value. This is not the market value of the project in bulk."*

### **Discounted Cash Flow (DCF) Analysis**

A Discounted Cash Flow Analysis is:

*The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analysis specifies the quantity,*

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<sup>1</sup> The Appraisal of Real Estate, 13<sup>th</sup> Edition

*variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate.*

### **Finished Lot**

The term “Finished Lot” is defined as:

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

### **Minimum Market Value**

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

“The base market value of a home. That is, most buyers purchase some upgrades, options and/or lot premiums when purchasing a new home. The sales price for the new home typically includes the base price for the plan, plus any upgrades, options or lot premiums, less concessions, if any, which were given or paid for by the builder. The concluded minimum market value is for the base value of the plan only, not taking into consideration any upgrades, options or premiums.”

### **Mass Appraisal**

The term “Mass Appraisal” as used in this report is defined as:

“The process of valuing a universe of properties as of a given date using standard methodology employing common data and allowing for statistical testing”<sup>2</sup>

In the case at hand, the statistical testing included reviewing all original builder sales, reviewing the Multiple Listing Service for re-sales and current escrows (if any) and determining the actual range of sales and escrow prices for each plan type which is utilized in the valuation process.

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<sup>2</sup> USPAP 2016-2017 Edition



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**PROPERTY RIGHTS APPRAISED**

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The property rights being appraised are of a fee simple interest, subject to easements of record and Riverside CFD No. 2015-1. The definition of “fee simple estate” is defined by USPAP as:

“absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

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**EFFECTIVE DATE OF VALUE**

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The subject property is valued as of November 14, 2019.

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**DATE OF REPORT**

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The date of this report is January 7, 2020.

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**SCOPE OF APPRAISAL**

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

- County of Riverside Description
- City of Riverside Description
- Immediate Surroundings Description
- Brief Description of Riverside CFD No. 2015-1
- Subject Property Descriptions
- Riverside County Housing Market Discussion
- Highest and Best Use Analysis
- Valuation Procedures, Analyses and Conclusions
- Appraisal Report Summary

The subject property consists of 85 proposed single-family detached homes. There are 85 homes sold, 83 of which are closed to individuals, with one model in escrow and one remaining lot under construction (former model parking lot). In valuing the subject property, the value estimates will be based upon the highest and best use conclusion

using the Sales Comparison Approach. The Sales Comparison Approach to value is defined as:

“...a set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales is available.”<sup>3</sup>

In the Sales Comparison Approach, market value is estimated by comparing properties similar to the subject property that have recently been sold, are listed for sale or are under contract. Neither a cost or income approach was utilized as they were not considered necessary to arrive at credible results. A Discounted Cash Flow Analysis will also be utilized for the builder-owned home. In addition, we have utilized a mass appraisal technique which included reviewing all builder sales, determining the prices for each plan type and using statistical analysis to analyze this information.

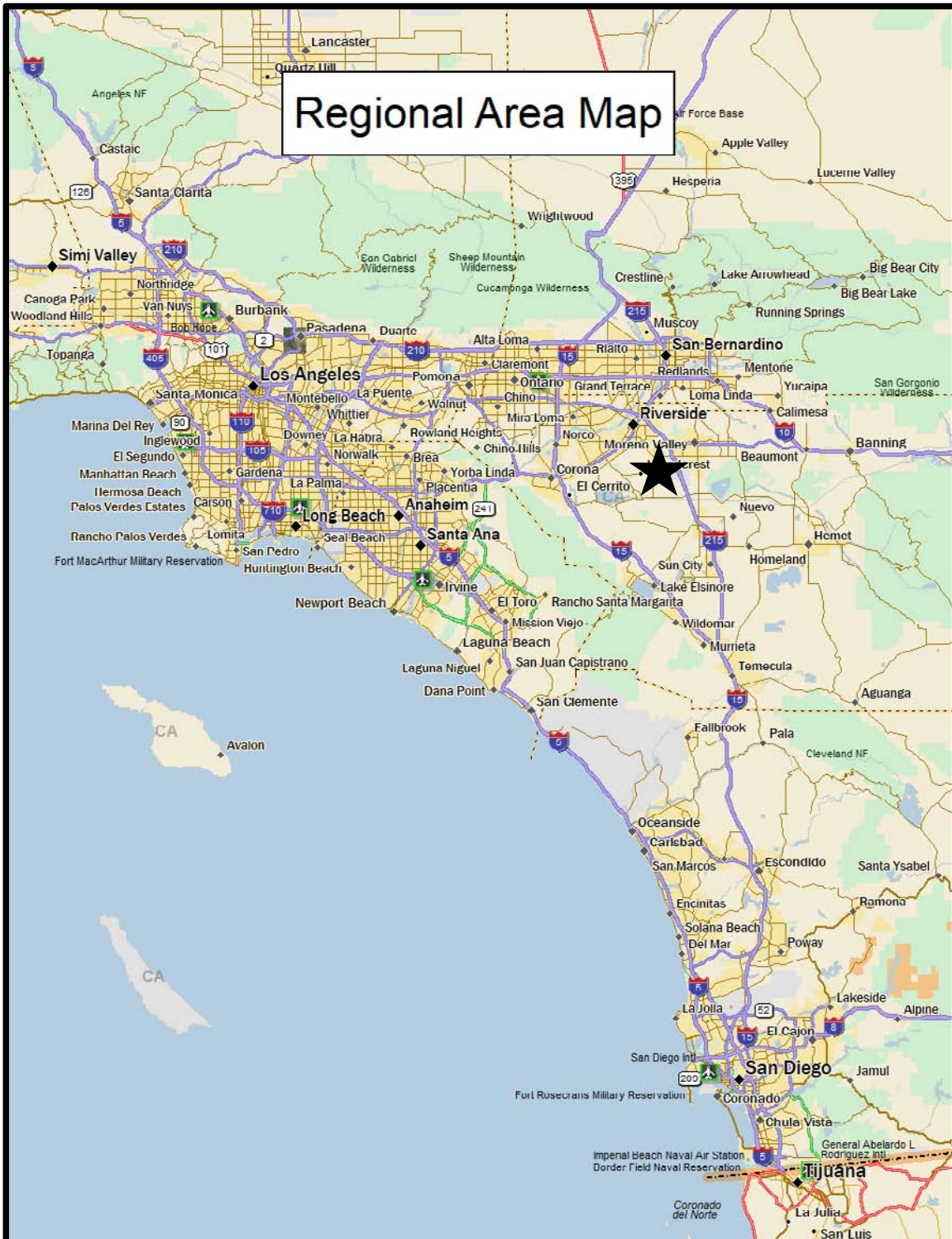
The due diligence of this appraisal assignment included the following:

1. Compiled demographic information and related that data to the subject property to perform a feasibility/demand analysis.
2. Gathered and analyzed information on the subject marketplace, reviewed several real estate brokerage publications on historical and projected growth in the subject market and researched the micro and macroeconomics within Riverside County.
3. Inspected the subject property between October 1, 2019 and November 14, 2019.
4. Had the property flown for an aerial photograph on October 24, 2019.
5. Interviewed representatives from the builder and their consultants to obtain available information on the subject property.
6. Reviewed a Preliminary Title Report on the subject property.
7. Reviewed a soils report and environmental report on the property.

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<sup>3</sup>Dictionary of Real Estate Appraisal, 4<sup>th</sup> Edition, 2002

8. Searched the area for relevant comparable new home residential projects, including sales prices and concessions and interviewed representatives from each comparable neighborhood.
9. Reviewed sales brochures and sales information on the subject neighborhood.
10. Reviewed actual developer sales information on all closed homes and current escrows.
11. Reviewed Multiple Listing Service (“MLS”) information on any re-sales and current listings of existing homes within Riverside CFD No. 2015-1.
12. Inspected the subject property for any for-sale or property listing signs for re-sales that may not be listed on the MLS yet.
13. Searched the area for similar-type land sales and interviewed appropriate parties from each sale in order to ascertain details on each transaction.



Regional Area Map

## COUNTY OF RIVERSIDE AREA DESCRIPTION

### **Location**

The subject property is located in the northwestern portion of Riverside County (the "County") in the City of Riverside, on the west side of Interstate 215 and south of State Route 91. The County encompasses approximately 7,300 square miles, which includes large expanses of undeveloped deserts, valleys, canyons and mountains. The County is the major recipient of outward urban pressure from Orange and Los Angeles Counties as well as northerly growth from San Diego County. Although located at the periphery of most urban activity in Southern California, Riverside County, in particular the south and westerly region, is clearly perceived by most observers as a major growth area well into the foreseeable future. Because of mountain ranges limiting road access into Los Angeles and Orange Counties, Riverside and San Bernardino Counties belong to the same Metropolitan Statistical Area ("MSA"). This MSA is designated as (and commonly referred to as) the Inland Empire.

### **Transportation**

The subject property is situated approximately two- and one-half miles west of Interstate 215 ("I-215") and approximately five miles southeast of State Route 91 ("SR-91"). More immediately, it is located just under one mile north of Van Buren Boulevard, one mile south of Alessandro Boulevard, and less than one quarter mile east of Trautwein Road. Alessandro Boulevard and Cactus Avenue (leading to Meridian Parkway) are the closest on/off ramps to the subject, both at just over two miles. Interstate 15 ("I-15") is located approximately 14 miles west of the subject and connects with I-215 about 23 miles north and 26 miles south of the subject. I-15 travels in a northerly/southerly direction and provides access to Barstow and Nevada to the north and San Diego to the south. SR-91 is approximately five miles northeast of the subject and provides access into Corona and into central Orange County. In addition, the 60 Freeway runs in an east west direction approximately five miles north of the subject providing access into Los Angeles County to the west and merges with Interstate 10 to the east which provides access across California from Los Angeles to the west to Arizona to the east.

The County is served by Amtrak and Metrolink as well as several rail freight lines. The Ontario International Airport provides regional air service and is located approximately 20 miles northwest of the subject property while the Orange County Airport is located approximately 35 miles southwest and the San Diego International Airport is located about 80 miles south. In addition, the County has extensive trucking corridors along the previously referred to interstates, highways and state freeways.

### **Population**

The County has experienced population growth for several decades and is anticipated to continue to do so in the foreseeable future. Per the California Department of Finance, the January 1, 2019 County population was 2.44 million (most current information from State of California). This represented a one-year increase of 1.1 percent. This compares to an average annual growth rate over the past eight years of 1.24 percent and an average annual growth rate of approximately 2.5 percent for the previous eighteen-year period. Current State projections for Riverside County suggest the population is anticipated to reach approximately 2.857 million by 2030, indicating an average annual increase of approximately 1.4 percent over the next twelve years. The current growth of 1.1 percent is slightly lower than the previous eight-year annual average of 1.24 percent, however significantly lower than the previous 18 years average (2.5 percent) likely due to the Great Recession. The future growth is predicted assuming a more stable market than was seen prior to the Great Recession.

### **Economy**

As with the rest of the nation, the Inland Empire experienced a significant multi-year recession, now known as the Great Recession, between 2007 and mid-2012. The MSA, which had strong employment over the previous decade, saw unemployment rates increase significantly between 2007 and 2010. Unemployment has declined substantially since that time with the last few years showing historical low unemployment. The unadjusted unemployment rate for the MSA was estimated at 3.6 percent (per the September 2019 Employment Development Department report), which is lower than the pre-recession low of 4.3 percent in January 2006, and a significant decrease since the

unemployment peak in July 2010 of 15.1 percent. This is also down slightly from the August 2019 MSA unemployment rate of 4.4 percent. As of September 2019, Riverside County had a 3.8 percent unemployment rate while San Bernardino County had a 3.3 percent rate. The current MSA unemployment rate of 3.6 percent is similar to the California statewide unemployment rate of 3.5 percent and slightly above the September 2019 National rate of 3.3 percent. Below is a table comparing Riverside County's unemployment rates to the unemployment rates of the surrounding counties.

<u>Jurisdiction</u>	<u>As of</u>	<u>Unemployment Rate</u>
Los Angeles County	9/19	4.5%
<b>Riverside County</b>	<b>9/19</b>	<b>3.8%</b>
San Bernardino County	9/19	3.3%
Orange County	9/19	2.4%
San Diego County	9/19	2.7%

*Source: State of California E.D.D. September 2019 Report*

Over the past 20 years, the Riverside County economy has had significant cycles with home prices almost doubling from 1995 to 2005, then falling by over 50 percent during the Great Recession, taking prices back to 2002 levels. Home values appeared to hit bottom in 2009 then remained essentially flat for two to three years with the majority of the Riverside County housing market seeing an improvement beginning in mid-2012. While coastal Southern California housing enjoyed significant increases over the past seven years, the Inland Empire bounced back slower. Overall Riverside County is nearing the previous median home price peak; however, sales are significantly slower than prior to the recession. In late 2016 Riverside County saw builder land purchases increase however 2018 saw a slowdown in residential land sales once again with 2019 continuing to be sluggish. Builders have slowed production due to the hard lessons learned in the previous recession when inventories sat and some new home projects had to close. The first half of 2019 saw home sales dropping as prices continue to rise minimally, however the third quarter of 2019 saw a sales increase. Most economists think the late 2018 to early 2019 slow-down in sales was due to the higher price of housing, the tariff issues and the significant rainy season, rather than a lessor demand. Some economists are now suggesting we have an overheated housing market affecting affordability (in terms of

unstainable annual rates of housing price appreciation) which is creating a market correction in pricing. In surveying new home projects in the Inland Empire, there were some price reductions in early 2019 however prices appear to have stabilized due to the lowering of interest rates.

The Federal Government attempted to correct the struggling economy by implementing several economic stimulus packages during the Great Recession. The Federal Reserve Board (“Board”) kept interest rates below historical averages, dropping rates to zero in December 2008 until the December 2015 Board meeting, when they began raising interest rates. There were nine interest rate hikes by the Board (each time at one-quarter percent) which brought the federal funds rate to 2.25 to 2.5 percent. The final increase in December 2018 appeared to affect the economy with home sales slowing and stock market volatility. In 2019 the Board stopped the increases and dropped the rate one-quarter percent July 31 (first drop in ten years) and another two times in September and October. The Federal Interest Rate in the US averaged 5.69 percent from 1971 to 2019 reaching an all-time high of 20 percent in March 1980 and a record low of .25 percent in December 2008. Current factors anticipated to affect the economy in a negative way include the trade conflicts and tariffs which the current administration is enforcing along with the fading of the benefits of the 2017 tax cuts. While the December 2017 adoption of the Tax Cuts and Jobs Act (“TCJA”) spurred the economy in early 2018, the Sales and Local Tax limitation (“SALT”) portion of the TCJA may be slowing home sales. Economists believe some homebuyers sat on the sidelines until after reviewing their 2018 tax returns and assessing the impact of SALT. The current positive influence on the economy is the low unemployment rate (nationally at 3.6 percent, near a 50-year low) which will accelerate wages and inflation along with mortgage interest rates at near historical lows.

The most recent UCLA Anderson Forecast (dated September 25, 2019) was very close to predicting a recession for the U.S. through its 2021 forecast horizon. The National Forecast calls for GDP growth of 2.1% in 2019 and 1.2% in 2020, and is predicting a steep decline to 0.4% for the second half of 2020. While the report does note that California is outperforming the U.S., the report does expect that the slowing national and world economies will take their toll. UCLA’s research states some of the most reliable



indicators include weak residential and intellectual property investment and weak residential construction and consumer durables along with an inverted yield curve all which suggest a possible downturn. When the economy slows to 1 percent growth, the risk of a recession becomes very real. Unknown factors still include the downside risk from increased trade (tariff) tensions and the upside risk from the possibility of housing activity rising out of its stupor.

The University of California, Riverside is now reporting an Inland Empire Business Activity Index which draws on employment and other data. The latest report (Q2 of 2019) shows the region's business activity expanding by 2.5 percent after a lackluster first quarter expansion of just 0.8 percent, a reassuring sign of continued expansion in the Inland Empire's economy. The growth rate in year over year terms of business activity in the Inland Empire was reported at 1.8% from the second quarter of 2018 to the second quarter of 2019; slightly slower than the 2.3 percent year over year growth rate for the national GDP. While the Inland Empire has the largest number jobs in the health care industry, transportation and warehousing is the most competitive local industry with the least competitive industries being finance, insurance, management, professional and technical services, information and utilities. The strength of the transportation and warehousing industry is being partly driven by the rise in e-commerce, but it's the need for developable land which the Inland Empire has that makes the region so desirable to the industry.

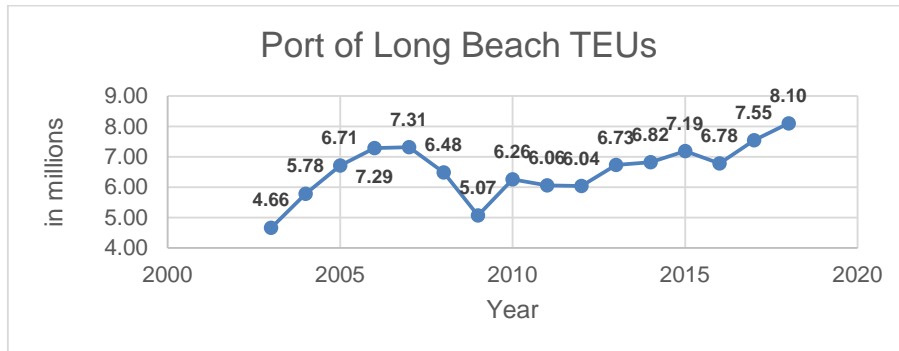
According to John Husing's Inland Empire Economic Partnership's Quarterly Economic Report dated July 2019, the Inland Empire is poised for growth due to the high cost of housing in the coastal communities. While the second quarter showed growth, it was slower growth than previously estimated with a 1.7 percent growth rate estimated for 2019 for the area. The affordability of homes is near the all-time low, between 20-25 percent, in Los Angeles, San Diego and Orange Counties, while in the Inland Empire the affordability is nearer 40-45 percent. Housing affordability is determined by the share of families that can afford the median priced homes in the county. According to Husing, families are forced to buy at lower inland prices due to income or families wanting a more upscale home that is unaffordable in the coastal markets.

Job growth in the Inland Empire is better balanced than California with 59.4 percent of the added jobs since 2011 being moderate and good paying (\$45,000 and above) while California's average was 45 percent in this category. The President's use of tariffs to impact international trade raises the possibility of significant local economic disruptions. The Inland Empire's employment is heavily dependent on handling imported goods through its logistics sector which has added 82,459 new jobs between 2011- 2018. This powerful local job growth could be adversely affected if trade wars ensue. The Inland Empire's job growth was 3.4 percent in 2018 which exceeded the growth rates of every other California metropolitan area. This was the sixth year in a row that local employment will have increased by close to 45,000 jobs annually. Looking at the period since the Great Recession, the Inland Empire has added 352,208 jobs or 22.8 percent to its local job base. That growth led all metropolitan areas in California. The logistics industry (wholesale trade, trucking and warehousing) has been the primary driver of the inland economy in recent years. The fact e-commerce continues to expand at a 15-16 percent compounded annual rate throughout 2010 – 2019 has forced retailers to begin aggressively embracing and staffing large, regional fulfillment centers. The Inland Empire's location and access from the Port of Long Beach along with land availability has made it the top area in Southern California for building fulfillment centers which typically cover over one-million square feet. The growth in 2018 was down slightly due to the difficulty in finding entitled sites for new buildings rather than a slow-down in demand.

One of the main reasons the MSA was slow to pull out of the recession relates to housing. Both Riverside and San Bernardino Counties saw a considerably steeper rise and then subsequent fall of housing prices than almost anywhere else in the State. Inland Empire median existing housing prices went from \$388,000 at the peak of the market in 2006 to \$155,100 in 2009. The September 2019 MSA median price is \$385,000 per the California Association of Realtors, still slightly below the previous peak.

As a final indicator of overall economic activity for the region we have reviewed the rise or fall of TEUs (Twenty-foot Equivalent Units – i.e., containers) being processed in the local ports. This is especially important for the inland communities as it represents much

of the growth in development of West Coast distribution centers and warehouses linked to supply-chain nodes in the Pacific Rim. The chart below shows TEU activity at the Port of Long Beach. The activity resulted in a flattening of TEUs during 2006 and 2007, decreases occurring in 2008 and 2009, and an increase in 2010 followed by stabilization until 2013. Generally, there has been increases with the exception of a slight dip in 2016 with 2018 hitting an all-time high.



Thus far in 2019, TEU activity is dipping slightly (3.2 percent) from where it was at this time last year (per the Port of Long Beach September 2019 report).

**Government**

A Board of Supervisors oversees the County as the governing body of the County, certain County special districts, and the County Housing Authority. The Board enacts ordinances and resolutions, adopts the annual budget, approves contracts and appropriates funds, determines land use zoning for unincorporated areas, and appoints certain County officers and members of various boards and commissions. The Board of Supervisors is elected from five different districts within the County.

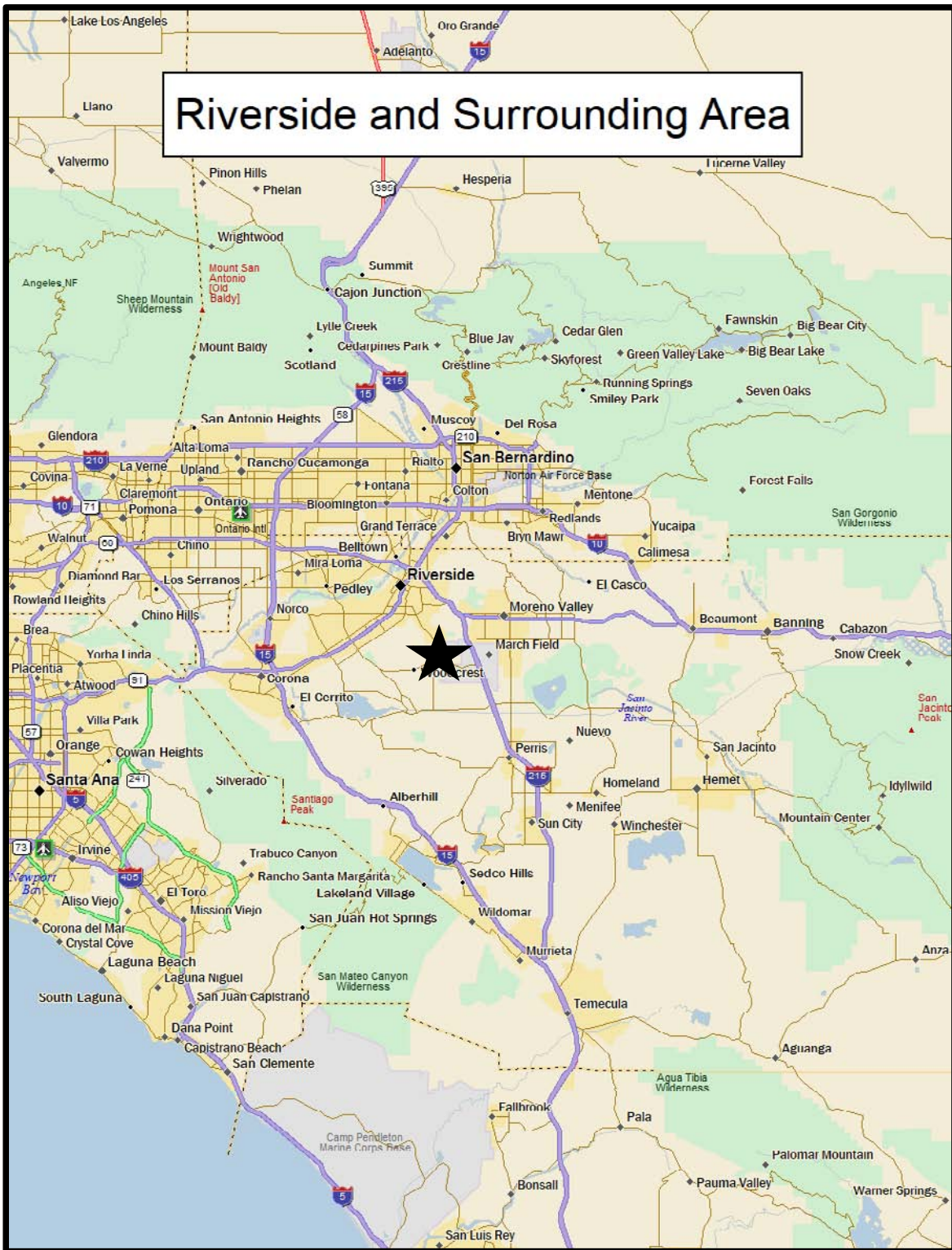
**Education**

The subject area is served by the Riverside Unified School District which operates twenty-nine elementary schools, seven middle schools, six high schools, and one adult school. Higher education is available within the City at the University of California Riverside and Cal Baptist University. Additional higher education is available within an hour’s drive at University of California Irvine or California State University campuses in San Bernardino, San Marcos, Fullerton and Pomona along with several additional private colleges. The closest community college is Riverside City College.

## **Conclusion**

Population in the County has increased over the past 30 years with predictions for continued population growth. The nation's economy stalled starting in 2006 due to the housing downturn, unemployment and the credit crisis. The housing market saw a resurgence beginning the second half of 2012 however existing home prices in the Inland Empire are still slightly below the previous peak. The past ten-years average new home sales in the Inland Empire are substantially below the sales numbers for new homes previous to the recession with second quarter 2019 showing a 7.8 percent decline year over year. The economy typically has cycles and most signs are suggesting the U.S. economy and Riverside County's economy which has been on an upswing may be slowing with 12 to 18 months additional in the expansion then possibly a recession in 2021. However, no one is predicting a decline similar to the Great Recession, but rather more of a slowdown. California's new administration is suggesting they want to gear up housing construction, however, time will tell how fast any changes can actually occur. The region's affordability coupled with the rising prices in the coastal market and the need for new housing is setting up for a potential boom in the Inland Empire, however with a slowing economy it is hard to anticipate when this may occur. In conclusion, the County is expected to continue to grow in population due to its Southern California location, the availability of land and the relatively lower land and housing prices in comparison to adjacent Orange, Los Angeles and San Diego Counties.

# Riverside and Surrounding Area



## CITY OF RIVERSIDE DESCRIPTION

The subject property is located in the southeastern portion of the City of Riverside (“City”), five miles southeast of the 91 freeway and two miles west of I-215. The City incorporated on October 11, 1883 and is located 50 miles east of Los Angeles and 100 miles north of San Diego. Riverside is the 12<sup>th</sup> largest city in California, 6<sup>th</sup> in Southern California and the largest city in Riverside County with a present land area of approximately 81 square miles. Originally an agricultural (citrus) center, the City has evolved into a commercial and governmental center as the City is the County seat. Riverside is surrounded by the cities of Norco and Corona to the west, Jurupa Valley and unincorporated Riverside County to the north, the City of Moreno Valley and unincorporated areas of Riverside County to the east and unincorporated areas to the south. The City is made up of several neighborhoods with the subject being located in the neighborhood of Orangecrest, known as a newer portion of the City.

### **Population**

The City has an estimated population of 328,101 per the California Department of Finance as of January 1, 2019. The following chart depicts population growth in the City of Riverside.

<b>Year</b>	<b>Population</b>	<b>Avg. Annual % Increase</b>
1960	84,332	---
1970	140,089	5.2%
1980	170,876	2.0%
1990	209,700	2.1%
2000	262,744	2.3%
2010	303,871	1.5%
2015	318,914	0.9%
2019	328,101	0.7%

The slowdown in the past fifteen years is due to the essential build-out of the City coupled with the recession. The past five years of growth at less than one percent in the City compares to the County growth rate of 1.1 percent last year. The higher County rate is due to the better availability of land for development outside of the City limits.

## **Economy**

The economy and labor force for Riverside have changed with growth. Historically hailed as the citrus capital of the world, Riverside has evolved into the business and industrial center of the Inland Empire. There are well over 100 manufacturing firms in the community. Leading group classes or products are aerospace and electronic components; mobile homes and RVs; printing, publishing and foam products. Additionally, the City offers an impressive choice of industrial sites and buildings.

The labor force is divided generally between the manufacturing, retail, services, and construction trades; however, the construction trade slowed considerably along with the housing market slowdown. There are abundant skilled and semi-skilled workers in the local labor pool with a variety of skills. The City houses the County seat which creates a financial and professional center offering the support of numerous legal, accounting, brokerage, architectural, engineering and technology firms as well as banking institutions. Businesses in the City also benefit from the exceptional freeway system, rail access, high-speed fiberoptic telecommunications, city-owned electrical and water systems, and a corporate jet and general aviation airport.

The 2017 estimated median household income (most recent available per Census.gov) is \$62,460 as compared to \$60,807 for the County, \$67,169 for the State and \$57,652 for the U.S. per the Census. The City of Riverside's major employers include the University of California Riverside, Riverside Unified School District, the City of Riverside, Pacific Bell – AT&T and Kaiser Permanente.

## **Transportation**

Riverside is well served by the California freeway system, being bisected by the 91 Freeway and 60 Freeways and by Interstates 10 and 15. The 91 Freeway connects Riverside to Orange County on the southwest and to San Bernardino County on the northeast. The SR-91 is one of the area's busiest freeways with a substantial amount of congestion in the westbound direction during the morning hours and in the eastbound direction during the evening hours. This is due to the number of commuters living in

Riverside County and employed in Orange and Los Angeles Counties. Two toll roads (the SR-91 express lane and SR-241) opened during the latter half of the 1990s that help alleviate the traffic congestion. I-15 connects Riverside to San Diego County to the south and San Bernardino County to the north. I-10 connects Riverside to Los Angeles County to the west, while I-215 skirts the eastern edge of the City and generally parallels I-15 to the east.

The City is served by the Metrolink Rail with northwest routes to Los Angeles Union Station, passing through Riverside County, Orange County and into Los Angeles, along with southern routes to Oceanside which pass through Riverside County, Orange County and into San Diego County. At both Union Station and Oceanside, you can transfer to Amtrak which has routes throughout the United States. The Burlington-Santa Fe and the Union Pacific Railroads along with over 20 daily truck carriers serve Riverside. Ontario International Airport is 19 miles to the northwest and is served by most major airlines. The Riverside Municipal Airport serves general aviation and is located eight miles from the subject.

### **Conclusion**

In summary, the future growth of Riverside should parallel that of the County, albeit at a lower rate due to the limited availability of land for development within the City limits. The location along with being the County seat has established Riverside as a continuing and prospering City for the future.



## IMMEDIATE SURROUNDINGS

The subject property consists of Tract No. 39534, known as Autumn Grove, which encompasses the City of Riverside CFD No. 2015-1. Access into the community is considered to be good via I-215, exit Alessandro Boulevard if coming from the north, or Van Buren Boulevard if coming from the south, and head west three miles to Trautwein Road, then enter the community via Trautwein Road after turning east onto Grove Community Drive. The subject is on the north side of Grove Community Drive, with entrances into the subject from Plainview Street and Entrefina Way.

Autumn Grove is surrounded by The Grove Community Church's Counseling center known as "The Grove Corner" to the west, and existing residential to the north and the south. To the west of the subject is The Grove community sports park with two baseball diamonds and a soccer field, and just past that The Grove Church campus, complete with a coffee shop. Northeast of the site is a large open space that was once part of March Airforce Base, but now is vacant rolling hills.

March Air Reserve Base is located along I-215 about two miles west of the subject property. March Air Force Base began prior to WWI as the U.S. was gearing up for war. The Base became a training facility in the 1930s serving WWII, the Korean War, the Vietnam War and Operation Desert Storm and Desert Shield. In 1996 the Base was decommissioned and is now used for some special military training, an air museum with the runways used for logistics. The Base was DHL's home base from 2005-2008 however surrounding neighbors complained about the flight noise and DHL vacated. More recently Amazon is using the base for logistics; however, they have agreed to five flights in and out per day and only during certain hours.

The subject property is surrounded by the master planned community of Orangecrest which was developed in the 1990s and 2000s. Neighborhood shopping is available less than one mile south of the subject at the intersection of Van Buren Boulevard and Trautwein Road. There are two shopping centers on the north side of Van Buren

Boulevard, on both sides of Trautwein Road. The shopping centers are anchored by an Albertsons grocery store, Petco, Walgreens and Kohl's. They also house a variety of fast food options including Carl's Jr., Wendy's, Chipotle and Jack in the Box and include both a Shell and Chevron gas station.

**CITY OF RIVERSIDE CFD NO. 2015-1**

On June 23, 2015 the City Council of the City of Riverside declared the necessity for Riverside CFD No. 2015-1 to incur a bonded indebtedness for the purpose of providing and financing public facilities that are necessary to meet increased demands place upon the City (“City Facilities”) and Riverside Unified School District (“School District Facilities”), due to the subject development. Community Facility Districts are common in the Inland Empire with the majority of the surrounding lands located within a similar CFD.

The proposition to the voters included that the bonded indebtedness for City of Riverside CFD No. 2015-1 shall not exceed \$3,000,000 and a maximum term of 40 years. The City Facilities are to include the design, construction and acquisition of street and road facilities, storm water drainage facilities, parks and park and recreation facilities, transportation facilities and electric transmission and distribution facilities of the City of Riverside. The School Facilities are to include K-12 school facilities of the Riverside Unified School District. Other costs include paying incidental expenses associated with the bonds.

The Riverside CFD No. 2015-1 bonds are anticipated to be funded in two Series, A and B. Proceeds of both series will be used to fund the City and School District facilities. Series A, with an current estimated par amount of \$2,410,000, will be tax exempt while Series B, with a current estimated par amount of \$350,000, will not be tax exempt.

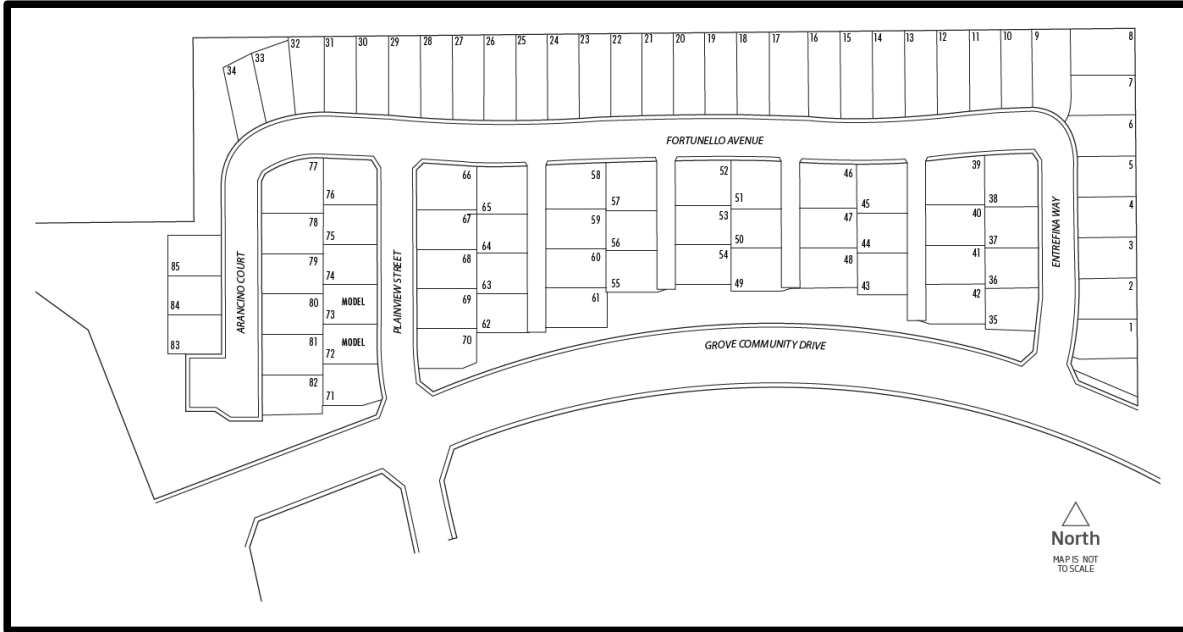
The assigned special taxes for land use categories of developed property per the Rate and Method of Apportionment are shown in the table below.

Land Use	Home Size	Per DU Annual Amount
Residential	Less than 2,700 sf	\$2,804
Residential	1,701 – 2,900 sf	\$2,865
Residential	Greater than 2,901 sf	\$2,932

The estimated Bond Proceeds to be generated from the sale of the Riverside CFD No. 2015-1 Bonds per the latest CFD Bond Sizing (dated October 1, 2019) is \$2,760,000 plus \$203,902 from Other Sources (developer deposit, prior special tax collections and the estimated December 2019 special tax collection) for a total amount of \$2,960,478. The monies will be distributed with \$571,288 (tax exempt) for City Facilities, \$1,449,431 for RUSD facilities and \$394,910 (taxable) for City Facilities. In addition, other fund deposits will include \$233,701 for a supplemental reserve fund and the debt service reserve fund. Delivery Date expenses include \$311,148 for costs of issuance, underwriter's discount, developer's reimbursement and contingency. A copy of the Riverside CFD No. 2015-1 boundary map is located in the Addenda for your review.

## SUBJECT PROPERTY DESCRIPTION

The subject property consists of 85 proposed single-family detached homes, composing a community being marketed as Autumn Grove. The 85 lots are being built out by Lennar Homes and are covered by Tract No. 39534. The neighborhood is described on the following pages.



**Location:** North side of Grove Community Drive, located northwest of the Trautwein Road and Grove Community Drive intersection, Orangecrest Neighborhood, City of Riverside, Riverside County.

**Legal Property Description:** Lots 1-85 of Tract No. 39534 in the City of Riverside, County of Riverside, State of California. A copy of Tract No. 39534 is located in the Addenda.

**Property Owner:** Lennar Homes of California, Inc., a California Corporation (“Lennar Homes”), as to Lot 71 and 73 of Tract No. 39534; and Individual owners as Lots 1-70, 72 and 74-85 of Tract No. 39534.

**Assessors Parcel Nos.:** 284-380-001 through 026, 284-380-029 thru 059, and 284-390-001 through 028 refer to the usable lots. APN's 284-390-29 thru 30 and 284-280-27, 28, 60 and 61 refer to open space or community areas along with private streets.

**Property Taxes:** We have reviewed a sample tax bill from Tract No. 39534 which is located on APN 284-380-020. The total assessed value is \$511,925 suggesting it was fully improved lot at time of assessment. The total taxes for the 2019-20 fiscal year are \$8,436.50 which includes \$5,119.24 in Ad-Valorem taxes, \$487.20 for Riverside Unified School 03-5801, \$75.56 for Riverside Community College District 03-9101, \$2,629.94 for Riverside CFD No. 2015-1 (subject CFD) and \$124.56 in miscellaneous charges. The parcel houses a 2,697 square foot home. Per the assessed value, the overall tax rate is 1.648 percent.

**Three-Year Sales History:** Lennar Homes of California, Inc. purchased Tract No. 39534 from Ridge Crest Cardinal-Riverside L.P. on December 29, 2016 for \$7,400,000. Lennar began closing completed houses to individual homebuyers in March 2018. Eighty-three homes have closed to individuals between March 30, 2018 and November 14, 2019.

**Size and Shape:** Tract No. 39534 is irregular in shape and contains 13.528 gross acres per the recorded Tract Map.

**Zoning:** The subject property is designated as Medium Density Residential per the current General Plan and as R-1-8500 per the current Riverside Zoning Map. On June 23, 2015 the City Council approved Tract No. 39534 subject to the completion of conditions pursuant to Section 18.090.060(C) of the Riverside Municipal Code. On May 16, 2017 City Staff determined that the developer had satisfied all of the conditions of the map and approved the final map.

**Entitlements:** The subject property is covered by Tract No. 39534 which recorded May 26, 2017 and divided the subject 13.528 acres into 85 single family detached lots with a minimum lot size of 3,600 square feet. A copy of the tract map is located in the Addenda.

**Soils Review:** Per LGC Geo-Environmental, Inc.'s As Graded Geotechnical Report of Rough Grading for Tract No. 39534 dated May 31, 2017, the building pads are considered suitable for the planned construction from a geotechnical standpoint. It is assumed all recommendations contained in the report were adhered to.

It is an assumption of this report that the soils are adequate to support the highest and best use.

**Environmental Review:** We have reviewed a Preliminary Environmental Site Assessment for the subject property prepared by CHJ Incorporated and dated January 14, 2002. The report was ordered by Victoria Community Church. At time of the report the site was generally vacant with a rolling topography and had previously been utilized for agriculture

(citrus groves). The report concluded that based on their findings, no evidence was found to indicate the site currently had significant problems associated with hazardous waste or materials.

It is an assumption of this report that there are no environmental issues which would slow or thwart development of the subject site.

**Easements and  
Encumbrances:**

We have reviewed a Preliminary Title Report on Lots 36, 67 and 71-73 of Tract No. 39534 (builder owned lots at the time) prepared by First American Title Company dated October 25, 2019. The exceptions are as follows:

Item Nos. 1, 2, 3 and 4 all pertain to property taxes and special taxes on the property, including the subject Riverside CFD No. 2015-1 and CFD No. 2002-1 (not shown on current property tax invoice). Item No. 5 refers to water rights. Item No. 6 is in regards to a Memorandum of Agreement recorded in 1955 for an easement on the property however the title company could not determine the location of the easement. Item Nos. 7 and 13 refer to CC & Rs recorded on the property. Item Nos. 8, 12, 17-23, 25, 27 and 29-31 refer to easements for public utilities, solar, slopes, ingress & egress and a flight easement for March Base. Item No. 9 refers to a development Agreement between The Grove Community Church and the City of Riverside in 2003. Item No. 10 pertains to a temporary construction easement. Item No. 11 is a covenant and agreement for the water quality management plan. Item Nos. 14, 24, 26 and 28 refer to solar CC & Rs on the property. Item No. 15 is a notice filed for the Builder's election of handling construction claims. Item No. 16 pertains to a notice of charitable housing agreement for an Endowment Contribution. Item No. 32 refers to any rights of parties in possession of the property not shown by public records. Item No. 33 pertains to any rights or facts not shown by public record but which could be ascertained by an inspection. Item No. 34 states no known matters were intentionally deleted and Item No. 35 is in regards to an owner's affidavit that will be needed prior to issuing title insurance by the title company.

It is an assumption of this appraisal report that the subject lands are free and clear of any liens and/or encumbrances other than Riverside CFD No. 2015-1.

**Streets/Access:**

Access to the subject project is via I-215 to Alessandro Boulevard, and west to Trautwein Road, and east onto Grove Community Drive which leads to the entrance to the subject via either Plainview Street or Entrefina Way, both of which are directly off Grove Community Drive.

I-15, which parallels the I-215 near the subject and merges north and south of the subject, is a major north/south freeway providing access to international borders both north and south. I-15 and I-215 is the main access into the City of Riverside from the north and south.

SR-91, is a major east/west freeway providing access between Orange County and Riverside County. SR-91 is located approximately five miles northeast of the subject.

Alessandro Boulevard has on/off ramps at I-215 and provides access into the southeastern part of the City. It is located approximately one mile north of the subject.

Van Buren Boulevard generally parallels SR-91 in southern Riverside and has major on/off ramps at I-215 and SR-91. Van Buren Boulevard is located approximately one mile south of the subject.

Grove Community Drive provides access to the subject and leads to Grove Community Church, located east of the subject. Grove Community Drive provides access into the subject via Plainview Street or Entrefina Way.

Internal streets within Autumn Grove include Plainview Street, Entrefina Way, Arancino Court, and Fortunello Avenue. There are two entrances into the community, both from Grove Community Drive (via Plainview Street or Entrefina Way).

Current Condition: The subject property has been developed into 85 single family detached lots with a minimum lot size of 3,600 square feet. There were two models for the project, both of which are located on Plainview Street, and both of which have been sold with one closed to a individual. There are 83 completed homes owned by individuals, one model in escrow (due to close November 15, 2019) and one remaining lot that is under construction (also in escrow) and scheduled to close early in 2020.

Home Owner Association: Homeowner dues for the Autumn Grove Homeowner's Association are \$139 per month. The Association maintains the small community park, tot lot, private streets and community landscaping, as well as the small walking trail on Grove Community Drive.

Costs to Complete: The subject lands are fully improved with the only remaining land development cost being the final lift of the streets. The amount to complete the final lift is estimated at \$43,416 which is not the responsibility of the homeowners, but are attributable to the builder



Improvement  
Description:

only. These costs will be taken into consideration in the valuation section for the builder-owned lands later within this report.

Autumn Grove includes 85 proposed homes being built by Lennar. The homes are of a California living style, featuring three floorplans in three distinct architectural styles. All of the homes feature two stories and two bay garages. All of the home exteriors include concrete roofing, dual glazed white vinyl windows, and dry-walled 2-car direct access garages with roll up sectional insulated garage doors. Interiors include ceramic tile entries with carpet, raised panel doors and wood cabinetry. The master suites include walk-in closets and a master bathroom with walk in shower and full bath tubs. Gourmet kitchens include large eat-in kitchens with breakfast bar islands, and stainless-steel appliances. The floorplans also feature great rooms with fireplaces and walk in linen closets, and second story lofts. All homes appear to be in excellent condition with no visible depreciation.

We have reviewed sales information from the builder which included the homes closing from March 30,2018 through November 14, 2019. Sales prices range from \$419,360 to \$548,053. Per public record and our physical inspection, there is one pending re-sale of a home within Autumn Grove. The sizes per the brochure as well as ownership per plan are as shown below.

<b>Plan</b>	<b>Room Count</b>	<b>Floors/ Parking</b>	<b>Sq. Ft.</b>	<b>Ind. Own</b>	<b>Bldr. Own</b>
1	3 + L / 2.5	2 / 2	2,295	22	0
2	4 + L / 3	2 / 2	2,547	27	0
3	4 + L / 3	2 / 2	2,700	34	1
Totals				83	1

In addition to the above detailed houses there is one home under construction (under 95 percent complete) and no remaining finished lots.

## RIVERSIDE COUNTY HOUSING MARKET

In analyzing the County's housing market, population growth and economic conditions need to first be considered.

### **Population**

The County population grew at a 1.1 percent increase over the past year. This compares to the 2.5 percent average annual percentage increase prior to the recession. The slowdown in population growth is primarily due to the sluggish national economy. This slowdown is similar to other Southern California counties during this time period. Predictions are for the County to grow at an average annual rate of 1.4 percent over the next four years. This equates to an increase of approximately 35,000 residents per year suggesting the need for about 10,000 homes per year within the County.

### **Economic Conditions**

Over the past twenty-five years the Inland Empire has seen various cycles in the housing market. The recession of the early 1990s impacted the Inland Empire significantly and resulted in a longer recovery period than in other areas of Southern California. The rise and then fall of housing prices in the Inland Empire between 2004 and 2009 was considerably steeper than almost anywhere in the state. Unfortunately, this meant that the people who bought near the peak of the market likely faced significant negative equity. After essentially remaining flat for a few years, housing prices began to increase in late 2012. The price appreciation in the housing market since then helped alleviate the negative equity situation in the Inland Empire.

Economic growth in the Inland Empire was strong between 2002 and 2007. Job losses occurred between 2007 and 2009, with a leveling out in 2010, a slight upturn in 2011, and generally increases since that time. The unemployment rate for Riverside County was 3.8 percent (per the September 2019 Employment Development Department), significantly lower than the high of 15.1 percent in July 2010. The current rate is similar to California's

unemployment rate of 3.5 percent and slightly higher than the September 2019 National rate of 3.3 percent.

The housing market was a significant factor in magnifying the impact of the Great Recession. Due to increased interest rates and rising home prices between June 2004 and mid-2006, the market reaction was to create non-conventional financing alternatives, such as sub-prime and non-conventional mortgages, to artificially maintain the boom housing market of 2004 and 2005. In 2007 the housing market saw a shake-up due to the problems in the sub-prime and non-conventional mortgage markets. In March 2007, the Federal Government initiated efforts to stop or limit sub-prime mortgages. Unfortunately, the damage had already been done with sub-prime mortgages playing a role in the 2008 shake out of Wall Street and contributing significantly to the U.S. economic downturn. Due to stricter income verification on new loans and the lack of available credit, coupled with job losses and declining home prices, sales of new homes slowed for the next few years. With the exception of a small increase in 2010, primarily due to government offered homebuyer credits, prices/sales essentially remained flat until mid-2012, when prices began a steady climb.

Home ownership during this period across the U.S. saw a significant decline. Historically, since the 1970s, home ownership generally was between 64 and 66 percent until around 2000 when it began growing with a peak at 69.2 percent in fourth quarter 2004 prior to the Great Recession. After falling to a low of 62.9 percent in second quarter 2016, home ownership has been climbing with the current rate at 64.8 percent per 2019 third quarter data from FRED (Federal Reserve Economic Data). After the third quarter of 2019, Riverside County's home ownership rate was estimated at 66.3 percent, slightly higher than the overall US average.

The December 2017 approval of the Tax Cuts and Job Act ("TCJA") by the Federal Government caused concern for homebuyers. The two largest changes for homeowners are the limitation at \$10,000 for the deduction for state income tax and local taxes ("SALT"), along with a limitation on the mortgage deduction for loans that exceed \$750,000. While this mortgage deduction amount does not affect most people looking to

buy subject-type homes in the Inland Empire (generally in the \$350,000 to \$500,000 range), the SALT deduction may limit their tax deductions which could affect the more discretionary new-homebuyers in the market. While it is still too early to tell how much the TCJA will actually affect the new home market, it is thought that it may be playing a part in the sales slowdown as homebuyers wait to see what happens. One positive is that the TCJA won't affect the Inland Empire as much as the California coastal cities where mortgages are generally larger due to higher home costs and therefore may be affected more.

Home loan mortgage rates have been and are still playing a large part in the housing market. The Federal Reserve Board had held mortgage rates at all-time lows after the Great Recession in an attempt to assist the housing market. The Board had kept interest rates below historical averages dropping rates to zero in December 2008 until the December 2015 Board meeting when interest rates were raised one quarter of a percent. There were eight subsequent one-quarter point increases with the December 2018 increase bringing the Federal Rate to 2.25-2.5 percent. This increase appeared to affect the market with sales slowing. On July 30, 2019 the Board reduced the rate one-quarter percent (the first reduction in over 10 years) in an effort to spur the economy with a second reduction in September 2019, and third in October 2019. Low rates appeared to help for quite a while however first-time buyers are now having a hard time entering the housing market due to rising prices. The quoted average U.S. rate for a 30-year fixed mortgage per FRED (Federal Reserve Economic Data) as of November 7, 2019 was 3.69 percent, however that is up from the last low of 3.4 percent which occurred in the third quarter of 2016. The decreases by the Board and the current low rates should help the remainder of the 2019 home buying season.

### **Residential Land Development**

While there had been little land development going on in most of the Inland Empire during the years 2008-2011, the second half of 2012 saw a resurgence. From 2013 to 2019, there has been a general incline in amount of actively selling projects and pricing, which has prompted an increase in land development activity. The increase in housing prices coupled with the limited availability of supply has made land development feasible once

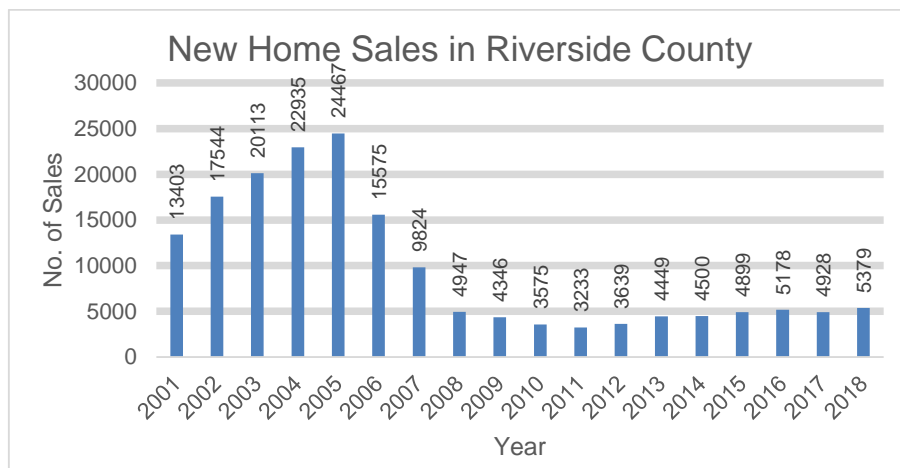
again for homebuilders, however master plan developers are sparse. There are currently no master planned communities supplying lots to home builders in the City of Riverside. The City of Riverside is largely built out without any large master planned communities. However, there are currently only three actively selling communities in the City of Riverside boundaries (this does not include the subject as it is sold out). There are several more communities near the City boundaries that fall in Unincorporated Riverside, including two master planned communities known as Spring Mountain Ranch and Citrus Heights. It is interesting to note that land developers of large specific plans which offer developed or partially developed lots to builders appear to be few and far between in the Inland Empire. The reason is thought to be two-fold: less profit for the middle developer due to higher land prices; and, the significant amount of red-tape to get a large-scale project approved in Southern California. Our search for land sales resulted in seven sales since late 2019 which are considered to be comparable to the subject property (listing located in Addenda).

### **Home Sales and Pricing**

We have researched new single-family homes within the subject real estate market in order to reflect residential trends. It should be noted these sales numbers and prices pertain to new home sales while later in this section we discuss existing home sales. While overall new home sales in Riverside County were up 8.2 percent year over year from the second quarter of 2018 to the second quarter of 2019 (from 1,356 new home sales in Q2 2018 to 1,467 sales in Q2 2019), when reviewing month over month, there appears to be a slowdown. When taking into account all of the Inland Empire, new home sales are actually down 7.6 percent year over year (from the second quarter of 2018 to the second quarter of 2019) due to San Bernardino showing a significant decrease. This decrease is thought to be due to the high home prices rather than a slowdown in demand.

The second half of 2018 saw new home sales slow which made builders pull back on starts of new homes. Typical projects that were building phases of 10-12 new homes cut back to 4-6 new homes in a phase. However, due to the high number of land sales in 2017, new homes projects have increased 22 percent in the Inland Empire from 194 new home projects in November 2018 to 237 new home projects in the same area in

November 2019 (according to Ryness Company Report dated November 3, 2019). While this sounds like a huge increase, the number of new home projects and sales is still running about 75 percent below the average of 2002 through 2006. The fact that new homes sales volume has only increased eight percent in Riverside County over the past year while the number of new home projects have increased 22 percent (from 194 to 237), suggests there is a slowdown in average absorption rates for new home projects. Below is a graph showing Riverside County new home sales (both attached and detached SFR) between 2001 and 2018 with 2018 reflecting 5,379 new home sales. This compares with Riverside County's population growth suggesting the need for about 10,000 new residential units per year. In the first two quarters of 2019 there has been 2,549 new home sales in Riverside County, an increase from 2018 of 5.8 percent (per Husing's most recent Quarterly Economic Report dated July 2019).



Source: John Husing Quarterly Reports January 2019

New single-family home prices (combines both attached and detached) in the Inland Empire has also seen changes, however, not as drastic as the changes in sales numbers. The median new home price changed from the peak value of \$437,200 in the third quarter of 2006 to \$275,000 in the first quarter of 2009 (decrease of 47 percent) while the current new home median price is \$435,000 per John Husing's second quarter 2019 information. This reflects an increase of almost 60 percent from the bottom of the cycle and an increase of 1.4 percent year-over-year. New home sale prices fluctuate based on the land value more than the cost of building the home. While finishes and sizes of homes can change, the basic costs on a per square foot basis do not fluctuate as much as land

values, however there have been inflationary increases in construction costs adding to this increase.

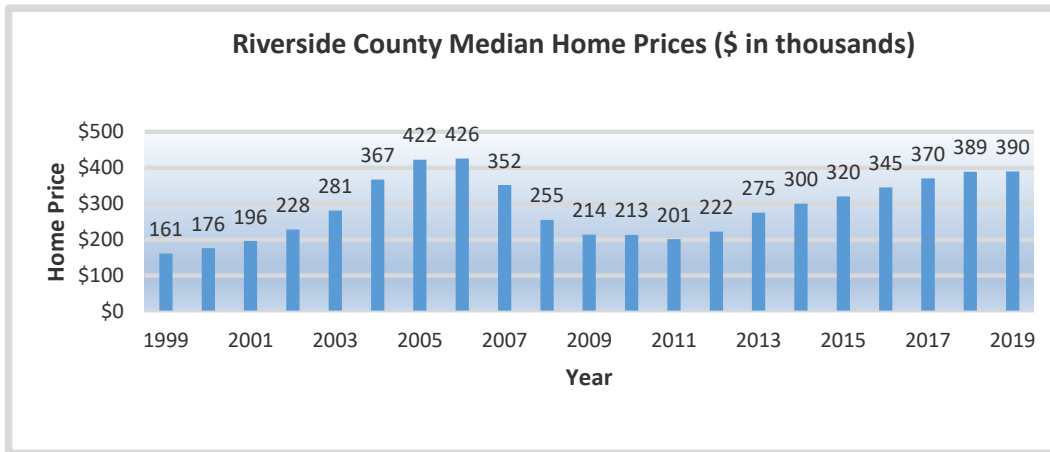
Existing single-family homes (again, combined both attached and detached) in the Inland Empire has seen similar changes to the new home sales prices. The median existing home price changed from the peak value of \$389,924 in third quarter 2006 to \$155,319 in 2009 (decrease of over 60 percent) while the second quarter 2019 existing home median price is \$390,000 per Husing, nearing the previous peak for existing home price. This reflects an increase of over 150 percent from the bottom of the cycle and an increase of 3.9 percent from the previous year.

One major cause of the slower sales of new homes in the area since the recession is thought to be the FHA loan limits. FHA financing requires a three percent down payment which allows for first time homebuyers to enter the market easier than the typical 20 percent down payment. During the recession, the FHA loan limits were increased in order to make financing via the Federal Housing Authority easier. However, in January 2015 the FHA loan limits were reduced in Riverside County to \$356,500. The 2019 FHA loan limits within Riverside County increased to a single-family home limit at \$431,250. This is a step in the right direction from the 2015 limit, but still not completely in tune with the Riverside County housing market. A three percent down payment (minimum allowed with FHA financing) suggests the maximum price paid for a home purchased through FHA financing would be in the \$445,000 range. With the Riverside County's second quarter 2019 median new home price at \$435,000, it shows a little more than half of the new home buyers can use FHA financing. The subject property featured home sales prices from \$419,360 to \$556,330, however only three of the homes sold over \$500,000 (including the two model home sales). In reviewing the subject's sales prices only about one-fifth of the homes qualified for FHA financing. This limits the homebuyers within the subject community. Since the recession mortgage financing was extremely tight with typically only 20 percent down options other than FHA financing. Recently some new financing opportunities have been coming on the market allowing for less than a 20 percent down payment, some of which do not require PMI (mortgage insurance). Within Riverside County the current median home price (including both new and existing homes)

is \$390,000 (within the FHA home loan limits), which reflects an increase of 2.6 percent from one year prior (CoreLogic, August 2019 Southern California Data Brief).

Our search for comparable new home projects within the competitive market area resulted in six new home projects (not including the subject) with pricing generally ranging from \$367,990 to \$521,025 (not taking into account incentives). The subject's final base pricing ranged from \$452,060 to \$488,660 (not including incentives). The subject therefore offers prices between the mid-range and the high-end of the competitive marketplace.

The median home price in Riverside County of \$390,000 is up nearly 100 percent from the low in 2011 however not yet back to the peak in 2006. Below is a chart showing Riverside County median home prices (combined both new and existing).



Source: CoreLogic Southern California Data Brief August 2019

According to CoreLogic, within Southern California (Los Angeles, Riverside, San Diego, Ventura, San Bernardino and Orange counties), the median price paid for a home (both new and existing) in August 2019 (\$535,000) is down 0.9 percent month over month from July 2019 (\$540,000), and the same when compared year over year from \$535,000 in August 2018. The current median home price in overall Southern California is higher than the previous peak in mid-2007 when the median price was \$505,000 and up more than 100 percent from the low point of the cycle which was a \$247,000 median price in April 2009. Home sales in Southern California were down 1.2 percent overall in Southern



California in August 2019 based on a year-over-year change from 22,284 sales in August 2018 and 20,025 sales in August 2019. This appears to be due to several factors including affordability constraints, stock market volatility, concerns that home prices may have peaked and uncertainty over the tariff issues. Home sales in Southern California were also down 0.2 percent month over month; from 22,073 sales in July 2019 to 22,025 sales in August 2019. Shown below is a table comparing August 2018 to August 2019 for home sales and pricing (combining both new and existing homes) in Southern California by county and for Southern California as a whole.

Southern California (New and Used) Home Sales						
County	No. Sold Aug. 18	No. Sold Aug. 19	Percent Change	Median Aug. 18	Median Aug. 19	Percent Change
Los Angeles	7,506	7,063	-5.9%	\$615,000	\$619,000	0.7%
Orange	3,317	3,217	-3.0%	\$727,000	\$719,500	-1.0%
Riverside	3,735	3,984	6.7%	\$380,000	\$390,000	2.6%
San Bernardino	2,982	2,906	-2.5%	\$328,500	\$346,000	5.3%
San Diego	3,765	3,835	1.9%	\$584,500	\$584,000	-0.1%
Ventura	979	1,020	4.2%	\$586,500	\$599,000	2.1%
<b>SoCal</b>	<b>22,284</b>	<b>22,025</b>	<b>-1.2%</b>	<b>\$535,000</b>	<b>\$535,000</b>	<b>0.0%</b>

Source: CoreLogic August 2019 Data Brief (most recent Data Brief)

Based on August 2019 median new and existing homes prices, in comparison to the majority of the surrounding counties, Riverside County has a definite price advantage. The “Riverside County Advantage” (price difference between Riverside and surrounding counties) is \$194,000 as compared to San Diego County, \$209,000 as compared to Ventura County, \$229,000 as compared to Los Angeles County and \$329,500 as compared to Orange County. That is, in August 2019, the median priced home in Riverside County was \$329,500 less (or 45.7 percent less) than the median priced home in Orange County (\$719,500). However, San Bernardino County has a \$44,000 price advantage over Riverside County. As the price advantage widens, homebuyers are more open to commuting to further out areas.

In a separate attempt to capture the increase in home prices, the resale activity of existing homes in the subject area (per CoreLogic’s September 2019 Southern California Home Resale Activity Report) has been reviewed. The number of sales and sale prices of existing homes within market areas in the immediate area of the subject are shown in the table below.

Community Name	ZIP Code	Border To Subject	Sales of SFD Homes Sept. 2019	Sept. 2019 Price Median SFD	Sept. 2019 Median Price/ Sq. Ft.	Price % Change from Sept. 2018
Riverside (Orangecrest)	92508	Subject	41	\$502,000	\$207	1.5%
Riverside	92506	Northwest	59	\$473,000	\$257	5.5%
Riverside	92507	Northeast	37	\$398,000	\$244	4.7%
March Airforce Base	92518	East	N/A	N/A	N/A	N/A
Perris	92570	South	27	\$375,000	\$210	7.1%
Riverside	92504	Southwest	53	\$393,000	\$275	0.8%

Source: CoreLogic Southern California Home Resale Activity September 2019 (most recent)

The median home price of a detached resale home in the subject's zip code is \$502,000, the highest within the immediate surrounding area. The significant delta between the subject and its adjoining 92506 ZIP code versus that of the remaining surrounding area reveals a lot about the Orangecrest neighborhood which is newer than most of the surrounding communities. The above price trends compares to CoreLogic's overall Riverside County increase of 2.6 percent year over year from August 2018 to August 2019. However, it's important to note that the subject's zip code did not have a significant change in median price from the year prior, suggesting that pricing may be reaching their ceiling.

### **Autumn Grove Sales and Pricing**

The subject neighborhood began the sale of homes in late November 2017 and the final sale in early October, 2019, with the first closing occurring in late March 2018. Within the subject there has been a total of 85 sales with 83 closings to date. The sales rate equates to an overall average per month of 3.86 home sales, considered good for the subject market for a new neighborhood. Our search for competitive new home neighborhoods resulted in six actively selling new home projects (not including the subject) which are listed in the Addenda. All are detached homes and feature square footages similar to the subject. Two of the comparable projects are in the City of Riverside, two are in Unincorporated Riverside County, and the remaining two are in Moreno Valley.

## **Summary**

Riverside County has seen a substantial increase in pricing since 2012 with mid-2016 through mid-2018 showing some double-digit increases. The slowing sales numbers in 2019 appear to be slowing the appreciation. The Riverside County new home market is performing well, resulting in average to good sales rates within the comparable projects in the area. The Riverside City area saw an increase in pricing consistent with most of Southern California in 2018 and thus far in 2019. While there appeared to be a market disruption in the fourth quarter 2018, sales appear to be picking up with loans becoming easier to obtain and interest rates declining. It is generally thought the new tax laws may be keeping some buyers on the sidelines. Despite some uncertainty still clouding the current housing market, most observers agree that the Riverside County housing market is still positive and healthy population growth is occurring in the County. It is believed that as population continues to increase, housing growth will also continue.

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## HIGHEST AND BEST USE ANALYSIS

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

*"the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value"<sup>4</sup>*

Proper application of this analysis requires the subject properties to first be considered "As If Vacant" in order to identify the "ideal" improvements in terms of use, size and timing of development. The existing improvements (if any) are then compared to the "ideal" improvements to determine if the use should be continued, altered or demolished preparatory to redevelopment of the site with a more productive or ideal use.

### **"As If Vacant"**

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

### **Physically Possible Uses**

The subject property consists of 13.528 acres. The site is located in the City of Riverside in west Riverside County. The site's original topography was generally level and has been developed into single family detached lots with a minimum square foot size of 3,600. The site is surrounded by existing homes to the north and south, the Grove Community Church to the east and a Community Center to the west. Soils and environmental reports covering the property were reviewed. It is an assumption of this report that the soils are adequate to support the highest and best use conclusion and that there are no environmental issues

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<sup>4</sup> The Appraisal of Real Estate, 11<sup>th</sup> Edition

which would slow or thwart development of the site. This is evidenced by City approvals along with City inspectors on site during construction. An engineered drainage system has been designed to alleviate any potential flooding problems and to control project water runoff. All standard utilities serve the subject properties.

Based on the physical analysis, the size, access and topography make the subject property physically suited for numerous types of development; however, the grading and development that has occurred on the site along with the surrounding uses, suggest single-family residential use.

### **Legality of Use**

The subject property is located within the City of Riverside, the entity responsible for land use and zoning regulation. Per the City General Plan and Zoning Map the subject property is shown as Orangecrest Specific Plan. Per the Specific Plan, the subject property is shown as R-1-80 allowing for Single Family Residential with a minimum of 8,500 square foot lots. On June 23, 2015 the City Council approved Tract No. 39534 subject to certain conditions which were met by Lennar in May 2017 and recommendations that the final map be approved pursuant to Section 18.090.060(c) of the Riverside Municipal Code were made. Tract No. 39534 was then recorded on the property May 26, 2017 which subdivided the subject property into 85 lots with a minimum lot size of 3,600 square feet. The surrounding lands to the north and south is surrounded by existing residential homes. The Grove Community Church is located to the east and a community center is located to the west. Based on the legality of use analysis, the type of development for which the subject property can be utilized is narrowed to residential use consistent with the approved mapping. This is consistent with the findings of the physically possible uses.

### **Feasibility of Development**

The third and fourth considerations in the highest and best use analysis are economic in nature, i.e., the use that can be expected to be most profitable. As discussed under the Riverside County Housing Market section earlier within this report, the market has showed strong increases in pricing and stabilized sales the past two years. Within Riverside CFD No. 2015-1 there have been 85 home sales and 83 home closings. All

structures appear to be in excellent condition with no physical depreciation apparent. Within the new home market in the Riverside area we found six projects (not including the subject) to be most comparable to the subject however there are additional new home projects in the area. Population growth is still occurring in the subject market and will continue to create the need for housing.

Based on the above analysis, the highest and best use for the subject property appears to be for single-family detached residential development at the right price points.

### **Maximum Productivity**

Based on the market activity of residential lands in the immediate area, we have concluded there is a need/demand for residential lands.

### **Highest and Best Use Conclusion – “As If Vacant”**

The final determinant of highest and best use, as vacant, is the interaction of the previously discussed factors (i.e., physical, legal, financial feasibility and maximum productivity considerations). Based upon the foregoing analysis, it is our opinion that the highest and best use for the subject property “As if Vacant” is for residential development.

### **Highest and Best Use – “As Improved”**

Autumn Grove consists of 85 proposed homes. The lots were developed in 2017 with the first home closings occurring in March 2018. There have been 85 sales and 83 closings within Autumn Grove resulting in an average sales rate of 3.86 sales per month. Autumn Grove has homes ranging from 2,295 to 2,700 square feet on 3,600 square foot lots with sales prices from \$419,360 to \$556,330. Our search within the subject area found six projects (not including the subject) considered to be comparable with similar sized homes. The sales rates within these projects ranged from 1.94 units per month to 9.05 units per month. Our search of the Multiple Listing Service and on-site inspection revealed one pending re-sale within the subject neighborhood.

The sales rate within the subject and the competitive projects in the immediate area suggest there is demand for new homes in the current market at the right price points.

All of the homes are of good design and appear to be of good quality workmanship. Based on the subject neighborhood's sales rates, it is our conclusion that the highest and best use for the subject property is for the continued use, as improved.

## VALUATION ANALYSIS AND CONCLUSIONS

The Sales Comparison Approach will be used to value the subject property. This approach compares similar properties that have recently sold or are in escrow. In determining the value for the property, a unit of comparison needs to be addressed. For single-family detached lots, the lots are typically sold on a finished lot basis. That is, the sales price is determined by a finished lot value and then the remaining costs to develop the property to a finished lot condition are considered in the sales price. Therefore, in determining a current market value for the final lot, the current condition of the lot will be considered. In the case of the existing home valuations, a single home sale is the unit of comparison. In determining the value for each existing house, a base value will be concluded for each plan which will be considered a minimum market value as most buyers typically purchase some premiums, upgrades or options which increase the price of the home.

The valuation will be presented as follows. First, a discussion of the single-family detached lot market data will be given. Each of the comparable land sales (on a finished lot basis) will be detailed along with a comparison discussion of their relationship to the subject property. The remaining construction costs and development fees will then be taken into consideration. This analysis will be followed by a finished lot value conclusion for the subject final lot. While the final house does have a home under construction, it will be valued on the basis of a finished lot rather than attribute value to a partially complete improvement. In the case of the completed (over 95 percent complete) builder-owned model, the home will be valued using the Sales Comparison Approach to value to conclude on a retail value for the plan, followed by a Discounted Cash Flow ("DCF") Analysis due to the builder ownership. The DCF will take into account the fair market value of the completed home (utilizing the Sales Comparison Approach), remaining development costs (if any), the marketing and carrying costs associated with selling off the homes, a profit due to the developer of the homes, and a discount rate reflecting both the risk associated with selling off the homes along with the time value of money during the estimated absorption period. In the case of the completed individually owned homes, the concluded base value of the homes will be used for each plan and a mass appraisal



technique will be addressed. In determining the concluded base value, new home sales in the area will be reviewed and compared with sales of the subject completed homes using standard methodology and statistical testing. All of the value conclusions will take into consideration the improvements to be funded by the Riverside CFD No. 2015-1 Special Tax Bonds and their lien. A summary of the final value conclusions will be reported at the end of this valuation section.

### **Market Data Discussion – Detached Residential Lots**

Within Autumn Grove there are a total of 83 individually owned homes, a builder-owned model home (in escrow) and a single home under construction which is under 95 percent complete (also in escrow). The home under construction will be valued on the basis of a finished lot rather than attribute value to a partially completed house; therefore, one lot will be valued. The lots within Autumn Grove are minimum 3,600 square feet.

We have searched the area and found the seven transactions summarized in the Addenda to be most comparable to the subject property. Four of the seven sales are located with the City of Riverside, two are located within unincorporated Riverside, and one is located within the City of Colton. The sales are reported both on a purchase price basis (when available) and on a “finished lot” basis. The actual purchase price is typically less, depending on the condition of the land (lots) at the time the property was acquired. Although some of the sales refer to lands in a nearly finished condition, they are typically physically finished lots with some fees remaining to be paid in order to be considered true “finished lots”. Below are the details of each of the comparable land sales along with a discussion of each transaction in relationship to the subject lands.

**Land Sale No. 1** refers to the most recent closing in the City of Riverside about six miles northwest of the subject property. R.C. Hobbs Company purchased 35 lots in October 2019. The lots have a minimum lot size of 4,000 square feet and were sold in an unimproved condition. The tentative tract map is still in process. The site sold for \$2,000,000 or \$57,143 per lot based on a reported finished lot cost of \$179,000. This transaction is considered to be a good comparable due to being the most recent transaction in the City of Riverside. In comparison with the subject property, this

transaction is considered similar in regards to location, lot size, and schools, but considered inferior in terms of the condition of the property at close of escrow. This site did not have approved mapping and was in a raw condition. While costs are taken into consideration, there is a risk factor associated with raw land that is not there when reviewing a finished lot such as the subject property.

**Land Sale No. 2** refers to the May 2019 closing of 77 lots within the City of Colton in San Bernardino County about 12 miles north of the subject property. Richmond American Homes purchased the 2,000 square foot minimum lots for \$4,460,000 or \$57,922 per lot based on a reported finished lot price of \$140,000. The site was sold in an unimproved condition with an approved tentative tract map. Richmond American is marketing Blossom at Wildrose Village on the site with homes from 1,700 to 2,300 square feet. Per their web site it states the product is “coming soon”. In comparison with the subject property, this transaction is considered inferior in regards to location, lot size, and schools.

**Land Sale No. 3** refers to the July 2018 closing in Unincorporated Riverside in the area known as Highgrove. Lennar purchased 72 lots from Shopoff Realty Investments within the community known as Spring Mountain Ranch in the Box Canyon area of Riverside about seven miles north of the subject property. The lots have a minimum lot size of 2,500 square feet and were sold in an unimproved condition with an approved tentative tract map. The site sold for \$4,350,000 or \$60,417 per lot based on a reported \$145,000 finished lot. The project is currently actively selling called Bayberry with home sizes from 1,500 to 1,800 square feet and beginning pricing generally from \$385,000 to \$400,000. In comparison with the subject property, this transaction is considered similar in regards to location and schools; however, is considered inferior due to surroundings (across from industrial buildings) and slightly inferior due to lot size.

**Land Sale No. 4** refers to a recent closing in Unincorporated Riverside in the area known as Home Gardens near the City of Corona about 12 miles west of the subject property. Woodside purchased 65 lots from Planet Home Living in June 2018. The lots have a minimum lot size of 2,500 square feet and were sold in an unimproved condition with an approved tentative tract map. The site sold for \$6,172,500 or \$94,962 per lot based on a

finished lot value of \$189,000. The project is currently actively selling called Sausalito with home sizes from 1,350 to 1,800 square feet and beginning pricing generally from \$400,000 to \$450,000. In comparison with the subject property, this transaction is considered slightly superior in regards to location (closer in to Los Angeles and Orange County); however, it is considered slightly inferior due to lot size.

**Land Sale No. 5** refers to a recent closing in City of Riverside about seven miles west of the subject property. KB Home purchased 62 lots from Coastal Commercial Properties in March 2018. The lots have a minimum lot size of 4,000 square feet and were sold in an unimproved condition with an approved tentative tract map. The site sold for \$2,958,929 or \$47,725 per lot based on a finished lot value of \$179,000. The project is currently actively selling called Primrose with home sizes from 1,800 to 2,150 and pricing beginning pricing from \$415,000 to \$460,000. In comparison with the subject property, this transaction is considered similar in regards to location and lot size.

**Land Sale No. 6** refers to the closing of the property known as Rivera in the City of Riverside about eight miles northeast of the subject property. RSI Communities (now William Lyon Homes) purchased 71 lots for an estimated finished lot price of \$160,000. The site was sold with recorded final map in a finished lot condition. The site sold in November 2017 for \$8,585,454 or \$120,921 per lot in a finished condition. Rivera is nearing build-out with home sizes generally from 2,000 to 2,800 square feet and base pricing from \$425,000 to \$520,000. This transaction is considered superior due to lot size, but is considered inferior due to location. The project is located adjacent to an industrial park.

**Land Sale No. 7** refers to the sale of Hillcrest, which consists of 26 lots purchased by Frontier Homes from William Tilden in September 2017. The property is located about 10 miles west of the subject property. The minimum lot size within Hillcrest are 7,200 square feet. They were purchased in an unimproved condition with an approved tentative tract map. The land sold for \$1,200,000 or \$46,154 per lot with an estimated finished lot value of approximately \$215,000. In comparison to the subject property is considered similar in regards to location but superior in lot size.

The following chart summarizes the considerations used in adjusting the market data to the Subject Properties.

<b>Data No.</b>	<b>Location</b>	<b>Date of Sale</b>	<b>Lot Size / Density</b>	<b>Finished Lot Price</b>	<b>Comparison to Subject</b>
1	Riverside	10/19	4,000	\$179,000	Similar – Location and Lot Size Inferior – Entitlements at close
2	Colton	5/19	2,000	\$140,000	Inferior – Location, Schools, Lot Size
3	Riverside	7/18	2,500	\$145,000	Similar – Location, Schools Inferior – Lot Size
4	Riverside	6/18	2,500	\$189,000	Slightly Superior – Location Inferior – Lot Size
5	Riverside	3/18	4,000	\$179,000	Similar – Location, Lot Size
6	Riverside	11/17	7,000	\$160,000	Superior – Lot Size Inferior – Location
7	Riverside	9/17	7,200	\$215,000	Superior – Lot Size Similar – Location Inferior – Project Size

The market data has an overall finished lot range from \$145,000 - \$215,000. Data No. 7 at the high end of the range is considered similar in location but superior due to the 7,200 minimum lot sizes as compared to the subject's minimum lot size of 3,600 square feet. The low end of the range (Data Nos. 2 and 3) refer to sales in inferior locations and are smaller in size. The remainder of the market data (Data 1, 4, 5 and 6) ranges from \$160,000 to \$189,000 per finished lot. In addition to the above transactions, we have reviewed the subject purchase, however have kept the finished lot estimated price confidential at the request of the homebuilder. Based on the above information, we have concluded that the subject lots have a finished lot value of \$180,000 for the 3,600 square foot lots.

There are remaining development costs associated with the builder-owned property of \$43,416. The builder owns two remaining lots suggesting the remaining development costs associated with this lot is \$21,708 (\$43,415 divided by two). Based on the above analysis the value conclusion for the subject builder owned lots are as follows:

**Builder-Owned Lot Final Valuation:**

1 Lot x \$180,000	\$	180,000
Less: Remaining Costs		<u>(21,708)</u>
Current "As Is" Value	\$	<u>158,292</u>

**Retail House Valuation**

The builder owns the final model home which is in escrow and due to close November 15, 2019. The costs associated with the selling off of this home will be addressed below. First, we will conclude at a minimum market retail value for each plan using the Sales Comparison Approach. The remaining 83 completed homes are owned by individuals. A reporting of the concluded value for each plan will be followed by a separate check of the analysis utilizing a mass appraisal technique based on actual sales prices of the homes.

**Autumn Grove by Lennar**

Autumn Grove consists of 83 individually owned homes and a final model home that is in escrow and due to close November 15, 2019 along with the final lot that is under construction. The remaining lot was valued above.

Below is a summary of the floor plans within Autumn Grove. A listing of the improved residential comparable properties is located in the Addenda of this report. The improved residential properties are located within Riverside and Moreno Valley. Our search of the subject property and the local Multiple Listing Service (MLS) has resulted in one pending re-sale of a Plan 1 and no other current listings of re-sales within Autumn Grove.

Plan	Bd/Ba	Floors/ Parking	Sq. Ft.	Ind. Owned	Bldr. Owned
<b>Autumn Grove</b>					
1	3 / 2.5	2 / 2	2,295	22	0
2	4 / 3	2 / 2	2,547	27	0
3	4 / 3	2 / 2	2,700	<u>34</u>	<u>1</u>
Subtotal				<u>83</u>	<u>1</u>

In addition to the above there is 1 home under construction.

The most appropriate new home comparable data for Autumn Grove Plan 1 are shown below.

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	1	3 / 2.5	2 / 2	2,295	--
1	3	4 / 3	2 / 2	2,131	\$214.91
2	2	4 / 3	2 / 2	2,203	\$184.56
2	3	4 / 3	2 / 2	2,232	\$174.37
3	2	3 / 2.5	2 / 2	2,056	\$203.25
4	7	3 / 2	1 / 2	2,091	\$219.98
5	1	4 / 2	1 / 2	2,206	\$208.51
6	6	3 / 2.5	2 / 2	2,237	\$181.93

All new home comparables are located within Riverside and Moreno Valley. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Autumn Grove Plan 1 had a final base asking price of \$452,060 which is \$196.98 per square foot. The new homes comparables have a base price less concessions range from \$181.93 per square foot to \$219.98 per square foot. The lowest sales (Data Nos. 2 and 6) are both located in Moreno Valley, an inferior location. There have been 22 closings of Autumn Grove Plan 1 with sales prices ranging from \$182.73 to \$199.72 per square foot. There is one pending listing of a Plan 1 within Autumn Grove with an asking price of \$202.61 per square foot. It should be noted that these reported sales prices include upgrades, premiums and options along with any concessions given by the builder while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Autumn Grove Plan 1 has a base current market value of \$185.00 per square foot. This calculates as follows:

$$2,295 \text{ sf} \times \$185.00 = \$424,575$$

The most appropriate new home comparable data for Autumn Grove Plan 2 are shown below.

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	2	4 / 3	2 / 2	2,547	--
2	4x	4 / 3	2 / 3	2,420	\$172.41
2	5	4 / 3.5	2 / 3	2,583	\$175.95
3	3	4 / 3	2 / 2	2,468	\$183.50
4	8	5 / 2.5	2 / 2	2,528	\$188.68
5	3	4 / 2.5	1 / 2	2,628	\$185.68
6	7	4 / 2.5	2 / 2	2,617	\$199.09

All new home comparables are located within Riverside and Moreno Valley. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Autumn Grove Plan 2 had a final base price less concessions of \$189.57 per square. The new homes comparables have a base price less concessions range from \$172.41 to \$199.09 per square foot. There have been 27 closings of Autumn Grove Plan 2 with sales prices ranging from \$179.76 to \$195.04 per square foot (not including the model home sale which was higher). It should be noted that these reported sales prices include upgrades, premiums and options along with any concessions given by the builder while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Autumn Grove Plan 2 has a base current market value of \$180.00 per square foot. This calculates as follows:

$$2,547 \text{ sf} \times \$180.00 = \$458,460$$

The most appropriate new home comparable data for Autumn Grove Plan 3 are shown below.

<b>Data</b>	<b>Model</b>	<b>Rm. Ct.</b>	<b>Flrs/Pkg.</b>	<b>Sq. Ft.</b>	<b>Price/SF</b>
Subj.	3	4 / 3	2 / 2	2,700	--
2	4x	4 / 3	2 / 3	2,420	\$172.41
2	5	4 / 3.5	2 / 3	2,583	\$175.95
3	3	4 / 3	2 / 2	2,468	\$183.50
4	8	5 / 2.5	2 / 2	2,528	\$188.68
5	4	4 / 2.5	2 / 2	2,913	\$175.41
6	7	4 / 2.5	2 / 2	2,617	\$199.09

All new home comparables are located within Riverside and Moreno Valley. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, master plan amenities, lot size, stories, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The Autumn Grove Plan 3 had a final asking base price of \$494,460 or \$183.13 per square foot. The new homes comparables have a base price less concessions range from \$168.22 to \$199.09 per square foot. There have been 34 closings of Plan 3 with sales prices ranging from \$172.80 to \$185.28 per square foot with the exception of the model home which is in escrow. There is a current escrow of the final production home which is under construction with a sales price of \$183.91 per square foot. It should be noted that these reported sales prices include upgrades, premiums and options along with any concessions given by the builder while the concluded value relates to a base price for the plan. All of the homes appear to be in excellent condition with no depreciation visible. It has been concluded that Autumn Grove Plan 3 has a base current market value of \$173.00 per square foot. This calculates as follows:

$$2,700 \text{ sf} \times \$173.00 = \$467,100$$

Builder-Owned Retail Value of Completed Home

Within Autumn there is a single model home that is complete, in escrow however not yet closed. There are certain costs associated with selling off a home. Per interviews with builders, upgrades and landscape/hardscape of up to \$100,000 are installed in the model homes, however, the builders generally consider this a marketing cost and do not anticipate recovering this investment on a dollar for dollar basis. Based on historical information, home sizes and fixtures, actual model home sales within the subject area and the current real estate market, a consideration of a \$50,000 premium has been included with the subject model home. As concluded above, the retail base value conclusions for the builder-owned homes within Autumn Grove are calculated as follows:

Plan 1 (0 x \$424,575)	\$	0
Plan 2 (0 x \$458,460)		0
Plan 3 (1 x \$467,100)		467,100
Model Upgrades (1 x \$50,000)		<u>50,000</u>
Total Retail Value		<u>\$ 517,100</u>



### Absorption Period

In order to arrive at an absorption period for the builder-owned home, the absorption rate for the subject neighborhood along with the surrounding developments has been reviewed. Autumn Grove has experienced a sales rate of 3.86 units per month and is sold out. It has been concluded that the final builder-owned home will be absorbed within a one-month period at the concluded value.

### Remaining Costs

As discussed under the property description section above there are \$21,708 remaining development costs associated with the builder-owned lot. This is taken into consideration in this analysis.

### Expenses

In determining an expense rate, several builders in the subject area have been interviewed as to their expenses on selling existing inventory. Expenses include marketing and general administrative costs. These costs typically range from six to ten percent depending on varying factors such as absorption period, intensity of marketing, etc. Six percent has been estimated for marketing expenses.

### Profit

Several interviews with merchant builders in the area were conducted in order to determine an appropriate profit percentage for the subject properties. In the early 2000s, developers typically attempted to achieve a 10 to 12 percent profit based on gross sales proceeds. During the early 1990s recession, this range was lowered considerably to six to 10 percent with some builders drastically lowering their profit potential in order to maintain their work force. As the market improved, so did the profits. This appears to be occurring once again as prices have been increasing. A six percent profit is considered appropriate in the analysis for this project.

### Discount Rate

In selecting a discount rate, the following was completed:

1. Interviews with merchant builders in the Riverside area

2. Review of current market conditions including current market rates as well as yields reflected in other markets (i.e., municipal bonds, corporate bonds, etc.)
3. The quality, construction, historical sales and product on the subject property

Autumn Grove has experienced a 3.86 sales per month absorption rate, considered good for the subject area. There is a single home remaining and it is in escrow. selling in September 2018 with the product being well received in the marketplace with a 3.75 sales per month average. Based on the sales rate within the subject project, the competition, the product and location, an eight percent discount rate is considered appropriate for this analysis.

Discounted Cash Flow Summary

The discounted revenue (see DCF Analyses in addenda) for the builder-owned home within Autumn Grove is \$430,470.

**Autumn Grove – Builder Ownership Valuation**

The builder-owned property within Autumn Grove consist of one model and one final lot under construction. The final valuation of the Lennar Homes owned property is:

1 Lot in its "As Is" Condition	\$ 158,292
1 Model Home	<u>430,470</u>
<b>Total Lennar Homes Ownership</b>	<b><u>\$ 588,762</u></b>

**Individual Owners Value Conclusions – Autumn Grove by Lennar**

In determining the value for the individually owned homes, we have considered the concluded base price value for the homes which is considered a minimum market value. This is due to homebuyers typically purchasing some addition upgrades, options or pay some premiums for the lot. The concluded values for the individually owned homes within Autumn Grove are:

Plan 1 (22 x \$424,575)	\$ 9,340,650
Plan 2 (27 x \$458,460)	12,378,420
Plan 3 (34 x \$467,100)	<u>15,881,400</u>
<b>Total Autumn Grove Individual Owned</b>	<b><u>\$ 37,600,470</u></b>

In an additional review, we have reviewed the original builder sales prices for the homes within the neighborhood of Autumn Grove. Closings for the 83 homes occurred between March 2018 to November 14, 2019. The builder's reported closing prices for the individually owned homes total \$39,200,715. The builder's reported prices include premiums, upgrades and purchased options as well as took into consideration the concessions given by the builder. The above valuation is for the minimum market value as it takes into consideration the base plan price only and does not take into consideration any options, premiums or upgrades which were purchased by the buyers. The above concluded values are within 4.1 percent of the actual sales prices on Autumn Grove. It is our conclusion that the original builder sales prices further substantiate the concluded minimum market value for the individually owned homes.

## APPRAISAL REPORT SUMMARY

The appraisal assignment was to value the subject property which consists of lands within Riverside CFD No. 2015-1 which consists of 85 proposed single-family homes being built in the community known as Autumn Grove in the City of Riverside in Riverside County. Out of the total 85 proposed homes, 83 are completed and have closed to individuals with the final model home in escrow and the final remaining lot currently under construction. We have reviewed the builder sales and reviewed the areas Multiple Listing Service. Our search resulted in one pending re-sale and no current re-sale listings of homes within Autumn Grove.

The subject property was valued using the Sales Comparison Approach to value, a Discounted Cash Flow Analysis along with a mass appraisal technique. A minimum value was determined for the existing homes by concluding at a base value for each plan. The valuation considered the improvements/benefits to be funded by Riverside CFD No. 2015-1 bond proceeds along with the Riverside CFD No. 2015-1 special tax lien. As a result of our investigation, the concluded value for the subject property is:

Autumn Grove by Lennar

Builder Owned (1 finished lot and 1 completed house)	\$ 588,762
Individual Owned (83 completed houses)	<u>\$ 37,600,470</u>
<b>Aggregate Value of Riverside CFD No. 2015-1</b>	<b><u>\$ 38,189,232</u></b>

The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of November 14, 2019.

## APPRAISER'S CERTIFICATION

The appraiser certifies that to the best of his knowledge and belief:

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



Kitty S. Siino, MAI  
State Certified General  
Real Estate Appraiser (AG004793)

# **ADDENDA**

**CITY OF RIVERSIDE CFD No. 2015-1**  
**BOUNDARY MAP**

# PROPOSED BOUNDARY MAP

SHEET 1 OF 1 SHEET

## COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE) CITY OF RIVERSIDE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2015-1 (ORANGECREST GROVE), CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF RIVERSIDE, AT A REGULAR MEETING THEREOF, HELD ON 23<sup>RD</sup> DAY OF June, 2015, BY RESOLUTION NO. 22869

Chisel  
CITY CLERK  
CITY OF RIVERSIDE

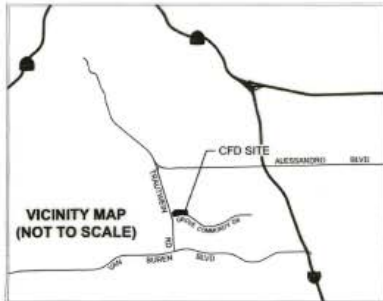
FILED IN THE OFFICE OF THE CITY CLERK, CITY OF RIVERSIDE, THIS 23<sup>RD</sup> DAY OF June, 2015

Chisel  
CITY CLERK  
CITY OF RIVERSIDE

RECORDED THIS 14 DAY OF July, 2015  
AT THE HOUR OF 4:34 O'CLOCK P.M. IN BOOK 78  
PAGE 43 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

FEE: B 10 NO: 2015-0308009  
PETER ALDANA, ASSESSOR, COUNTY CLERK, RECORDER

BY: D. Garnett  
DEPUTY



### LEGEND

- PARCEL LINE
- CFD BOUNDARY
- XXX-XXX-XXX ASSESSOR PARCEL NUMBER



0 200 400 Feet

W.O. 14-0238

ALBERT A  
**WEBB**  
ASSOCIATES  
ENGINEERING CONSULTANTS

THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2014-2015.



**TRACT MAP 39534**

**SURVEYOR'S NOTES**

**BASE OF BEARINGS**  
 THE BASES OF BEARINGS FOR THIS SURVEY IS THE CALIFORNIA STATE PLANE COORDINATE SYSTEM COESES ZONE 10, BASED LOCALLY ON CONTROL STATIONS "09P" AND "W12" NORTH AMERICAN DATUM 1983 (NAD 83) (2011 EPOCH) AS SHOWN HEREIN. ALL BEARINGS SHOWN ON THIS MAP ARE GRID QUOTED BEARINGS AND DISTANCES ARE SHOWN HERE THAT RECORD REFERENCE. ALL DISTANCES SHOWN ARE GRID DISTANCES UNLESS SPECIFIED OTHERWISE. GRID DISTANCES MAY BE OBTAINED BY MULTIPLYING THE GROUND DISTANCE OF A COMBINATION FACTOR OF 0.999975. CALCULATIONS ARE MADE AT THE NEAREST CONICAL SECTION 20. THE MAP, WITH COORDINATES OF N 2075505.63X, E 6538975.508, USING AN ELEVATION OF 1689.63 FEET.

**MONUMENT NOTES**

● - INDICATES FOUND MONUMENT AS NOTED.  
 \* - INDICATES FOUND 1" P & PICE 27/40 TAG, FLUSH PER MR 426/9-13.  
 ○ - INDICATES SET 1" P & L3 5/30 TAG, FLUSH, UNLESS OTHERWISE NOTED.  
 SET 1" P & L3 5/30 TAG, FLUSH AT ALL REAR LOT CORNERS AND ANGLE POINTS, SET LEAD & L3 5/30 TAG IN TOP OF CURB AT PROLONGATION OF SIDE LOT LINES.  
 THIS MAP CONTAINS 13.508 ACRES, MORE OR LESS WITHIN THE DISTRACTIVE BORDER.

( ) - INDICATES RECORD DATA PER REFERENCE LISTED BELOW  
 R1 - INDICATES RECORD DATA PER MR 426/9-13  
 R2 - INDICATES RECORD DATA PER MR 282/94-38  
 R3 - INDICATES RECORD DATA PER PAR 181/242-43  
 R4 - INDICATES RECORD DATA PER MR 279/28-31

C.C.'S ARTS FOR THIS MAP RECORDED May 21, 2017, AS DOC. NO. 4013-021514

IN THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

**TRACT NO. 39534**

BEING A SUBDIVISION OF A PORTION OF LOT 3 IN BLOCK 25 AND LOT 2 IN BLOCK 26, A PORTION OF JOHN F. HENNESSY DRIVE (INDICATED) AND TULE STREET (INDICATED) OF THE ALEXANDER TRACT AS SHOWN BY MAP ON FILE IN BOOK 8, PAGE 13 OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, LIND IN SECTION 20, T3S, R4E, S2E.

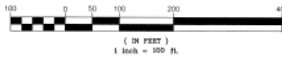
JANUARY 2016

**adkan ENGINEERS**  
 RIVERSIDE, CA

SHEET INDEX MAP

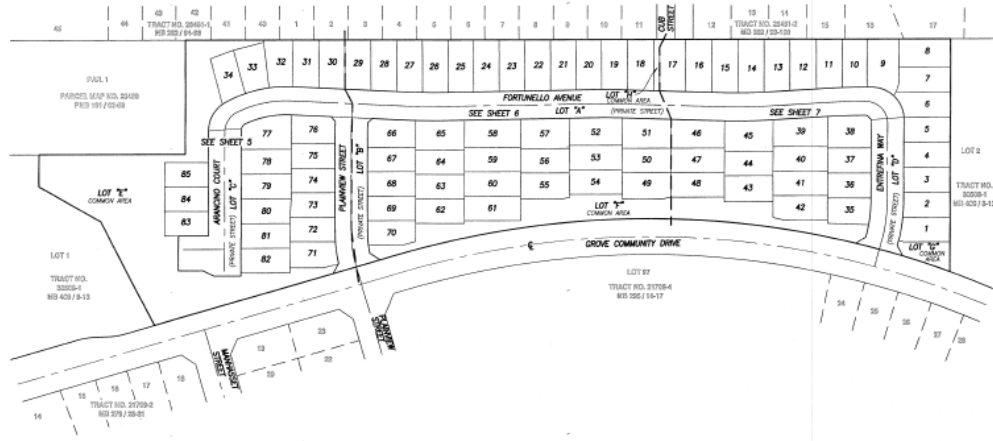


GRAPHIC SCALE



**EASEMENT NOTES**

1. AN EASEMENT FOR PIPELINES, CONDUITS, WELLS AND EGRESS AND RESIDENTIAL PURPOSES FOR DOCUMENT RECORDED WHICH IS 100% IN BOOK 1710, PAGE 467 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY. (CANNEE BE LOCATED FROM THE RECORDS)  
 2. WHICH HANG PORT AIRPORT AUTHORITY, A CALIFORNIA AIRPORT AUTHORITY HOLDER OF AN EASEMENT FOR AIRPORT AND AIRPORT PURPOSES FOR DOCUMENT RECORDED WHICH IS 100% IN OFFICIAL RECORDS OF RIVERSIDE COUNTY, EASEMENT IS SHOWN IN NATURE AND AFFECTS ALL LOTS.

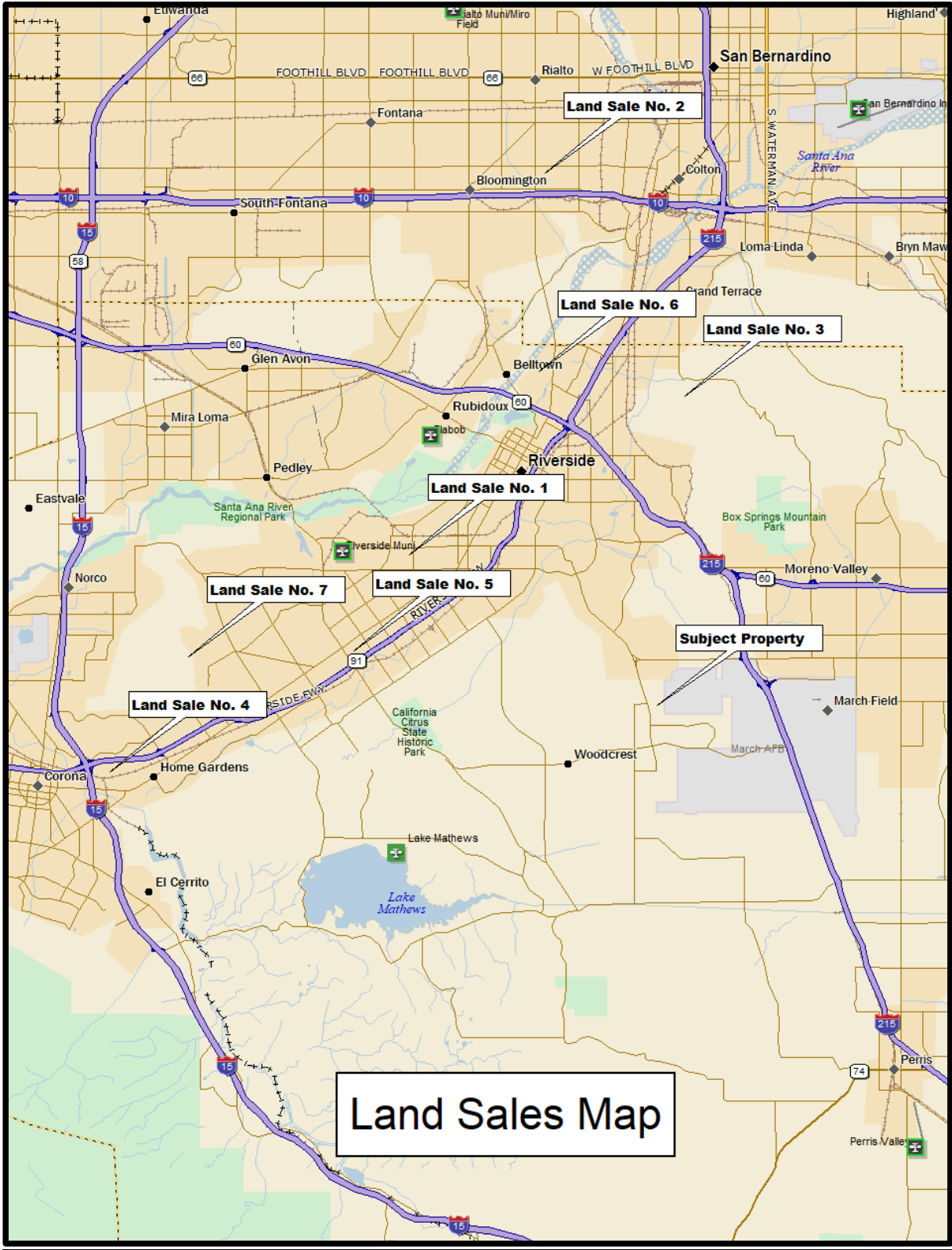


# **DISCOUNTED CASH FLOW ANALYSIS**

**Autumn Grove Builder-Owned House Discounted Cash Flow Analysis**

MONTH	Months	MONTH 1	<b><u>TOTAL</u></b>
	1		
<b>INCOME:</b>			
Retail Sales	517,100	\$517,100	\$517,100
TOTAL INCOME		<u>\$517,100</u>	<u>\$517,100</u>
<b>EXPENSES:</b>			
Remaining Costs		(\$21,708)	(\$21,708)
Marketing & Carrying Expenses	6%	(\$31,026)	(\$31,026)
Profit	6%	(\$31,026)	(\$31,026)
TOTAL EXPENSES		(\$83,760)	(\$83,760)
NET CASH FLOW		\$433,340	\$433,340
Discount Factor	8%	<u>0.9934</u>	
DISCOUNTED CASH FLOW		\$430,470	\$430,470
CUMULATIVE DISCOUNTED CASH FLOW		<b><u>\$430,470</u></b>	<b><u>\$430,470</u></b>

**FINISHED LOT LAND SALES MAP &**  
**SUMMARY CHART**

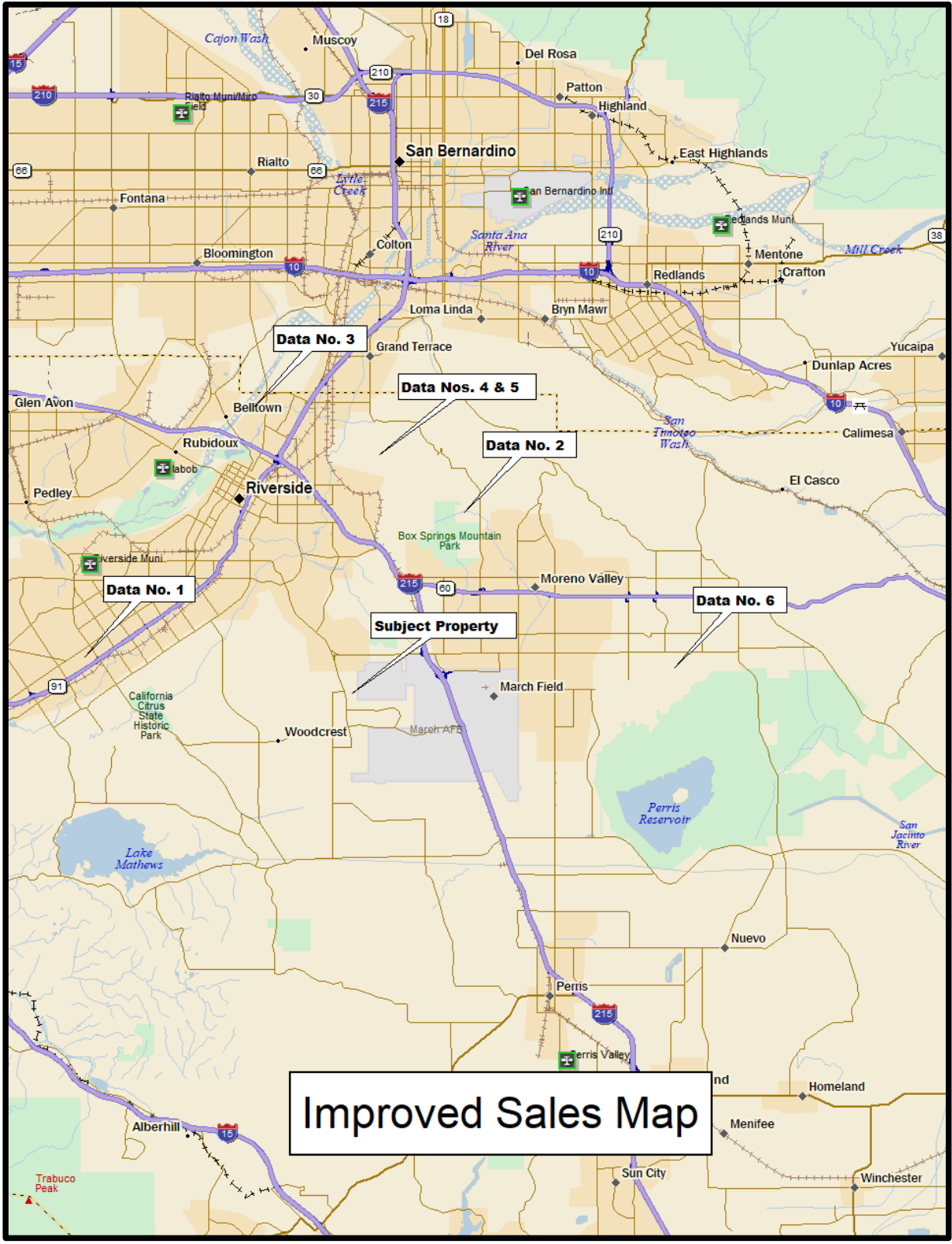


**FINISHED LOT LAND SALES SUMMARY CHART**

<b>Data No.</b>	<b>Location / APN / Buyer / Seller</b>	<b>Sales Date</b>	<b># Lots</b>	<b>Lot Size</b>	<b>Sales Price / Price per Lot</b>	<b>Est. Finished Lot Price</b>	<b>Comments</b>
1	6789 Streeter Avenue, NWC of Streeter Avenue & Sierra Street, Riverside / 190-263-030 / R.C. Hobbs Company / Steve Kim	10 / 19	35	4,000	\$2,000,000 / \$57,143	\$179,000	Closed in unimproved condition. Per Roger Hobbs, they're processing a tentative tract map for 35 lots, but it does not appear on the City Council agenda.
2	Blossom at Wildrose Village, SE of North Wildrose Avenue & West San Bernardino Avenue, Colton / 0254-051-51 + 5 parcels / Richmond American Homes / John Reichel	05 / 19	77	2,000	\$4,460,000 / \$57,922	\$140,000	Closed in unimproved condition with an approved tentative tract map.
3	Bayberry at Spring Mountain Ranch, NWC of Palmyrita Avenue & Mt Vernon Avenue, Highgrove (Unincorporated Riverside County) / 255-140-031 / Lennar / Shopoff Realty Investments	07 / 18	72	2,500	\$4,350,000 / \$60,417	\$145,000	Closed in unimproved condition with an approved tentative tract map. The project consists of detached residences arranged in 4- and 6-pack courtyard clusters. This project is currently an actively selling community.
4	Sausalito, SWC of Magnolia Avenue & Grant Street, Home Gardens (Unincorporated Riverside County) / 115-300-047 + 2 parcels / Woodside Homes / Planet Home Living	06 / 18	65	2,500	\$6,172,500 / \$94,962	\$189,000	Closed in unimproved condition with an approved tentative tract map. The project consists of detached residences with conventional street frontage on a condominium map. This project is currently an actively selling community.
5	Primrose, NW of Primrose Drive & Myers Street, Riverside / 234-091-012 + 7 parcels / KB Home / Coastal Commercial Properties	03 / 18	62	4,000	\$ 2,958,929 / \$47,725	\$179,000	Closed in unimproved condition with an approved tentative tract map. This project is currently an actively selling community.
6	Rivera, SW of Main Street & Alamo Street, Riverside / 206-020-067 + 70 parcels / RSI Communities (William Lyon Homes) / Nova Homes	11 / 17	71	7,000	\$8,585,454 / \$120,921	\$160,000	Closed in finished condition with a recorded final map. The lots had been improved during the previous real estate cycle. This project is currently an actively selling community.
7	Hillcrest, SW of Norwood Avenue & Peacock Lane / 141-380-001 + 25 parcels / Frontier Communities / William Tilden	09 / 17	26	7,200	\$1,200,000 / \$46,154	\$215,000	Closed in unimproved condition with an approved tentative tract map. This project is currently an actively selling community.

**IMPROVED RESIDENTIAL SALES MAP**  
**& SUMMARY CHART**





**IMPROVED RESIDENTIAL SALES SUMMARY CHART**

No.	Project Name Location / Developer	Plan	Room Count	Floors / Parking	Size (SF)	Lot Size	Base Sales Price	Absorp. Rate	Incentives/ Concessions	Price Less Incentives	Price/SF After Incentives
(Sub)	Autumn Grove / Grove Community Drive and Plainview Street, Riverside / Lennar	1	3 / 2.5	2 / 2	2,295	3,600	--	3.86	--	--	--
		2	4 / 3	2 / 2	2,547						
		3	4 / 3	2 / 2	2,700						
1	Primrose / Primrose Drive and Muir Avenue, Riverside / KB Home	1	3 / 2.5	2 / 2	1,779	4,000	\$415,990	1.94	None	\$415,990	\$233.83
		2	3 / 2.5	2 / 2	1,984		\$434,990			\$219.24	
		3	4 / 3	2 / 2	2,131		\$457,990			\$214.91	
2	Meadow Creek / Pigeon Pass Road and Meadow Lark Avenue, Moreno Valley / Lennar	2	4 / 3	2 / 2	2,203	4,500	\$412,601	5.97	\$6,000 towards closing with preferred lender	\$406,601	\$184.56
		3	4 / 3	2 / 2	2,232		\$395,210			\$174.37	
		4x	4 / 3	2 / 3	2,420		\$423,240			\$172.41	
		5	4 / 3.5	2 / 3	2,583		\$460,483			\$175.95	
3	Rivera / Apple Grove and Cherry Grove, Riverside / William Lyon Homes	1	4 / 2	1 / 2	1,935	7,000	\$489,900	4.34	\$5,000 towards closing costs with preferred lender	\$484,900	\$250.59
		2	3 / 2.5	2 / 2	2,056		\$422,900			\$203.25	
		3	4 / 3	2 / 2	2,468		\$457,900			\$183.50	
		4	5 / 3	2 / 2	2,714		\$475,425			\$173.33	
4	Santa Barbara at Spring Mountain Ranch, Unincorporated Riverside / KB Home	1	3 / 2	1 / 2	1,392	7,200	\$413,990	9.05	None	\$413,990	\$297.40
		2	3 / 2	1 / 2	1,479		\$422,990			\$285.99	
		3	3 / 2	1 / 2	1,625		\$428,990			\$263.99	
		4	4 / 2	1 / 2	1,750		\$439,990			\$251.42	
		5	3 / 2	1 / 2	1,779		\$443,990			\$249.57	
		6	4 / 2	1 / 2	1,860		\$436,990			\$234.94	
		7	3 / 2	1 / 2	2,091		\$459,990			\$219.98	
		8	5 / 2.5	2 / 2	2,528		\$476,990			\$188.68	
		9	5 / 2.5	2 / 2	2,889		\$485,990			\$168.22	
5	Carmel Ridge at Spring Mountain Ranch , Unincorporated Riverside / KB Home	1	4 / 2	1 / 2	2,206	7,200	\$459,990	3.81	None	\$459,990	\$208.51
		2	3 / 3	1 / 2	2,329		\$466,990			\$200.51	
		3	4 / 2.5	1 / 2	2,628		\$487,990			\$185.68	
		4	4 / 2.5	2 / 2	2,909		\$501,990			\$172.56	
		5	4 / 2.5	2 / 2	2,913		\$510,990			\$175.41	
		6	5 / 3.5	2 / 2	3,228		\$517,990			\$160.46	
		7	4 / 2	2 / 2	3,595		\$520,990			\$144.92	
6	Bella Cortina / Cactus Avenue and Goldenrod Street, Moreno Valley / KB Home	1	3 / 2	1 / 2	1,477	6,000	\$367,990	4.28	None	\$367,990	\$249.14
		2	4 / 2	1 / 2	1,722		\$382,990			\$222.40	
		3	3 / 2	1 / 2	1,772		\$375,990			\$212.18	
		4	3 / 2	1 / 2	1,905		\$385,990			\$202.61	
		5	4 / 2	1 / 2	2,128		\$400,990			\$188.43	
		6	3 / 2.5	2 / 2	2,237		\$406,990			\$181.93	
		7	4 / 2.5	2 / 2	2,617		\$521,025			\$199.09	
		8	4 / 2.5	2 / 2	3,061		\$441,990			\$144.39	

## **APPRAISER'S QUALIFICATIONS**

## QUALIFICATIONS OF KITTY S. SIINO, MAI

### Education

Bachelor of Arts in Business Administration, Financial Investments, California State University, Long Beach, California (1980)

Post-Graduate Study, Real Estate Development, University of California, Irvine, California

Appraisal Institute Classes: Uniform Standards of Professional Appraisal Practice, A & B; Appraisal Principles; Appraisal Procedures; Basic Income Capitalization; Advanced Income Capitalization; Narrative Report Writing; Advanced Applications, Case Studies. Successfully completed all classes in addition to successfully completing the writing of a Demonstration Report and taking the Comprehensive Exam. Became a Member of the Appraisal Institute in December 1996. Have completed over 100 hours of continuing education through the Appraisal Institute every five years.

### Employment

1988 - Present:

Self-Employed Real Estate Appraiser. Duties include the appraisal of various types of properties such as commercial, retail, industrial and vacant land. More complex assignments include easements, right-of-ways and special assessment districts. From 1996 to present, specialized in special assessment districts and community facilities districts appraisals for public entities, including Jurupa Community Services District, Corona Norco Unified School District, City of Corona, City of Chula Vista, City of San Marcos and City of Moreno Valley.

1986-1988:

Project Manager of Development for Ferguson Partners, Irvine, California. Duties included land acquisitions; review of fee appraisals and valuations; analysis of proposed development; planning and design; and management of development, construction and lease-up. The types of properties developed were commercial and industrial. Duties ranged from raw, vacant site development through property management of recently developed projects.

1981 - 1986

Manager of Finance, Construction for Community Development Division, The Irvine Company, Irvine, California. Duties included originating and managing a newly formed division of finance to bridge between the accounting functions and project management functions. Worked with analysis and budgets for Community Development Division. Coordinated with cities in forming new Assessment Districts and Community Facilities Districts to finance major infrastructure improvements. Types of properties were apartments and single-family residential lots on a for sale basis to apartment and homebuilders.

1980 - 1981

Investment Counselor, Newport Equity Funds, Newport Beach, California. Duties included obtaining private financing for residential properties, working with appraisals of properties and analyzing the investments.

Licenses

Real Estate Sales Person, State of California, 1980  
Certified General Appraiser, State of California (#AG004793)

Organizations

MAI #11145 - The Appraisal Institute

Public Financing

CASTOFF Meetings, 2006, 2007, 2008, 2009, 2010, 2011, 2013, 2014, 2015, 2016, 2017,  
2018 and 2019  
Speaker, Mello-Roos & Special Assessment Financing, UCLA Extension Public Policy  
Program, February 2009 and March 2011

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**APPENDIX D-2**

**SUPPLEMENT TO APPRAISAL REPORT**

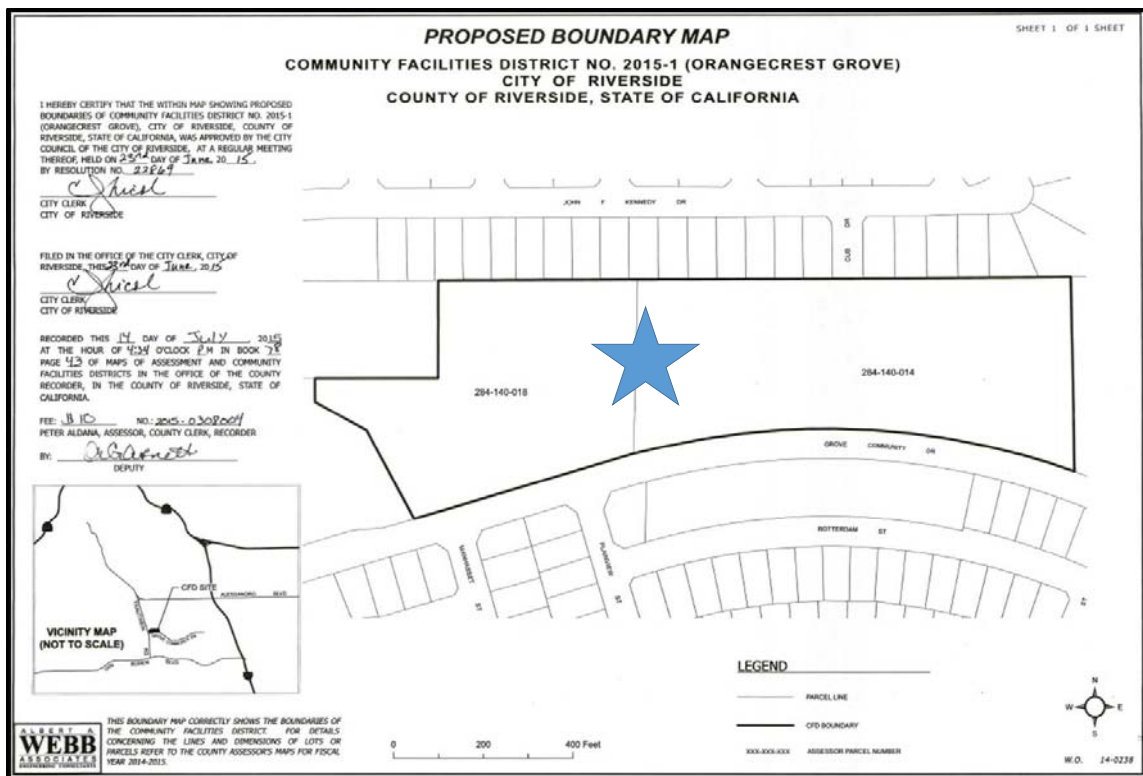
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# SUPPLEMENT TO APPRAISAL REPORT

## CITY OF RIVERSIDE COMMUNITY FACILITIES DISTRICT NO. 2015-1 (Orangecrest Grove)

City of Riverside, California  
(Appraisers' File No. 2019-1203S)



**Prepared For**  
**City of Riverside**  
3900 Main Street 6<sup>th</sup> Floor  
Riverside, CA 92501

**Prepared By**  
**Kitty Siino & Associates, Inc.**  
115 East Second Street, Suite 100  
Tustin, California 92780

**KITTY SIINO & ASSOCIATES, INC.**  
**REAL ESTATE APPRAISERS & CONSULTANTS**

February 25, 2020

Heidi Schrader, Debt Manager  
**City of Riverside**  
3900 Main Street, 6<sup>th</sup> Floor  
Riverside, CA 92522

Reference: Supplement to Appraisal Report  
Community Facilities District No. 2015-1 of the  
City of Riverside (Orangecrest Grove – Lennar)  
Northeast of the Trautwein Road and Orange Terrace Parkway Intersection,  
City of Riverside, California

Dear Ms. Schrader:

At the request and authorization of the City of Riverside, we have completed a Supplement to the Appraisal Report for Community Facilities District No. 2015-1 (Orangecrest Grove) ("Riverside CFD No. 2015-1"). This Supplement is to be used in conjunction with the Appraisal Report for the above referenced property dated January 7, 2020 with a date of value of November 14, 2019 which encompasses 85 single family detached homes developed into one neighborhood known as Autumn Grove by Lennar Homes ("Original Appraisal"). In lieu of updating the entire appraisal, the purpose of this Supplement is to bring forward the date of value to February 24, 2020 and conclude if the property has a value not less than the value concluded in the Original Appraisal. It should be noted that this report may not be understood properly on its own but rather should be used only in conjunction with the Original Appraisal.

The purpose of this Supplement is to ascertain and discuss additional construction, sales and closings which occurred in the subject property along with any changes which occurred in the subject area's housing market between November 14, 2019 (date of value of Original Appraisal) and February 24, 2020.

**INTENDED USE OF APPRAISAL** - It is the appraiser's understanding that the client, the City of Riverside, will utilize this Supplement to the Original Appraisal in disclosure documents related to the sale of the Special Tax Bonds of Riverside CFD No. 2015-1. This Supplement may be included in the Official Statement or similar document to be

distributed in connection with the marketing and offering of the bonds. It is the appraiser's understanding that there are no other intended uses of this report.

**SUBJECT PROPERTY** - The subject property consists of 85 single-family homes marketed as Autumn Grove (previously known as Orangecrest Grove) and located in the area known as Orangecrest in the City of Riverside. The subject property is covered by recorded Tract Map No. 39534 which subdivides the 13.528 acres into 85 lots with a minimum lot size of 3,600 square feet.

**OWNER OF RECORD AS OF FEBRUARY 24, 2020** – Lots 1-85 of Tract Map 39534 are all Individually Owned

**PROPERTY RIGHTS APPRAISED** - The property rights being appraised are of a fee simple estate interest, subject to easements of record and subject to Riverside CFD No. 2015-1 bonds. The definition of fee simple estate is included in the Original Appraisal.

**DEFINITIONS -**

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

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

- 1. buyer and seller are typically motivated;*
- 2. both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest;*
- 3. a reasonable time is allowed for exposure in the open market;*
- 4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- 5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*<sup>1</sup>

For all other definitions please refer to Original Appraisal.

**DATE OF VALUE** – February 24, 2020

**DATE OF SUPPLEMENT** – February 25, 2020

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<sup>1</sup> The Appraisal of Real Estate, 13<sup>th</sup> Edition

**SCOPE OF WORK** – The following items were completed in the scope of work for this assignment.

- Identify additional builder home sales and closings within the subject property and ascertain if the sales prices have increased, stayed the same or decreased.
- Identify additional construction on the subject property and report additional expenditures resulting in less remaining costs to complete.
- Inspected the subject property.
- Review and report on the subject real estate market conditions and identify any changes since the Original Appraisal.
- Determine if the value is not less than the value conclusion in the Original Appraisal.

**DISCUSSION** – On February 24, 2020 an inspection of the subject property was made by the appraiser. In addition, sales offices were contacted and reviews of current information was conducted. This information included additional closings of the final homes within Autumn Grove by Lennar. We observed the following changes in the subject property between November 14, 2019 (date of value in the Original Appraisal) and February 24, 2020.

1. The final two homes within Autumn Grove closed to individuals. At time of the Original Appraisal 83 of the 85 homes had closed to individual homebuyers and Lennar Homes owned the final two remaining homes, one a model and one a production home built on the model complex parking lot. Both homes were in escrow at time of Original Appraisal.
2. An additional \$52,760 in land development costs were expended by the builder to improve the subject property. These expenditures included the final cap on the internal streets and repairs where needed. Upon our inspection the fire hydrants within the project were getting a final coat of paint.
3. Between September November, 2019 and February, 2020 base pricing within the comparable projects located in Riverside has generally increased. Six comparable projects located within the market area of the subject were utilized in the Original Appraisal. In the past three months, one project has sold and closed out and one is near closing with the final few homes remaining for sale. Pricing on almost all plans within the four remaining comparable projects has either increased or stayed the same. Within the four still-active projects there are a total of 27 plans for sale. Of the 27 different plans, one had a price decrease of \$8,000, three of the plan's prices stayed the same and 23 of the plans had price increases which ranged from a low of \$6,000 to a high of \$18,000. The fact that the majority of plans within each comparable project has had an increase in base pricing, suggests that overall prices are not decreasing.

4. Our physical inspection of the subject property resulted in one home being listed for re-sale. All homes appeared in excellent condition with no depreciation apparent.

**SUBJECT REAL ESTATE MARKET** - The subject real estate market has seen minimal changes over the past three months. As discussed above, most projects in the Riverside area are enjoying slight price increases approximately every three to six months. Sales appear to have picked up over the past three months. In reviewing the four currently selling comparable projects which were used in the Original Report, between November 2019 and February 2020, one project sold 12 homes, two of the projects sold 33 each and one project sold 20 homes. These suggest homes are selling at an increasing rate when compared to the subject sales. That is, the subject average sales rate was 3.86 sales per month while in the last 3.5 months, the four projects have sold an average of 7 homes per month. It should be noted that the decrease in interest rates have spurred the homebuying market.

We have also reviewed The Ryness Report (a report distributed weekly by a new home sales, marketing and research company) for Inland Empire for both November 3, 2019 and for February 16, 2020. In overall Inland Empire the year to date sales averages have increased from 2.88 sales per month per project average to 3.64 average sales per month per project over this time period. Per Ryness, in the Riverside market two projects sold out over this time period.

As of November 7, 2019, the 30-year mortgage fixed rate average in the United States per the Federal Reserve Economic Data (FRED) was 3.69 percent while as of February 20, 2020 the average rate was 3.49 percent. February's rate of 3.49 percent compares to the rate one-year ago of 4.39 percent. While there haven't been any additional Federal Reserve Board interest rate deductions, the declining interest rates have helped spur home sales thus far in 2020.

The first re-sale home within the project was listed for sale. It is a Plan 3 and was originally sold January 12, 2018 for \$489,660 per the seller. The home is currently listed for sale for \$519,900, suggesting an increase of about six percent. It should be noted that the seller originally listed the home for \$539,900 in late November 2019, reduced the asking price to \$529,900 in January and in February reduced the asking price to the current \$519,990. In addition, this is an asking price only and does not reflect current market value. The concluded minimum market value in the appraisal for the Plan 3 was \$467,100, a little over \$50,000 below the current asking price on this listing re-sale.

**CONCLUSION** – This Supplement is intended to be used in conjunction with the Original Appraisal Report prepared with a November 14, 2019 date of value. This Supplement is to ascertain whether the value that was concluded as of November 14, 2019 is still valid. While we have not concluded at a new value, it is evident that final expenditures in land development has occurred and the final two homes have closed escrow, suggesting the subject's value has not decreased. In addition, it has been determined that the subject

real estate market has not experienced any significant negative changes since November 14, 2019 and in fact there appear to be positive changes. Based upon our investigation, we have determined that the current market value is not less than the concluded value as of November 14, 2019.

This Supplement is to be used in conjunction with the Updated Appraisal and subject to the attached Assumptions and Limiting Conditions and the Appraiser's Certification.

Respectfully submitted,

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**KITTY SIINO & ASSOCIATES, INC.**

A handwritten signature in cursive script that reads "K. Siino".

Kitty S. Siino, MAI  
California State Certified General  
Real Estate Appraiser (AG004793)

## **ASSUMPTIONS AND LIMITING CONDITIONS**

1. This report might not include full discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. The property is appraised subject to the special tax lien of Riverside CFD 2015-1.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable, however, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material used in this report are included only to assist the reader in visualizing the property and may not be to scale.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that would render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch included in this report may show approximate dimensions and is included only to assist the reader in visualizing the properties. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee regarding accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert relating to asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials that may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Proposed improvements, if any, are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings, if any, must not be used in conjunction with any other appraisal and are invalid if so used.
16. The Americans with Disabilities Act ("ADA") became effective on January 26, 1992. The appraiser has made no specific compliance survey and analysis of the property to determine whether they conform to the various detailed requirements of the ADA, nor is the appraiser a qualified expert regarding the requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, a possible noncompliance with requirements of the ADA in estimating the value has not been considered.
17. It is assumed there are no environmental concerns that would slow or thwart development of the subject property and that the soils are adequate to support the highest and best use conclusion.
18. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper qualification and only in its entirety. Permission is given for this appraisal to be published as a part of the Official Statement or similar document in association with the Riverside CFD No. 2015-1 Special Tax Bonds.



## APPRAISER'S CERTIFICATION

The appraiser certifies that to the best of his knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased, professional analyses, opinions and conclusions.
3. The appraiser has no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
4. The appraiser's compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.
5. This appraisal was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
6. The analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
7. Kitty Siino has made a personal inspection of the property that is the subject of this report.
8. Kitty Siino has performed appraisal services on the subject property in the past three years as described within this Supplement. An Original Appraisal of the property was completed with a November 14, 2019 date of value.
9. No other appraisers have provided significant professional assistance to the persons signing this report.
10. The reported analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Kitty Siino has completed the requirements of the continuing education program of the Appraisal Institute.



Kitty S. Siino, MAI  
State Certified General  
Real Estate Appraiser (AG004793)

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## APPENDIX E

### SUMMARY OF THE INDENTURE

*The following is a summary of certain provisions of the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of the provisions thereof.*

#### DEFINITIONS

Unless the context otherwise requires, the following terms have the following meanings:

Account. The term “Account” means any account created pursuant to the Indenture.

Act. The term “Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Section 53311 *et seq.* of the California Government Code.

Acquisition and Construction Fund. The term “Acquisition and Construction Fund” means the fund by that name established pursuant to the Indenture.

Additional Special Tax Reserve Account. The term “Additional Special Tax Reserve Account” means the account by that name in the Special Tax Fund.

Additional Special Tax Reserve Requirement. The term “Additional Special Tax Reserve Requirement” means an amount equal to \$145,600.00.

Administrative Expense Account. The term “Administrative Expense Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

Administrative Expenses. The term “Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes, including all attorneys’ fees and other costs related thereto, the fees and expenses of the Trustee, any fees and related costs for credit enhancement for the Bonds or any Parity Bonds which are not otherwise paid as Costs of Issuance, any costs related to the District’s compliance with state and federal laws requiring continuing disclosure of information concerning the Bonds and the District, and any other costs otherwise incurred by City staff on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and any obligation of the District under the Indenture.

Administrative Expenses Cap. The term “Administrative Expenses Cap” means \$30,000.

Alternate Penalty Account. The term “Alternate Penalty Account” means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

Annual Debt Service. The term “Annual Debt Service” means the principal amount of any Outstanding Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds or Parity Bonds in such Bond Year, if the Bonds and any Parity Bonds are retired as scheduled.

Authorized Investments. The term “Authorized Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(1) For all purposes, including defeasance investments in refunding escrow accounts: (a) cash; or (b) obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S., including U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, General Services Administration, guaranteed Title XI financing, Government National Mortgage Association (GNMA) and State and Local Government Series; or (c) obligations of government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Mortgage Corporation (FHLMC) debt obligations, Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives), Federal Home Loan Banks (FHL Banks), Federal National Mortgage Association debt obligations, Financing Corp. (FICO) debt obligations, Resolution Funding Corp. (REFCORP) debt obligations and U.S. Agency for International Development (U.S.A.I.D.) guaranteed notes.

(2) For all purposes other than defeasance investments in refunding escrow accounts: (a) obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America: Export-Import Bank, Rural Economic Community Development Administration, U.S. Maritime Administration, Small Business Administration, U.S. Department of Housing & Urban Development (PHAs), Federal Housing Administration and Federal Financing Bank; (b) direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), obligations of the Resolution Funding Corporation (REFCORP) and senior debt obligations of the Federal Home Loan Bank System; (c) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including those of the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank); (d) commercial paper which is rated at the time of purchase in the single highest classification "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase; (e) investments in a money market fund rated "AAm," "AAm G" or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services; (f) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America, or any agency, instrumentality or local governmental unit of any such state, which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and: (i) which are rated, based on irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or (ii) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (1)(b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (2) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in the Indenture on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; (g) municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of at least "Aa2/AA" or higher by both Moody's and S&P; (h) Investment Agreements (supported by appropriate opinions of counsel); and (i) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent that the Trustee is authorized to register such investment in its name.

The value of the above investments will be determined as follows: (a) for the purpose of determining the amount in any fund, all Authorized Investments credited to such fund will be valued at market value. The Trustee will determine the market value based on accepted industry standards, including the Trustee's internal systems, and from accepted industry providers. Accepted industry providers include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Bank of America Merrill Lynch or Salomon Smith Barney. Notwithstanding anything to the contrary in the Indenture, in making any valuation of

investments thereunder, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system, and rely thereon; (b) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest thereon; and (c) as to any investment not specified above: the value thereof established by prior agreement between the City and the Trustee.

Authorized Representative of the District. The term “Authorized Representative of the District” means the Mayor of the City, the City Manager of the City, the Chief Financial Officer/City Treasurer of the City, or any other officer or employee authorized by the City Council of the City or by an Authorized Representative of the District to undertake the action referenced in the Indenture as required to be undertaken by an Authorized Representative of the District.

Bond Counsel. The term “Bond Counsel” means an attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

Bond Register. The term “Bond Register” means the books which the Trustee will keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds are recorded.

Bonds. The term “Bonds” means, collectively, the Series 2020A Bonds and the Series 2020B Bonds.

Bond Year. The term “Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds or an issue of Parity Bonds will begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date.

Business Day. The term “Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the City where the Principal Office of the Trustee is located, are not required or authorized to remain closed.

Certificate of an Authorized Representative. The term “Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the District.

City. The term “City” means the City of Riverside, County of Riverside, State of California.

City Council. The term “City Council” means the City Council of the City.

City Facilities Account. The term “City Facilities Account” means the account by that name created and established in the Acquisition and Construction Fund pursuant to the Indenture.

City Fee Facilities Account. The term “City Fee Facilities Account” means the account by that name created and established in the Acquisition and Construction Fund pursuant to the Indenture.

Code. The term “Code” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

Continuing Disclosure Certificate. The term “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated March 5, 2020, as originally executed by the District and as it may be from time to time amended and supplemented in accordance with its terms.

Costs of Issuance. The term “Costs of Issuance” means the costs and expenses incurred in connection with the formation of the District and the issuance and sale of the Bonds or any Parity Bonds, including the acceptance and initial annual fees and expenses of the Trustee and its counsel, legal fees and expenses, costs of printing the Bonds and Parity Bonds and the preliminary and final official statements for the Bonds and Parity Bonds, fees of financial consultants, costs of the appraisal and all other related fees and expenses, including reimbursement to property owners within the District for design, engineering and legal costs, as set forth in a Certificate of an Authorized Representative of the District.

Costs of Issuance Account. The term “Costs of Issuance Account” means the account by that name created and established in the Acquisition and Construction Fund pursuant to the Indenture.

Delivery Date. The term “Delivery Date” means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

Depository. The term “Depository” means The Depository Trust Company, New York, New York, and its successors and assigns as securities depository for the Bonds, or any other securities depository acting as Depository under the Indenture.

District. The term “District” means Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside, County of Riverside, State of California, established pursuant to the Act and Resolution No. 22892 adopted by the City Council of the City on August 11, 2015.

Event of Default. The term “Event of Default” means an event described in the Indenture.

Fiscal Year. The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the next following June 30.

Gross Taxes. The term “Gross Taxes” means the amount of all Special Taxes received by the District together with the proceeds collected from the sale of property pursuant to foreclosure for the delinquency of such Special Taxes remaining after the payment of all costs related to such foreclosure actions.

Indenture. The term “Indenture” means the Bond Indenture, dated as of March 1, 2020, by and between the District and the Trustee, together with any Supplemental Indenture approved pursuant thereto.

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom: (1) is in fact independent and not under the domination of the District or the City; (2) does not have any substantial interest, direct or indirect, in the District or the City; and (3) is not connected with the District or the City as a member, officer or employee of the District or the City, but who may be regularly retained to make annual or other reports to the District or the City.

Interest Account. The term “Interest Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

Interest Payment Date. The term “Interest Payment Date” means September 1, 2020 and each March 1 and September 1 thereafter; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

Investment Agreement. The term “Investment Agreement” means one or more agreements for the investment of funds of the District complying with the criteria therefor as set forth in subsection (2)(h) of the definition of Authorized Investments in the Indenture.

Maximum Annual Debt Service. The term “Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds by adding the following for each Bond Year: (1) the principal amount of all Outstanding Bonds and Parity Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and (2) the interest payable on the aggregate principal amount of all Bonds and Parity Bonds Outstanding in such Bond Year if the Bonds and Parity Bonds are retired as scheduled.

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc., its successors and assigns.

Net Taxes. The term “Net Taxes” means Gross Taxes minus amounts set aside to pay Administrative Expenses.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

Ordinance. The term “Ordinance” means Ordinance No. 7298 adopted by the City Council on August 25, 2015, providing for the levying of the Special Tax.

Outstanding. The terms “Outstanding” or “Outstanding Bonds and Parity Bonds” means all Bonds and Parity Bonds theretofore issued by the District, except: (i) Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with the Indenture; (ii) Bonds and Parity Bonds for payment or redemption of which monies have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture or any applicable Supplemental Indenture for Parity Bonds; and (iii) Bonds and Parity Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to the Indenture or for which a replacement has been issued pursuant to the Indenture.

Owner. The term “Owner” means the person or persons in whose name or names any Bond or Parity Bond is registered.

Parity Bonds. The term “Parity Bonds” means all bonds, notes or other similar evidences of indebtedness hereafter issued, payable out of the Net Taxes and which, as provided in the Indenture or any Supplemental Indenture, rank on a parity with the Bonds.

Participants. The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds or Parity Bonds as securities depository.

Person. The term “Person” means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

Prepayments. The term “Prepayments” means any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the RMA.

Principal Account. The term “Principal Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

Principal Office of the Trustee. The term “Principal Office of the Trustee” means the corporate trust Principal Office of the Trustee located in Los Angeles, California, provided that for purposes of redemption, payment, exchange, transfer or surrender of the Bonds and Parity Bonds means the corporate trust Principal Office of the Trustee located in St. Paul, Minnesota, or such other office or offices as the Trustee may

designate from time to time, or the office of any successor Trustee where it principally conducts its corporate trust business.

Project. The term “Project” means “those public facilities described in the Resolution of Formation which are to be acquired or constructed within and outside of the District, including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within the District from time to time.

Project Costs. The term “Project Costs” means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Bonds or any Parity Bonds, including, but not limited to, remarketing, credit enhancement, Trustee and other fees and expenses relating to the issuance of the Bonds or any Parity Bonds and the formation of the District, and to pay any other “incidental expenses” of the District, as such term is defined in the Act.

Rating Agency. The term “Rating Agency” means Moody’s or S&P, or both, as the context requires.

Rebate Account. The term “Rebate Account” means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

Rebate Fund. The term “Rebate Fund” means the fund by that name established pursuant to the Indenture in which there are established the Accounts described therein.

Rebate Regulations. The term “Rebate Regulations” means any final, temporary or proposed Regulations promulgated under Section 148(f) of the Code.

Record Date. The term “Record Date” means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

Redemption Account. The term “Redemption Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

Regulations. The term “Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

Representation Letter. The term “Representation Letter” means the Blanket Letter of Representations from the District to the Depository as described in the Indenture.

Reserve Account. The term “Reserve Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

“Reserve Policy” means a letter of credit, insurance policy, surety bond or other such funding instrument issued by a municipal bond insurance company rated least “Aa3” or higher by Moody’s or “AA-” or higher by S&P, delivered to the Trustee for the purpose of providing all or a portion of the Reserve Requirement for Bonds and Parity Bonds.

Reserve Requirement. The term “Reserve Requirement” means that amount as of any date of calculation equal to the lesser of: (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any; (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; and (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds.

Resolution of Formation. The term “Resolution of Formation” means Resolution No. 22892 adopted by the City Council on August 11, 2015, pursuant to which the City Council established the District.



RMA. The term “RMA” means the Rate and Method of Apportionment of Special Tax for the District approved by the qualified electors of the District at the August 11, 2015 election.

School Facilities Account. The term “School Facilities Account” means the account by that name established in the Acquisition and Construction Fund pursuant to the Indenture.

Series 2020A Bonds. The term “Series 2020A Bonds” means the Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside, County of Riverside, State of California, Special Tax Bonds, Series 2020A (Tax Exempt), issued in the aggregate principal amount of \$2,075,000.

Series 2020B Bonds. The term “Series 2020B Bonds” means the Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside, County of Riverside, State of California, Special Tax Bonds, Series 2020B (Federally Taxable), issued in the aggregate principal amount of \$365,000.

Sinking Fund Payment. The term “Sinking Fund Payment” means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedules set forth in the Indenture and any annual sinking fund payment schedule to retire any Parity Bonds which are designated as Term Bonds.

Six-Month Period. The term “Six-Month Period” means the period of time beginning on the Delivery Date of each issue of Bonds or Parity Bonds, as applicable, and ending six consecutive months thereafter, and each six month period thereafter until the latest maturity date of the Bonds and the Parity Bonds (and any obligations that refund an issue of the Bonds or Parity Bonds).

Special Tax Administrator. The term “Special Tax Administrator” means the individual or entity appointed by the City to administer the calculation and collection of the Special Taxes.

Special Tax Requirement. The term “Special Tax Requirement” means that amount required in any Fiscal Year for the District to: (i) pay debt service on all Outstanding Bonds and Parity Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay Administrative Expenses; (iii) pay any amounts required to establish or replenish any reserve funds on all Outstanding Bonds and Parity Bonds; (iv) pay for reasonable anticipated Special Tax delinquencies; (v) pay directly for acquisition or construction of facilities authorized under the Act and the RMA to the extent that the inclusion of such amount does not increase the Special Tax levy on Undeveloped Property (as defined in the RMA); (vi) pay any amounts required to establish or replenish any delinquency management funds established in association with the Special Taxes; less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the District pursuant to the Indenture.

Special Tax Fund. The term “Special Tax Fund” means the fund by that name created and established pursuant to the Indenture.

Special Taxes. The term “Special Taxes” means the taxes authorized to be levied by the District on property within the District in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the August 11, 2015 election in the District, including any scheduled payments and any Prepayments thereof, the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and penalties and interest thereon; provided that any delinquent Special Tax sold to an independent third-party or to the City for 100% of the delinquent amount will no longer be pledged under the Indenture to the payment of the Bonds or Parity Bonds.

S&P. The term “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and assigns.

Subaccount. The term “Subaccount” means any subaccount created pursuant to the Indenture

Supplemental Indenture. The term “Supplemental Indenture” means any supplemental indenture amending or supplementing the Indenture.

Surplus Fund. The term “Surplus Fund” means the fund by that name created and established pursuant to the Indenture.

Tax Certificate. The term “Tax Certificate” means the certificate by that name to be executed by the District on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

Tax-Exempt. The term “Tax-Exempt” means, with reference to an Authorized Investment, an Authorized Investment the interest earnings on which are excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, other than one described in Section 57(a)(5)(C) of the Code.

Term Bonds. The term “Term Bonds” means the Series 2020A Bonds maturing on September 1, 2049 and the Series 2020B Bonds maturing on September 1, 2027 any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

Trustee. The term “Trustee” means U.S. Bank National Association., a national banking association duly organized and existing under the laws of the United States of America, at its corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Indenture, and any successor thereto.

Underwriter. The term “Underwriter” means, with respect to the Bonds, Raymond James & Associates, Inc., and with respect to each issue of Parity Bonds, the institution or institutions, if any, with whom the District enters into a purchase contract for the sale of such issue.

#### GENERAL AUTHORIZATION AND BOND TERMS

Amount, Issuance, Purpose and Nature of Bonds and Parity Bonds. Under and pursuant to the Act, the Series 2020A Bonds in the aggregate principal amount of \$2,075,000 and the Series 2020B Bonds in the aggregate principal amount of \$365,000, together with any Parity Bonds authorized by the City Council in accordance with the Indenture, will be issued for the purposes of financing the Project, paying Costs of Issuance, and funding the Reserve Account; provided that the aggregate principal amount of the Bonds and any Parity Bonds may not exceed the total indebtedness presently authorized or subsequently authorized by the qualified electors within the District in accordance with the Act. The Bonds and any Parity Bonds will be and are limited obligations of the District and are payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the Net Taxes and the other amounts in the Special Tax Fund (other than amounts in the Administrative Expense Account of the Special Tax Fund).

Type and Nature of Bonds and Parity Bonds. Neither the faith and credit nor the taxing power of the City, the State of California, or any political subdivision thereof other than the District is pledged to the payment of the Bonds or any Parity Bonds. Except for the Net Taxes, no other taxes are pledged to the payment of the Bonds or any Parity Bonds. The Bonds and any Parity Bonds are not general or special obligations of the City nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the Special Tax Fund (exclusive of the Administrative Expense Account), as more fully described in the Indenture. The District’s limited obligation to pay the principal of, premium, if any, and interest on the Bonds and any Parity Bonds from amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds or any Parity Bonds may compel the exercise of the taxing power by the District (except as pertains to the Special Taxes) or the City or the forfeiture of any of their property. The principal of and interest on the Bonds and any Parity Bonds and premiums upon the redemption thereof, if any, are not a debt of the City, the State of

California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds and any Parity Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the District's property, or upon any of its income, receipts or revenues, except the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) which are, under the terms of the Indenture and the Act, set aside for the payment of the Bonds, any Parity Bonds and interest thereon, and neither the members of the legislative body of the District or the members of the City Council nor any persons executing the Bonds or any Parity Bonds are liable personally on the Bonds or any Parity Bonds, by reason of their issuance.

Notwithstanding anything to the contrary contained in the Indenture, the District is not required to advance any money derived from any source of income other than the Net Taxes for the payment of the interest on or the principal of the Bonds or any Parity Bonds, or for the performance of any covenants contained in the Indenture. The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

Equality of Bonds and Parity Bonds and Pledge of Net Taxes. Pursuant to the Act and the Indenture, the Bonds and any Parity Bonds will be equally payable from and secured by a first pledge of and lien on the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account), without priority for number, date of the Bonds or Parity Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and any Parity Bonds and any premiums upon the redemption thereof, will be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) which have been set aside for the payment of the Bonds and any Parity Bonds; provided that any delinquent Special Tax sold to an independent third-party or to the City for 100% of the delinquent amount will no longer be pledged under the Indenture to the payment of Bonds or Parity Bonds. Amounts in the Special Tax Fund (other than the Administrative Expense Account therein) constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and any Parity Bonds and, so long as any of the Bonds and any Parity Bonds or interest thereon remain Outstanding, will not be used for any other purpose, except as permitted by the Indenture or any Supplemental Indenture. Notwithstanding any provision contained in the Indenture to the contrary, Net Taxes deposited in the Rebate Fund and the Surplus Fund will no longer be considered to be pledged to the Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, the Acquisition and Construction Fund or the Administrative Expense Account of the Special Tax Fund will be construed as a trust fund held for the benefit of the Owners.

Nothing in the Indenture or any Supplemental Indenture precludes: (i) subject to the limitations contained under the Indenture, the redemption prior to maturity of any Bonds or Parity Bonds subject to call and redemption and payment of said Bonds or Parity Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as later amended, or under any other law of the State of California; or (ii) the issuance, subject to the limitations contained in the Indenture, of Parity Bonds which are payable from Net Taxes.

Bond Register. The Trustee will keep or cause to be kept, at the Principal Office of the Trustee, sufficient books for the registration and transfer of the Bonds and any Parity Bonds which will upon reasonable prior notice be open to inspection by the District during all regular business hours, and, subject to the limitations set forth in the Indenture, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Bonds and any Parity Bonds as provided in the Indenture.

The District and the Trustee may treat the Owner of any Bond or Parity Bond whose name appears on the Bond Register as the absolute Owner of that Bond or Parity Bond for any and all purposes and the District and the Trustee will not be affected by any notice to the contrary. The District and the Trustee may rely on the address of the Owner as it appears in the Bond Register for any and all purposes. It is the duty of the Owner to

give written notice to the Trustee of any change in the Owner's address so that the Bond Register may be revised accordingly.

Mutilated, Lost, Destroyed or Stolen Bonds or Parity Bonds. If any Bond or Parity Bond becomes mutilated, the District will execute, and the Trustee will authenticate and deliver, a new Bond or Parity Bond of like tenor, date, issue and maturity in exchange and substitution for the Bond or Parity Bond so mutilated, but only upon surrender to the Trustee of the Bond or Parity Bond so mutilated. Every mutilated Bond or Parity Bond so surrendered to the Trustee will be cancelled by the Trustee pursuant to the Indenture. If any Bond or Parity Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and, if any indemnity satisfactory to the Trustee is given, the District will execute and the Trustee will authenticate and deliver a new Bond or Parity Bond, as applicable, of like tenor, maturity and issue, numbered and dated as the Trustee will determine in lieu of and in substitution for the Bond or Parity Bond so lost, destroyed or stolen. Any Bond or Parity Bond issued in lieu of any Bond or Parity Bond alleged to be mutilated, lost, destroyed or stolen will be equally and proportionately entitled to the benefits of the Indenture with all other Bonds and Parity Bonds issued under the Indenture. The Trustee will not treat both the original Bond or Parity Bond and any replacement Bond or Parity Bond as being Outstanding for the purpose of determining the principal amount of Bonds or Parity Bonds which may be executed, authenticated and delivered under the Indenture or for the purpose of determining any percentage of Bonds or Parity Bonds Outstanding thereunder, but both the original and replacement Bond or Parity Bond will be treated as one and the same. Notwithstanding any other provision of the Indenture, in lieu of delivering a new Bond or Parity Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Bonds or Parity Bonds.

Validity of Bonds and Parity Bonds. The validity of the authorization and issuance of the Bonds and any Parity Bonds will not be affected in any way by any defect in any proceedings taken by the District for the financing of the Project, or by the invalidity, in whole or in part, of any contracts made by the District in connection therewith, and will not be dependent upon the completion of the financing of the Project or upon the performance by any Person of his obligation with respect to the Project, and the recital contained in the Bonds or any Parity Bonds that the same are issued pursuant to the Act and other applicable laws of the State is conclusive evidence of their validity and of the regularity of their issuance.

Book-Entry System. The Bonds will be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the ownership of each such Bond will be registered in the registration books kept by the Trustee in the name of the Nominee as nominee of the Depository. Except as provided in the Indenture, all of the Outstanding Bonds will be registered in the registration books kept by the Trustee in the name of the Nominee. At the election of the District, any Parity Bonds may also be issued as book-entry bonds registered in the name of the Nominee as provided in the Indenture, in which case the references in the provisions relating to the book-entry system in the Indenture to "Bonds" will be applicable to such Parity Bonds.

With respect to Bonds registered in the registration books kept by the Trustee in the name of the Nominee, the District and the Trustee have no responsibility or obligation to any such Participant or to any Person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Trustee have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds; (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event that the Bonds are redeemed in part; or (iv) the payment to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The District and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of the principal of,

premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond and for all other purposes whatsoever. The Trustee will pay all principal of, premium, if any, and interest due on the Bonds only to or upon the order of the respective Owner, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to satisfy and discharge fully the District's obligations with respect to payment of the principal, premium, if any, and interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the registration books kept by the Trustee, will receive a Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the Indenture. Upon delivery by the Depository to the Trustee and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee in the Indenture will refer to such new nominee of the Depository.

Representation Letter. In order to qualify the Bonds and any Parity Bonds which the District elects to register in the name of the Nominee for the Depository's book-entry system, an Authorized Representative of the District has been authorized to execute from time to time and deliver to such Depository the Representation Letter. The execution and delivery of the Representation Letter does not in any way limit the provisions of the Indenture or in any other way impose upon the District any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the registration books kept by the Trustee. The District has agreed to take all action necessary to continuously comply with all representations made by it in the Representation Letter. In addition to the execution and delivery of the Representation Letter, the Authorized Representatives of the District have been authorized to take any other actions, not inconsistent with the Indenture, to qualify the Bonds for the Depository's book-entry program.

Transfers Outside Book-Entry System. In the event that: (i) the Depository determines not to continue to act as securities depository for the Bonds; or (ii) the District determines that the Depository will no longer so act, then the District will discontinue the book-entry system with the Depository. If the District fails to identify another qualified securities depository to replace the Depository then the Bonds so designated will no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but will be registered in whatever name or names Persons transferring or exchanging Bonds designate, in accordance with the provisions of the Indenture.

Payments to the Nominee. Notwithstanding any other provisions of the Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest due with respect to such Bond and all notices with respect to such Bond will be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

Initial Depository and Nominee. The initial Depository under the Indenture will be The Depository Trust Company, New York, New York. The initial Nominee will be Cede & Co., as Nominee of The Depository Trust Company, New York, New York.

## CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Creation of Funds. There have been created and established and will be maintained by the Trustee the following funds and accounts:

(1) The Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside, County of Riverside, State of California, Special Tax Fund (the "Special Tax Fund") (in which there will be established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account, an Additional Special Tax Reserve Account, and an Administrative Expense Account).

(2) The Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside, County of Riverside, State of California, Rebate Fund (the “Rebate Fund”) (in which there will be established a Rebate Account and an Alternate Penalty Account).

(3) The Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside, County of Riverside, State of California, Acquisition and Construction Fund (the “Acquisition and Construction Fund”) (in which there will be established a City Facilities Account, a City Fee Facilities Account, a School Facilities Account and a Costs of Issuance Account).

(4) The Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside, County of Riverside, State of California, Surplus Fund (the “Surplus Fund”).

The amounts on deposit in the foregoing funds, accounts and subaccounts will be held by the Trustee. The Trustee will invest and in accordance with the provisions of the Indenture and will disburse the amounts in such funds, accounts and subaccounts and apply investment earnings thereon in accordance with the provisions of the Indenture.

In connection with the issuance of any Parity Bonds, which may be issued only for the purpose of refunding the Bonds as described in the Indenture, the Trustee, at the direction of an Authorized Representative of the District, may create new funds, accounts or subaccounts, or may create additional accounts and subaccounts within any of the foregoing funds and accounts for the purpose of separately accounting for the proceeds of the Bonds and any Parity Bonds.

Deposits to and Disbursements from Special Tax Fund. (a) Except for Prepayments, which will be deposited to the Redemption Account of the Special Tax Fund, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Indenture, in the following order of priority, to: (1) the Administrative Expense Account of the Special Tax Fund up to the Administrative Expenses Cap; (2) the Interest Account of the Special Tax Fund; (3) the Principal Account of the Special Tax Fund; (4) the Redemption Account of the Special Tax Fund; (5) the Reserve Account of the Special Tax Fund; (6) the Additional Special Tax Reserve Account of the Special Tax Fund; (7) the Administrative Expense Account of the Special Tax Fund to the extent that Administrative Expenses exceed or are expected to exceed the Administrative Expense Cap; (8) the Rebate Fund; and (9) the Surplus Fund.

(b) At maturity of all of the Bonds and Parity Bonds and, after all principal and interest then due on the Bonds and Parity Bonds then Outstanding have been paid or provided for and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

Administrative Expense Account of the Special Tax Fund. The Trustee will transfer from the Special Tax Fund and deposit in the Administrative Expense Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a Certificate of an Authorized Representative of the District; provided, however, that, except as set forth in the following sentence, the total amount transferred with respect to a Bond Year may not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to restore the Reserve Account to the Reserve Requirement. Notwithstanding the foregoing, amounts in excess of the Administrative Expenses Cap may be transferred to the Administrative Expense Account to the extent necessary to collect delinquent Special Taxes. Moneys in the Administrative Expense Account of the Special Tax Fund may be invested in any Authorized Investments as directed in writing by an Authorized Representative of the District and will be disbursed as directed in a Certificate of an Authorized Representative.

Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption, will be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively.

For the purpose of assuring that the payment of principal of and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer required by the Indenture, at least one Business Day prior to each March 1 and September 1, the Trustee will make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds or any Parity Bonds, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account and the Administrative Expense Account) are inadequate to make the foregoing transfers, then any deficiency will be made up by transfers from the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date is equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account will be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.

(b) To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year, commencing September 1, 2019, equals the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account will be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.

Redemption Account of the Special Tax Fund. (a) With respect to each September 1 on which a Sinking Fund Payment is due, after the deposits have been made to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund as required by the Indenture, the Trustee will next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account one Business Day prior to each September 1 on which a Sinking Fund Payment is due equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency will be made up by an immediate transfer from the Reserve Account, if funded, pursuant to the Indenture. Moneys so deposited in the Redemption Account will be used and applied by the Trustee to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedules set forth in the Indenture, and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule in the Supplemental Indenture for such Parity Bonds.

(b) After making the deposits to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund pursuant to the Indenture and to the Redemption Account for Sinking Fund Payments then due pursuant to clause (a) above, and in accordance with the District's election to call Bonds for optional redemption as set forth in the Indenture, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee will transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund (other than the Administrative Expense Account therein) may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

(c) Prepayments deposited to the Redemption Account will be applied on the redemption date established pursuant to the Indenture to the payment of the principal of, premium, if any, and interest on the Bonds and Parity Bonds to be redeemed with such Prepayments.

(d) Moneys set aside in the Redemption Account will be used solely for the purpose of redeeming Bonds and Parity Bonds and will be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender of such Bonds or Parity Bonds, and, in the case of an optional redemption or a special mandatory redemption from Prepayments, to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account may be used to purchase Outstanding Bonds or Parity Bonds in the manner provided in the Indenture. Purchases of Outstanding Bonds or Parity Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption or a special mandatory redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to the Indenture, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Reserve Account of the Special Tax Fund. There will be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. The Reserve Requirement may be satisfied in whole or in part by cash, a Reserve Policy, or a combination thereof. The amounts in the Reserve Account will be applied as follows:

(a) Moneys in the Reserve Account will be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity Bonds when due in the event that, after moneys in the Additional Special Tax Reserve Account have been transferred to the Interest Account and/or the Principal Account pursuant to the Indenture, the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due and for the purpose of making any required transfer to the Rebate Fund pursuant to the Indenture upon written direction from the District. If after moneys in the Additional Special Tax Reserve Account have been transferred to the Interest Account or Principal Account, as the case may be, the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee will withdraw from the Reserve Account, first from the cash on deposit therein, and second from a draw on the Reserve Policy, if any, for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers referred to in the Indenture, the Trustee will transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement by first, repaying any amounts due under the Reserve Policy, and second to fund the Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund will be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Administrative Expense Account, the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next September 1. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, including any amounts necessary to pay costs related to the Reserve Policy, if any, then the District will include the amount necessary to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.



(c) In connection with a redemption of Bonds pursuant to the Indenture or Parity Bonds in accordance with any Supplemental Indenture, or a partial defeasance of Bonds or Parity Bonds in accordance with the Indenture, amounts in the Reserve Account may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such redemption or partial defeasance equals the Reserve Requirement. The District will set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to the Indenture to partially defease Bonds, and the Trustee will make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) To the extent that the sum of the amounts on deposit in the Reserve Account and the Additional Special Tax Reserve Account as of the first day of the penultimate Bond Year equals or exceeds the sum of the Annual Debt Service in each of the final two Bond Years for the Bonds or an issue of Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds, as applicable, in such Bond Years for such issue. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the provisions of the Indenture will be withdrawn from the Reserve Account on the Business Day before each March 1 and September 1 and will be transferred to the City Facilities Account or the Water Facilities Account of the Acquisition and Construction Fund, as directed by an Authorized Representative of the District, until all amounts have been disbursed from the Acquisition and Construction Fund (or such fund is closed) and thereafter to the Interest Account of the Special Tax Fund.

Additional Special Tax Reserve Account. Amounts in the Additional Special Tax Reserve Account will be applied as follows: (a) Moneys in the Additional Special Tax Reserve Account will be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds or Parity Bonds when due or in the event that the balance on deposit in the Interest Account or the Principal Account, as the case may be, is insufficient for such purpose and for the purpose of making any required transfer to the Rebate Fund pursuant to the Indenture upon written direction from the District or any required transfer to the Redemption Account as described below. If the amounts in the Interest Account or Principal Account, as the case may be, are insufficient to pay the principal of, including Sinking Fund Payments, or interest on the Bonds or Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee will withdraw from the Additional Special Tax Reserve Account for deposit in the Interest Account or the Principal Account, as the case may be, or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Additional Special Tax Reserve Account, after making the required transfers referred to in the Indenture, the Trustee will transfer to the Additional Special Tax Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of the Additional Special Tax Reserve Account to the Additional Special Tax Reserve Requirement. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Additional Special Tax Reserve Account are inadequate to restore the Additional Special Tax Reserve Account to the Additional Special Tax Reserve Requirement, then the District will include the amount necessary to fully restore the Additional Special Tax Reserve Account to the Additional Special Tax Reserve Requirement in the next annual Special Tax levy to the extent of the Maximum Special Taxes.

(c) To the extent that the sum of the amounts on deposit in the Reserve Account and the Additional Special Tax Reserve Account as of the first day of the penultimate Bond Year equals or exceeds the sum of Annual Debt Service in each of the final two Bond Years, amounts in the Additional Special Tax Reserve Account may be applied to pay the principal of and interest due on the Bonds in such Bond Years, if so provided in a Certificate of an Authorized Representative.

(d) To the extent that the sum of the amounts on deposit in the Reserve Account and the Additional Special Tax Reserve Account as of the first day of the final Bond Year equals or exceeds Annual Debt Service for the final Bond Year, amounts in the Additional Special Tax Reserve Account may be applied to pay the principal of and interest due on the Bonds in such Bond Year, if so provided in a Certificate of an Authorized Representative.

(e) The Trustee will withdraw from the Additional Special Tax Reserve Account moneys in excess of the Additional Special Tax Reserve Requirement not transferred in accordance with the preceding provisions of this Section one Business Day before each March 1 and September 1, and transfer such moneys to the Interest Account of the Special Tax Fund, unless prior to such date the Trustee is directed in a Certificate of an Authorized Representative to transfer such moneys to a different fund or account specified in such certificate.

Rebate Fund. (a) The Trustee will establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund and will establish a separate Rebate Account and Alternate Penalty Account therein. All money at any time deposited in the Rebate Account or the Alternate Penalty Account of the Rebate Fund will be held by the Trustee in trust, for payment to the United States Treasury. A separate subaccount of the Rebate Account and the Alternate Penalty Account will be established for the Series 2020A Bonds and each issue of Parity Bonds the interest on which is excluded from gross income for federal income tax purposes. All amounts on deposit in the Rebate Fund with respect to the Series 2020A Bonds or an issue of Parity Bonds will be governed by the Indenture and the Tax Certificate for such issue, unless the District obtains an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on the Series 2020A Bonds and Parity Bonds will not be adversely affected if such requirements are not satisfied.

(1) Rebate Account. The following requirements will be satisfied with respect to each subaccount of the Rebate Account:

(i) Annual Computation. Within 55 days of the end of each Bond Year, the District will calculate or cause to be calculated the amount of rebatable arbitrage for the Series 2020A Bonds and each issue of Parity Bonds to which the Indenture is applicable, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage described in the Tax Certificate for each issue (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “Rebatable Arbitrage”). The District will obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the foregoing requirements.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year for which Rebatable Arbitrage must be calculated as required by the Tax Certificate for each issue, upon the written direction of an Authorized Representative of the District, an amount will be deposited to each subaccount of the Rebate Account by the Trustee from any funds so designated by the District if and to the extent required, so that the balance in the Rebate Account equals the amount of Rebatable Arbitrage so calculated by or on behalf of the District in accordance with clause (i) above with respect to the Series 2020A Bonds and each issue of Parity Bonds to which the Indenture is applicable. In the event that immediately following any transfer required by the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit to the credit of the applicable subaccount of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from an Authorized Representative of the District, the Trustee will withdraw the excess from the appropriate subaccount of the Rebate Account and then credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee will pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in each subaccount of the Rebate Account: (X) not later than 60 days after the end of: (A) the fifth Bond Year for the Series 2020A Bonds and each issue of Parity Bonds to which the Indenture is applicable; and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year for the Series 2020A Bonds and each issue of Parity Bonds, as applicable; and (Y) not later than 60 days after the payment or redemption of all of the Series 2020A Bonds or an issue of Parity Bonds, as applicable, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the District will calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to the foregoing provisions will be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T, or will be made in such other manner as provided under the Code.

(2) Alternate Penalty Account.

(i) Six-Month Computation. If the 1½% Penalty has been elected for the Series 2020A Bonds or an issue of Parity Bonds, within 85 days of each particular Six-Month Period, the District will determine or cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The District will obtain expert advice in making such determinations.

(ii) Six-Month Transfer. Within 85 days of the close of each Six-Month Period, the Trustee, at the written direction of an Authorized Representative of the District, will deposit an amount in the appropriate subaccounts of the Alternate Penalty Account from any source of funds held by the Trustee pursuant to the Indenture and designated by the District in such written directions or provided to it by the District, if and to the extent required, so that the balance in each subaccount of the Alternate Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in clause (a)(2)(i) above. In the event that immediately following any transfer provided for in the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit in a subaccount of the Alternate Penalty Account exceeds the amount required to be on deposit therein to make the payments required by clause (iii) below, the Trustee, at the written direction of an Authorized Representative of the District, may withdraw the excess from the applicable subaccount of the Alternate Penalty Account and credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee will pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in a subaccount of the Alternate Penalty Account, not later than 90 days after the close of each Six-Month Period the 1½% Penalty, if applicable and payable, computed with respect to the Series 2020A Bonds and any issue of Parity Bonds in accordance with Section 148(f)(4) of the Code. In the event that, prior to the time of any payment required to be made from a subaccount of the Alternate Penalty Account, the amount in such subaccount is not sufficient to make such payment when such payment is due, the District will calculate the amount of such deficiency and direct the Trustee, in writing, to deposit an amount equal to such deficiency into such subaccount of the Alternate Penalty Account from any funds held by the Trustee pursuant to the Indenture and designated by the District in such written directions prior to the time such payment is due. Each payment required to be made pursuant to the foregoing provision will be made to the Internal Revenue Service, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T or will be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Accounts of the Rebate Fund with respect to the Series 2020A Bonds or an issue of Parity Bonds after redemption and payment of such issue and after making the payments described in clauses (a)(1)(iii) or (a)(2)(iii) (whichever is applicable), may be withdrawn by the Trustee at the written direction of the District and utilized in any manner by the District.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the Rebate Fund requirements of the Indenture will survive the defeasance and final payment of the Series 2020A Bonds and any Parity Bonds with respect to which an Account has been created in the Rebate Fund.

(d) Amendment Without Consent of Owners. The Rebate Fund provisions of the Indenture may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the District an opinion of Bond Counsel to the effect that such deletion or amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2020A Bonds and any issue of Parity Bonds issued on a tax exempt basis.

(e) Trustee. The Trustee has no responsibility to monitor or calculate any amounts payable to the U.S. Treasury pursuant to the Rebate Fund requirements of the Indenture and will be deemed constructively to have complied with its obligations thereunder if it follows the written instructions of the District given pursuant to the Indenture.

Surplus Fund. After making the transfers required by the Indenture, as soon as practicable after each September 1, the Trustee will transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to the Indenture. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District: (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor; (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (iii) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses; and (iv) to the District, for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative and the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund will be invested at the written direction of the District in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes. Such amounts will be disbursed as directed by an Authorized Representative of the District.

Acquisition and Construction Fund. (a) The moneys in the Costs of Issuance Account will be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative of the District, and any

balance remaining therein after 180 days will be transferred by the Trustee to the Administrative Expense Account of the Special Tax Fund as directed in writing by an Authorized Representative of the District. Following such transfer to the Administrative Expense Account, the Costs of Issuance Account will be closed.

(b) The moneys in the Acquisition and Construction Fund and the Accounts therein (other than the Costs of Issuance Account) will be applied exclusively to pay the Project Costs. Amounts for Project Costs will be disbursed by the Trustee from the Acquisition and Construction Fund or the Accounts therein (other than the Costs of Issuance Account), as specified in a Request for Disbursement of Project Costs, substantially in the form attached to the Indenture. A properly executed Request for Disbursement of Project Costs must be submitted in connection with each requested disbursement, and the Trustee may rely thereon without investigating the accuracy thereof. Amounts in an Account of the Acquisition and Construction Fund may be transferred to another Account or Accounts therein pursuant to a Certificate of an Authorized Representative of the District.

(c) Upon receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Acquisition and Construction Fund or the Accounts therein (other than the Costs of Issuance Account) is no longer needed to pay Project Costs, the Trustee will: (i) transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Acquisition and Construction Fund or the Accounts therein to the Interest Account, the Principal Account or Redemption Account of the Special Tax Fund, to the Costs of Issuance Account or to the Surplus Fund, as directed in such certificate, provided that in connection with any direction to transfer amounts to the Surplus Fund there will be delivered to the Trustee with such certificate an opinion of Bond Counsel to the effect that such transfer to the Surplus Fund will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2020A Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes; and (ii) thereafter, close the Acquisition and Construction Fund.

Investments. Moneys held in any of the Funds, Accounts and Subaccounts under the Indenture will be invested at the written direction of the District upon at least two (2) Business Days' notice in accordance with the limitations set forth below only in Authorized Investments which will be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Authorized Investments will be credited or charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on a Fund, Account or Subaccount will be applied as follows: (i) investment earnings on all amounts deposited in the Acquisition and Construction Fund (including the Accounts therein), the Special Tax Fund, the Surplus Fund and the Rebate Fund and each Account therein (other than the Reserve Account and Additional Special Tax Reserve Account of the Special Tax Fund) will be deposited in those respective Funds, Accounts and Subaccounts; (ii) investment earnings on all amounts deposited in the Reserve Account will be deposited therein to be applied as set forth in the Indenture, and (iii) investment earnings on all amounts deposited in the Additional Special Tax Reserve Account will be deposited therein to be applied as set forth in the Indenture.. Moneys in the Funds, Accounts and Subaccounts held under the Indenture may be invested by the Trustee as directed in writing by the District, from time to time, in Authorized Investments subject to the following restrictions (provided that the Trustee is not required to verify compliance with such restrictions and may rely on the District's written instructions as evidence of such compliance):

(a) Moneys in the Acquisition and Construction Fund will be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Acquisition and Construction Fund. Notwithstanding anything in the Indenture to the contrary, amounts in the Acquisition and Construction Fund three years after the Delivery Date for the Bonds and the proceeds of each issue of Parity Bonds issued on a tax-exempt basis which are remaining on deposit in the Acquisition and Construction Fund on the date which is three years following the date of issuance of such issue of Parity Bonds will be invested by the District only in Authorized Investments the interest on which is excluded from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of

individuals under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds from which such proceeds were derived, unless in the opinion of Bond Counsel such restriction is not necessary to prevent interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes from being included in gross income for federal income tax purposes.

(b) Moneys in the Interest Account, the Principal Account, and the Redemption Account of the Special Tax Fund will be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds and any Parity Bonds as the same become due.

(c) Moneys in the Reserve Account and the Additional Special tax Reserve Account of the Special Tax Fund may be invested only in Authorized Investments (other than the Authorized Investment described in clause (2)(i) of the definition thereof) which, taken together, have a weighted average maturity not in excess of five years; provided that such amounts may be invested in an Investment Agreement to the later of the final maturity of the Bonds or any Parity Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with the Indenture; and provided that no such Authorized Investment of amounts in the Reserve Account allocable to the Bonds or an issue of Parity Bonds mature later than the respective final maturity date of the Bonds or the issue of Parity Bonds, as applicable.

(d) Moneys in the Rebate Fund will be invested only in Authorized Investments of the type described in clause (1) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government pursuant to the Indenture or in Authorized Investments of the type described in clause (2)(e) of the definition thereof.

(e) If no such written investment direction from the District is received, the funds will be uninvested.

The Trustee will sell, or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such funds and accounts or from such funds and accounts, employing, in the case of a sale, any commercially reasonable method of effecting the same. Notwithstanding anything in the Indenture to the contrary, the Trustee is not responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the Indenture. Any Authorized Investments that are registrable securities will be registered in the name of the Trustee.

The Trustee may act as principal or agent in the making or disposing of any investment and will be entitled to its customary fee for making such investment. For investment purposes, the Trustee may commingle the funds and accounts established under the Indenture, but will account for each separately. The Trustee has been authorized, in making or disposing of any investment permitted by the Indenture, to deal with itself (in its individual capacity) or which any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

The District has acknowledged that, to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District has specifically waived receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

#### COVENANTS AND WARRANTY

Warranty. The District will preserve and protect the security pledged under the Indenture to the Bonds and any Parity Bonds against all claims and demands of all persons.

Covenants. So long as any of the Bonds or Parity Bonds issued under the Indenture are Outstanding and unpaid, the District will make the following covenants with the Owners under the provisions of the Act and the Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and Parity Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

(a) Punctual Payment; Against Encumbrances. The District has covenanted that it will receive all Special Taxes in trust for the Owners and will deposit all Special Taxes with the Trustee immediately upon their apportionment to the District, and the District has no beneficial right or interest in the amounts so deposited except as provided by the Indenture. All such Special Taxes will be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District has covenanted that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued under the Indenture, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and the Parity Bonds and in accordance with the Indenture to the extent that Net Taxes and other amounts pledged thereunder are available therefor, and that the payments into the Funds and Accounts created thereunder will be made, all in strict conformity with the terms of the Bonds, any Parity Bonds, and the Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds and any Parity Bonds issued thereunder.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in the Indenture, and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the Bonds, other than Parity Bonds. Nothing in the Indenture prevents the District from issuing or incurring indebtedness which is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds and the Parity Bonds, subject to compliance with the District's bonded indebtedness limit.

(b) Levy of Special Tax. Beginning in Fiscal Year 2020-21 and so long as any Bonds or Parity Bonds issued under the Indenture are Outstanding, the District has covenanted to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay: (1) the principal of and interest on the Bonds and any Parity Bonds when due; (2) the Administrative Expenses; and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement, including any amounts to pay costs related to the Reserve Policy, if any. The District has further covenanted that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

(c) Commence Foreclosure Proceedings. The District has covenanted for the benefit of the Owners of the Bonds and any Parity Bonds that it will: (i) commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied; and (iii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement. The District may, but is not obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account. The District may treat any delinquent Special Tax sold to an independent third-party or to the City for at least 100% of the delinquent amount as having been paid. Proceeds of any such sale up to 100% of the delinquent amount will be deposited in the Special Tax Fund.

The District has covenanted that it will deposit the net proceeds of any foreclosure in the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal and interest on the Bonds and any Parity Bonds, to bring the amount on deposit in the Reserve Account up to the Reserve Requirement and to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds.

(d) Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund (other than the Administrative Expense Account therein), or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided, however, that nothing in the Indenture requires the District to make any such payments so long as the District in good faith contests the validity of any such claims.

(e) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries are made of all transactions relating to the Project, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts will at all times during business hours be subject to the inspection of the Trustee or of the Owners or the Owners of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

(f) Federal Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Series 2020A Bonds and any Parity Bonds issued on a tax-exempt basis for federal income tax purposes will not be adversely affected for federal income tax purposes, the District has covenanted to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and has specifically covenanted, without limiting the generality of the foregoing, as follows:

(1) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Series 2020A Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes or of any other monies or property which would cause the Series 2020A Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “private activity bonds” within the meaning of Section 141 of the Code.

(2) Arbitrage. The District will make no use of the proceeds of the Series 2020A Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Series 2020A Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(3) Federal Guaranty. The District will make no use of the proceeds of the Series 2020A Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes or take or omit to take any action that would cause the Series 2020A Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(4) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(5) Hedge Bonds. The District will make no use of the proceeds of the Series 2020A Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Series 2020A Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District



takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2020A Bonds and any applicable Parity Bonds issued on a tax-exempt basis for federal income tax purposes.

(6) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed on the Delivery Date by the District in connection with the Series 2020A Bonds and any Parity Bonds issued on a tax-exempt basis for federal income tax purposes and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

(7) Other Tax-Exempt Issues. The District will not use proceeds of other tax-exempt securities to redeem any Series 2020A Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis for federal income tax purposes.

(8) Subsequent Opinions. If the District obtains a subsequent opinion of Bond Counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation, where such opinion is required in connection with a change or amendment to the Indenture or the procedures set forth in the Tax Certificate, it will obtain an opinion substantially to the effect originally delivered by Stradling Yocca Carlson & Rauth, a Professional Corporation, that interest on the Series 2020A Bonds is excluded from gross income for federal income tax purposes.

(g) Reduction of Maximum Special Taxes. The District has found and determined that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the District below the levels provided in the Indenture would interfere with the timely retirement of the Bonds and Parity Bonds. The District has determined it to be necessary in order to preserve the security for the Bonds and Parity Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District has covenanted, that it will not initiate proceedings to reduce the maximum Special Tax rates for the District, unless, in connection therewith, the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that: (i) such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than the Administrative Expense Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such proposed reduction; and (ii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

(h) Covenants to Defend. The District has covenanted that, in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the maximum Special Tax below the levels specified in the Indenture or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(i) Limitation on Right to Tender Bonds. The District has covenanted that it will not adopt any policy pursuant to Section 53344.1 of the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District has first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Net Taxes to pay the principal of and interest on the Bonds and Parity Bonds when due.

(j) Continuing Disclosure. The District has covenanted to comply with the terms of the Continuing Disclosure Certificate and with the terms of any agreement executed by the District with respect to any Parity Bonds to assist the Underwriter in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission; provided, however, that a failure to comply will not be considered an event of default under the Indenture and the Owners will be limited to enforcing the terms thereof in accordance with the terms of the Continuing Disclosure Certificate.

(k) Further Assurances. The District will make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds and any Parity Bonds of the rights and benefits provided in the Indenture.

#### AMENDMENTS TO INDENTURE

Supplemental Indentures or Orders Not Requiring Owner Consent. The District may from time to time, and at any time, without notice to or consent of any of the Owners, adopt Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions in the Indenture which may be inconsistent with any other provision therein, or to make any other provision with respect to matters or questions arising under the Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Owners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect, or to comply with the Code or regulations issued thereunder, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which do not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding;

(e) to modify, alter or amend the RMA in any manner, so long as the Trustee receives a certificate of an Independent Financial Consultant stating that: such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than the Administrative Expense Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such amendment;

(f) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Owners; or

(g) to modify, alter, amend or supplement the Indenture in any other respect, as may be required to fund all or a portion of the Reserve Requirement with a Reserve Policy.

Supplemental Indentures or Orders Requiring Owner Consent. Exclusive of the Supplemental Indentures described above, the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding have the right to consent to and approve the adoption by the District of such

Supplemental Indentures as deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture permits, or will be construed as permitting: (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond; (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon; (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond; or (d) a reduction in the aggregate principal amount of the Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds and Parity Bonds then Outstanding.

If at any time the District desires to adopt a Supplemental Indenture, which pursuant to the terms of the Indenture require the consent of the Owners, the District will so notify the Trustee and deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee will, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Owners at their addresses as they appear in the Bond Register. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and state that a copy thereof is on file at the Principal Office of the Trustee for inspection by all Owners. The failure of any Owners to receive such notice will not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding as required by the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee receives an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding, which instrument or instruments refer to the proposed Supplemental Indenture described in such notice, and specifically consents to and approves the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, will thereafter become a part of the proceedings for the issuance of the Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, Bonds or Parity Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, will be disregarded and will be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds in instances where such consent is required pursuant to the provisions of the Indenture, the Indenture will be, and will be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Outstanding Bonds and Parity Bonds will thereafter be determined, exercised and enforced thereunder, subject in all respects to such modifications and amendments.

Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds. After the effective date of any action taken as provided in the amendment provisions of the Indenture, the District may determine that the Bonds or any Parity Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date and presentation of such Owner's Bond or Parity Bond for the purpose at the Principal Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation as to such action will be made on such Bonds or Parity Bonds. If the District so determines, new Bonds or Parity Bonds so modified as, in the opinion of the District, are necessary to conform to such action will be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date such new Bonds or Parity Bonds will be exchanged at the Principal Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, without cost to each Owner of Outstanding Bonds or Parity Bonds, upon surrender of such Outstanding Bonds or Parity Bonds.

The Trustee has the right to require such opinions of counsel as it deems necessary concerning: (i) the lack of material adverse effect of the amendment on Owners; and (ii) the fact that the amendment will not affect the tax status of interest with respect to the Bonds.

## TRUSTEE

Trustee. U.S. Bank National Association will be the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District under the Indenture. The Trustee has represented that it has (or is a member of a bank holding company system whose bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000. The District may, at any time, appoint a successor Trustee satisfying the requirements of the Indenture for the purpose of receiving all money which the District is required to deposit with the Trustee thereunder and to allocate, use and apply the same as provided in the Indenture.

The Trustee has been authorized to and will mail by first class mail, postage prepaid, or wire transfer in accordance with the Indenture, interest payments to the Owners, to select Bonds and Parity Bonds for redemption, and to maintain the Bond Register. The Trustee has been authorized to pay the principal of and premium, if any, on the Bonds and Parity Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds and Parity Bonds presented to it for such purposes, to provide for the cancellation of Bonds and Parity Bonds all as provided in the Indenture, and to provide for the authentication of Bonds and Parity Bonds, and will perform all other duties assigned to or imposed on it as provided in the Indenture. The Trustee will keep accurate records of all funds administered by it and all Bonds and Parity Bonds paid, discharged and cancelled by it.

The Trustee has been authorized to redeem the Bonds and Parity Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Trustee will cancel all Bonds and Parity Bonds upon payment thereof in accordance with the provisions of the Indenture.

The District will from time to time, subject to any agreement between the District and the Trustee then in force, timely pay to the Trustee following demand therefor compensation for its services, reimburse the Trustee for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties under the Indenture, and indemnify and save the Trustee, its officers, directors, employees and agents, harmless against costs, claims, expenses and liabilities, including, without limitation, fees and expenses of its attorneys (not arising from its own gross negligence or willful misconduct) which it may incur in the exercise and performance of its powers and duties under the Indenture. The foregoing obligation of the District to indemnify the Trustee will survive the removal or resignation of the Trustee or the discharge of the Bonds and Parity Bonds.

Removal of Trustee. The District may at any time at its sole discretion, upon 30 days' notice, remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor is a bank or trust company having (or whose parent bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000, and subject to supervision or examination by federal or state authority. Any removal will become effective only upon acceptance of appointment by the successor Trustee. If any bank or trust company appointed as a successor 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 the Indenture the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee and notice of the successor Trustee's identity and address being sent by the successor Trustee to the Owners.

Resignation of Trustee. The Trustee may at any time resign by giving written notice to the District. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee satisfying the criteria in the Indenture by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed by the District within thirty (30) days of giving such notice or removal or resignation, then the Trustee, or any Owner may petition, at the expense of the District, a court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint a successor Trustee under the Indenture.

Liability of Trustee. The recitals of fact and all promises, covenants and agreements contained in the Indenture and in the Bonds and any Parity Bonds will be taken as statements, promises, covenants and agreements of the District, and the Trustee assumes no responsibility or liability for the correctness of the same and makes no representations whatsoever as to the validity or sufficiency of the Indenture, the Bonds or any Parity Bonds, and will incur no responsibility or liability in respect thereof, other than in connection with its express duties or obligations specifically set forth in the Indenture, in the Bonds and any Parity Bonds, or in the certificate of authentication assigned to or imposed upon the Trustee. The Trustee will not have nor be under any responsibility or duty with respect to the issuance of the Bonds or any Parity Bonds for value. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own gross negligence or willful misconduct.

The Trustee will be conclusively protected in acting upon any notice, resolution, request, consent, order, certificate, report, Bond, Parity Bond or other paper or document signed or presented by the proper party or parties as provided under the Indenture. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection to the Trustee in respect of any action taken or suffered under the Indenture in good faith.

The Trustee is not bound to recognize any person as the Owner of a Bond or Parity Bond unless and until such Bond or Parity Bond is submitted for inspection, if required, and his title thereto is satisfactorily established to the Trustee, if disputed.

Whenever in the administration of its express obligations under the Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof is specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a written certificate of the District, and such certificate will be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may but is not obligated to accept other evidence of such matter or may require such additional evidence as to it may seem reasonable. It has been understood and agreed that no such act will broaden or imply the Trustee's acceptance of a broadening of the scope of the Trustee's duties and obligations under the Indenture unless the Trustee provides written acceptance thereof.

The Trustee has no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it under the Indenture, or as to the correctness of any amounts received, but its liability is limited to the proper accounting for such funds as it actually receives. No provision in the Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of its rights or powers.

The Trustee will not be deemed to have knowledge of any default or event of default until an officer at the Trustee's corporate trust office responsible for the administration of its duties under the Indenture has actual knowledge thereof or the Trustee has received written notice thereof at its corporate trust office.

The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

Before taking any action under the Indenture, the Trustee may require indemnity and security satisfactory to the Trustee be furnished to it for and from any expenses and liabilities and to protect it against any liability it may incur thereunder.

The immunities extended to the Trustee also extend to its directors, officers, employees and agents (including its counsel).

The Trustee is not liable for any action taken or not taken by it in accordance with the direction of the Owners of 25% (or other percentage provided for in the Indenture) in aggregate principal amount of Bonds and Parity Bonds Outstanding relating to the exercise of any right, power or remedy available to the Trustee. In the event of conflicting instructions under the Indenture, the Trustee has the right to decide the appropriate course of action and will be protected in so doing.

The permissive right of the Trustee to do things enumerated in the Indenture will not be construed as a duty or in any way expand or impliedly expand the scope of the Trustee's duties thereunder.

The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and will not be answerable for the conduct of the same if appointed by it with reasonable care.

The Trustee may become the Owner or pledgee of the Bonds and Parity Bonds with the same rights it would have if it were not Trustee.

The Trustee will perform such duties and only such duties as are specifically set forth in the Indenture and no implied duties or obligations will be read into the Indenture against the Trustee.

The District will, to the extent permitted by law, indemnify and save the Trustee and its officers, directors, agents, and employees harmless from and against (whether or not litigated) all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of: (i) the use, maintenance, condition or management of, or from any work or thing done on, the Project; (ii) any breach or default on the part of the District in the performance of any of its obligations under the Indenture and any other agreement made and entered into for purposes of the Bonds and Parity Bonds; (iii) any act of the City, the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project; (iv) any act of any assignee of, or purchaser from, the City, the District or of any of its or their agents, contractors, servants, employees or licensees with respect to the Project; (v) the construction or acquisition of the Project or the expenditure of Project Costs; (vi) the exercise and performance by the Trustee of its powers and duties under the Indenture or any related document; (vii) the sale of the Bonds and Parity Bonds and the carrying out of any of the transactions contemplated by the Bonds and Parity Bonds or the Indenture; or (viii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made in light of the circumstances in which they were made, not misleading in any official statement or other disclosure document utilized in connection with the sale or marketing of the Bonds and Parity Bonds. The foregoing indemnification extends to the Trustee's officers, agents, employees, successors and assigns. No indemnification will be made under the Indenture or other agreements for willful misconduct or negligence by the Trustee, its officers, agents, employees, successors or assigns. The District's indemnification obligations under the Indenture will remain valid and binding notwithstanding maturity and payment of the Bonds and Parity Bonds, or the resignation or removal of the Trustee.

In accepting the trust created by the Indenture, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners, the District and the

City, having any claim against the Trustee arising from the Indenture will look only to the funds and accounts held by the Trustee thereunder for payment, except as otherwise provided therein. Under no circumstances will the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE PROJECT, OR ANY PORTION THEREOF. In no event will the Trustee be liable for incidental, indirect, special or consequential damages, in connection with or arising out of the Project or the Indenture for the existence, furnishing, functioning or use and possession of the Project.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it is a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, will be the successor to the Trustee without the execution or filing of any paper or further act, anything in the Indenture to the contrary notwithstanding.

#### EVENTS OF DEFAULT; REMEDIES

Events of Default. Any one or more of the following events constitute an “Event of Default”:  
(a) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond or Parity Bond when and as the same become due and payable, whether at maturity as therein expressed, by declaration or otherwise; (b) default in the due and punctual payment of the interest on any Bond or Parity Bond when and as the same become due and payable; or (c) except as described in clauses (a) or (b), default by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, the Bonds or any Parity Bonds, which default continues for a period of 30 days after the District has been given notice in writing of such default by the Trustee or the Owners of twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds and Parity Bonds.

The Trustee has agreed to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under clause (a) or (b) above and within 30 days of the Trustee’s actual knowledge of an Event of Default under clause (c) above.

Remedies of Owners. Upon the occurrence of an Event of Default, any Owner may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds and Parity Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture, including: (a) by mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture; (b) by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or (c) by a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default occurs and is continuing and if requested and directed so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and Parity Bonds and if indemnified to its satisfaction, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, deems most expedient in the interests of the Owners of the Bonds and Parity Bonds.

No remedy conferred upon or reserved to the Owners in the Indenture is intended to be exclusive of any other remedy. Every such remedy will be cumulative and in addition to every other remedy given under the Indenture or now or later existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Owners under the provisions of the Indenture relating to the Bonds and Parity Bonds will be applied by the Trustee in the following order upon presentation of the several Bonds and Parity Bonds: First, to the payment of the costs, fees and expenses of the Trustee in declaring such Event of Default and in performing its duties and obligations under the Indenture, including reasonable compensation to its agents, attorneys and counsel; Second, to the payment of the fees, costs and expenses of the Owners in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Trustee; and Third, to the payment of the whole amount of interest on and principal of the Bonds and Parity Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds and Parity Bonds; provided, however, that in the event that such amounts are insufficient to pay the full amount of such interest and principal, then such amounts will be applied in the following order of priority: (a) first to the payment of all installments of interest on the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing; (b) second, to the payment of all installments of principal, including Sinking Fund Payments, of the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing; and (c) third, to the payment of interest on overdue installments of principal and interest on the Bonds and Parity Bonds on a pro rata basis based on the total amount then due and owing.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its obligations under the Indenture, whether upon its own discretion or upon the request of the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds and Parity Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other such litigation. Any suit, action or proceeding which any Owner of Bonds or Parity Bonds have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds and Parity Bonds similarly situated and the Trustee has been appointed (and the successive respective Owners of the Bonds and Parity Bonds issued thereunder, by taking and holding the same, will be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds and Parity Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds and Parity Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights and of the Owners of the Bonds and Parity Bonds under the Indenture, the Trustee will be entitled, as a matter of right to which the District has expressly agreed, to the appointment of a receiver or receivers of the Net Taxes and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment confers.

Non-Waiver. Nothing in the Indenture, or in the Bonds or the Parity Bonds, affects or impairs the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds and Parity Bonds to the respective Owners of the Bonds and Parity Bonds at the respective dates of maturity, as provided in the Indenture, or to pay the Trustee its fees and expenses as provided therein, out of the Net Taxes and other moneys therein pledged for such payment.



A waiver of any default or breach of duty or contract by the Trustee or any Owners will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds or Parity Bonds to exercise any right or power accruing upon any default will impair any such right or power or be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or the Owners by the Act or by the Indenture may be enforced and exercised from time to time and as often as deemed expedient by the Trustee or the Owners, as the case may be.

Limitations on Rights and Remedies of Owners. No Owner of any Bond or Parity Bond issued under the Indenture has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless: (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds and Parity Bonds then Outstanding have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners have tendered to the Trustee indemnity and security reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or omitted to comply with such request for a period of sixty (60) days after such written request has been received by, and said tender of indemnity and security has been made to, the Trustee.

Such notification, request, tender of indemnity and security and refusal or omission have been declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds and Parity Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds and Parity Bonds have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided therein, and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner provided therein and for the equal benefit of all Owners of the Outstanding Bonds and Parity Bonds.

The right of any Owner of any Bond and Parity Bond to receive payment of the principal of and interest and premium (if any) on such Bond and Parity Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, will not be impaired or affected without the written consent of such Owner, notwithstanding any other provision of the Indenture.

Termination of Proceedings. In case any Owner has proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings have been discontinued or abandoned for any reason, or have been determined adversely, then and in every such case, the District, the Trustee and the Owners will be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Owners will continue as if no such proceedings had been taken.

#### DEFEASANCE AND PARITY BONDS

Defeasance. If the District pays or causes to be paid, or there is otherwise paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond will cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond or Parity Bond under the Indenture and any Supplemental Indenture relating to such Parity Bond will thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds and Parity Bonds pursuant to the Indenture, the Trustee will execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver to the District's general fund all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds and Parity Bonds.

Any Outstanding Bond or Parity Bond will be deemed to have been paid within the meaning expressed above if such Bond or Parity Bond is paid in any one or more of the following ways: (a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable; (b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable; or (c) by depositing with the Trustee or another escrow bank appointed by the District, in trust, federal securities described in clause (1) of the definition of Authorized Investments, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable.

If paid as provided above, then, at the election of the District, and notwithstanding that any Outstanding Bonds and Parity Bonds have not been surrendered for payment, all obligations of the District under the Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond will cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid all sums due thereon, and except for the tax covenants of the District contained in the Indenture or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of such election will be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In connection with a defeasance under clause (c) above, there will be provided to the District a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds and Parity Bonds to be defeased in accordance with the Indenture, as and when the same become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds or Parity Bonds being defeased have been legally defeased in accordance with the Indenture and any applicable Supplemental Indenture.

Upon a defeasance, the Trustee, upon request of the District, will release the rights of the Owners of such Bonds and Parity Bonds which have been defeased under the Indenture and any Supplemental Indenture and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance under the Indenture of all Outstanding Bonds and Parity Bonds, the Trustee will pay over or deliver to the District any funds held by the Trustee at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds and Parity Bonds when due. The Trustee will, at the written direction of the District, mail, first class, postage prepaid, a notice to the Owners whose Bonds or Parity Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness. The District may at any time after the issuance and delivery of the Bonds under the Indenture issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expense Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued only for the purposes of refunding all or a portion of the Bonds or Parity Bonds then Outstanding subject to the following specific conditions, which have been made conditions precedent to the issuance of any such Parity Bonds by the Indenture:

(a) The District is in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in

compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds has been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds has been provided for by a Supplemental Indenture duly adopted by the District which specifies the following: (1) the purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited; (2) the authorized principal amount of such Parity Bonds; (3) the date and the maturity date or dates of such Parity Bonds; provided that: (i) each maturity date falls on a September 1; (ii) all such Parity Bonds of like maturity are identical in all respects, except as to number; (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, are established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates; and (iv) the maturity of such Parity Bonds does not exceed the maturity of the Bonds being refunded; (4) the description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication; (5) the denominations and method of numbering of such Parity Bonds; (6) the amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds; (7) the amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account of the Special Tax Fund to increase the amount therein to the Reserve Requirement; (8) the form of such Parity Bonds; and (9) such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The District has received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee is directed by the District to accept any of such documents bearing a prior date): (1) a certified copy of the resolution of the City Council, acting as the legislative body of the District, authorizing the issuance of such Parity Bonds; (2) a written request of the District as to the delivery of such Parity Bonds; (3) an opinion of Bond Counsel and/or general counsel to the District to the effect that: (i) the District has the right and power under the Act to execute and deliver the Supplemental Indenture relating to such Parity Bonds, such Supplemental Indenture has been duly and lawfully executed by the District, and the Indenture and such Supplemental Indenture are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (ii) the Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (iii) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and the Supplemental Indenture executed and delivered in connection with such Parity Bonds and are entitled to the benefits of the Indenture and such Supplemental Indenture, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and such Supplemental Indenture; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued; (4) a certificate of the District containing such statements as may be reasonably necessary to show compliance with the foregoing requirements of the Indenture; (5) a certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds; and (6) such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

## MISCELLANEOUS

Cancellation of Bonds and Parity Bonds. All Bonds and Parity Bonds surrendered to the Trustee for payment upon maturity or for redemption will be upon payment therefor, and any Bond or Parity Bond purchased by the District as authorized in the Indenture and delivered to the Trustee for such purpose will be, cancelled forthwith and will not be reissued. The Trustee will destroy such Bonds and Parity Bonds, as provided by law, and, upon request of the District, furnish to the District a certificate of such destruction.

Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Indenture to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds or Parity Bonds will be sufficient for the purposes of the Indenture (except as otherwise therein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument, and of any instrument appointing any such attorney, may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee will also constitute sufficient proof of his authority.

(b) As to any Bond or Parity Bond, the person in whose name the same is registered in the Bond Register will be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond or Parity Bond, and the interest thereon, will be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond or Parity Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the District nor the Trustee will be affected by any notice to the contrary.

Nothing contained in the Indenture will be construed as limiting the Trustee or the District to such proof, it being intended that the Trustee or the District may accept any other evidence of the matters therein stated which the Trustee or the District may deem sufficient. Any request or consent of the Owner of any Bond or Parity Bond will bind every future Owner of the same Bond or Parity Bond in respect of anything done or suffered to be done by the Trustee or the District in pursuance of such request or consent.

Unclaimed Moneys. Anything in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds and Parity Bonds which remain unclaimed for two years after the date when such Outstanding Bonds or Parity Bonds have become due and payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds or Parity Bonds become due and payable, will be repaid by the Trustee to the District, as its absolute property and free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the District for the payment of such Outstanding Bonds or Parity Bonds; provided, however, that, before being required to make any such payment to the District, the Trustee, at the expense of the District, will cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds or Parity Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date will not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

Provisions Constitute Contract. The provisions of the Indenture constitute a contract between the District and the Owners and the provisions thereof will be construed in accordance with the laws of the State of California. In case any suit, action or proceeding to enforce any right or exercise any remedy will be brought

or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Owners or the Trustee, then the District, the Trustee and the Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken. After the issuance and delivery of the Bonds, the Indenture will be irrevocable, but will be subject to modifications to the extent and in the manner provided in the Indenture, but to no greater extent and in no other manner.

Future Contracts. Nothing contained in the Indenture will be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Taxes which is subordinate to the pledge thereunder, or which is payable from the general fund of the District or from taxes or any source other than the Net Taxes and other amounts pledged thereunder.

Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds or any Parity Bonds the rights and benefits provided in the Indenture.

Severability. If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of the Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, will be deemed severable and will not be affected thereby, and the Indenture, the Bonds and any Parity Bonds issued pursuant thereto will remain valid and the Owners will retain all valid rights and benefits accorded to them under the laws of the State of California.

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## APPENDIX F

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated March 5, 2020 (the “Disclosure Certificate”) is executed and delivered by Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside, County of Riverside, State of California (the “District”) in connection with the issuance and delivery by the District of its \$2,075,000 Special Tax Bonds, Series 2020A (Tax Exempt) and \$365,000 Special Tax Bonds, Series 2020B (Federally Taxable) (collectively, the “Bonds”). The Bonds are being issued pursuant to a resolution adopted on February 11, 2020, by the City Council of the City of Riverside, acting as the legislative body of the District, and the Bond Indenture dated as of March 1, 2020, by and between the District and U.S. Bank National Association, as trustee. The District covenants as follows:

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

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

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Section 3 and 4 of this Disclosure Certificate.

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

“City” means the City of Riverside.

“Disclosure Representative” shall mean the City Manager, Treasurer or Chief Financial Officer, or either of their designees, or such other officer or employee as the District shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean, initially, the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the then current Dissemination Agent a written acceptance of such designation.

“District” shall mean Community Facilities District No. 2015-1 (Orangecrest Grove) of the City of Riverside, County of Riverside, State of California.

“EMMA” shall mean the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at [www.emma.msrb.org](http://www.emma.msrb.org), or any other repository of disclosure information that may be designated by the Securities and Exchange Commission in the future.

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

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

“Official Statement” shall mean that certain Official Statement for the Bonds dated February 20, 2020.

“Owners” shall mean the registered owners of the Bonds as set forth in the registration books maintained by the Trustee.

“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” shall mean the State of California.

“Trustee” means U.S. Bank National Association or such other entity appointed by the District pursuant to the Indenture to act as the trustee under the Indenture.

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

### Section 3. Provision of Annual Reports.

(a) The District shall, or, if the Dissemination Agent is other than the District, upon written direction shall cause the Dissemination Agent to, not later than February 15 after the end of the District’s Fiscal Year (June 30) commencing with the report due by February 15, 2021, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City, if any exist, may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(b) In the event that the Dissemination Agent is an entity other than the District, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report, the District shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to the due date for an Annual Report the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District will be filing the Annual Report in compliance with subsection (a). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a), the Dissemination Agent shall send, in a timely manner, a notice to EMMA, in the form required by EMMA.

(d) If the Dissemination Agent is other than the District, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the repository if other than the MSRB through EMMA; and

(ii) promptly after receipt of the Annual Report, file a report with the District certifying that the Annual Report has been provided to EMMA and the date it was provided.



(e) Notwithstanding any other provision of this Disclosure Certificate, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) Financial Statements. The audited financial statements of the District, if any, for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements, if any are prepared, are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

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

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

(ii) the balance in each fund under the Indenture and the Reserve Requirement as of the September 30 preceding the filing of the Annual Report;

(iii) any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors of the District for approval prior to the filing of the Annual Report;

(iv) an update of the estimated assessed value-to-lien ratio for the District substantially in the form of Table 3 in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the then current fiscal year; provided that such update need not include overlapping special tax, assessment or general obligation indebtedness;

(v) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes; and

(vi) a description of the collection and delinquency rate of Special Taxes in the District for the Fiscal Year then ended.

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 District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB through EMMA. The District 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 District shall give, or cause the Dissemination Agent to give, notice filed with EMMA of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;

3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes;
9. bankruptcy, insolvency, receivership or similar proceedings; and

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

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
3. appointment of a successor or additional paying agent or the change of the name of a paying agent;
4. nonpayment related defaults;
5. modifications to the rights of Owners of the Bonds;
6. bond calls;

7. release, substitution or sale of property securing repayment of the Bonds; and
8. incurrence of a financial obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders.

(c) Upon the occurrence of a Listed Event under Section 5(b) above, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than 10 business days after the event.

(e) The District hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the District and that the Dissemination Agent, if other than the District, shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(f) For purposes of the events identified in subparagraphs (a)(10) and (b)(8) under this Section 5, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule and a continuing disclosure undertaking has been entered into.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District. The Dissemination Agent may resign by providing thirty (30) days written notice to the District and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does

not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

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

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

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Trustee at the written direction of any Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, 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 District to comply with its obligations under this Disclosure Certificate, but only to the extent funds have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorney. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the District is acting as the Dissemination Agent, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Trustee, the Dissemination Agent, the Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

This Disclosure Certificate is executed as of the date and year first set forth above.

COMMUNITY FACILITIES DISTRICT NO. 2015-1  
(ORANGECREST GROVE) OF THE CITY OF  
RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF  
CALIFORNIA

By: \_\_\_\_\_  
Disclosure Representative

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## APPENDIX G

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede

& Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District 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 District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.



THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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