

In the opinion of Stradling Yocca Carlson & Rauth LLP, 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 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, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

\$4,140,000

**COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH)
OF THE CITY OF RIVERSIDE
SPECIAL TAX BONDS, SERIES 2024**

Dated: Delivery Date

Due: September 1, as shown on inside cover page

The Community Facilities District No. 2013-1 (Kunny Ranch) of the City of Riverside, Special Tax Bonds, Series 2024 (the “Bonds”) are being issued by Community Facilities District No. 2013-1 (Kunny Ranch) of the City of Riverside (the “District”) to: (i) finance certain public improvements needed with respect to the development of property located within the 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 April 1, 2024 (the “Indenture”), by and between the District and U.S. Bank Trust Company, 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 Rate and Method of apportionment approved by the City Council of the City of Riverside (the “City”) and the qualified electors within the District. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” and Appendix A — “RATE 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, 2024. 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 Bonds are subject to optional redemption, 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.

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

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Stradling Yocca Carlson & Rauth LLP, 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 LLP, 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 April 18, 2024.

RAYMOND JAMES®

MATURITY SCHEDULE

\$4,140,000
COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH)
OF THE CITY OF RIVERSIDE
SPECIAL TAX BONDS, SERIES 2024

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>
2025	\$ 70,000	5.000%	3.250%	102.321	769053HW2
2026	75,000	5.000	3.260	103.932	769053HX0
2027	75,000	5.000	3.270	105.473	769053HY8
2028	80,000	5.000	3.280	106.944	769053HZ5
2029	85,000	5.000	3.390	107.839	769053JA8
2030	90,000	5.000	3.540	108.256	769053JB6
2031	95,000	5.000	3.640	108.717	769053JC4
2032	95,000	5.000	3.700	109.279	769053JD2
2033	100,000	5.000	3.740	109.877	769053JE0
2034	105,000	5.000	3.790	109.987 ^C	769053JF7

\$475,000 5.000% Term Bonds due September 1, 2038 Yield: 4.080% Price: 107.710^{CC} CUSIP No.† 769053JG5

\$735,000 5.000% Term Bonds due September 1, 2043 Yield: 4.470% Price: 104.354^{CC} CUSIP No.† 769053JH3

\$910,000 5.000% Term Bonds due September 1, 2048 Yield: 4.700% Price: 102.434^{CC} CUSIP No.† 769053JJ9

\$1,150,000 5.000% Term Bonds due September 1, 2053 Yield: 4.820% Price: 101.449^{CC} CUSIP No.† 769053JK6

^C Priced to optional redemption on September 1, 2031 at a price of 103% of par.

^{CC} Priced to optional redemption on September 1, 2034 at par.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 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 CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriter or the District or their agents or counsel assume responsibility for the accuracy of such numbers.

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

CITY COUNCIL

Patricia Lock Dawson, *Mayor*
Erin Edwards, *Councilmember, Ward 1**
Clarissa Cervantes, *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

Mike Futrell, *City Manager*
Rafael Guzman, *Assistant City Manager*
Kris Martinez, *Assistant City Manager*
Donesia Gause, *City Clerk*
Edward Enriquez, *Assistant City Manager/Chief Financial Officer/Treasurer*
Phaedra Norton, *City Attorney*

BOND AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth LLP
Newport Beach, California

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

SPECIAL TAX CONSULTANT

Webb Municipal Finance, LLC
Riverside, California

APPRAISER

Kitty Siino & Associates, Inc.
Tustin, California

TRUSTEE

U.S. Bank Trust Company, National Association
Los Angeles, California

* The City Council seats for Ward 1, Ward 3 and Ward 5 were contested at the March 5, 2024 election, and the results of such elections are expected to be certified at the April 4, 2024 City Council meeting. Erin Edwards and Ronald Fierro did not run for re-election for Ward 1 and Ward 3, respectively, at the March 5, 2024 election.

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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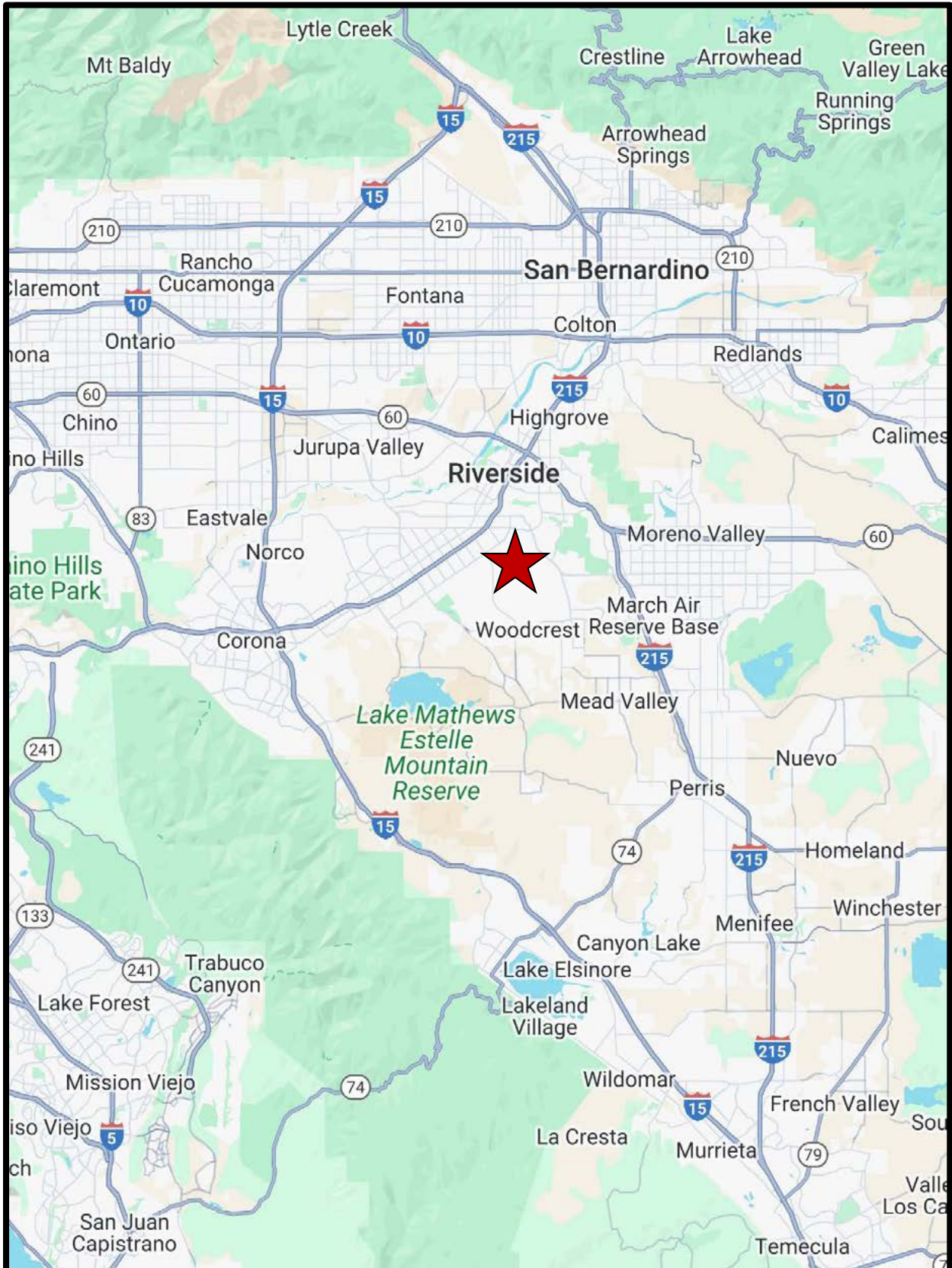
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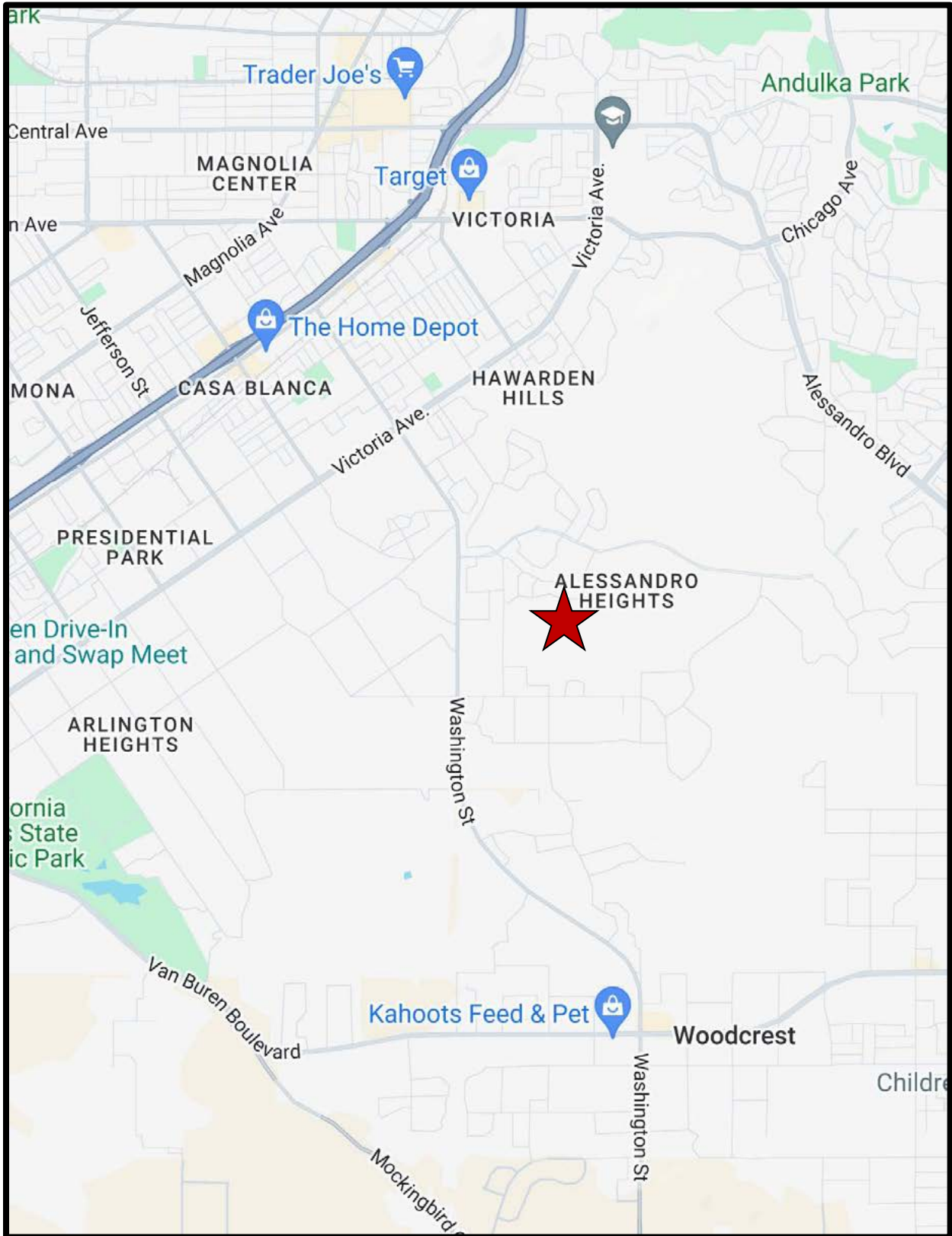
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REGIONAL AREA MAP



LOCAL AREA MAP



City of Riverside
Community Facilities District No. 2013-1 (Kunny Ranch)
(Hillcrest by Beazer Homes)

91

Overlook Parkway

Golden Star Avenue

Bradley Street

Boundaries Approximate
Aerial flown by AirViews 1/2/24



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\$4,140,000
COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH)
OF THE CITY OF RIVERSIDE
SPECIAL TAX BONDS, SERIES 2024

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. 2013-1 (Kunny Ranch) of the City of Riverside (the “District”) of its Special Tax Bonds, Series 2024 in the aggregate principal amount of \$4,140,000 (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; (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 April 1, 2024 (the “Indenture”), by and between the District and U.S. Bank Trust Company, 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”), four miles south of the 60 freeway and midway between the 91 freeway and Interstate 15. The District is located in the southern portion of the City, approximately 2.5 miles southeast of the 91 freeway, ten miles northeast of Interstate 15 and 5.5 miles south of the Interstate 215/60 freeway/91 freeway interchange. The District contains approximately 93.25 gross acres, including an approximately 18.08 acre open space lot, and is located in the Alessandro Heights neighborhood, east of Whitegate Avenue and north of Bradley Street, south of Tiger Tail Drive, and on both sides of Golden Star Avenue. The District consists of Tract Map 33029 which includes 21 numbered lots and Tract Map 33029-2 which includes 53 residential lots for a total of 74 planned single family detached homes in a project that has been marketed by Beazer Homes Holdings, LLC, a Delaware limited liability company (“Beazer Homes”) as “Hillcrest,” formerly known as Kunny Ranch. As of January 16, 2024, as described in the Appraisal Report (defined below), of the 74 homes planned within the District, 53 homes had been completed and conveyed to individual homeowners and Beazer Homes owned four completed model homes (three of which were in escrow), eight homes over 95% complete (five of which were in escrow), and nine homes under construction (eight of which were in escrow). As of March 1, 2024, 59 homes had been completed and conveyed to individual homeowners and Beazer Homes owned four completed model homes (all of which were in escrow), eight homes over 95% complete (seven of which were in escrow), and three homes under construction (all of which were in escrow). Beazer Homes currently expects to complete construction of the homes within the District by April 2024.

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

Formation Proceedings. The District was formed on December 3, 2013 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 October 22, 2013, the City Council adopted Resolution No. 22585 (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. 22586, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$5,500,000 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 December 3, 2013, the City Council adopted Resolution Nos. 22601 and 22602 on December 3, 2013 (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 \$5,500,000 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 December 3, 2013, an election was held within the District in which the property owners within the District approved the proposition authorizing the issuance of bonds in an amount not to exceed \$5,500,000 to finance the Facilities. A Notice of Special Tax Lien for the District was recorded in the office of the County Recorder on December 4, 2013, as Document No. 2013-0565395. On December 10, 2013, the City Council adopted Ordinance No. 7239 (the “Ordinance”) which authorizes the levy of a special tax pursuant to the Rate and Method of Apportionment approved at the December 3, 2013, election (the “Rate and Method”), a copy of which is attached hereto as Appendix A.

On August 29, 2018 a notice of cancellation of special tax lien was recorded on Tract 33029-1 (APNs 141-300-011 through 018) which have subsequently been developed into eight dwelling units which are no longer included within the District.

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 Rate and Method) which has been authorized pursuant to the Act and the Rate 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 — “RATE 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.”

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 February 9, 2024 (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 74 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 \$64,628,402 as of January 16, 2024 (the “Date of Value”). See Appendix D — “APPRAISAL REPORT.”

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

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 Bonds are subject to optional redemption, 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 LLP (“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 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, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

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 Trust Company, 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 LLP, 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.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	<i>Bonds</i>
Principal Amount of Bonds	\$ 4,140,000.00
Plus Original Issue Premium	173,224.05
Less Underwriter’s Discount	<u>(37,667.52)</u>
Total Sources	<u>\$ 4,275,556.53</u>
Uses of Funds:	
Acquisition and Construction Fund ⁽¹⁾	\$ 3,810,744.00
Costs of Issuance Account ⁽²⁾	186,312.53
Reserve Account of the Special Tax Fund	<u>278,500.00</u>
Total Uses	<u>\$ 4,275,556.53</u>

⁽¹⁾ \$1,955,533.00 will be deposited into the City Facilities Account and \$1,855,211.00 will be deposited into the School District Facilities Account.

⁽²⁾ 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.

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, 2024 (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>Principal</i>	<i>Interest</i>	<i>Total Annual Debt Service</i>
2024	--	\$ 76,475	\$ 76,475
2025	\$ 70,000	207,000	277,000
2026	75,000	203,500	278,500
2027	75,000	199,750	274,750
2028	80,000	196,000	276,000
2029	85,000	192,000	277,000
2030	90,000	187,750	277,750
2031	95,000	183,250	278,250
2032	95,000	178,500	273,500
2033	100,000	173,750	273,750
2034	105,000	168,750	273,750
2035	110,000	163,500	273,500
2036	115,000	158,000	273,000
2037	120,000	152,250	272,250
2038	130,000	146,250	276,250
2039	135,000	139,750	274,750
2040	140,000	133,000	273,000
2041	145,000	126,000	271,000
2042	155,000	118,750	273,750
2043	160,000	111,000	271,000
2044	165,000	103,000	268,000
2045	175,000	94,750	269,750
2046	180,000	86,000	266,000
2047	190,000	77,000	267,000
2048	200,000	67,500	267,500
2049	210,000	57,500	267,500
2050	220,000	47,000	267,000
2051	230,000	36,000	266,000
2052	240,000	24,500	264,500
2053	<u>250,000</u>	<u>12,500</u>	<u>262,500</u>
Total	\$ 4,140,000	\$ 3,820,975	\$ 7,960,975

Source: Underwriter.

Redemption

Optional Redemption of the Bonds. The 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, 2031, 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, 2031 and March 1, 2032	103%
September 1, 2032 and March 1, 2033	102
September 1, 2033 and March 1, 2034	101
September 1, 2034 and any Interest Payment Date Thereafter	100

In the event that the District elects to redeem 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.

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2038 (the “2038 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, 2035, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2038 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 2038 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2038

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2035	\$110,000
2036	115,000
2037	120,000
2038 (maturity)	130,000

The Bonds maturing on September 1, 2043 (the “2043 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, 2039, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2043 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 2043 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2043

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2039	\$135,000
2040	140,000
2041	145,000
2042	155,000
2043 (maturity)	160,000

The Bonds maturing on September 1, 2048 (the “2048 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, 2044, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2048 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 2048 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2048

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2044	\$165,000
2045	175,000
2046	180,000
2047	190,000
2048 (maturity)	200,000

The Bonds maturing on September 1, 2053 (the “2053 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, 2049, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2053 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 2053 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2053

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2049	\$210,000
2050	220,000
2051	230,000
2052	240,000
2053 (maturity)	250,000

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 Rate 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, 2024 through March 1, 2032	103%
September 1, 2032 and March 1, 2033	102
September 1, 2033 and March 1, 2034	101
September 1, 2034 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. 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 December 3, 2013 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 December 3, 2013, the qualified electors within the District authorized the District to incur indebtedness in an amount not to exceed \$5,500,000 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 electors within the District also voted to approve the Rate 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 Rate and Method. The Rate 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 Rate and Method. See “— *Rate and Method of Apportionment of Special Tax*” and Appendix A — “RATE 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.”

Rate and Method of Apportionment of Special Tax. The Rate and Method applicable to the District is contained in Appendix A — “RATE 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 Rate and Method, commencing with Fiscal Year 2014-15, all Taxable Property in the District has been and will continue to be classified as Developed Property (Residential or Non-Residential), Approved Property, Undeveloped Property, Taxable Association Property, or Taxable Public Property and has and will continue to be subject to a Special Tax levy at the maximum rates described in Section C of the Rate 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 an Assessor's Parcel, other than Association Property and Public Property, upon which a completed Dwelling Unit or non-residential building has 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. 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 Rate and Method (ranging from \$4,533 per Dwelling Unit for Dwelling Units with 3,300 square feet or less of Residential Floor Area to \$5,360 per Dwelling Unit for Dwelling Units with 4,501 square feet or greater of Residential Floor Area for Residential Property and \$6,012 per acre for Assessor's Parcels classified as Non-Residential Property), and (b) the applicable amount of the 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) 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.

After classifying the parcels in the District, the City Council will determine the Special Tax Requirement (as defined in the Rate and Method) for the District for the Fiscal Year. "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.

The Special Tax will be levied first Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Assigned Special Tax to satisfy the Special Tax Requirement. If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax will be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax for Approved Property. If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax will be levied Proportionately on each Assessor's Parcels of Undeveloped Property 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 three steps have been completed, the Special Tax to be levied on each Assessor's Parcels of Developed Property for which the Maximum Special Tax is the 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 four steps have been completed, the Special Tax will be levied Proportionately on each 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 five steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcels of Taxable Public Property up to 100% of its Maximum Special Tax.

Within the District, building permits have been issued for all 74 parcels expected to be developed with single-family homes as of January 16, 2024 and therefore all 74 of such parcels will be classified as Developed Property for the Fiscal Year 2024-25 Special Tax levy and each year thereafter. For Fiscal Year 2024-25, the Assigned Special Tax for Developed Property within the District that is classified as Residential Property will range from \$4,533 per Dwelling Unit for Dwelling Units with 3,300 square feet or less of Residential Floor Area to \$5,360 per Dwelling Unit for Dwelling Units with 4,501 square feet or greater of Residential Floor Area for Residential Property. For Fiscal Year 2024-25, the Assigned Special Tax for Assessor's Parcels classified as Non-Residential Property will be \$6,012 per acre for Assessor's Parcels classified as Non-Residential Property.

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 January 16, 2024 (which consisted of 74 parcels of Developed Property for the Fiscal Year 2024-25 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 Rate and Method.

Table 1 below sets forth the Assigned Special Tax per unit of Developed Property, the projected Fiscal Year 2024-25 Special Tax levy and the percent of such levy based on land use type.

**TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH)
OF THE CITY OF RIVERSIDE
ASSIGNED SPECIAL TAXES**

<i>Land Use</i>	<i>Tax Class</i>	<i>Residential Floor Area</i>	<i>No. of Units</i>	<i>Assigned Special Tax Per Unit or Acre⁽¹⁾</i>	<i>Projected Fiscal Year 2024-25 Special Tax Per Unit</i>	<i>Total Projected Fiscal Year 2024-25 Special Tax Levy⁽²⁾</i>	<i>Percent of Total</i>
Residential Property	RES1	3,300 sq. ft. or less	45	\$ 4,533	\$4,081	\$ 183,667	59.83%
Residential Property	RES2	3,301 sq.ft. to 3,600 sq. ft.	14	4,653	4,190	58,653	19.11
Residential Property	RES3	3,601 sq.ft. to 3,900 sq. ft.	15	4,789	4,312	64,680	21.07
Residential Property	RES4	3,901 sq.ft. to 4,200 sq. ft.	0	5,029	0	0	0.00
Residential Property	RES5	4,201 sq.ft. to 4,500 sq. ft.	0	5,194	0	0	0.00
Residential Property	RES6	Greater than 4,500 sq.ft.	0	5,360	0	0	0.00
Non Residential Property	NONRES	N/A	0	6,012	0	0	0.00
Total			74			\$ 307,000	100.00%

⁽¹⁾ Reflects the assigned Special Tax per acre for Non-Residential Property.
⁽²⁾ Based upon the debt service requirement of the Bonds and includes the estimated Fiscal Year 2024-25 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 Rate and Method are satisfied. The Prepayment Amount is calculated based on the sum of the Bonded Present Value of Taxes, Non-Bonded Present Value of Taxes and Prepayment Administrative Fees, less the Reserve Fund Credit, all as specified in Section H of the Rate 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 Rate and Method in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay the principal of and interest on any Outstanding Bonds and Parity Bonds, to replenish the Reserve Account to the 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 Expenses 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, 2024, 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 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.
- Seventh: To the Rebate Fund established by the Indenture to the extent directed by the City pursuant to the Indenture.
- Eighth: 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; provided, however, that the Reserve Requirement shall not exceed the initial Reserve Requirement except in connection with the issuance of Parity Bonds.

Subject to the limits on the maximum annual Special Tax levy set forth in the Rate 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, after moneys in the Additional Special Tax Reserve Fund, if any, have been used for such purposes (as described below): (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 Fund

On the Delivery Date of the Bonds, the District will deposit into the Additional Special Tax Reserve Fund, from available Special Taxes, an amount equal to \$114,910. 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 shall withdraw from the Additional Special Tax Reserve Fund for deposit in the Interest Account or the Principal Account, as the case may be, or the Rebate Fund, as applicable, moneys, if any, necessary for such purposes. **However, amounts in the Additional Special Tax Reserve Fund are not pledged to the repayment of the Bonds and any Parity Bonds and may be used for any lawful purpose. There is no assurance that the District will maintain the amounts in the Additional Special Tax Reserve Fund described in this Official Statement.**

See “SPECIAL RISK FACTORS — Insufficiency of Special Tax Revenues.” For a further discussion of the Additional Special Tax Reserve Fund, see Appendix E under the caption “CREATION OF FUNDS AND APPLICATION OF PROCEEDS — Additional Special Tax Reserve 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 is located in the southern portion of the City, approximately 2.5 miles southeast of the 91 freeway, ten miles northeast of Interstate 15 and 5.5 miles south of the Interstate 215/60 freeway/91 freeway interchange. The District contains approximately 93.25 gross acres, including an approximately 18.08 acre open space lot, and is located in the Alessandro Heights neighborhood, east of Whitegate Avenue and north of Bradley Street, south of Tiger Tail Drive, and on both sides of Golden Star Avenue. The District consists of Tract Map 33029 which includes 21 numbered lots and Tract Map 33029-2 which includes 53 residential lots for a total of 74 planned single family detached homes in a project that has been marketed by Beazer Homes as “Hillcrest,” formerly known as Kunny Ranch. As of January 16, 2024, as described in the Appraisal Report, of the 74 homes planned within the District, 53 homes had been completed and conveyed to individual homeowners and Beazer Homes owned four completed model homes (three of which were in escrow), eight homes over 95% complete (five of which were in escrow), and nine homes under construction (eight of which were in escrow). As of March 1, 2024, 59 homes had been completed and conveyed to individual homeowners and Beazer Homes owned four completed model homes (all of which were in escrow), eight homes over 95% complete (seven of which were in escrow), and three homes under construction (all of which were in escrow). Beazer Homes currently expects to complete construction of the homes within the District by April 2024.

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.

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

Based on the number of building permits obtained for lots within the District as of January 16, 2024, all 74 lots will be classified as Developed Property under the Rate and Method for the projected Fiscal Year 2024-25 Special Tax levy. See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Water and electrical service to the property within the District is currently supplied by the City of Riverside Public Utilities. Water service to the property within the District is currently supplied by the City of Riverside Public Works. Gas service to the property within the District is currently supplied the Southern California Gas Company and cable/internet service is supplied by AT&T. 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 School District facilities.

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 2019-20 through 2023-24.

**TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH)
OF THE CITY OF RIVERSIDE
ASSESSED VALUATION HISTORY**

<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⁽¹⁾</i>	<i>Annual Percent Change</i>
2019-20	5	0	\$ 480,595	\$ 0	\$ 480,595	N/A
2020-21	5	0	490,204	0	490,204	2.00%
2021-22	5	0	2,928,100	0	2,928,100	497.32
2022-23 ⁽²⁾	74	0	10,679,102	0	10,679,102	264.71
2023-24	74	23	17,773,477	14,784,437	32,557,914	204.88

⁽¹⁾ As of August 20 of each year as shown on the County Assessor’s roll. Total Assessed Valuation is calculated as the sum of Land Assessed Value and Improvement Assessed Value.

⁽²⁾ Fiscal Year 2022-23 was the first special tax levy for the District.

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 2023-24, is approximately \$32,557,914. 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 — “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.

Subject to the assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of the Date of Value (January 16, 2024), the minimum market value of the Taxable Property within the District was \$64,628,402.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in Appendix D. The City, the District and the Underwriter make no representation as to the accuracy of the Appraisal Report. See Appendix D — “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 — “APPRAISAL REPORT.”

Estimated Value-to-Lien Ratio

The aggregate appraised value of property within the District shown in the Appraisal Report is \$64,628,402. Dividing the aggregate estimate of value by the principal amount of the Bonds results in value to lien ratio of 15.61-to-1 for the District. See “SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness.”

Table 3 below sets forth the appraised value-to-lien ratio of the 74 parcels of the Taxable Property within the District as of the Date of Value (January 16, 2024) based on the appraised values set forth in the Appraisal Report and the principal amount of the Bonds. As of January 16, 2024, Beazer Homes had completed and conveyed 53 planned homes within the District to individual homeowners. Based on such ownership status, individual homeowners are expected to be responsible for approximately 79.76% of the projected Fiscal Year 2024-25 Special Tax levy.

**TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH)
OF THE CITY OF RIVERSIDE
APPRAISED VALUE-TO-LIEN RATIOS BY PROPERTY OWNER**

<i>Property Owner</i> ⁽¹⁾	<i>Parcels</i>	<i>Maximum Special Tax</i>	<i>Percent of Maximum Special Tax</i>	<i>Projected Fiscal Year 2024-25 Special Tax Levy</i> ⁽²⁾	<i>Percent of Projected Fiscal Year 2024-25 Special Tax Levy</i>	<i>Appraised Value</i>	<i>Allocation of Bonds</i> ⁽³⁾	<i>Aggregate Value-to- Lien</i> ⁽⁴⁾
Individual Homeowners	59	\$ 329,381	79.97%	\$ 244,870	79.76%	\$ 56,146,869	\$ 3,302,158	17.00:1
Beazer Homes	<u>15</u>	<u>82,520</u>	<u>20.03</u>	<u>62,130</u>	<u>20.24</u>	<u>8,481,533</u>	<u>837,842</u>	<u>10.12:1</u>
Total	74	\$ 411,900	100.00%	\$ 307,000	100.00%	\$ 64,628,402	\$ 4,140,000	15.61:1

(1) Ownership status as of March 1, 2024. See the caption "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

(2) Based upon the debt service requirement of the Bonds plus Administrative Expenses Cap in the amount of \$30,000.

(3) Based on the projected Fiscal Year 2024-25 Special Tax levy.

(4) Aggregate value-to-lien based upon the par amount of the Bonds.

Source: Webb Municipal Finance, LLC.

**TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH)
OF THE CITY OF RIVERSIDE
APPRAISED VALUE-TO-LIEN STRATIFICATION**

<i>Appraised Value-to-Lien⁽¹⁾</i>	<i>No. of Parcels</i>	<i>Percent of Total Parcels</i>	<i>Projected Fiscal Year 2024-25 Special Tax Levy⁽⁴⁾</i>	<i>Percent of Fiscal Year 2024-25 Levy</i>	<i>Fiscal Year 2024-25 Maximum Special Tax</i>	<i>Percent of Total Maximum Special Tax</i>	<i>Appraised Value</i>	<i>Percent of Appraised Value</i>	<i>Allocation of Bonds⁽⁵⁾</i>	<i>Aggregate Value-to-Lien</i>
Less than 15.00:1 ⁽²⁾	17	22.97%	\$ 70,185	22.86%	\$ 101,795	24.71%	\$ 9,380,510	14.51%	\$ 946,466	9.91:1
15.00:1 to 16.99:1	12	16.22	49,316	16.06	54,772	13.30	10,481,937	16.22	665,048	15.76:1
Greater than 16.99:1 ⁽³⁾	<u>45</u>	<u>60.81</u>	<u>187,499</u>	<u>61.07</u>	<u>255,333</u>	<u>61.99</u>	<u>44,765,955</u>	<u>69.27</u>	<u>2,528,486</u>	<u>17.70:1</u>
Total	74	100.00%	\$ 307,000	100.00%	\$ 411,900	100.00%	\$ 64,628,402	100.00%	\$ 4,140,000	15.61:1

⁽¹⁾ Appraised value-to-lien based upon principal amount of the Bonds. Excludes direct and overlapping debt shown in Table 5.

⁽²⁾ Minimum estimated appraised value-to-lien is 6.45:1.

⁽³⁾ Highest estimated appraised value-to-lien is 18.13:1.

⁽⁴⁾ Based on the debt service requirement of the Bonds plus Administrative Expenses Cap in the amount of \$30,000.

⁽⁵⁾ Based on the projected Fiscal Year 2024-25 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. 2013-1 (KUNNY RANCH)
OF THE CITY OF RIVERSIDE
DIRECT AND OVERLAPPING DEBT**

I. Appraised Value

Appraised Valuation⁽¹⁾ \$64,628,402

II. Land Secured Bond Indebtedness

<i>Outstanding Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable</i>	<i>Parcels</i>	<i>Amount Applicable</i>
CFD NO. 2013-1 KUNNY RANCH	CFD	\$ 4,140,000	\$ 4,140,000 ⁽²⁾	100.00%	74	<u>\$ 4,140,000</u>
TOTAL OUTSTANDING LAND SECURED BONDED DEBT⁽³⁾						\$ 4,140,000

<i>Authorized and Unissued Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Authorized</i>	<i>Unissued</i>	<i>% Applicable</i>	<i>Parcels</i>	<i>Amount Applicable</i>
CFD NO. 2013-1 KUNNY RANCH	CFD	\$ 5,500,000	\$ 0 ⁽⁴⁾	100.00%	74	<u>\$ 0</u>
TOTAL UNISSUED LAND SECURED INDEBTEDNESS⁽³⁾						\$ 0

TOTAL OUTSTANDING AND UNISSUED LAND SECURED INDEBTEDNESS **\$ 4,140,000**

III. General Obligation Bond Indebtedness

<i>Outstanding Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable⁽⁵⁾</i>	<i>Parcels</i>	<i>Amount Applicable</i>
City of Riverside (0.00333%)	GO	\$ 20,000,000	\$ 1,740,000	0.07908%	74	\$ 1,376
Riverside Unified School District (0.08973%)	GO	527,000,000	371,240,000	0.08913	74	330,877
Riverside City Community College B & I (0.014700%)	GO	349,998,424	324,251,456	0.02137	74	69,288
MWD West (0.00350%)	GO	850,000,000	18,210,000	0.00084	74	<u>154</u>
TOTAL OUTSTANDING GENERAL OBLIGATION BONDED DEBT⁽³⁾						\$ 401,694

<i>Authorized and Unissued Direct and Overlapping Indebtedness</i>	<i>Type</i>	<i>Authorized</i>	<i>Unissued</i>	<i>% Applicable⁽⁵⁾</i>	<i>Parcels</i>	<i>Amount Applicable</i>
City of Riverside (0.00333%)	GO	\$ 20,000,000	\$ 0	0.07908%	74	\$ 0
Riverside Unified School District (0.08973%)	GO	567,000,000	40,000,000	0.08913	74	35,651
Riverside City Community College B & I (0.014700%)	GO	350,000,000	1,576	0.02137	74	0
MWD West (0.00350%)	GO	850,000,000	0	0.00084	74	<u>0</u>
TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS⁽³⁾						\$ 35,651

TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS **\$ 437,345**

TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT **\$ 4,541,694**
TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS **\$ 4,577,345**

IV. Ratios to Appraised Valuation

Outstanding Land Secured Bonded Debt	15.61:1
Total Outstanding Bonded Debt	14.23:1

⁽¹⁾ Appraised value is per the Appraisal Report.

⁽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 Fiscal Year 2023-24.

⁽⁴⁾ Additional bonds may be issued for refunding purposes only.

⁽⁵⁾ Percentage applicable determined by Fiscal Year 2023-24 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 Rate 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 District expects that, in Fiscal Year 2024-25, the projected effective tax rate levied on taxable property in the District, will be approximately 1.54% of average appraised value of the property within the District within each Land Use Type (as defined in the Rate and Method).

Table 6 below describes the estimated Fiscal Year 2024-25 effective tax burden for an average unit of property within the District based on the estimated Special Taxes levy and Fiscal Year 2023-24 actual levies for all other overlapping taxing jurisdictions.

**TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH)
OF THE CITY OF RIVERSIDE
PROJECTED TAX OBLIGATION⁽¹⁾
FOR INDIVIDUALLY OWNED SAMPLE DEVELOPED PROPERTY**

Average Home Value ⁽²⁾	\$	974,709
<i>Ad Valorem</i> Property Taxes:		
Basic Levy (1.00000%)	\$	9,747.09
City of Riverside (0.00333%)		32.46
Riverside Unified School District (0.08973%)		874.61
Riverside City Community College B & I (0.014700%)		143.28
MWD West (0.00350%)		<u>34.11</u>
Total General Property Taxes	\$	10,831.55
Assessment, Special Taxes & Parcel Charges:		
CFD 2013-1 Kunny Ranch ⁽³⁾	\$	4,153.79
Flood Control Stormwater/Cleanwater		4.44
NW Mosquito & Vector-Riverside		12.04
Riverside Lighting District		31.44
MWD Standby West		<u>9.22</u>
Total Assessment Charges	\$	4,210.93
Average Total Property Tax	\$	15,042.47
Average Effective Tax Rate		1.54%

⁽¹⁾ Average Fiscal Year 2024-25 tax rates based upon Fiscal Year 2023-24 overlapping taxes and assessment rates.

⁽²⁾ Average home value is based upon average appraised values for Developed Property conveyed to individual homeowners as shown in the Appraisal Report.

⁽³⁾ Reflects District average projected Fiscal Year 2024-25 Special Tax levy for parcels of Developed Property.

Source: Webb Municipal Finance, LLC.

Delinquency History

Fiscal Year 2022-23 was the first year in which Special Taxes were levied in the District. Table 7 sets forth the Special Tax levy for Fiscal Year 2022-23 through Fiscal Year 2023-2024 within the District and delinquencies as of March 28, 2024.

**TABLE 7
COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH)
OF THE CITY OF RIVERSIDE
SPECIAL TAX LEVY, DELINQUENCY, AND DELINQUENCY RATE
FISCAL YEARS 2022-23 AND 2023-24**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies Following Fiscal Year End</i>			<i>Delinquencies as of March 28, 2024</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>
2022-23 ⁽¹⁾	\$ 50,871.00	11	1	\$2,400.50	4.72%	0	\$ 0.00	0.00%
2023-24 ⁽²⁾	113,412.00	49	N/A	N/A	N/A	3	6,859.50	6.06

⁽¹⁾ First year of Special Tax levy within the District.

⁽²⁾ Includes levy of first installment only, which became delinquent after December 10, 2023.

Source: Webb Municipal Finance, LLC.

PROPERTY OWNERSHIP AND THE DEVELOPMENT

The information about the property in the District contained in this Official Statement has been provided by representatives of Beazer Homes and has not been independently confirmed or verified by the Underwriter, the City or the District. The Underwriter, the City, and the District make no representation as to the accuracy or adequacy of the information contained in this caption. There may be material adverse changes in this information after the date of this Official Statement. Neither the Bonds nor the Net Taxes securing the Bonds and any Parity Bonds are personal obligations of Beazer Homes or any affiliate thereof or any other property owner and, in the event that any property owner defaults in the payment of its Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of any property owner or any affiliate thereof. See the caption "SPECIAL RISK FACTORS."

Notwithstanding the belief of Beazer Homes that they will have sufficient funds to complete its planned development in the District, no assurance can be given that amounts necessary to fund the remaining planned development by Beazer Homes in the District will be available when needed. None of Beazer Homes, or any other entity or person is under any legal obligation of any kind to expend funds for the development of the property as planned by Beazer Homes in the District. Any contributions by Beazer Homes or any other entity or person to fund the costs of its development are entirely voluntary. If and to the extent the aforementioned sources are inadequate to pay the costs to complete the planned development by Beazer Homes within the District, the remaining portions of such development may not be completed. Beazer Homes has no legal obligation to Bondholders to make any such funds available for construction or development, or the payment of ad valorem property taxes or the Special Taxes. See the caption "SPECIAL RISK FACTORS."

The Development

The District is located in the southern portion of the City, approximately 2.5 miles southeast of the 91 freeway, ten miles northeast of Interstate 15 and 5.5 miles south of the Interstate 215/60 freeway/91 freeway interchange. The District contains approximately 93.25 gross acres, including an approximately 18.08 acre open space lot, and is located in the Alessandro Heights neighborhood, east of Whitegate Avenue and north of Bradley Street, south of Tiger Tail Drive, and on both sides of Golden Star Avenue. The District consists of Tract Map 33029 which includes 21 numbered lots and Tract Map 33029-2 which includes 53 residential lots

for a total of 74 planned single family detached homes in a project that has been marketed by Beazer Homes as “Hillcrest,” formerly known as Kunny Ranch.

Of the 74 homes planned within the District, 53 homes had been completed and conveyed to individual homeowners and Beazer Homes owned four completed model homes (three of which were in escrow), eight homes over 95% complete (five of which were in escrow), and nine homes under construction (eight of which were in escrow). As of March 1, 2024, 59 homes had been completed and conveyed to individual homeowners and Beazer Homes owned four completed model homes (all of which were in escrow), eight homes over 95% complete (seven of which were in escrow), and three homes under construction (all of which were in escrow). Beazer Homes currently expects to complete construction of the homes within the District by April 2024.

The Hillcrest project consists of five floor plans which range in size from 2,462 square feet to 3,702 square feet. Plans 4 and 5 vary up to 38 square feet due to the architectural type with Plan 4 ranging from 3,370 to 3,380 square feet and Plan 5 ranging from 3,676 to 3,702 square feet. Three of the plans are single-story, while two have two-stories, with attached two and three-car garages per plan.

A summary of the product mix of the homes within the Hillcrest project that were completed by Beazer Homes, including square footage and average sales prices for each floor plan as of January 16, 2024 is set forth below:

<i>Plan</i>	<i>Number of Homes</i>	<i>Individually Owned</i>	<i>Builder Owned and Completed</i>	<i>Builder Owned and Under Construction</i>	<i>Base Square Footage⁽¹⁾</i>	<i>Number of Bedrooms/Bathrooms</i>	<i>Base Sales Price⁽²⁾</i>
1	11	8	1	2	2,462	4/3	\$ 869,990
2	18	11	5*	2	2,848	4/3	994,990
3	16	11	3*	2	3,167	5/3.5	1,039,990
4	14	12	1*	1	3,370-3,380	5/4	1,044,990
5	<u>15</u>	<u>11</u>	<u>2*</u>	<u>2</u>	3,676-3,702	5/4.5	1,089,990
TOTAL:	74	53	12	9			

* One of each of these plans is a model home. In addition to the above there are nine homes under construction.

(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: Beazer Homes.

No assurance can be given that home construction and sales will be carried out on the schedule and according to the plans outlined herein, or that the home construction and sale plans or base prices set forth above will not change after the date of this Official Statement. Additionally, homes sold may not result in closed escrows as sales contracts are subject to cancellation. In changing market conditions, builders will often revise the product lines and prices and the rate of sales can fluctuate. Beazer Homes continuously evaluates its product lines and prices in light of the then current market conditions. See “SPECIAL RISK FACTORS” herein for a discussion of risk factors.

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.

According to the Natural Hazard Disclosure Reports delivered by Beazer Homes as homes were closed with individual homeowners, the District is located in an area designated as a high or very high fire hazard severity zone. During the development of the homes within the District, Beazer Homes was required to implement fuel modification landscaping and to construct fire yard walls on certain of the lots within the District. See “SPECIAL RISK FACTORS—Natural Disasters.”

Beazer Homes

General. Beazer Homes Holdings, LLC, a Delaware limited liability company (previously defined as “Beazer Homes”) is a subsidiary of Beazer Homes USA, Inc., a Delaware corporation (“Beazer Homes Corp”). Beazer Homes Corp’s common stock is publicly traded on the New York Stock Exchange under the symbol “BZH.” Beazer Homes Corp is one of the largest public homebuilders in the United States, operating in more than a dozen states and having its headquarters in Atlanta, Georgia. Beazer Homes Corp is subject to the informational requirements of the Exchange Act and in accordance therewith files reports, proxy statements, and other information, including financial statements, with the SEC. The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including Beazer Homes Corp. The address of such Internet web site is www.sec.gov. All documents subsequently filed by Beazer Homes Corp pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of Beazer Homes Corp’s Annual Report and each of its other quarterly and current reports, including any amendments, are available from its website at www.beazer.com.

The foregoing internet websites are included for reference only and the information on these internet sites is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such internet websites. Neither Beazer Homes nor Beazer Homes Corp. is obligated to advance funds for construction or development or to pay ad valorem property taxes or the Special Taxes and investors should not rely on the information and financial statements contained on such internet sites in evaluating whether to buy, hold or sell the Bonds.

Financing Plan. Through March 1, 2024, Beazer Homes had spent approximately \$21,692,539 in acquiring its land in the District and approximately \$41,027,801 in site development costs, permits and impact fees, home construction costs, and other development, marketing and sales costs (exclusive of internal financing repayment, corporate overhead and other carry costs) related to its development within the District. Beazer Homes expects to spend approximately \$9,287,481 in additional site development costs, permit and impact fees, home construction costs, and other development, marketing and sales costs (exclusive of corporate overhead and other carry costs) between March 1, 2024 and full build-out of the homes proposed to be constructed in the District.

To date, Beazer Homes has financed its land acquisition, site development and home construction costs related to its property within the District through internally generated funds. Beazer Homes expects to use internal funding (which may include home sales revenues from its project within the District) to complete its development activities within the District. However, home sales revenues from Beazer Homes’s activities in the District are not segregated and set aside for completing the homes in the District. Notwithstanding the foregoing, Beazer Homes believes that it will have sufficient funds to complete its construction and sale of homes in the District.

Notwithstanding the current belief of Beazer Homes that it will have sufficient funds to complete its planned development in the District, no assurance can be given that sources of financing available to Beazer Homes will be sufficient to complete the property development and home construction as currently anticipated. Neither Beazer Homes nor any of its related entities are under any legal obligation of any kind to expend funds for the development and construction of homes on its property in the District, or the payment of ad valorem property taxes or the Special Taxes. Any contributions by Beazer Homes to fund the costs of such development are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues are inadequate to pay the costs to complete the planned development by Beazer Homes within the District and other financing by Beazer Homes is not put into place, there could be a shortfall in the funds required to complete the planned development by Beazer Homes or to pay ad valorem property taxes or Special Taxes

related to Beazer Homes's property in the District, and the remaining portions of Beazer Homes's project in the District may not be completed. Many factors beyond Beazer Homes's control, or a decision by Beazer Homes to alter its current plans, may cause the actual sources and uses to differ from the projections. See "SPECIAL RISK FACTORS" herein for a discussion of risk factors.

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 individual 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 within the District.

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 to pay debt service on the Bonds to the extent other funds, including funds in the Additional Special Tax Reserve Fund, are not available. See "SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund," and "— Additional Special Tax Reserve Fund." The District will covenant in the Indenture to maintain in the Reserve Account an amount equal to the Reserve Requirement, subject, however, to the availability of Net Special 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 Rate and Method. See Appendix E hereto. As a result, if a significant number of Special Tax delinquencies occur 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 and any Parity 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 Fund 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—Rate 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 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 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.)

Limited Number of Homeowners in the District

In addition to the foregoing under the heading “— Insufficiency of Special Tax Revenues,” there are only 74 parcels of Residential Property in the District. The Reserve Account could be used to pay debt service on the Bonds if Special Tax delinquencies occur in as few as eight parcels within the District. There is 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 under the Indenture, even if the Special Tax is levied at the Maximum Special Tax rates. See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Account of the Special Tax Fund” and “ — Special Taxes — *Proceeds of Foreclosure Sales.*”

Concentration of Ownership

Based on property ownership as of March 1, 2024, Beazer Homes is projected to be responsible for approximately 20.03% of the projected Fiscal Year 2024-25 Special Tax levy within the District. While the District includes 59 parcels of single-family detached residential units owned by individual homeowners as of March 1, 2024, the inability or refusal of Beazer Homes to pay the Special Tax applicable to their property within the District when due could result in the depletion of the Reserve Account prior to replenishment thereof from sale or foreclosure proceedings, and/or insufficient money with which to pay the principal of and interest on the Bonds as the same became due. Additionally, pursuant to the Act, the Special Taxes levied in any fiscal year against any parcel of residential property in the District may not be increased as a consequence of delinquency or default by the owners of any other parcels 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 default. As a result, while the Maximum Special Taxes pursuant to the Rate and Method of Apportionment may be higher, Maximum Special Taxes on parcels of residential parcels cannot be greater than 110% of the projected actual Special Tax levy on such parcels.

Property Values

The value of the property within the District is an important 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 — “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 \$64,628,402. 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 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 in recent years damaged or destroyed property in areas that were not previously considered to be at risk from such events. 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. Additionally, property located adjacent to burn areas can be subject to mudslides and flooding, which can cause significant damage and destruction to property. According to the Natural Hazard Disclosure Reports delivered by Beazer Homes as homes were closed with individual homeowners, the District is located in an area designated as a high or very high fire hazard severity zone. During the development of the homes within the District, Beazer Homes was required to implement fuel modification landscaping and to construct fire yard walls on certain of the lots within 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.

Beazer Homes represents that it 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 Beazer Homes is not aware of them.

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 agencies 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 Expenses 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.

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”). 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. 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). The elections held in the District had no registered voters at the time of the elections to authorize the Special Tax. 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 Special Tax elections in the District. 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 the Special Tax and the issuance of bonds on December 3, 2013. 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 Rate and Method of Apportionment 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 Bonds could cease to be excluded from gross income for purposes of federal income taxation, retroactive to the date the 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 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 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.”

Cybersecurity

The City and the District, like many other public and private entities, rely on computer and other digital networks and systems to conduct their operations. As a recipient and provider of personal, private or other sensitive electronic information, the City and the District are potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. No assurance can be given that the efforts of the City and the District to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the City or the District, or the administration of the Bonds. The District is also reliant on other entities and service providers in connection with the administration of the Bonds, including without limitation the County tax collector for the levy and collection of Special Taxes and the Trustee. No assurance can be given that the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

Impact of Economic Conditions on the Development in the District

Certain events and factors which negatively affect the regional, State and national economies could have an adverse effect on the pace at which the current or any future developers in the District can complete the remaining infrastructure and future homes, and demand by, and the ability of individuals to purchase homes within the District. Such events and factors could include rising inflation and interest rates, persistent supply chain issues and global market instability caused by geopolitical events. Any adverse impact of the foregoing and other economic factors on the projects in the District and the real estate market in general cannot be predicted.

Increasing Mortgage Interest Rates

Since approximately November 2021, interest rates for mortgage loans have increased significantly. Increases in mortgage interest rates could have a negative impact on the estimated absorption rates of the planned for-sale residential units in the District described herein. With respect to entry-level households, increased mortgage interest rates may adversely impact the affordability of homes and may increase mortgage payment levels for owning a lower-priced home relative to renting a residence, thereby making purchasing less attractive. With respect to move-up households, higher mortgage interest rates may impact the desire of current homeowners to move from their present home due to the fact that their present home likely has a relatively low mortgage interest rate. In addition, in such instances, a new home would likely have a higher interest rate on a new mortgage loan as well as a higher purchase price and property taxes. Such considerations may decrease the desire for move-up households to purchase a new home. The foregoing factors could reduce demand for and/or the ability to achieve the sales prices of the planned for-sale homes within the District as described herein.

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 April 1 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, 2024, 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, 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) notice of rating changes to bond insurers and other credit and/or liquidity providers for City debt obligations; (2) the City’s biennial budget for 2018-2020 in connection with the City of Riverside Variable Rate Refunding Certificates of Participation (Riverside Renaissance Projects) Series 2008; (3) a notice of successor trustee for a prior City debt obligation; and (4) certain Fiscal Year 2018-19 operating data in connection with an issuance of pension obligation bonds by the City. In addition, the City did not link certain Fiscal Year 2017-18 information with respect to bonds of the City’s electric system to all applicable 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

In the opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, 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 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. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Beneficial Owner will increase the Beneficial Owner’s basis in the applicable Bond.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District, the City and others and is subject to the condition that the District, the City and others making such representations comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the 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 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District and the City will covenant to comply with all such requirements.

The amount by which a Beneficial 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 Code; such amortizable Bond premium reduces the Beneficial Owner's basis in the applicable 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 a Beneficial Owner realizing a taxable gain when a Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Beneficial Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of other 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 Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 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 BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 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 BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. 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 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth LLP.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District and the City continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 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 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Should interest on the Bonds (including any original issue discount) become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

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 LLP, 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 Bonds at a price of \$4,275,556.53 (being the aggregate principal amount thereof, less Underwriter's discount of \$37,667.52, plus original issue premium of \$173,224.05). 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 LLP, represents the Underwriter on matters unrelated to the Bonds.

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc. has acted as Municipal Advisor to the District in conjunction with the issuance of the Bonds. The Municipal Advisor has assisted in matters related to the planning, structuring, execution, and delivery of the Bonds. The Municipal Advisor will receive compensation contingent upon the sale and delivery of the Bonds. The Municipal Advisor has not audited, authenticated, or otherwise independently verified the information set forth in this Official Statement, or any other related information available, with respect to accuracy and completeness of disclosure of such information. Because of this limited participation, the Municipal Advisor makes no guaranty, warranty, or other representation with respect to the accuracy or completeness of this Official Statement, or any other matter related to this Official Statement.

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 Assistant City Manager/Chief Financial Officer/Treasurer 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. 2013-1
(KUNNY RANCH) OF THE CITY OF RIVERSIDE

By: /s/ Edward Enriquez
Assistant City Manager/Chief Financial
Officer/Treasurer of the City of Riverside

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APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH) OF THE CITY OF RIVERSIDE

A Special Tax shall be levied on all Assessor's Parcels of Taxable Property within Community Facilities District No. 2013-1 (Kunny Ranch) of the City of Riverside (the "District" or the "CFD No. 2013-1") 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. 2013-1, 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. 2013-1, 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 Assistant City Manager/CFO/ 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. 2013-1 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. 2013-1.

“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. 2013-1 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. 2013-1 which are not Exempt Property.

"Taxable Property" means all of the Assessor's Parcels within CFD No. 2013-1 which are not Exempt Property.

"Taxable Public Property" means all Assessor's Parcels of Public Property within CFD No. 2013-1 which are not Exempt Property.

"Undeveloped Property" means all Taxable Property within CFD No. 2013-1 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. 2013-1 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

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax per DU or Acre
1. - Residential Property	DU	3,300 sq. ft or less	\$4,533
2. - Residential Property	DU	3,301 sq. ft. to 3,600 sq. ft.	\$4,653
3. - Residential Property	DU	3,601 sq. ft. to 3,900 sq. ft.	\$4,789
4. - Residential Property	DU	3,901 sq. ft. to 4,200 sq.ft.	\$5,029
5. - Residential Property	DU	4,201 sq. ft to 4,500 sq. ft.	\$5,194
6. - Residential Property	DU	>= 4,501 sq. ft.	\$5,360
7. – Non-Residential Property	Acre	N/A	\$6,012

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 \$6,012 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2014-15 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 Parcels 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 has 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 Parcels 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 Parcels 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 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 CFD No. 2013-1 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. 2013-1 of (i) Public Property or (ii) Association Property; provided that such classification shall not reduce the Acreage of all Taxable Property within CFD No. 2013-1 to less than 65.56 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 65.56 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 65.56 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. 2013-1 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 2053-54 Fiscal Year.

H. PREPAYMENT

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

"Bonded Discount Rate" means (i) prior to the issuance of Bonds, 6.25% and (ii) after the issuance of Bonds, the weighted average arbitrage yield on the Bonds.

"Bonded Present Value of Taxes" means the present value, based on the Bonded Discount Rate, of (i) the Bonded Special Tax applicable to an Assessor's Parcel in the current Fiscal Year not yet paid, plus (ii) the Bonded 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.

“Bonded Special Tax” means (i) the Assigned Special Tax minus the Non-Bonded Special Tax for an Assessor’s Parcel for which a building permit has been issued or (ii) the Backup Special Tax minus the Non-Bonded Special Tax for an Assessor’s Parcel for which a building permit has not been issued.

“Non-Bonded Discount Rate” means 4.05%.

“Non-Bonded Present Value of Taxes” means the present value, based on the Non-Bonded Discount Rate, of (i) the Non-Bonded Special Tax applicable to an Assessor’s Parcel in the current Fiscal Year not yet paid, plus (ii) the Non-Bonded 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.

“Non-Bonded Special Tax” means \$584.70.

“Partial Prepayment Amount” means the amount required to prepay a portion of the ongoing Special Tax obligation for an Assessor’s Parcel.

“Prepayment Administrative Fees” means the fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount or Partial Prepayment Amount, costs of redeeming Bonds, and costs of recording any notices to evidence the prepayment of the Special Tax and redemption of Bonds.

“Prepayment Amount” means the amount required to prepay in full and terminate the ongoing Special Tax obligation for an Assessor’s Parcel.

“Reserve Fund Credit” means the amount equal to the lesser of (i) the reduction in the reserve requirement for the outstanding Bonds resulting from the redemption of the Bonds from the applicable Prepayment Amount or Partial Prepayment Amount or (ii) the amount calculated by subtracting the new reserve requirement after the redemption of Bonds as a result of the applicable prepayment from the balance in the reserve fund on the date of prepayment. In no event will this amount be less than zero.

“Special Tax Obligation” means the total amount of Special Taxes which could be levied on an Assessor’s Parcel in CFD No. 2013-1 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, an Assessor’s Parcel of Approved Property or Undeveloped Property for which a building permit has been issued, an Assessor’s Parcel of Approved Property for which a building permit has not 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 or Partial 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.

The Prepayment Amount shall be calculated as follows:

Bonded Present Value of Taxes
plus Non-Bonded Present Value of Taxes
plus Prepayment Administrative Fees
less Reserve Fund Credit
equals Prepayment Amount

The amount representing the Bonded Present Value of Taxes attributable to the prepayment less the Reserve Fund Credit attributable to the prepayment shall, (i) prior to the issuance of Bonds be deposited into a separate account held with the City to fund facilities authorized to be financed by the District and (ii) after the issuance of Bonds be deposited into the applicable account or fund established under the Indenture and used to redeem an aggregate principal amount of Bonds which is equally divisible by \$5,000 and, to the extent of any portion not so utilized, to pay interest on and principal of outstanding Bonds. The amount representing the Non-Bonded Present Value of Taxes and the amount representing the Prepayment Administrative Fees attributable to the prepayment shall be retained by the City.

With respect to any Assessor's Parcel for which the Special Tax Obligation has been prepaid, the District shall indicate in the records of CFD No. 2013-1 that there has been a prepayment of the Special Tax Obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the prepayment of the Special Tax Obligation and the release of the Special Tax lien on such Assessor's Parcel and the obligation of to pay the Special Tax for such Assessor's Parcel shall cease.

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 in CFD No. 2013-1, 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 escalating at 2.00% per year beginning July 1, 2015.

2. Partial Prepayment

The Partial Prepayment Amount shall be calculated pursuant to Section H.1 as modified by the following formula:

$$PP = P_E \times F$$

These terms have the following meaning:

PP = the Partial Prepayment

P_E = the Prepayment Amount calculated according to Section H.1

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

The owner of an 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 such Assessor's Parcel 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 Parcel. Within thirty (30) days of receipt of such non-refundable deposit, the District Administrator shall notify the owner of the Partial Prepayment amount applicable such Assessor's Parcel. 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 the Partial Prepayment Amount for an Assessor's Parcels, the District Administrator shall (i) allocate the Partial Prepayment Amount pursuant to 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 remaining percentage (1.00 - F) of the 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 escalating at 2.00% per year beginning July 1, 2015.

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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”), the State of 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 2019 through 2023.

<i>Area</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
City of Riverside	327,076	328,766	309,598	314,818	313,676
County of Riverside	2,419,057	2,440,719	2,418,727	2,430,976	2,439,234
State of California	39,605,361	39,648,938	39,286,510	39,078,674	38,940,231

Source: California State Department of Finance, Demographic Research Unit. 2020 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 2018 through 2022.

**BUILDING PERMITS AND VALUATIONS
City of Riverside
2018-2022**

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Valuation (\$000):					
Residential	\$109,885	\$105,264	\$102,988	\$ 81,058	\$182,736
Non-residential	<u>173,305</u>	<u>131,813</u>	<u>72,251</u>	<u>10,122</u>	<u>145,387</u>
Total*	\$283,190	\$237,077	\$175,239	\$ 91,180	\$328,123
Residential Units:					
Single family	171	163	271	290	579
Multiple family	<u>504</u>	<u>328</u>	<u>214</u>	<u>367</u>	<u>153</u>
Total	675	491	675	657	732

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

BUILDING PERMITS AND VALUATIONS
Riverside County
2018 through 2022
(Dollars in Thousands)

	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Valuation					
Residential	\$2,558,081	\$2,275,405	\$2,519,303	\$2,262,642	\$2,921,113
Non-Residential	<u>1,959,680</u>	<u>1,285,856</u>	<u>1,153,778</u>	<u>1,543,998</u>	<u>1,701,618</u>
Total	\$4,517,761	\$3,561,261	\$3,673,081	\$3,806,640	\$4,622,731
Units					
Single Family	7,540	6,563	8,443	7,360	8,863
Multi Family	<u>1,628</u>	<u>1,798</u>	<u>723</u>	<u>1,126</u>	<u>2,861</u>
Total	9,168	8,361	9,166	8,486	11,724

Note: 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, 2023.

LARGEST EMPLOYERS
City of Riverside
(As of June 30, 2023)

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	County of Riverside	24,399	Government
2.	University of California	8,831	Education
3.	March Air Force Reserve	9,750	Government
4.	Kaiser Permanente	7,610	Medical and Health
5.	Riverside Unified School District	4,505	Education
6.	Riverside Community Hospital	2,993	Medical Center
7.	City of Riverside	2,457	Government
8.	Riverside Community College District	1,900	Education
9.	Alvord Unified School District	1,824	Education
10.	California Baptist University	1,355	Education

Source: City of Riverside Annual Comprehensive Financial Report for the year ending June 30, 2023.

LARGEST EMPLOYERS
County of Riverside
(As of June 30, 2023)

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	County of Riverside	25,366	County Government
2.	Amazon	14,317	E-Commerce
3.	March Air Reserve Base	9,600	Military Reserve Base
4.	Nestle UA	8,874	Grocery Wholesalers
5.	University of California-Riverside	8,623	University
6.	State of California	8,383	State Government
7.	Walmart	7,494	Retail Company
8.	Moreno Valley Unified School District	6,020	School District
9.	Kaiser Permanente Riverside Medical Center	5,817	Medical Center
10.	Corona-Norco Unified School District	5,478	School District

Source: County of Riverside Comprehensive Annual Financial Report for the year ending June 30, 2023.

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 sets forth the industry employment and the labor force for the Riverside-San Bernardino-Ontario MSA for the period from 2018 through 2022.

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

	2018	2019	2020	2021	2022
Civilian Labor Force	2,045,200	2,075,200	2,095,800	2,125,300	2,160,600
Civilian Employment	1,957,500	1,991,200	1,888,900	1,968,700	2,071,200
Civilian Unemployment	87,700	84,000	206,900	156,600	89,400
Civilian Unemployment Rate	4.3%	4.0%	9.9%	7.4%	4.1%
Total Farm	14,500	15,400	14,100	13,700	13,900
Total Nonfarm	1,506,600	1,552,700	1,495,800	1,575,100	1,660,300
Total Private	1,249,400	1,291,500	1,247,800	1,333,100	1,410,900
Goods Producing	206,800	209,700	202,200	207,700	216,400
Mining & Logging	1,200	1,200	1,300	1,400	1,600
Construction	105,200	107,200	104,900	110,100	115,200
Manufacturing	100,400	101,300	96,000	96,100	99,600
Service Providing	1,299,800	1,343,100	1,293,700	1,367,400	1,443,900
Trade, Transportation & Utilities	379,400	395,100	406,900	443,200	464,500
Wholesale Trade	66,100	67,700	65,600	67,400	69,700
Retail Trade	181,200	180,700	168,800	177,000	180,600
Transportation, Warehousing & Utilities	132,100	146,600	172,500	198,800	214,200
Information	11,400	11,500	9,600	9,700	10,200
Financial Activities	44,600	45,000	44,100	45,200	46,800
Professional & Business Services	151,400	157,900	154,800	169,400	179,100
Educational & Health Services	239,500	250,300	248,800	254,300	266,400
Leisure & Hospitality	170,600	175,900	141,300	160,200	179,600
Other Services	45,800	46,200	40,200	43,600	47,900
Government	<u>257,200</u>	<u>261,200</u>	<u>248,000</u>	<u>242,000</u>	<u>249,400</u>
Total, All Industries	1,521,100	1,568,100	1,509,900	1,588,800	1,674,200

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 C.

Source: State of California, Employment Development Department, March 2022 Benchmark.

The following table summarizes the labor force, employment and unemployment figures for the period from 2018 through 2022 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⁽²⁾</i>	<i>Unemployment⁽³⁾</i>	<i>Unemployment Rate (%)</i>
2018				
City of Riverside	153,000	147,100	5,900	3.9%
County of Riverside	1,090,100	1,041,700	48,400	4.4
State of California	19,289,500	18,468,100	821,400	4.3
United States ⁽⁴⁾	162,075,000	155,761,000	6,314,000	3.9
2019				
City of Riverside	154,900	149,200	5,700	3.7%
County of Riverside	1,108,100	1,061,500	46,600	4.2
State of California	19,409,400	18,612,600	796,800	4.1
United States ⁽⁴⁾	163,539,000	157,538,000	6,001,000	3.7
2020				
City of Riverside	154,700	140,400	14,200	9.2%
County of Riverside	1,121,100	1,008,000	113,000	10.1
State of California	18,931,100	16,996,700	1,934,500	10.2
United States ⁽⁴⁾	160,742,000	147,795,000	12,947,000	8.1
2021				
City of Riverside	156,800	146,300	10,500	6.7%
County of Riverside	1,133,000	1,050,000	83,000	7.3
State of California	18,923,200	17,541,900	1,381,200	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
2022				
City of Riverside	159,900	153,800	6,100	3.8%
County of Riverside	1,152,100	1,104,100	48,000	4.2
State of California	19,252,000	18,440,900	811,100	4.2
United States	164,287,000	158,291,000	5,996,000	3.6

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. 2022 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 71.7% between 2012 and 2022. The following tables summarize personal income for Riverside County for 2012 through 2022.

PERSONAL INCOME
Riverside County
2012-2022
(Dollars in Thousands)

<i>Year</i>	<i>Riverside County</i>	<i>Annual Percent Change</i>
2012	\$74,093,810	2.7%
2013	76,470,084	3.2
2014	80,268,670	5.0
2015	85,386,347	6.4
2016	89,644,299	5.0
2017	93,156,635	3.9
2018	97,619,217	4.8
2019	102,037,774	4.5
2020	114,090,413	11.8
2021	125,820,553	10.3
2022	127,195,983	1.1

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 2012-2022. 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
2012-2022

<i>Year</i>	<i>Riverside County</i>	<i>California</i>	<i>United States</i>
2012	\$32,774	\$48,154	\$44,548
2013	33,450	48,549	44,798
2014	34,670	51,332	46,887
2015	36,418	54,632	48,725
2016	37,693	56,667	49,613
2017	38,605	58,942	51,550
2018	39,955	61,663	53,786
2019	41,385	64,513	56,250
2020	45,834	70,192	59,765
2021	51,180	76,614	64,143
2022	51,415	77,036	65,470

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

Taxable Sales

The table below presents taxable sales for the years 2018 through 2022 for the City.

TAXABLE SALES
City of Riverside
2018-2022
(Dollars in Thousands)

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2018	10,021	\$5,783,569
2019	10,257	5,811,062
2020	11,073	5,606,823
2021	10,232	7,073,303
2022	10,556	7,765,721

Source: "Taxable Sales in California, California Department of Tax and Fee Administration for 2018-2022.

The table below presents taxable sales for the years 2018 through 2022 for the County.

TAXABLE SALES
County of Riverside
2018-2022
(Dollars in Thousands)

<i>Year</i>	<i>Permits</i>	<i>Taxable Sales</i>
2018	61,433	\$38,919,498
2019	64,063	40,626,998
2020	69,284	42,313,474
2021	64,335	55,535,196
2022	66,738	62,117,153

Source: Taxable Sales in California, California Department of Tax and Fee Administration for 2018-2022.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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

[Closing Date]

Community Facilities District No. 2013-1 (Kunny Ranch)
of the City of Riverside
Riverside, California

Re: *\$4,140,000 Community Facilities District No. 2013-1 (Kunny Ranch) of the City of Riverside,
Special Tax Bonds, Series 2024*

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. 2013-1 (Kunny Ranch) of the City of Riverside (the “District”) and the authorization and issuance of the District’s Special Tax Bonds, Series 2024 in the aggregate principal amount of \$4,140,000 (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 March 19, 2024 (the “Resolution”), and a Bond Indenture (the “Indenture”) dated as of April 1, 2024, by and between the District and U.S. Bank Trust Company, 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 execution and delivery of the Indenture has been duly authorized by the District, and the Indenture is valid and binding upon the District and 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 any provisions therein relating to indemnification, contribution, penalty, waiver, choice of law or choice of forum provisions therein. The Indenture creates a valid pledge of, and the Bonds are secured by, the Net Special Taxes and the amounts

on deposit in certain funds and accounts established under the Indenture, as and to the extent provided in the Indenture.

(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations.

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

(5) The amount by which a Bond Owner's original basis for determining loss on sale or exchange of a 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 by Owners of the Bonds. Such amortizable bond premium reduces the Owner's basis in the applicable 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 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. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

(6) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original issue discount that accrues to the Bond Owner is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals (as described in paragraph 3 above), and is exempt from State of California personal income tax.

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

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.

We call attention to the fact that the foregoing 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). The Indenture and the Tax Certificate executed by the District with respect to the Bonds as of the date hereof permit certain actions to be taken or omitted if a favorable opinion of Bond Counsel is provided with respect thereto. We express no opinion as to the effect on the exclusion from gross income of interest on the Bonds

for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth LLP.

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
APPRAISAL REPORT

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APPRAISAL REPORT

CITY OF RIVERSIDE COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH) (Hillcrest by Beazer Homes)

City of Riverside, California
(Appraisers' File No. 2024-1287)



Prepared For
City of Riverside
3900 Main Street
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 9, 2024

Meline Carranza, Debt & Treasury Manager
City of Riverside
3900 Main Street
Riverside, CA 92501

Reference: Appraisal Report – City of Riverside
Community Facilities District No. 2013-1 (Kunny Ranch)
Hillcrest by Beazer Homes
Both sides of Golden Star Avenue; S/O Tiger Tail Drive, City of Riverside

Dear Meline Carranza:

At the request and authorization of the City of Riverside, we have completed an Appraisal Report for Community Facilities District No. 2013-1 (Kunny Ranch) of the City of Riverside (“Riverside CFD No. 2013-1”). Riverside CFD No. 2013-1 consists of a new home community being marketed as Hillcrest by Beazer Homes Holdings, LLC (“Beazer”) which was formerly known as Kunny Ranch. Hillcrest consists of a total of 74 proposed single-family detached homes on large lots. The community includes five floorplans sized from 2,462 to 3,702 square feet. Of the total 74 proposed homes, 53 have closed to individual homeowners to date, with an additional 16 homes in escrow which are due to close upon completion. The builder-owned property ranges from completed model homes to homes under construction. It should be noted that APN 242-150-016 (formerly APNs 242-150-009; 242-300-009 and a portion of 242-140-002/004), also known as Lot D Open Space per Tract Map 33029 is vacant common area/open space lands which are within the CFD, however not a part of this appraisal.

The valuation method used in this report is the Sales Comparison Approach along with 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. 2013-1 Special Tax Bonds. This report is written with the hypothetical condition that the subject property is enhanced by the improvements and/or fee credits to be funded by the Riverside CFD No. 2013-1 Special Tax Bonds.

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

Hillcrest by Beazer

Beazer Ownership (12 homes & 9 lots)	\$ 12,968,847
Individual Owned (53 homes)	<u>\$ 51,659,555</u>

Aggregate Value of Riverside CFD No. 2013-1 **\$ 64,628,402**

Meline Carranza
City of Riverside
February 9, 2024
Page Two

The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of January 16, 2024.

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 2020) 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 City of Riverside CFD No. 2013-1
Tract Maps 33029 and 33029-2
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. 2013-1.
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 conducted 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. 2013-1 Special Tax Bonds.

HYPOTHETICAL CONDITION

1. It is assumed that all improvements and benefits to the subject properties, which are to be funded by the Riverside CFD No. 2013-1 Special Tax Bond proceeds, are completed and in place.

EXTRAORDINARY ASSUMPTION

1. It is assumed that the cost and sales information provided by the builder is true and accurate. We have reviewed the sales, and they appear reasonable compared to sample public record documents, however we have not reviewed every home sale against public record documents. If the costs differ, it may affect the value of the property.

City of Riverside
Community Facilities District No. 2013-1 (Kunny Ranch)
(Hillcrest by Beazer Homes)



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. 2013-1 Special Tax Bonds.

THE SUBJECT PROPERTY

The subject property consists of 74 proposed single-family detached homes on large lots, which represent two Tract Maps being developed into the neighborhood known as Hillcrest (formerly known as Kunny Ranch) by Beazer. Tract Map 33029 includes 21 numbered lots and Tract Map 33029-2 includes 53 residential lots for a total of 74 residential lots within Riverside CFD 2013-1. There are 53 homes completed and closed to individuals, four completed models (three in escrow), eight homes over 95 percent complete (five in escrow), and nine homes under construction (eight in escrow). Sales began in the subject property in March of 2022 and the community is nearing sell out and build out, with all lots including either completed homes or homes under construction. Below is a summary of Hillcrest along with the status and ownership of each lot.

Description	No. Lots	Owner	Condition/Status
Hillcrest by Beazer (Tracts 33029 and 33029-2)			
Lots 1, 3-12, 14, 19-20 of Tract 33029 and Lots 1-9, 14-27, 38-53 of Tract 33029-2	53	Individuals	Completed Homes
Lots 31-34 of Tract 33029-2	4	Beazer	Model Homes (3 in Escrow)
Lots 2, 13, 15 & 21 of Tract 33029 and Lots 12-13 and 28-29 of Tract 33029-2	8	Beazer	Houses over 95% complete (5 in Escrow)
Lots 16-18 of Tract 33029 and Lots 10-11, 30, 35-37 of Tract 33029-2	9	Beazer	Under Construction (8 in Escrow)
CFD No. 2013-1 TOTAL:	74		

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. 2013-1 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.

DEFINITIONS

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."*¹

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.

Minimum Market Value

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

¹ The Appraisal of Real Estate, 13th Edition

“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”²

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.

Hypothetical Condition

The Term “Hypothetical Condition” is defined by USPAP as:

“That which is contrary to what exists but is supposed for the purpose of the analysis”

The Hypothetical Condition within this report is that subject property is enhanced by the improvements and/or fee credits to be funded by bonds issued by Riverside CFD No. 2013-1.

Extraordinary Assumption

The term “extraordinary assumption” is defined by USPAP as:

“An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusion”

The Extraordinary Assumption in this report is that the reported sales amounts and remaining land development costs as received from the builder are true and accurate. We have reviewed the sales amounts and checked some against the public record and

² USPAP 2016-2017 Edition

they appear reasonable; however, we have not reviewed escrow documents on each sale. Per the builder there are no remaining land development costs. It should be noted that this information was relied upon in the valuation of the subject property and if the costs change, the values may change.

PROPERTY RIGHTS APPRAISED

The property rights being appraised are of a fee simple interest, subject to easements of record and Riverside CFD No. 2013-1. 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.”

EFFECTIVE DATE OF VALUE

The subject property is valued as of January 16, 2024.

DATE OF REPORT

The date of this report is February 9, 2024.

SCOPE OF APPRAISAL

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. 2013-1
- Subject Property Description
- Riverside County Housing Market Discussion
- Highest and Best Use Analysis
- Valuation Procedures, Analyses and Conclusions

- Appraisal Report Summary

The subject property consists of 74 proposed single-family detached homes on lots with a minimum size of 20,000 square feet with some lots over two acres in size. The site was extremely hilly which allowed for views from many of the lots, some excellent. Out of the 74 proposed homes, 53 have closed to individuals, with the remaining 21 lots including four models (three in escrow), eight production homes over 95 percent complete (five in escrow), and nine homes under construction (under 95 percent complete with eight in escrow). 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.”³

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. In addition, we have utilized a mass appraisal technique which included reviewing all builder sales, determining the prices paid for each plan type and using statistical analysis to analyze this information.

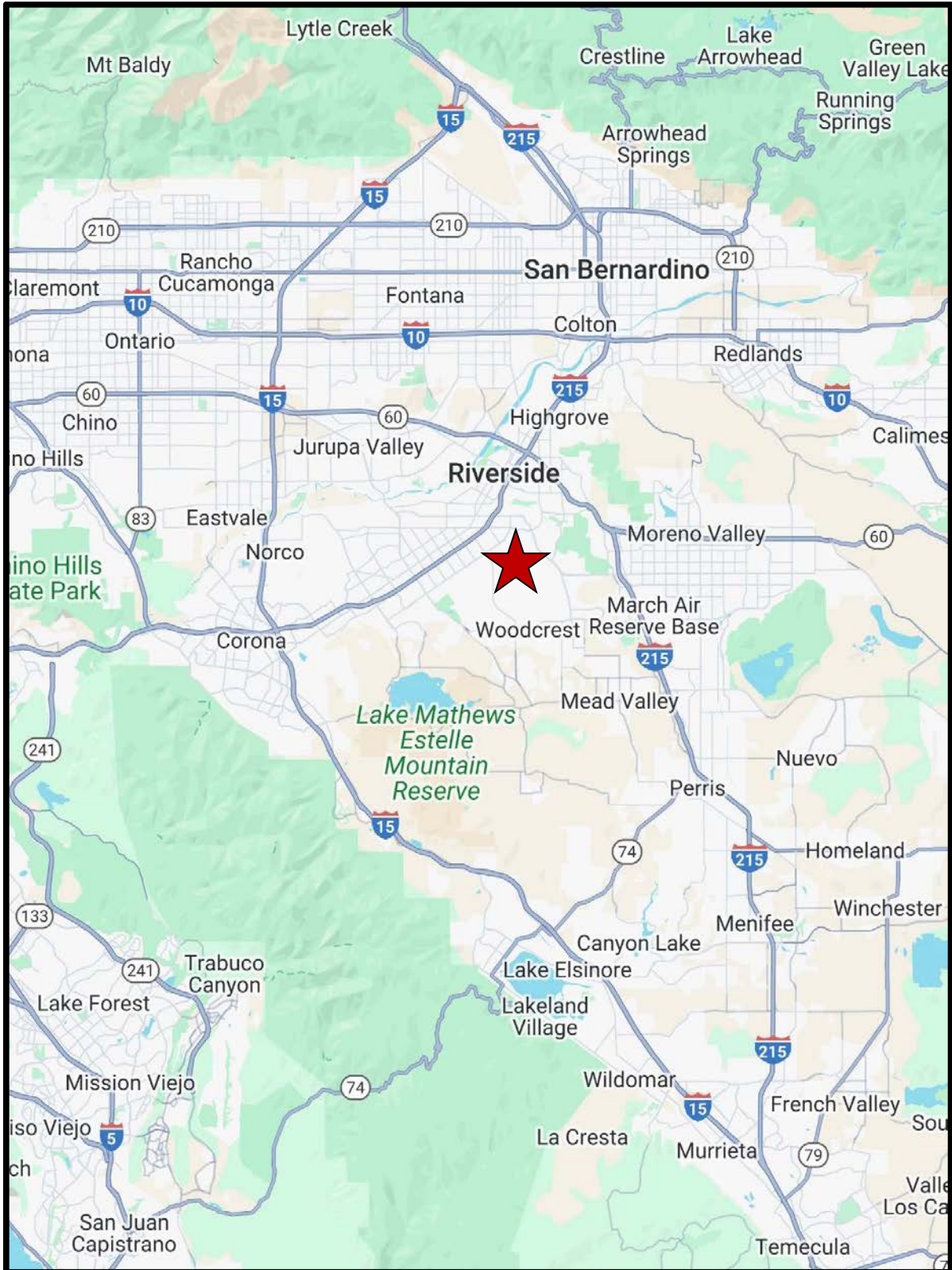
The due diligence of this appraisal assignment included the following:

1. Compiled demographic information and related that data to the subject properties 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 and the Riverside area.

³Dictionary of Real Estate Appraisal, 4th Edition, 2002

3. Inspected the subject property between November 15, 2023, and January 15, 2024.
4. Had the property flown for an aerial photograph on January 2, 2024.
5. Interviewed employees and/or representatives from the builder in order to obtain available information on the subject property.
6. Reviewed a Preliminary Title Report on the subject property.
7. Reviewed soils reports on the property.
8. Reviewed sales brochures and marketing information on the subject neighborhood.
9. Reviewed actual developer sales information on all closed homes and current escrows.
10. Reviewed Multiple Listing Service ("MLS") information on any re-sales and current listings of existing homes within Riverside CFD 2013-1.
11. Inspected the subject property for any for-sale or property listing signs for re-sales that may not be listed on the MLS yet.
12. Searched the area for similar-type land sales and interviewed appropriate parties from each sale in order to ascertain details on each transaction.
13. Searched the area for relevant comparable new home residential projects, including sales prices and concessions and interviewed representatives from each comparable neighborhood.

REGIONAL AREA MAP



COUNTY OF RIVERSIDE AREA DESCRIPTION

Location

The subject property is located in the northwestern portion of Riverside County (the "County"), approximately two and one-half miles southeast of the 91 Freeway, and five and one-half miles south of the 60 Freeway/Interstate 215 ("I-215")/91 Freeway interchange in the City of Riverside ("City"). The subject is located in the Alessandro Heights area of the City, just north of the community known as Woodcrest.

The County encompasses approximately 7,300 square miles, and includes large expanses of undeveloped deserts, valleys, canyons, and mountains. The County is a major beneficiary of outward urban pressure from Orange and Los Angeles Counties as well as growth from San Diego County to the south. Although located at the periphery of most urban activity in Southern California, Riverside County, particularly the western area, has been a major growth area and is perceived by most observers as an area expected to continue to grow. Riverside and San Bernardino Counties are considered distinct from Los Angeles and Orange Counties and belong to the same Metropolitan Statistical Area ("MSA"). This area, consisting of San Bernardino and Riverside Counties, is commonly referred to as the Inland Empire.

Transportation

The subject property is situated a little over two miles southeast of the 91 Freeway, midway between Interstate 15 ("I-15") and I-215, one-quarter mile north of Bradley Street and 0.5 miles east of Washington Street in Riverside. I-15 travels in a northerly/southerly direction about 10 miles southwest of the subject and provides access to Barstow and Nevada to the north and San Diego to the south. The 91 Freeway is generally in a southwest to northeast direction about 2.5 miles northwest of the subject and provides access into Los Angeles to the west and to the San Bernardino mountains to the north when it merges with Interstate 215 ("I-215"). The 60 Freeway runs in an east-west direction approximately six 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 and into Arizona.

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 16 miles northwest of the subject property while the Orange County Airport is located approximately 33 miles southwest and the San Diego International Airport is located about 82 miles south. The Riverside Municipal Airport, a small airport that serves general aviation as well as provides aircraft displays and hosts various aircraft events for the public, is located less than five miles northwest of the subject. 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, 2023, County population was 2.439 million, representing a one-year increase of 0.34 percent. This compares to an average annual growth rate over the past thirteen years of about 0.8 percent, and an average annual growth rate of approximately 2.5 percent for the previous eighteen-year period. It should be noted however, California's overall population decreased 0.35 percent during the past year. Current State projections for Riverside County suggest the population is anticipated to reach approximately 2.728 million by 2030, indicating an average annual increase of approximately 1.2 percent over the next seven years. The current growth of 0.34 percent is lower than the previous twelve-year annual average of about 0.8 percent likely due to the COVID pandemic disruption, and significantly lower than the previous 18-year average (2.5 percent) likely due to the Great Recession. Future growth is predicted assuming a more stable market than was seen prior to the Great Recession.

Economy

The U.S. economy in the past few years has experienced challenging times due to reactions from the COVID disruption. These economic challenges include significant inflation, increasing interest rates, banks' instability and reaching an agreement on the debt ceiling. During COVID, the Federal, State, County and City Governments

("Governments") originally shut down non-essential businesses and areas where social gatherings occur in order to slow the spread of the virus. This created a strain on small and large businesses alike. Restaurants and hotels were hit hard and travel reduced drastically as citizens were urged to stay home. Layoffs occurred with reports of 40 million people filing for unemployment the first few months of the pandemic. The Governments attempted to curtail the job losses and hardships with the approval of over \$5.6 trillion in COVID relief to our nation. In addition, the Federal Reserve Board ("Board") reduced interest rates and started quantitative easing by buying bonds. This legislation helped shore up the U.S. economy; however, due to the significant amount of new money introduced into the economy, inflation began occurring at a rate not seen for 40 years. As of November 2023, the national inflation rate was at 3.14 percent; up from a low of 2.97 in July 2023, and down from the peak in June 2022 of 9.1 percent. This compares to a 1.24 annual percent rate for 2020 and an average of 1.74 percent annual rate for the previous ten years. Whether it is a result of the world turmoil, supply chain issues due to COVID or from the additional money entering the economy, inflation has been hitting Americans hard.

In an effort to curb inflation, the Federal Reserve Board ("Board") began raising interest rates. Between March 2022 and August 2023, there were eleven interest rate increases rising the Federal Funds Rate ("FRR") from 0.25 – 0.50 percent to 5.25 – 5.50 percent. The Board has not increased rates since August due to the decrease in inflation coupled with other signs in the economy. While the eleven increases appeared to help slow inflation, the quick, significant increases strained bank balance sheets. Three major banks failed in early 2023 with the government taking unprecedented action to help shore them up. At the most recent Board meeting (December 12, 2023) they continued to pause the increases and suggested rates may begin to come down in 2024. This created a boon to the economy as the stock market increased to an all-time high and bond rates decreased based on the news. In addition to causing bank instability, the FRR increases in 2022 and 2023 increased a typical 30-year fixed mortgage rate from 2.98 percent as of November 10, 2021, to the high of 7.79 percent as of October 2023; however, the rate has dropped to 6.60 percent as of January 18, 2024 (per Federal Reserve Economic Data-St. Louis).

This steep increase over the past two years has significantly affected the real estate market.

The COVID disruption to the economy also caused extreme volatility in the stock market with the Dow Jones Industrial Average (“DJIA”) dropping from 29,398 in February 2020 to 19,174 in March 2020, a drop of 37 percent. The Government interventions resulted in a bounce back in the DJIA to 27,111 by June 2020 with the stock market then climbing up to a peak of 36,799 in January 2022. In February 2022, Russia began invading Ukraine which caused volatility in world economics followed by U.S. inflation, interest rate increases and instability in the U.S. due to the debt ceiling being reached. In addition, Israel declared war on Hamas on October 7, 2023, which added to the strain. All of these factors caused a drop in the DJIA of over ten percent from January 2022 to the low on October 27, 2023 (32,418); however, the Federal Reserve Board’s notes this week have brought the stock market to a new all-time high of 37,863 (January 18, 2024). It appears the recent Board’s decision not to increase rates further and their suggestion that a decrease may occur in the next year has been well received by investors. Current concerns on the U.S. economy include the nation’s debt limit which can only be increased through government approvals. The current partisanship in our government caused a stand-off in increasing the debit limit which has been in danger of being reached numerous times with several temporary deals being reached, however, no permanent agreements at this time.

The significant increase in mortgage rates over the past year is just one part of the puzzle affecting the impact of new housing on the broader economy. Additional risks include homebuilders trying to find balanced inventory levels, supply chain issues, both wage and price increases, and persistent inflation. Over the past 25 years, the Inland Empire 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 Inland Empire housing market seeing an improvement beginning in mid-2012. Contrary to homebuilder’s original thoughts of a slowdown due to the pandemic, new home buyers stepped up in the spring of 2020 and

new home sales were significantly higher during the second half of 2020 versus the previous year and continued extremely strong throughout 2021. This exceptional activity in new home sales was the one bright spot in the COVID recession and is thought to be due to several factors, including: a tight supply of resale homes; historically low interest rates; millennials finally buying homes; and, the work from home factor which began during the pandemic and allowed residents to live in more suburban areas without long commutes. As rates began increasing in early 2022, there was a significant slowdown in sales within the Inland Empire. The high mortgage rates have significantly slowed existing homeowners from moving. The limited availability of existing homes on the market has resulted in new homes capturing a much larger share of the total home sales; however, new home sales are also down year-over-year.

While most jobs have come back, job losses were significant during the COVID recession as the Nation’s unemployment rate went from 3.5 percent in February 2020 to 14.4 percent in April 2020, with the November 2023 National unemployment rate at 3.5 percent (Employment Development Department, not seasonally adjusted). The unemployment rate for the MSA was estimated at 5.1 percent (as of November 2023 per the Employment Development Department). This reflects a decrease from the peak during the Great Recession of 15.1 percent in 2010 and a decrease from the peak during COVID of 14.9 percent. As of November 2023, Riverside County’s unemployment rate was 5.1 and San Bernardino County had a 5.0 percent unemployment rate. The current unemployment rate for the MSA of 5.1 percent is slightly higher than the California rate at 4.9 percent and higher than the November 2023 National rate of 3.5 percent. Below is a table comparing Riverside County’s unemployment rate to the unemployment rates of the surrounding counties as of November 2023.

Jurisdiction	As of	Unemployment Rate*
Los Angeles County	Nov-2023	4.9%
Riverside County	Nov-2023	5.1%
San Bernardino County	Nov-2023	5.0%
Orange County	Nov-2023	3.8%
San Diego County	Nov-2023	4.2%

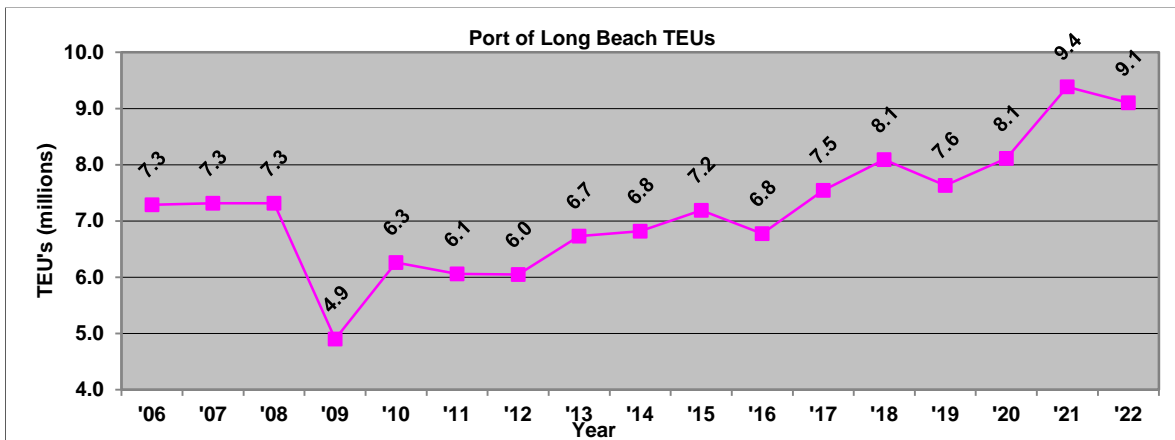
Source: State of California E.D.D.; *Not Seasonally Adjusted

The latest UCLA Anderson Forecast (“Forecast”) was issued October 4, 2023, and stated they predict no recession but a weak U.S. Economy in 2024. They believe with retail sales continuing to have robust growth and the backlog of durable goods orders growing along with factory construction soaring, that core inflation will continue to come down. As of October, they expected the Fed to increase the federal funds rate by 25 basis points and hold there until the sufficient weakness in the economy (forecast in 2024) results in moderate rate reductions after the first quarter of 2025. (Note – as of this week there will be no rate increases in 2023 and the notes suggest that rates may begin to decrease now in 2024). They opine that while monetary policy tightened, fiscal policy eased with the combination of the CHIPS Act, the Infrastructure Act and the Inflation Reduction Act which all added significant demand to the economy and increased investment. They do state that the impact of higher interest rates will be felt in restraining growth in 2024. It is interesting to note that in November (since the Forecast) Moody’s Investors Service changed the outlook on the Government of the U.S.’s ratings to “negative” from “stable” and state the key drivers of this change which include higher interest rates without effective fiscal policy measures to reduce government spending or increase revenues which will keep deficits very large and significantly weaken debt affordability. The Forecast mentions risks to their current forecast include a possible shutdown of government, geopolitical events and the possibility of a different national economic policy in 2025 due to the election.

The UCLA Forecast for California is more positive than the overall Nation due to job growth in California which shows that while the number of people employed is slightly under the pre-pandemic peak, California’s non-farm payroll jobs increased by 2.5 percent over this time period or 447,600 jobs. Jobs that were lost in some sectors were created in other sectors. The Forecast predicts the average unemployment rate for 2023, 2024 and 2025 to be 4.5 percent, 4.7 percent, and 4.6 percent respectively. In spite of the higher interest rates, the continued demand for limited housing stock, coupled with state policies inducing new homebuilding, should result in the beginning of a recovery this year followed by solid growth in new home production thereafter. They are estimating 120,000 net new units to be permitted in 2023 and grow to 144,000 in 2025 (however, down from their previous Forecast of 157,000 for 2025).

One bright spot in the current economy is sales of new homes. While existing homeowners are reluctant to put their houses on the market due to their under-four percent mortgages, new home sales continue. Even with rates in the seven percent range, new homes are still selling. This is partially due to the extremely limited availability of existing homes on the market, coupled with homebuilders offering to buy-down interest rates to help new home buyers. While new homes historically captured 10 – 13 percent of total home sales; over the past year new homes are capturing over 30 percent of total home sales. This rush to new home purchases has put pressure on pricing, even while interest rates have soared. During the Great Recession median housing prices (existing) in Riverside County dropped from a high of \$431,713 in June 2006 to a low of \$171,480 in April 2009. Median prices surpassed the pre-recession high in April 2020 (\$435,000), hit a peak in May 2022 of \$650,000 with the current November 2023 median home price in Riverside County at \$620,000 (all statistics per the California Association of Realtors). It should be noted that the median home price in Riverside County is up 6.9 percent year over year. This will be discussed further in the Riverside County Housing Market section later within this report.

As a final indicator of overall economic activity for the region, we have reviewed the rise and 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 in the Inland Empire linked to supply-chain nodes in the Pacific Rim. The chart below shows TEU activity at the Port of Long Beach. Generally, there has been increases since 2009 with the exception of a slight dip in 2016 and again in 2019 which ended with a 5.6 percent downturn. The 2022 calendar year saw a decrease of 2.6 percent from the previous year and as of November 2023, the Port of Long Beach is running 14.9 percent lower than this time in 2023 (7,308,848 versus 8,589,553 total TEUs). It should be noted that consumer demand cooled in mid-2022 leaving fewer TEUs needed. Shipments have slowed due to American demand finally waning after the pandemic.



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 Supervisors enact ordinances and resolutions, adopt the annual budget, approve contracts, and appropriate funds, determine land use zoning for unincorporated areas, and appoint certain County officers and members of various boards and commissions. The Board of Supervisors is elected from five different districts within the County.

Education

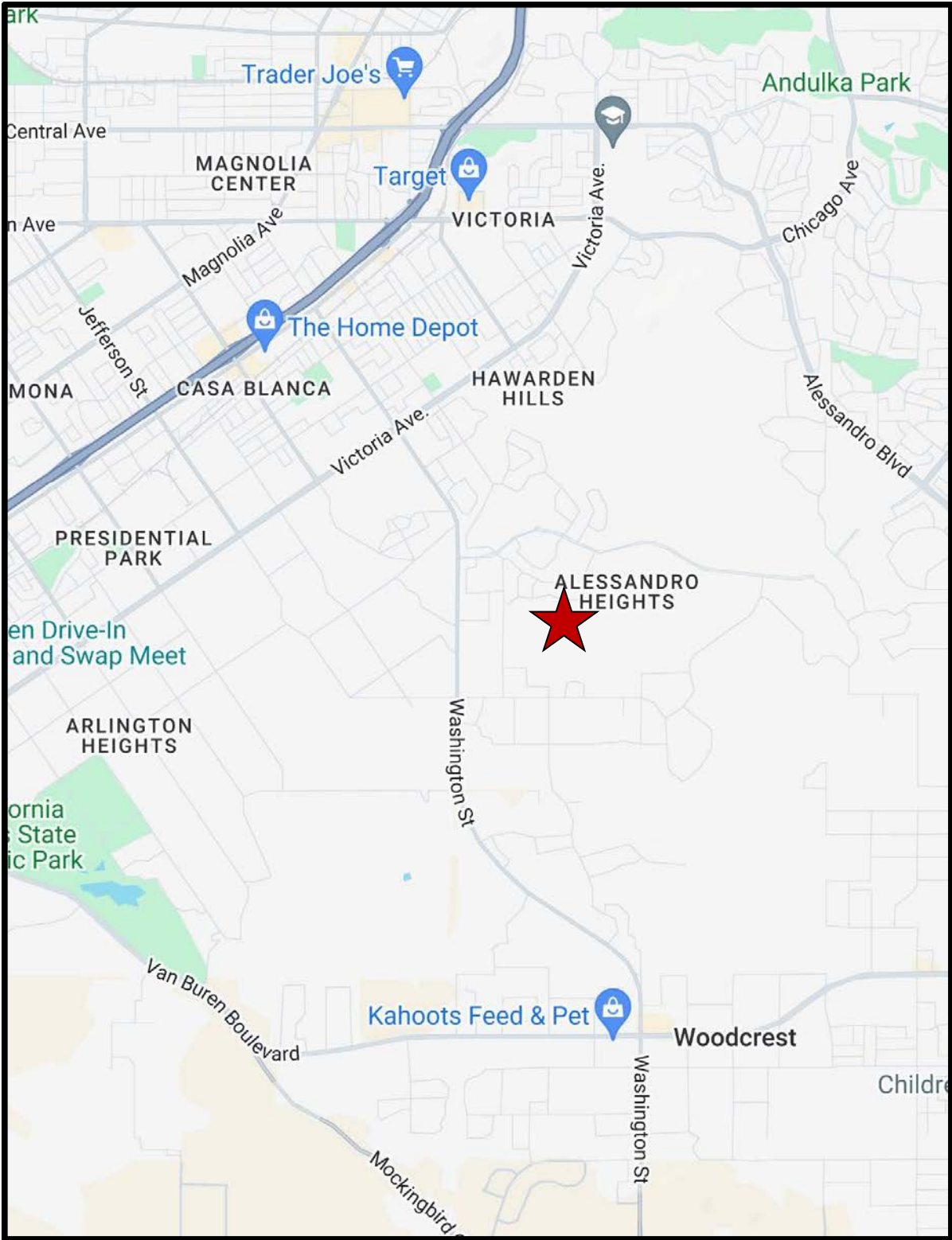
The subject area is served by the Riverside Unified School District which operates 29 elementary schools, seven middle schools, five high schools, and eight specialty schools including several virtual options. Higher education is available within an hour’s drive at the University of California campuses at Riverside and 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 Mt. San Jacinto College.

The subject property is served by George Washington Elementary School (located 1.5 miles north of the subject), Matthew Gage Middle School (located 1.8 miles north of the subject) and Riverside Polytechnic High School (located 2.5 miles north of the subject).

Conclusion

Population in the County has increased over the past 30 years with predictions for continued population growth, even though the State is reported to be losing population. The Nation's economy has been slowing after the Board increased the FRR five percent to fight historical inflation which began during COVID. One bright spot during COVID was housing; the region's relative affordability and low interest rates, coupled with the rising prices in the coastal market and the demand for housing, set up a new housing boom. This was followed by a significant drop in sales due to existing homeowners being unwilling to give up their low-rate mortgages. Current concerns for the Inland Empire economy include: stubborn inflation, the high prices of homes, higher interest rates, supply chain issues, bank failures, possible government shutdowns along with the Russian/Ukraine and Israel/Palestine conflicts, which are all creating volatility in both local and global financial markets. 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.

LOCAL AREA MAP



CITY OF RIVERSIDE DESCRIPTION

The subject property is located in the southern portion of the City of Riverside ("City"), about 2.5 miles southeast of the 91 freeway; ten miles northeast of I-15 and 5.5 miles south of the I-215/60 Freeway/91 Freeway interchange. 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 12th largest city in California by population, 6th in Southern California and the largest geographical 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 Allesandro Heights, which is bounded by the Hawarden Hills and Victoria neighborhoods to the north, Arlington Heights neighborhood to the west, Mission Grove neighborhood to the east, and Woodcrest neighborhood to the south.

Population

The City has an estimated population of 313,676 per the California Department of Finance as of January 1, 2023 which is a decrease of 0.4 percent from the previous year's estimate of 314,818. The decrease is thought to be partially due to irregularities affecting the population count during the COVID pandemic. The following chart depicts population growth in the City.

Year	Population	Avg. Annual % Increase
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%
2020	328,766	0.8%
2023	313,676	-0.4%

The slowdown in the past twenty years is due to the essential build-out of the City coupled with the Great Recession. When averaging the past 13 years, the average growth rate of 0.25 percent compares to the of County average annual growth rate over the past 13 years of 0.8 percent. The higher County rate is due to the better availability of land for development outside of the City limits.

Per the City of Riverside's website, there are an estimated 97,235 households in the City, with 53,228 owner occupied housing units and 44,007 renter occupied housing units (2022). The subject is currently one of the 14 actively selling communities in the City of Riverside, which includes the master planned communities of Spring Mountain Ranch (with three actively selling product lines), Pulte's Highland Grove (with three actively selling product lines), and Pulte's Summit Canyon (with two actively selling product lines).

The current median home sales price in the County as of November 2023 was \$589,000 which reflects a 5.2 percent increase year over year (per Redfin). The current median home sales price in the City is \$640,000 which reflects a 9.7 percent increase year over year (also per Redfin). The higher existing median home price in the City is due to the limited availability of land and scarcity of homes on the market. The City of Riverside is generally built-out with limited open spaces to be developed. New homes will generally be on in-fill lots, harder to develop lands (such as the subject) or in redevelopment areas.

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 during the Great Recession. There are abundant skilled and

semi-skilled workers in the local labor pool with a variety of skills. The past 20 years have seen a resurgence of the construction trade due to new homebuyers wanting to get out of the more urban areas and many to enter the housing market as first-time homebuyers. 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 2018-2022 estimated average median household income (in 2022 dollars) was \$83,448 as compared to \$84,505 for the County, \$91,905 for the State and \$75,149 for the Nation (per Census.gov). The City of Riverside's major employers include the County of Riverside, University of California Riverside, March Air Force Reserve, Kaiser Permanente, Riverside Unified School District, the City of Riverside.

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 16 miles to the northwest of the subject and is served by most major airlines. The Riverside Municipal Airport serves general aviation and is located less than five miles northwest from the subject.

Conclusion

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

IMMEDIATE SURROUNDINGS

The subject property is located southeast of the 91 Freeway, south of Overlook Parkway, east of Washington Street, and north of Bradley Street in the city of Riverside's Alessandro Heights neighborhood. The subject is surrounded by existing residential homes to the north and to the west and is accessible from Golden Star Avenue (via Overlook Parkway) or Matterhorn Street (via Whitegate Avenue). Access to the community is considered to be average with offramps from the 91 Freeway approximately 2.3 miles northwest at Madison Street. From the 91 Freeway to the Madison Street exit, head southeast approximately one mile to Victoria Avenue, then northeast one-half mile to Washington Street. Head southeast on Washington Street approximately one mile to Overlook Parkway, then east less than one mile on Overlook Parkway to Golden Star Avenue. Golden Star Avenue provides the main entrance into the community and terminates within the subject property. The community is irregular in shape and is built around hilly vacant lands to the south and east. The slopes and hills provide for some excellent views from portions of the subject property.

The subject is immediately bounded by existing homes to the north and west and vacant hilly lands to the south and east, beyond which are additional existing executive-type homes in low-density neighborhoods. The adjacent neighborhood to the north and east is part of a community known as Whitegate which was built in the 1970s and 1980s. While these homes are older in chronological age, the majority of them appear to be well kept up and are situated on large, half-acre lots. Many of the Whitegate homes are over 2,500 square feet and have expansive lots with views of the surrounding hills.

The lands to the north are generally higher in elevation. When Overlook Parkway was constructed, it opened up the area for additional development of homes. Within a mile of the subject to the northeast, you can see small developments with either a single home under construction or a cul-de-sac with a few lots graded, with some being developed. There is a development known as Vista Montecito which was graded prior to the Great Recession and purchased in its entirety in 2011 via a quitclaim. Vista Montecito includes 14 lots with two developed with homes at this time, however recently a couple lots have

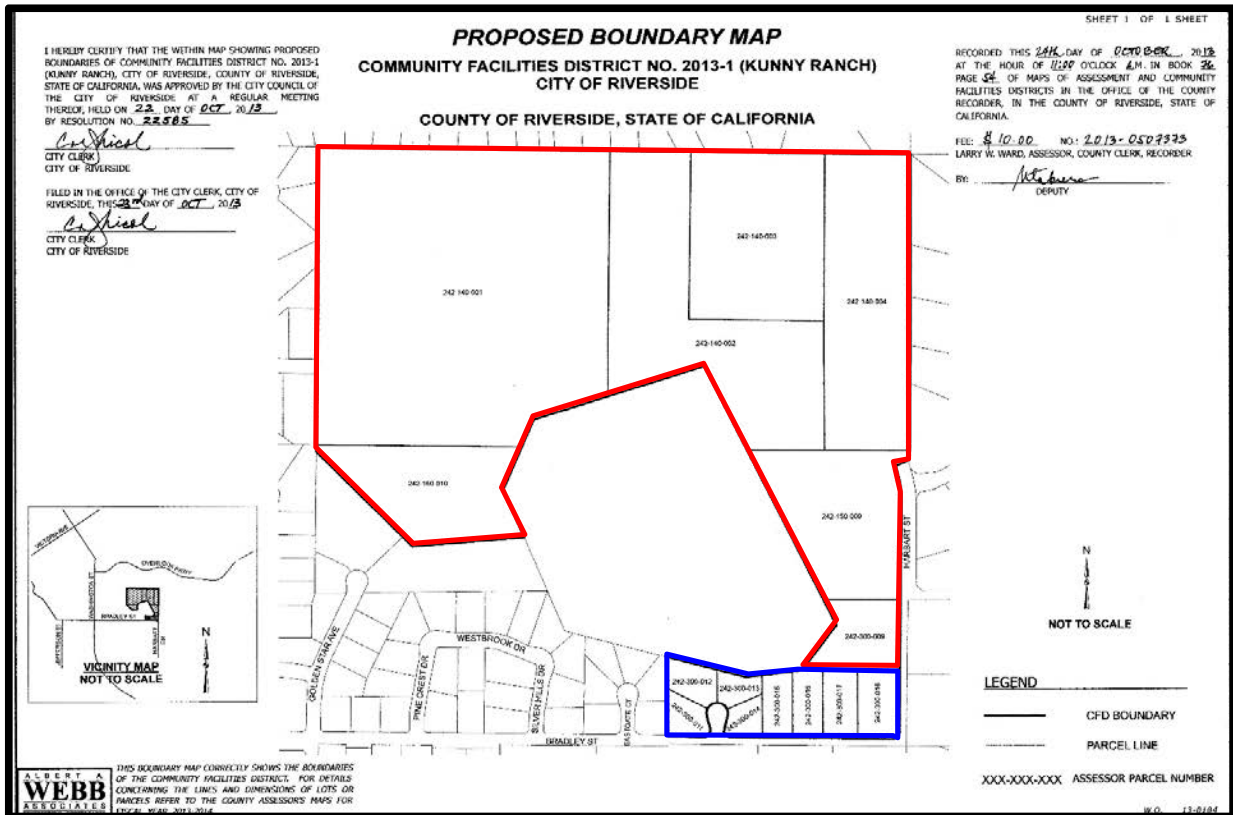
sold. In addition, directly south of the subject is Featherstone Court which consists of nine residential lots with four built out with homes and sold and five lots currently for sale. Another cul-de-sac adjacent to Via Montecito that is now known as Alabbasi Way, which originally consisted of seven lots, however it was purchased by a single owner (Alabbasi) who appears to be developing it into a single, 15-acre estate. In summary, the neighborhood is hilly, includes estate homes and vacant lands, many of which are being developed into executive homes on large lots.

Shopping is abundant within three miles of the subject. The closest shopping is available about 1.5 miles north, near Victoria and Mary Street with a Stater Bros market anchored center. Additional shopping is about 2.5 miles east at the Mission Grove Shopping Center anchored by a Stater Bros. market, Galaxy Theaters, Starbucks and a plethora of retail in-line space along with pad restaurants. A Sprouts market is also adjacent to the Mission Grove Shopping Center. The closest Target is about 2.25 miles north in the Victoria area near Arlington and the 91 Freeway and a Home Depot is at the 91 and Indiana, about 2.25 miles northwest. Finally, there is a Ralph's supermarket anchored center at Central Avenue and East Cerrito Drive, about 3.5 miles northeast in the Canyon Crest neighborhood.

The subject property is within the Riverside Unified School District boundaries with Washinton Elementary School (1.6 miles north) serving the area along with Gage Middle School (1.7 miles north) and Riverside Polytechnic High School (2.6 miles north) serving the community.

CITY OF RIVERSIDE CFD NO. 2013-1 (Kunny Ranch)

We have reviewed the formation proceedings for the proposed Community Facilities District No. 2013-1 (Kunny Ranch) approvals and agreement resolutions by the City of Riverside City Council dated October 22, 2013. Kunny Ranch is the former name of Hillcrest. Per the City documents, at time of formation CFD No. 2013-1 was comprised of approximately 100 gross acres known as Tract Map 33029 (APNs 242-140-001 thru 004; 242-150-009 and 010; and 242-300-009) and 33029-1 (APNs 141-300-011 thru 018). In 2018 a notice of cancellation of special tax lien was recorded on Tract 33029-1 (APNs 141-300-011 thru 018) which have subsequently been developed into eight dwelling units that are NOT included within Riverside CFD No. 2013-1 and thus are not included in this appraisal. Riverside CFD No. 2013-1 now includes Tract Maps 33029 and 33029-2 which encompass 74 proposed single-family lots which are located on the original APNs 242-140-001 thru 004; 242-150-009 and 010 and 242-300-009. A copy of the boundary map is shown below with the eight lots not included outlined in blue and the subject property outlined in red.



The types of facilities that are proposed by CFD No. 2013-1 and financed with the proceeds of special taxes and bonds issued by CFD No. 2013-1 per the Report of Responsible Officer dated December 3, 2013 include City Facilities for street and road facilities, including street lights and traffic signals, storm water drainage facilities, sewer system facilities, including capacity in existing facilities and sewage treatment capacity, parks and park and recreation facilities, transportation facilities and electric transmission and distribution facilities. Additionally, water fees and certain park fees will be funded by the CFD. Pursuant to a Joint Community Facilities Agreement between the City and Riverside Unified School District, bonds of CFD No. 2013-1 will be issued, a portion of which may be used to finance the construction of certain elementary school, middle school and high school facilities of the School District for the tracts located within CFD No. 2013-1.

It should be noted that internal streets (Lots A-C of Tract 33029 and Lots A-E of Tract 33029-2) and Lot D of Tract 33029 (18.077 acres) are within the boundary of CFD No. 2013-1, however, are not included in the valuation as they are not considered taxable property. Lot D includes 18.077 acres and is shown as open space/easement on the Tract Map and as common area on the Assessor's Maps.

Per the City approvals, the not to exceed amount for CFD No. 2013-1 is \$5,500,000.

The Bond Proceeds to be generated from the sale of the Riverside CFD No. 2013-1 Bonds per the latest CFD Bond Sizing (dated January 24, 2024) is \$4,309,832 with the Bond Par Amount estimated at \$4,190,000 and a premium of \$119,832. The project fund deposit is estimated at \$3,810,744 with the reserve fund of \$274,750 and costs of issuance and underwriter's discount of \$223,505 and additional proceeds of \$833 (above amounts are subject to change). A copy of the Riverside CFD No. 2013-1 boundary map is located in the Addenda for your review.

SUBJECT PROPERTY DESCRIPTION

The subject property consists of 74 proposed single-family detached homes, which make up the community known as Hillcrest by Beazer Homes. The neighborhood is shown in the site plan below and described as follows.



Location: The subject lands are located in the Alessandro Heights neighborhood, east of Whitegate Avenue and north of Bradley Street, south of Tiger Tail Drive, and on both sides of Golden Star Avenue, in the City of Riverside, Riverside County.

Legal Property Description: The appraised property includes Lots 1-21 of Tract 33029 and Lots 1-53 of Tract 33029-2, both in the City of Riverside, County of Riverside, State of California. A copy of both Tract Maps is in the Addenda. Included in the boundaries of the CFD is Lot D of Tract 33029 (also known as APN 242-150-016) which is an open space lot; however, not included in the valuation as it is not taxable property.

Property Owner: Individuals as Lots 1, 3-12, 14, 19-20 of Tract 33029 and Lots 1-9, 14-27, 38-53 of Tract 33029-2. Beazer Homes as to Lots 2, 13, 15-18, 21 of Tract 33029 and Lots 10-13, and 28-37 of Tract 33029-2; and Overlook at Kunny Ranch – Riverside L.P.P. as to Lot D of Tract 33029 (open space lot).

Assessors

Parcel Nos.: 242-330-001 through -009; 242-331-001 through -010; 242-340-001 through -004; 242-341-001 through -005; 242-342-001 through -018; 242-350-001 through -006, -008; 242-360-001 through -004; 242-361-001 through -007; 242-370-001 through -010. It should be noted that APN 242-150-016 which is identified as open space and contains 18.077 acres is within CFD No. 2013-1 however not included in this appraisal as it is not included in the taxable property.

Property Taxes: We have reviewed the Riverside County Tax Collector's 2023 tax bill for APN 242-342-016, a sample lot within Hillcrest. Per the tax collector the total 2023 property tax invoice is \$16,487.64 based on an assessed value of \$1,070,683. The general-purpose taxes are \$10,706.83; the taxing authority charges (includes City of Riverside, Riverside Unified School District, MWD West, and Riverside City Community College) total \$1,191.23; the special assessment for CFD 2013-1 (subject CFD) is \$4,533.00 and miscellaneous charges of \$56.58. The total overall tax rate on the assessed value equates to 1.54 percent which is typical for homes within Riverside with similar CFDs.

Three-Year
Sales History:

It is the appraiser's understanding that a landbank purchased the property on November 19, 2020, and then sold the lots to Beazer over a series of takedowns on a phase-by-phase basis between October 25, 2021, and September 25, 2023. Per public record the final takedown in September was from Overlook at Kunny Ranch - Riverside, L.P., a Delaware limited partnership to Beazer Homes Holdings, LLC, a Delaware limited liability company. All takedowns were completed by the end of September 2023, and Beazer purchased the property from the landbank for a total of \$19,831,222 per builder representatives. Beazer began closing homes to individual homebuyers in August of 2022. Fifty-three homes have closed to individuals between August 10, 2022, and January 16, 2023. It should be noted that APN 242-150-016 (18.077 acres of open space) is still owned by Overlook at Kunny Ranch – Riverside, L.P. per public record.

Size and Shape: Tracts 33029 and 33029-2 are contiguous to each other and make up Riverside CFD 2013-1 (subject property). Together they are irregularly shaped and contain a total of 93.25 gross acres per recorded Plot Plan. This includes the 18.077-acre open space lot.

Zoning: Per the City of Riverside's General Plan Zoning Map, the majority of the site is shown as R-1- ½ acre land use. Per the City's residential zoning code, this allows for single family dwellings with a minimum lot size of 21,780 square feet with 125-foot lot width, but with a footnote denoting an exception on lot size on private streets if over 20,000 square feet.

Entitlements: The subject property is covered by Tract Maps 33029 and 33029-2 which encompass 93.25 gross acres. Tract Map 33029 recorded March 25, 2021, and encompasses 49.02 gross acres and allows for 21 numbered lots as well as a large open space lettered lot. Tract Map 33029-2 also recorded March 25, 2021, and encompasses 44.23 gross acres and allows for 53 numbered residential lots. All lots have a minimum lot size of 20,000 square feet. Within Tract Map 33029 the gross acreage includes Lot D which is a large open space lot which includes several easements and totals 18.077 acres per the Assessor's Map. In addition, there are internal streets and setback areas within both Tract Maps. Copies of the tract maps are located in the Addenda.

Soils Review: We have reviewed one Soils Report covering the subject property: "Updated Geotechnical Report for Overlook Project- Tract Nos. 33029 and 33029-2" dated January 18, 2021, prepared by Geotek of Corona. Per the report, the subject property was considered feasible for the proposed residential development from a soil and engineering geologic point of view, provided the recommendations contained in the reports are incorporated into the development and construction of the lands. It is assumed all recommendations contained in any and all reports were adhered to during development and construction. It is an assumption of this report that the soils are adequate to support the highest and best use.

Environmental Review: We have not received any environmental reviews of the subject site. However, we have reviewed the "Conditions of Approval" with the most recent approved October 11, 2005. These Conditions of Approval mention various environmental concerns and corresponding reports remediating these concerns.

It is an assumption of this appraisal report that there are no environmental issues which would slow or thwart development of the subject property or create any adverse reactions to the houses. This is evidenced by City inspectors on-site throughout construction.

Easements and Encumbrances: We have reviewed two Preliminary Title Reports prepared by First American Title Company, the first for the Beazer-owned property within Tract 33029 as of September 6, 2023, and the second which referred to Phase 12 of the project and was as of October 25, 2023. The exceptions are as follows:

(Order Number 6442308 dated September 26, 2023) – Items 1 through 3 refer to property taxes and special assessments including CFD 2013-1 (subject CFD). Item Nos. 4, 5, 11-14, 16, 18-23 and 26 refer to various utility easements, an aviation easement, and

easements, covenants and conditions contained in the purchase deed along with Association Maintenance Area Easements for the project. Item No. 6 refers to CC & Rs on the property. Item Nos. 7-8 and 24-25 refer to the Option and Development Agreement when Beazer purchased the property. Item No. 9 is in regard to a Construction License and Indemnity Agreement. Item No. 10 pertains to the Assignment of Declarant's Rights. Item No. 15 refers to a deed of trust on the property. Item No. 17 refers to a supplemental declaration establishing a cost center, fire protection requirements, solar shade restrictions and dispute resolution restrictions for Hillcrest. Item No.27 refers to water rights.

(Order Number 6473739-12 dated October 25, 2023) – Items 1A – 1F, 2 and 3 pertain to property taxes and special assessments. Item No. 4 is in regard to the avigation easement. Item Nos. 5, 9 and 11 were intentionally deleted. Item No. 6 pertains to a Construction License and Indemnity Agreement. Item No. 7 refers to CC & Rs on the property. Item No. 8 refers to easements. Item No. 10 refers to water rights.

The items appear typical for subject-type land; however, the appraiser is not an expert on title and if questions arise, it is suggested an expert be retained. 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. 2013-1.

Streets/Access:

Access to the subject project is possible via 91 Freeway to the Madison Street exit, head southeast approximately one mile to Victoria Avenue, then northeast one-half mile to Washington Street. Head southeast on Washington Street approximately one mile to Overlook Parkway, then east less than one mile on Overlook Parkway to Golden Star Avenue. Golden Star Avenue provides the main entrance into the community and terminates within the subject property.

91 Freeway is a northeast/southwest freeway providing access from the County of Los Angeles to the west through Orange County and through Riverside into San Bernardino County where it combines with Interstate 215 north of the subject property.

Madison Street has on/off ramps at the 91 Freeway and runs approximately 2.5 miles in the northwest, southeast direction through the subject area of the City of Riverside. Madison Street terminates into Arlington Avenue on the north side of the 91 Freeway and terminates at Dufferin Avenue south of the 91 Freeway.

Victoria Avenue is a main throughfare in Riverside running in the northeastern/southwestern direction. It begins at the Victoria Club golf course and runs through the Victoria neighborhood of Riverside, north of the subject, and runs through the Arlington Heights neighborhood before terminating just past La Sierra Avenue, south of the subject.

Washington Street in Riverside does not have freeway on/off ramps but is a major north/south arterial that provides access into the Woodcrest area of Riverside.

Overlook Parkway is a smaller street in Riverside beginning at Washington Street to the west and running east in a winding pattern before terminating approximately two miles east of Washington Street.

Internal streets within Hillcrest include Golden Star Avenue, Vista Court, Senith Court, Crownview Terrace, Capstone Court, Woodview Street, and Matterhorn Drive.

Current Condition: The subject property has been developed into 74 single family detached lots with a minimum lot size of 20,000 square feet with some lots over 2-acres in size. The models and sales office for the project are builder-owned and located on Capstone Court. There are 53 completed homes owned by individuals, 12 homes over 95 percent complete owned by the builder (including the four models), and nine homes under construction (under 95 percent complete).

Homeowner Association: Per the Hillcrest builder handout, the HOA fee will be \$215 per month at build out. This fee includes maintenance of common areas, parkways, streets, trees, and some community slopes.

Costs to Complete: The lots within both tracts have all been developed into a finished lot condition, thus there are no remaining land development costs. All building permits have been pulled with no remaining land development fees.

Improvement Description: Hillcrest includes 74 proposed single-family homes being built and sold by Beazer Homes. The model homes are located near the entrance of the community on Capstone Court off Crownview Terrace. Some lots have views ranging from good to excellent, along with size premiums on many lots. There are five plans which range in size from 2,462 square feet to 3,702 square feet. It should be noted that Plans 4 and 5 vary up to 38 square feet due to the architectural type with Plan 4 ranging from 3,370 to 3,380 square feet and Plan 5 ranging from 3,676 to 3,702 square feet. For the purposes of this analysis, we will use the smaller plan sizes in our valuation

conclusions. All homes feature open floorplans and three architectural styles (Spanish, Prairie, and Craftsman). Three of the plans are single story while two have two-stories, with attached two- and three-car garages per plan. Exterior features at Hillcrest include covered patios (per plan) and private rear yards, entry sidelights, Therma-Tru painted front doors with Venetian bronze hardware, and insulated sectional roll-up garage doors with automatic wireless transmitters. Beazer features include performance advantages such as superior air seals, framing and insulation, whole house fresh air system by Broan, energy efficient tankless water heater, HVAC system, and Tyvek Homewrap. Beazer also advertises that their homes are built Network Ready, including future exterior conduit for internet providers, hardwired RG6 and CAT6 media outlets and 30" low voltage panel. Kitchens at Hillcrest include Whirlpool stainless steel appliances, white thermofoil shaker cabinets with soft close and undercabinet lighting, islands, and quartz slab countertops. Interiors feature ceramic tile at entry and wet rooms, interior laundry rooms with sinks, two panel 8-foot interior doors, recessed lighting throughout, "stop-and-drop" cabinet with USB outlet, large rear sliders, and 10-foot and 9-foot ceilings per plan. Primary suites include separate acrylic tub and showers, dual sinks with E-stone marble countertops, spacious walk-in closets, compartmentalized water closets, and Moen plumbing fixtures. All homes appear to be in excellent condition with no visible depreciation.

We have reviewed sales information from the builder which included 53 home closings between August 10, 2022, and January 16, 2024, along with an additional 16 escrows which are due to close upon completion. Actual closed sales prices as reported by the builder net of all reported concessions range from \$817,927 to \$1,437,532. Per our review of the local Multiple Listing Service along with our inspection, there are no homes currently listed for resale. Original base pricing in March 2022 ranged from \$879,990 to \$1,049,990 while current base asking prices are from \$899,990 to \$1,099,990. The houses which are over 95 percent complete are detailed below.

Plan	Bd/Ba	Floors/ Parking	SF	Ind. Owned	Bldr. Owned
1	4 / 3	1 / 2	2,462	8	1
2	4 / 3	1 / 2	2,848	11	5*
3	5 / 3.5	1 / 3	3,167	11	3*
4	5 / 4	2 / 3	3,370-3,380	12	1*
5	5 / 4.5	2 / 3	3,676-3,702	<u>11</u>	<u>2*</u>
Total				<u>53</u>	<u>12</u>

*One of each of these plans is a model home. In addition to the above there are nine homes under construction.

RIVERSIDE COUNTY HOUSING MARKET

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

Population

The County population grew at a 0.34 percent increase between January 2022 and January 2023 (per the Department of Finance). This compares to an average annual growth rate over the past ten years of about 0.8 percent, and an average annual growth rate of approximately 2.5 percent for the previous eighteen-year period. The slowdown in population growth is similar to other Southern California counties during this time period and is thought to be due to the Great Recession and the disruption from COVID. Predictions are for the County to grow at an average annual rate of 1.2 percent over the next seven years. This equates to an increase of approximately 36,000 residents per year, suggesting the need for about 8,000 homes per year within the County. The total impact of COVID is still unknown on the County's population growth. New home sales in most cities in the County in 2020 through 2022 were higher than the coastal communities due to affordability, the work from home factor, and the fact that millennials are finally entering the housing market. These factors may increase actual County population growth in 2023.

Economic Conditions

Over the past twenty-five years the Inland Empire has seen various cycles in the housing market. The Great Recession impacted the Inland Empire significantly and resulted in a longer recovery period than that of other Southern California regions. 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 through January 2020. Once the COVID pandemic hit in March 2020, the economy entered what is now known as the COVID disruption. The housing market slowed down significantly early on, but by May 2020, new homes were going under contract and selling

at well above average absorption rates from May 2020 through Spring of 2022 in the region. Since May 2022, the new home market has seen a slowdown in absorption rates due to the increasing interest rates, the high prices of homes, and the high rate of inflation which shook consumer confidence.

Economic growth in the Inland Empire was strong generally between 2015 (after the Great Recession), and until the economic shutdown due to COVID. The second half of 2020 and all of 2021 saw economic growth, however the first two quarters of 2022 saw GDP shrinking while the third and fourth quarters saw minimal growth, with 2022's annual growth at 2.6 percent. The most recent unemployment rate for the County is 5.0 percent (per the November 2023 EDD report), higher than the County's pre-COVID unemployment rate in February 2020 of 4.0 percent. While unemployment rates are still near historical lows, the inflation factor has significantly affected the economy.

The housing market played a large role in the past two economic cycles. In 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. By 2007, the housing market saw a shake-up because of the problems in the sub-prime and non-conventional mortgage markets, which played a role in the 2008 upheaval of Wall Street and contributed significantly to the U.S. economic downturn of the Great Recession. 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 and essentially remained flat until mid-2012 when home prices began a steady climb.

During the COVID disruption, new home sales were one of the brightest spots in both the local and national economies. While new home sales slowed in March and April 2020 due to the onset of the COVID pandemic, both sales and prices increased significantly throughout COVID until spring 2022 when interest rate increases began affecting the home-buying market. The rising interest rates alone did not seem to slow sales in Spring 2022. However, a combination of increasing home prices and falling consumer

confidence, added to the significant interest rate increases slowed new home sales significantly in late 2022 and into most of 2023.

Per the Zonda National Economic and Housing Market Update in September 2023, the rate of growth of new home sales is off from COVID highs but up from pre-pandemic numbers, suggesting a healthy market. Per their survey of over 300 new-home builders nationally, the builders are stating sales are continuing but report they had to adjust pricing and incentives to “find the market.” In the January 2023 survey, 50 percent of builders surveyed were lowering their prices and the remaining 50 percent stated their pricing was flat. In May, the survey resulted in 40 percent of the builders stating their pricing was flat and 60 percent of builders stating they were increasing pricing. This is a very different dynamic than in January which was partly due to seasonality, partly due to builder’s readjusting concessions (interest rate buy-downs), and partly due to price changes.

The larger public homebuilders began offering significant interest rate buy-downs in early 2023 in order to keep absorption rates steady, which reportedly costs between \$30,000 and \$100,000 in incentives. The builders are attempting to find the “sweet spot” in incentives. Per Zonda, a combination of price cuts of between 10-15 percent combined with rate buy downs is obtaining the best results in the marketplace. In their September survey of 300 builders nationwide, Zonda asked builders to check all that they were offering and found 70 percent of builders were offering rate buydowns, 60 percent were offering funds towards closing costs, 33 percent were offering flex dollars, 22 percent were offering lower home prices and 20 percent were offering funds toward options and upgrades. The question is, how long can builders continue to offer these significant incentives. As rates go higher, the extent that builders can buy-down the mortgage rates goes down.

Home loan mortgage rates have been and are still playing a huge part in the housing market. The Board held mortgage rates at all-time lows after the Great Recession and again after the COVID disruption in an attempt to assist the housing market’s recovery. Low rates helped home sales during this time. However, first-time buyers are having a

hard time entering the housing market due to rising prices and rising interest rates. Per FRED, the average 30-year fixed mortgage has gone from 2.65 percent in January 2021 to 7.79 percent as in October 2023, with a decrease since then with current rates at 6.6 percent as of January 18, 2024. Mortgage applications had been spiking in late 2020 and 2021 due to the low rates and the fear rates were going to start ticking up, which began happening in March 2022. The Board increased the rate eleven times between March 2022 and August 2023, which increased the FRR from 0-0.25 percent to 5.25-5.50 percent. At the latest Board meeting in mid-December, they again paused the increases for the third time. The markets seemed to stabilize after the December Board meeting with rates falling over 50 basis points as investors seem to think the increases may be over. The FRR increases are supposed to help slow the high inflation rate in the Nation, which appears to have occurred as the latest reports are showing inflation in November 2023 at 3.1 percent, down from a high of 9.1 percent in June 2022. The Board has other considerations including employment numbers, wage growth and consumer confidence to balance along with inflation.

While new home builders slowed production as sales slowed in 2022, the spring of 2023 brought optimism to builders once again. Sales were up month-over-month as buyers adjusted to higher mortgage rates and existing home inventory is at all-time lows. Existing homeowners that are locked into a 3 percent mortgage are not moving up due to the current 6+ percent rates. This is creating a supply issue for existing homes. New home sales are benefiting from this supply issue as in some cases, the only option for homebuyers are new homes. Per Zonda, historically, new homes capture 10 to 13 percent of all home sales; however, due to the limited supply of existing homes currently on the market, new homes are capturing 33 percent of all home sales nationwide and well over 30 percent in the Inland Empire.

Residential Land Development

While there had been little land development going on in most of the Inland Empire during the Great Recession years 2008-2011, the second half of 2012 saw a resurgence in the more coveted areas of the Inland Empire. The increase in housing prices since 2012

combined with the limited availability of supply made land development feasible once again for homebuilders. It is thought that the increase in regulations, which has significantly increased the timeline for processing entitlements, has limited the master developers' further entitlement of developable land in California. While prior to the recession it was not unusual to see numerous large master-planned communities selling lots to various builders, there are few currently available in the subject area. The majority of land sales over the past few years include single tracts of land with maps ready to record (such as the subject, Bridle Ridge by Legacy Homes, and Vistas at Mockingbird Canyon by Trumark Homes, all in Riverside) or a public builder buying a larger piece of land but develops the land for its own use (such as Highland Grove by Pulte or Spring Mountain Ranch by KB Home, both of which are in Riverside).

Land sales in the Inland Empire slowly grew from 2012 up to a peak in 2017, with 2018 and 2019 showing lower land transactions. Once home sales exploded in May 2020, land sales followed with a significant number of residential land sales to builders in the Inland Empire during the second half of 2020 and throughout 2021. In late 2021 and early 2022, prior to the FRR increases, builders were paying significantly more for residential land that was ready to develop as demand was up and supply was shrinking. The beginning of 2022 continued with strong residential land sales until May, when sales began to fall sharply. According to Zonda's survey of builders regarding residential land purchases, as of January 2023 only 2 percent of builders surveyed were "full steam ahead," and almost 40 percent were pausing transactions or bidding lower on land transactions. As of July 2023, these percentages have changed drastically with 35 percent stating they are going "full steam ahead" and 41 percent moving "cautiously forward." Per the September survey 46 percent are "full steam ahead" and 47 percent are "moving cautiously forward". The increase in optimism from new home builders outlook since January is partially due to the extreme slowdown of existing home inventory which is fueling new home sales.

New Home Sales and Pricing

We have researched new single-family homes within the subject's 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. In reviewing

new home sales in the Inland Empire market area, per the December 31, 2023, Ryness Report, the year-to-date average sales rate (3.56 sales per month) is 10 percent higher than the same time period of the previous year (3.22 sales per month). Surprisingly, even with the increases in pricing and mortgage rates, sales of new homes are occurring at a very good pace; however, this is partially due to the extremely limited supply of existing homes which is creating more demand for new homes. New home sales rates started to level off in late Spring 2022, likely due to the increase in mortgage interest rates. As rates go down, purchasing power becomes larger, which gives new home buying a boost. However, the flip side is that as interest rates rise, purchasing power becomes lower and therefore fewer people purchase new homes. Along with home sales comes a demand for appliances, furniture, building materials and services such as insurance, mortgage services, inspections, interior designers, and landscapers, all contributing to the area economy.

When comparing the December 31, 2023, Inland Empire Ryness Report to one year prior, there are 11 additional projects (234 in December 2022 and 245 in December 2023) and sales are about 10 percent higher year-to-date than the previous year at 3.56 sales per month. Looking back, in 2021 the average sales rate was 4.59 homes per month, in 2020 the average sales rate was 4.42 homes per month while in 2019, prior to COVID, the average sales rate was 3.29 homes per month per project.

New single-family home pricing (combines both attached and detached) in the Inland Empire has also seen changes. The median new home price in the Inland Empire changed from the peak value of \$437,200 in the third quarter of 2006 to \$268,155 in early 2009 (decrease of 39 percent) while the current Inland Empire median new home price is \$567,500 which is down from a record high of \$646,000 in July 2022 per Zonda's latest market report (Riverside-San Bernardino-Ontario, CA CBSA). This reflects an increase of over 111 percent from the bottom of the cycle and an increase of almost 30 percent over its peak prior to the Great Recession, however a decrease from the 2022 peak of over 12 percent. In reality, this decrease is actually larger as builders are buying down interest rates which costs the builder at times, up to \$100,000, however, the amount is not reflected in the recorded sales price. New home sale prices fluctuate based on the

land value and competition more than on the cost of building the home. While finishes and sizes of homes can change, the basic costs on a per square foot basis typically do not fluctuate as much as land values; however, there have been inflationary increases in construction costs adding to this increase.

Within our search for the most comparable actively selling new home communities, we searched the subject's area of Riverside. While the City currently offers over a dozen actively selling new home communities, we limited our search to similar projects with large lot sizes. Our search for comparable new home projects within the competitive market area resulted in eight new home projects including the subject, with overall advertised pricing ranging from \$621,990 to \$1,424,700. The subject's current base pricing ranges from \$899,990 to \$1,099,990 at the higher end of the range due to the larger lots and views. It's important to note that the subject along with one other community (Vistas at Mockingbird Canyon) are the only communities in the vicinity with homes over the \$1M price point, however, they are also the only communities featuring half-acre plus sized lots in the marketplace.

Existing Homes Sales and Pricing

While the previous section looked at new home sales and pricing, this section refers to existing homes in the Inland Empire. According to the California Association of Realtors' most recent data, within overall Southern California, the median price paid for an existing single-family home in November 2023 (\$824,500) reflects an increase of 9.9 percent from the previous year (\$750,000 November 2022) and a 0.5 percent increase from the previous month (\$820,000 in October 2023). Existing home sales in Southern California overall were down 5.6 percent year-over-year as of November 2023. The overall Southern California numbers compare to Riverside County with \$620,000 as the median price paid for an existing home in the County in November 2023, up 6.9 percent from the previous year (\$580,000 in November 2022), but down 0.2 percent from the previous month (\$620,960 in October 2023). Sales of existing homes in the County were down 6.7 percent year-over-year due to higher mortgage rates and high home prices. The slower sales rates in the existing home sales market are reflective of homeowners not ready to sell due to the changing market. Historically, the new home market captures 10-13 percent of

the overall home sales; however, in the past year, new home sales are capturing over 30 percent of total home sales. Below is a table showing the sales and prices for the Southern California area by County per the California Association of Realtors.

Southern California Existing Home Sales						
County	Nov. 2023	Oct. 2023	Nov. 2022	Price MTM % Change	Price YTY % Change	Sales YTY % Change
Los Angeles	\$897,990	\$893,650	\$836,630	0.5%	7.3%	-5.1%
Orange	\$1,300,000	\$1,275,000	\$1,100,000	2.0%	18.2%	3.7%
Riverside	\$620,000	\$620,960	\$580,000	-0.2%	6.9%	-6.7%
San Bernardino	\$475,000	\$481,500	\$437,500	-1.3%	8.6%	-5.6%
San Diego	\$952,000	\$936,250	\$865,000	1.7%	10.1%	-12.2%
Ventura	\$902,500	\$899,000	\$860,000	0.4%	4.9%	-4.3%
Southern Calif.	\$824,500	\$820,000	\$750,000	0.5%	9.9%	-5.6%

Source: California Association of Realtors

Based on November 2023 median 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 \$277,990 as compared to Los Angeles County, \$282,500 as compared to Ventura County, \$332,000 as compared to San Diego County and \$680,000 as compared to Orange County. That is, in November 2023, the median priced home in Riverside County was \$680,000 less (or more than 50 percent less) than the median priced home in Orange County (\$1,300,000). However, San Bernardino County has a \$145,000 price advantage over Riverside County. Typically, as the price advantage widens, homebuyers are more open to commuting to further out areas. With the COVID work-from-home concept, the suburban areas had seen more growth which put pressure on home prices in the Inland Empire.

In a separate attempt to capture the neighborhood specific price changes, the resale activity of existing homes in the subject area (per Redfin.com’s Housing Market Trends) 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.

ZIP Code/Community Name	Border To Subject	Sales of Homes Nov. 2023	Nov. 2023 Price Median	Nov. 2023 Median Price/SF	Price % Change from Nov. 2022
92506 (Riverside/Canyon Crest)	Subject	105	\$675,000	\$344	+0.8%
92507 (Central Riverside)	Northeast	75	\$600,000	\$350	+3.4%
92508 (Riverside/Orangecrest)	Southeast	41	\$749,000	\$319	+5.6%
92504 (Riverside/Arlington Heights)	South/West	66	\$622,500	\$375	+14.2%
92509 (Jurupa Valley)	Northwest	84	\$617,500	\$382	+5.6%
92501 (Downtown Riverside)	North	23	\$552,727	\$411	+2.4%

Source: Redfin.com Housing Market Trends November 2023

The median home price of a resale home in the subject's zip code is \$675,000, which is within the range of the resale detached home prices in the subject area. The downtown and central Riverside zip codes represent the lowest median price, but also the older more built out areas within the City, which typically have smaller homes. The highest median price in the surrounding area is the Orangecrest zip code, which is adjacent and very close to the subject, and widely known as one of the more coveted neighborhoods in Riverside. The above price fluctuations from year-to-year relate to the California Association of Realtors overall Riverside County detached home resale price change of 6.9 percent year-over-year from November 2022 to 2023.

According to the Ryness Report dated December 31, 2023, there are currently 24 new home projects in the subject's immediate market area (northwest Riverside) which includes the cities of Corona, Riverside, Jurupa Valley, and the south Corona area.

Hillcrest - Sales and Pricing

The subject property consists of Riverside CFD No. 2013-1 which includes 74 proposed homes being marketed as Hillcrest by Beazer. Hillcrest's first home sold March 6, 2022, with 69 homes sold to date suggesting an average sales rate of 3.1 homes per month. The subject's sales rate is considered to be good to very good for the high price point. Per the December 31, 2023, Ryness Report which includes 245 projects in the Inland Empire, the average sales rate per project is 3.6 homes per month (year to date) while

the average sales rate for the same period of 2022 was slightly lower at 3.2 homes per month; however, the average sales rate for the same period in 2021 was 4.6 sales per month. Within the subject's Northwest Riverside submarket, the 24 projects include fourteen projects within the city of Riverside, along with one project in Jurupa Valley, seven in Corona, and two in South Corona. It's important to note that the Corona and South Corona markets include two large master planned communities of Terramor (Corona) and Bedford (South Corona). Within the city of Riverside, there are also several smaller master planned communities with multiple product lines actively selling, including Pulte's Summit Canyon, Pulte's Highland Grove, and KB Home's Spring Mountain Ranch. The average absorption rate within the 24 communities in the Northwest Riverside submarket communities' year to date per the December 31, 2023, Ryness Report is 3.4 sales per month. The subject's sales rate of 3.1 sales per month is slightly lower than the overall average in the area, however, the subject's price point is much higher than the typical community in the subject's marketplace. The subject's large lot size is unusual for the new home market and justifies its higher price point. The subject's average sales rate of over three homes per month shows that it has been well received in the marketplace despite the higher price point.

Within Hillcrest base pricing on all on the floor plans has increased since grand opening in March of 2022 from a minimum of \$20,000 to a maximum of \$70,000. It should be noted that the net sales prices reported by the builder include mortgage incentives, which include mortgage rate buy-downs and help with closing costs. The builder has shared these costs, and they are included in our valuation analysis. The mortgage incentives range from a low of \$0 to a high of \$68,504 with an average of \$20,710 per home on the 69 sales to date. These incentives do not show up on the public record, however, are a cost to the builder. In addition, we have reviewed information from several marketing companies which report new home sales information, including John Burns and Zonda. Per John Burns, sixty percent of the builders across the U.S. are offering mortgage incentives. They believe the "magic mortgage rate" is around 5.5 percent. With current rates in the 6.6 range for fixed loans, there is a disconnect.

Summary

The Inland Empire had seen substantial increases in pricing since 2012 with most areas, including the subject, showing significant increases from mid-2020 through early 2022. While existing home sales were originally down when COVID began in spring/early summer 2020, new home sales subsequently shot up due to the existing home market supply being constrained and interest rates hitting all-time lows. The latest statistics indicate a slowdown in sales as interest rates have risen substantially. The Riverside new-home submarket is performing in line with the Inland Empire market as a whole. The subject market area saw an increase in pricing consistent with most of Southern California throughout 2020 and 2021 and appeared to be continuing in the beginning of 2022. In late 2022 sales slowed and prices began declining; however, the past few months have seen new home builders' optimism return as new home absorption is stabilizing with prices increasing. Despite uncertainty hitting the market due to rising interest rates and inflation, most observers agree that the Inland Empire new home market is healthy and population growth is still estimated to occur in the area. It is believed that as the population continues to increase, housing growth will also continue, despite a slowdown.

HIGHEST AND BEST USE ANALYSIS

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"⁴

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 an irregular shaped parcel that contains 93.25 gross acres and is located in the City of Riverside in northwest Riverside County. The site is in a hilly area allowing for some excellent view potential. The site has been graded with some sloping interior streets with some terraced lots allowing for many views. The lots have been graded, each with a generally level pad area for the home. There are two entrances to the subject, one from the north via Golden Star Avenue, and a second from the west from Matterhorn Drive. The surrounding lands become very hilly on the south

⁴ The Appraisal of Real Estate, 11th Edition

and east side of the project with rural homes to the south and east, and existing neighborhoods to the west and north side of the project. The subject site is being developed into 74 detached lots with a minimum lot size of 20,000 square feet. Tract Maps 33029 and 33029-2 cover the subject and have all internal streets paved and utilities installed to each lot. There are several detention basins within the subject boundary lines as well as a large open space lot.

A soil report covering the property was reviewed and it was determined the soils were adequate to support the highest and best use providing the recommendations contained in the report were adhered to during construction. No environmental report was reviewed. It is an assumption of this report that both the soils and environmental factors are adequate to support the highest and best use conclusion and that there are no environmental issues which would slow or thwart development of the site. This is evidenced by City approvals along with City inspectors on site during construction of existing homes. An engineered drainage system has been designed to alleviate any potential flooding problems and to control project water runoff with detention basins onsite. All standard utilities serve the subject property. The overall site has good access via the 91 Freeway and is about 2.25 miles from the Freeway.

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 adjoining land uses, suggest 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, the site is identified as R-1- ½ acre land use, allowing for low density single family residential. Per the City's residential zoning code, this allows for single family dwellings with a minimum lot size of 21,780 square feet with 125-foot lot width, but with a footnote denoting an exception on lot size on private streets if over 20,000 square feet. In addition, Tract Maps 33029 and 33029-2 recorded in March 2021 on the subject lands subdividing it into 74 single family detached lots with

a minimum lot size of 20,000 square feet (however some lots are over two-acre in size), along with several detention basins and open space areas which is consistent with the zoning requirements. The approved mapping on the parcel is consistent with the current zoning. Based on the legality of use analysis, the type of development for which the subject properties can be utilized is narrowed to residential use. This is consistent with the findings of the physically possible uses.

Feasibility of Development

The third and fourth considerations in the highest and best use analysis are economic in nature, i.e., the use that can be expected to be most profitable. As discussed under the Riverside County Housing Market section earlier within this report, the market had shown strong increases in both sales and pricing since COVID until late 2022 when high home prices and increasing interest rates began to slow sales. Overall home sales have slowed down significantly, partially due to existing homeowners not moving due to the higher interest rates, which is stifling the existing home market, at times leaving new homes the only option for homebuyers. The limited availability of existing homes is also putting pressure on pricing with home prices increasing, although interest rates have risen substantially. Within Hillcrest there have been 69 sales to date with the first sale occurring in March 2022, suggesting an overall sales rate of 3.1 sales per month which is considered to be very good at the subject's price point. All structures appear to be in excellent condition with no physical depreciation apparent. Within the new home market in Riverside, we found eight projects (including the subject) to be most comparable to the subject property. Population growth is still occurring in the area 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 correct 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”

The subject property consists of the community known as Hillcrest. The project opened for sale in March 2022. There have been 69 sales, suggesting an average sales rate of 3.1 homes per month, which is considered to be very good for the subject’s price point. Per the Ryness Report dated December 31, 2023, there are 24 actively marketing new home communities in the subject’s submarket with absorption rates ranging from 1.0 sale per month to 7.5 sales per month with an average sales rate per project of 3.4 sales per month. The subject community’s sales rate is slightly lower than the average of the 24 projects within its submarket with a sales rate of 3.1 homes per month. However, this is likely due to the subject’s higher price point which fits its larger lot offering. When taking into account the higher price point, the subject’s absorption rate is considered very strong. It appears that Hillcrest has been well received and is selling at or near the correct price points for the area. Our search within the subject area found eight projects (including the subject) considered to be most comparable to the subject with similar sized homes. The sales rates within these projects ranged from 1.3 to 5.4 sales per month. Hillcrest is selling at a very good absorption rate. The pricing appears to be near or at market as the sales are consistent.

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 Hillcrest’s sales rate, 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 lands, the current condition of the lots 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 market data (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 be taken into consideration. This analysis will be followed by a finished lot value conclusion for the subject property.

Houses which are under construction (under 95 percent complete) 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 models and production units, the homes will be valued using the Sales Comparison Approach to value to conclude on a retail base value for each plan, followed by a Discounted Cash Flow ("DCF") Analysis due to the "bulk" or single ownership. The DCF will consider the fair market value of the completed homes (utilizing the Sales Comparison Approach), any remaining development costs, 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 considering the time value

of money during the estimated absorption period. In the case of individually owned homes, a concluded base value 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. In addition, the community will be searched for any resale homes or listings and found information will be considered in the valuation. All of the value conclusions will take into consideration the improvements to be funded by the Riverside CFD No. 2013-1 Special Tax Bonds along with taking into consideration 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 Hillcrest there are a total of 53 individually owned homes, 12 homes over 95 percent complete (including four model homes with eight in escrow), nine homes under construction (eight in escrow), and no remaining finished lots. The homes under construction (under 95 percent complete) will be valued on the basis of a finished lot rather than attribute value to a partially completed house; therefore, nine lots will be valued. The lots within Hillcrest are minimum 20,000 square feet, however, many are larger in size.

We have searched the area and found the seven transactions summarized in the Addenda to be most comparable to the subject property. There have been minimal land sales with larger lots in the subject area within the past year, thus we expanded our search to include all detached lots and to be retroactive for 25 months. Our market area included Riverside along with one recent sale in Temescal Valley. Five of the land sales are for single family detached lots in the 5,000 to 6,000 square foot range with one for minimum 10,000 square foot lots and the final one for 1-acre minimum lots. The sales are reported both on a purchase price basis (when available) and on a “finished lot” basis (when available). 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”. In addition, we found listings of several single lots located in a tract just south of the subject property which will be discussed. Below are the details of each of the seven comparable residential 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 by a public homebuilder on a property located in the market area. This sale is in the Temescal Valley, about 13 miles south of the subject south of I-15 and adjacent to the master planned community of Horsethief Canyon. KB Home purchased the site which is mapped for 203 lots with a minimum lot size of 6,000 square feet in December of 2023 from Mission Pacific. KB Home paid \$27,539,637 for the lots which equates to \$135,663 per lot based on an estimated \$295,000 finished lot. The property closed with an approved final map in an unimproved condition. In comparison to the subject site this transaction is considered to be inferior in lot size (6,000 square foot lots versus the subject’s 20,000 square foot lots) and in view potential.

Land Sale No. 2 pertains to the Taylor Morrison purchase of 96 lots located at the northeast corner of Lurin Avenue and Wood Road in Riverside, about 3.5 miles southeast of the subject site. Taylor Morrison paid \$11,500,000 or \$119,792 per lot based on a reported finished lot price of \$300,000 for the 5,000 square foot minimum lots in August 2023. The property was unimproved with an approved tentative map at time of sale. In comparison to the subject site, this transaction is considered to be inferior in lot size and in view potential. It should be noted that Land Sale No. 7 is located diagonally adjacent to this site and depicts the increase in land pricing between October 2021 and August 2023.

Land Sale Nos. 3 & 4 refer to two purchases by KB Home of two tracts of homes located in the same block located at Mariposa and Cole and Mariposa and Barton about four miles southeast of the subject property near Orangecrest. The first transaction (Land Sale No. 3) sold in June 2022 for 138 lots with a 5,000 square foot minimum for \$10,628,500 or \$77,018 per lot based on a reported finished lot cost of \$244,000. The second transaction (Land Sale No. 4) sold in May 2022 and included 81 lots with a minimum lot

size of 5,000 square feet which sold for \$5,986,000 or \$73,901 per lot based on an estimated finished lot cost of \$244,000. Both were sold by Diversified Pacific in an unimproved condition with approved final maps. KB Home has graded the two sites however homes are not yet offered for sale. In comparison to the subject property, these transactions are considered to be inferior in lot size and view potential.

Land Sale No. 5 is considered to be the most similar in lot size and view potential when compared to the subject property. The 72 lots have a minimum lot size of 1-acre and sold in November 2021 for \$20,260,000 or \$281,389 per lot. Finished cost estimates were not available for this transaction, however we have included it due to the relevancy of the lot size and view potential. The lots were sold in a finished condition; however, land development fees had not been paid and final grading had not been completed at the time of sale. We have estimated \$50,000 per lot for land development fees (typically included in a finished lot estimate and based on historical cost information). Using this estimate suggests a \$331,389 finished cost per lot. The property is located east of Mockingbird Canyon Road in unincorporated Riverside County along Ginger Creek Drive about 2.9 miles south of the subject. The lots had been graded about 10 years ago and there are some good views from some of the lots. In comparison to the subject property, these lots are considered to be slightly superior in lot size; however, the date of sale is considered to be inferior. The community is known as Vistas at Mockingbird Canyon and is now selling homes generally from 4,000 – 5,000 square feet with pricing starting at \$1.3 million. When comparing Data Nos. 7 and 2 (located diagonally across the street) it suggests an increase of 50 percent in lot price between October 2021 and August 2023. For this transaction using a 50 percent increase on the estimated finished lot price of \$331,389 would suggest a finished lot in the \$495,000 range.

Land Sale No. 6 refers to the purchase of 103 lots with a minimum size of 10,000 square feet located at Lurin Avenue and Taft Street in Riverside, nearby Data Nos. 2 and 7 about 3.3 miles southeast of the subject, near the master planned community of Orangecrest. Legacy Homes purchased the lots in October 2021 for \$10,001,500 or for \$97,102 per lot based on a reported finished lot price of \$215,000. Legacy Homes is selling their Bridle Ridge community on this site with home prices beginning from \$840,000 to \$990,000.

When comparing Data Nos. 6 and 7, which are within a block of each other, Data No. 6 had 10,000 minimum square foot lots while Data No. 7 had 5,000 minimum square foot lots, both sold in October 2021, and both closed in unimproved condition. The larger lots sold for eight percent higher; however, there were some additional varying factors for each sale which also need to be considered. One additional difference was that Data No. 6 had a final map and Data No. 7 had a tentative map while another difference was that offsite improvements varied for the two projects. When comparing this transaction to the subject property, this transaction is considered to be inferior in lot size, inferior in view potential and inferior in date of sale.

Land Sale No. 7 is near Data No. 2, located about 3.5 miles southeast of the subject property near the master planned community of Orangecrest. KB Home purchased the 41 lots in October 2021 for \$3,174,500 or for \$77,427 per lot based on an estimated finished lot value of \$199,000. As discussed under Land Sale No. 2, when comparing Land Sale No. 2 and 7, these two sales suggest that prices have increased 50 percent (from \$200,000 to \$300,000 per finished lot) between October 2021 and August 2023. KB Home has built and nearly sold out of their Obsidian project on this site with homes generally in the \$650,000 to \$890,000 range. In comparison to the subject property, this transaction is considered to be inferior in lot size, inferior due to no view potential and inferior due to the date of sale.

The chart on the following page summarizes the considerations used in adjusting the market data to the subject properties.

Data No.	Location	Date of Sale	Lot Size / Density	Finished Lot Price	Comparison to Subject
1	Temescal Canyon	12/23	6,000	\$295,000	Inferior – Lot Size & Views
2	Riverside	8/23	5,000	\$300,000	Inferior – Lot Size & Views
3	Riverside	6/22	5,000	\$244,000	Inferior – Lot Size & Views
4	Riverside	5/22	5,000	\$244,000	Inferior – Lot Size & Views
5	Riverside County	11/21	1-Acre	\$331,389* *Est.	Superior – Lot Size Inferior – Date of Sale
6	Riverside	10/21	10,000	\$215,000	Inferior – Lot Size, Views and Date of Sale
7	Riverside	10/21	5,000	\$199,000	Inferior – Lot Size, Views & Date of Sale

The market data has an overall finished lot range from \$199,000 - \$331,389. The most comparable is Data No. 5 at the highest end of the range with one-acre minimum lots (larger than the subject) however with views, similar to the subject. This transaction occurred in 2021, prior to a significant amount of appreciation in the marketplace. When using the 50 percent increase suggested by pairing Data Nos. 2 and 7, this transaction suggests a current market value in the \$495,000 range. Data No. 3, which sold based on a \$300,000 finished lot, is near the subject and sold in the last six months, however had significantly smaller lots and no view potential. When pairing the lot sizes of Data Nos. 6 and 7 it suggested an eight percent increase between a 5,000 and 10,000 square foot lot. Using the eight percent difference against Data No. 2 suggests if the lots were minimum 10,000 square feet have a finished lot value in the \$325,000 range. However, the subject lots have a minimum of 20,000 square feet, many much larger and with excellent views. Actual lot premiums of up to \$250,000 were obtained for the views and lot sizes over the minimum (some over two acres) with the average lot premium obtained on the 53 sales being \$53,910. The subject lots have been constructed to a finished lot condition with no remaining land development costs or fees. All of the construction and development risks have been alleviated.

In an additional review, we have found five recent listings of lots located about 0.25 miles south of the subject on Featherstone Court. The lots were developed as Tract No. 34881

with nine, one-half acre minimum residential lots. Four of the lots have been developed with homes and sold. The remaining five lots are currently for sale with asking prices from \$365,000 to \$435,000 with the higher priced lots having better views.

Lot Value Conclusion

While there are few similar sales with minimum 20,000 square foot lots with excellent views, our search did find seven sales we consider to be comparable. The most relevant are Data Nos. 3 and 5, however both have varying factors which need to be considered when comparing today's current market value of the subject site. In addition, we have considered the recent listing of five single lots in the neighborhood. The subject includes nine lots in a single transaction which relates to a bulk purchase in comparison to the subject lots. Based on the market data and considering the subject property, we have concluded that the subject lots have a current finished lot value of \$375,000. As discussed under the property description section, the lots are in a true finished lot condition and all land development fees have been paid, thus there are no remaining land development costs. The final value conclusion for the nine remaining lots (all under construction with eight in escrow) is as follows.

Nine Lots x \$375,000	<u>\$ 3,375,000</u>
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Builder-Owned Retail House Valuations

Due to the single ownership of multiple houses by the builder within Hillcrest, a Discounted Cash Flow ("DCF") analysis is needed in order to arrive at a bulk value for the builder-owned homes. First, a retail base value for each plan within Hillcrest will be concluded. Next, a DCF will be utilized which will take into consideration the absorption time to sell off the builder-owned houses, the costs associated with selling off the homes and any remaining costs owed by the builder. The resulting revenue will be discounted using an appropriate rate to determine the builder-owned bulk value. The DCF analysis will be followed by a reporting of the concluded values for the individually owned homes using the concluded base retail value for each plan with a separate check of the analysis utilizing a mass appraisal technique based on actual sales prices of the homes. In addition, any resales or resale listings of homes within Hillcrest will be considered.

Hillcrest consists of 53 individually owned homes, four model homes (three in escrow) and eight production home (five in escrow) over 95 percent complete owned by the builder, and nine houses under construction (under 95 percent complete with six in escrow) and no remaining lots. The remaining lots and homes under construction (under 95 percent complete) were valued above. This section will address the 12 homes owned by the builder, followed by a valuation for the individually owned homes.

Below is a summary of the floor plans within Hillcrest. A listing of the improved residential comparable properties is located in the Addenda of this report. The improved residential properties are all located within the city of Riverside. Our search of the subject property and the local Multiple Listing Service (MLS) has resulted in no re-sales and no current re-sale listings within Hillcrest.

Plan	Bd/Ba	Floors/ Parking	SF	Ind. Owned	Bldr. Owned
1	4 / 3	1 / 2	2,462	8	1
2	4 / 3	1 / 2	2,848	11	5*
3	5 / 3.5	1 / 3	3,167	11	3*
4	5 / 4	2 / 3	3,370-3,380	12	1*
5	5 / 4.5	2 / 3	3,676-3,702	11	2*
Total				<u>53</u>	<u>12</u>

*One of each plan is a model home. In addition to the above there are nine homes under construction.

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

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
1 (Subj.)	1	4 / 3	1 / 2	2,462	--
1	2	4 / 3	1 / 2	2,848	\$351.12
2	1	3 / 2	1 / 3	2,508	\$334.92
3	1	4 / 4.5	1 / 3	4,113	\$331.90
4	2	3 / 2	1 / 3	2,304	\$330.72
4	3	5 / 3	1 / 2	2,641	\$299.88
5	1	4 / 3	1 / 3	2,550	\$310.98
7	4	4 / 2	1 / 2	2,396	\$287.56
7	5	4 / 2.5	1 / 2	2,507	\$282.01

All new homes are located within Riverside. All are of similar quality, design, and appeal however all except Data No. 3 are located on smaller lots. Adjustments were considered

(when applicable) for location, stories, lot size, view potential, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space, and other amenities. Data No. 3 includes significantly larger sized homes (which would typically command a lower price per square foot due to economies of scale during construction). This comparable has been included due to the similarity of larger lots and view potential. The comparable new home sales have base prices ranging from \$274.52 to \$351.12 per square foot. The current base asking price for Plan 1 is \$365.55 per square foot. There have been 8 closings of Plan 1 with actual sales prices from \$332.22 to \$381.99 per square foot. There are two current escrows of Plan 1 with a sales price range from \$368.94 to \$378.40 per square foot. It should be noted that the 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 taking into consideration all concessions. It has been concluded that Plan 1 has a base current market value of \$350.00 per square foot. This calculates as follows:

$$2,462 \text{ sf} \times \$350.00 = \$861,700$$

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

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
1 (Subj.)	2	4 / 3	1 / 2	2,848	--
1	1	4 / 3	1 / 2	2,462	\$365.55
1	3	5 / 3.5	1 / 3	3,167	\$334.70
2	2	4 / 3	2 / 3	2,844	\$319.97
3	1	4 / 4.5	1 / 3	4,113	\$331.90
3	2	5 / 4.5	1 / 3	4,648	\$306.52
4	3	5 / 3	1 / 2	2,641	\$299.88
5	1	4 / 3	1 / 3	2,550	\$310.98
6	1	4 / 2.5	2 / 3	2,792	\$274.71
6	2	4 / 3.5	2 / 3	2,988	\$265.06
7	5	4 / 2.5	1 / 2	2,507	\$282.01

All new homes are located within Riverside. All are of similar quality, design, and appeal however all except Data No. 3 are located on smaller lots. Adjustments were considered (when applicable) for location, stories, lot size, view potential, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space, and other amenities. Data No. 3 includes significantly larger home sizes (which would typically

command a lower price per square foot due to economies of scale during construction – this is seen in the difference in pricing between Plans 1 and 2). This comparable has been included due to the larger sized lots and view potential. The comparable new home sales have base prices ranging from \$249.82 to \$365.55 per square foot. The current base asking price for Plan 2 is \$351.12 per square foot. There have been 11 closings of Plan 2 with actual sales prices from \$326.04 to \$414.66 per square foot. There are four current escrows of Plan 2 with a sales price range of \$339.68 to \$406.95 per square foot, however the high end of the range is for the model home with the next highest escrow at \$356.95 per square foot. It should be noted that the 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 taking into consideration all concessions. It has been concluded that Plan 2 has a base current market value of \$330.00 per square foot. This calculates as follows:

$$2,848 \text{ sf} \times \$330.00 = \$939,840$$

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

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
1 (Subj.)	3	5 / 3.5	1 / 3	3,167	--
1	2	4 / 3	1 / 2	2,848	\$351.12
1	4	5 / 4	2 / 3	3,370	\$313.05
2	1	3 / 2	1 / 3	2,508	\$334.92
2	3	4 / 3.5	2 / 3	3,256	\$291.77
3	1	4 / 4.5	1 / 3	4,113	\$331.90
3	2	5 / 4.5	1 / 3	4,648	\$306.52
6	2	4 / 3.5	2 / 3	2,988	\$265.06
6	3	5 / 4	2 / 3	3,336	\$249.40

All new homes are located within Riverside. All are of similar quality, design, and appeal however all except Data No. 3 are located on smaller lots. Adjustments were considered (when applicable) for location, stories, lot size, view potential, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space, and other amenities. Data No. 3 includes significantly larger sized homes (which would typically command a lower price per square foot due to economies of scale during construction – this is seen in the difference in pricing between Plans 1 and 2). This comparable has been included due to the larger lot size and view potential. The comparable new home sales have

base prices ranging from \$249.40 to \$351.12 per square foot. The current base asking price for Plan 3 is \$334.70 per square foot. There have been 11 closings of Plan 3 with actual sales prices from \$321.28 to \$453.91 per square foot. There are five current escrows of Plan 3 with a sales price range of \$331.31 to \$409.52 per square foot, however the highest priced escrow is for a model home with the second highest price at \$390.23 per square foot. It should be noted that the 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. It has been concluded that Plan 3 has a base current market value of \$315.00 per square foot. This calculates as follows:

$$3,167 \text{ sf} \times \$315.00 = \$997,605$$

The most appropriate new home comparable data for Plan 4 are shown below.

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
1 (Subj.)	4	5 / 4	2 / 3	3,370	--
1	3	5 / 3.5	1 / 3	3,167	\$334.70
1	5	5 / 4.5	2 / 3	3,676	\$299.24
2	3	4 / 3.5	2 / 3	3,256	\$291.77
2	4	4 / 3.5	2 / 3	3,475	\$284.89
3	1	4 / 4.5	1 / 3	4,113	\$331.90
3	3	5 / 4.5	2 / 3	4,905	\$279.96
5	2	5 / 4	2 / 3	3,520	\$246.30
6	3	5 / 4	2 / 3	3,336	\$249.40

All new homes are located within Riverside. All are of similar quality, design, and appeal however all except Data No. 3 are located on smaller lots. It should be noted that single story homes, at times, carry a premium. Adjustments were considered (when applicable) for location, stories, lot size, view potential, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space, and other amenities. Data No. 3 includes significantly larger sized homes (which would typically command a lower price per square foot due to economies of scale during construction – this is seen in the difference in pricing between Plans 1 and 3). This comparable has been included due to the larger sized lots and view potential. The comparable new home sales have base prices ranging from \$246.30 to \$334.70 per square foot. The current base asking price for Plan 4 is \$313.05 per square foot. It's important to note that Plan 4's have a square footage range of 3,370 to

3,380 depending on the exterior elevation, but the small end of the range is what is being used for this analysis and valuation. There have been 12 closings of Plan 4 with actual sales prices from \$287.53 to \$377.00 per square foot. There is one current escrow of a Plan 4 with a price of \$302.65 per square foot. It should be noted that the 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 less concessions. It has been concluded that Plan 4 has a base current market value of \$295.00 per square foot. This calculates as follows:

$$3,370 \text{ sf} \times \$295.00 = \$994,150$$

The most appropriate new home comparable data for Plan 5 are shown below.

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
1 (Subj.)	5	5 / 4.5	2 / 3	3,676	--
1	4	5 / 4	2 / 3	3,370	\$313.05
2	4	4 / 3.5	2 / 3	3,475	\$284.89
3	1	4 / 4.5	1 / 3	4,113	\$331.90
3	3	5 / 4.5	2 / 3	4,905	\$279.96
3	4	5 / 4.5	2 / 3	5,013	\$273.19
5	2	5 / 4	2 / 3	3,520	\$246.30
5	3	6 / 4	2 / 3	3,699	\$239.79
6	3	5 / 4	2 / 3	3,336	\$249.40

All new homes are located within Riverside. All are of similar quality, design, and appeal however all except Data No. 3 are located on smaller lots. It should be noted that single story homes, at times, carry a premium. Adjustments were considered (when applicable) for location, stories, lot size, view potential, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space, and other amenities. Data No. 3 includes significantly larger home sizes (which would typically command a lower price per square foot due to economies of scale during construction – this is seen in the difference in pricing between Plans 3 and 4). This comparable has been included due to the larger sized lots and view potential. The comparable new home sales have base prices ranging from \$239.79 to \$331.90 per square foot. The current base asking price for Plan 5 is \$299.24 per square foot. It's important to note that Plan 5's have a square footage range of 3,676 to 3,702 depending on the exterior elevation, but the small end of the range is what is being

used for this analysis and valuation. There have been 11 closings of Plan 5 with actual sales prices from \$295.97 to \$366.10 per square foot. There are four current escrows of Plan 5 with a sales price range of \$302.65 to \$367.37 per square foot, however the highest priced escrow is for a model home with the second highest price at \$343.85 per square foot.. It should be noted that the 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 less concessions. It has been concluded that Plan 5 has a base current market value of \$285.00 per square foot. This calculates as follows:

$$3,676 \text{ sf} \times \$285.00 = \$1,047,660$$

Retail Values – Hillcrest

Within Hillcrest there are 12 builder-owned homes that are over 95 percent complete including four models (3 in escrow) and nine production homes over 95 percent complete (five in escrow). Per interviews with builders, upgrades, and landscape/hardscape of up to \$300,000 are installed in the model homes in executive-type houses, 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 \$150,000 premium has been included with each of the model homes. As concluded above, the retail base value conclusions for the builder-owned homes are calculated as follows:

Plan 1 (1 x \$861,700)	\$ 861,700
Plan 2 (5 x \$939,840)	4,699,200
Plan 3 (3 x \$997,605)	2,992,815
Plan 4 (1 x \$994,150)	994,150
Plan 5 (2 x \$1,047,660)	2,095,320
Model Upgrades (4 x \$150,000)	<u>600,000</u>
 Total Hillcrest Retail Value	 <u>\$12,243,185</u>

Absorption Period

In order to arrive at an absorption period for the builder-owned homes, the absorption rate for Hillcrest along with the comparable projects have been reviewed. As discussed under

the Highest and Best Use section earlier within this report, Hillcrest has an overall average sales rate of 3.1 sales per month. The sales rates within the comparable projects range from 1.3 to 5.4 sales per month. Within Hillcrest there are eight builder-owned production homes (over 95 percent complete), five of which are in escrow, and four model homes, three of which are in escrow. Based on the sales rates along with the product and current escrows, it has been concluded that the 12 builder-owned homes will be absorbed within a four-month period at the concluded values.

Remaining Costs

There are no remaining land development costs or land development fees associated with the subject property.

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. Eight percent has been estimated for marketing expenses and two percent for general and administrative costs for a total of ten percent in expenses for this analysis.

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 Great Recession this range was lowered considerably to, at times, six percent with some builders drastically lowering their profit potential in order to maintain their workforce. With pricing increasing and the demand for new homes at the subject price points, the builder profits have improved. A ten 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/Inland Empire 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

The homes within the subject property began selling in March 2022 with Hillcrest experiencing an absorption rate of 3.1 sales per month which is considered to be good considering the subject's price point. Based on the sales rate within the subject project, the competition, the product and location, a ten percent discount rate is considered appropriate for this analysis.

Discounted Cash Flow Summary

The discounted revenue (see DCF Analysis in addenda) for the builder-owned homes within Hillcrest is \$9,593,847.

Hillcrest – Builder Ownership Valuation Conclusion

The builder-owned property in Riverside CFD No. 2013-1 consists of 12 homes over 95 percent complete and nine remaining finished lots (all nine with homes under construction).

The final valuation of the builder-owned property is:

9 Lots in their "As Is" condition	\$ 3,375,000
12 Houses	<u>9,593,847</u>
Total Builder Ownership	<u>\$ 12,968,847</u>

Hillcrest – Individual Owners Value Conclusion

There are 53 individually owned homes within Hillcrest. Based on the concluded value for each plan, below are the individually owned homes within the subject property.

Plan 1 (8 x \$861,700)	\$ 6,893,600
Plan 2 (11 x \$939,840)	10,338,240
Plan 3 (11 x \$997,605)	10,973,655
Plan 4 (12 x \$994,150)	11,929,800
Plan 5 (11 x \$1,047,660)	<u>11,524,260</u>

Total Individual Owners Minimum Market Value **\$51,659,555**

In an additional review, we have reviewed the original builder sales prices for the closed homes within Hillcrest. Closings occurred between August 2022 and November 2023 with

actual sales totaling \$57,497,914. This is inclusive of all upgrades, premiums, options, and all incentives including but not limited to mortgage and closing cost incentives. The concluded valuation is over eleven percent lower than the actual sales prices. This is due to the options, upgrades, premiums purchased by the homeowners. The average option revenue for the 53 closings equates to \$86,023 per home or \$4,559,219 for the 53 closings. The current base pricing ranges from \$20,000 to \$70,000 higher, depending on the plan, than when the project opened in March 2022. This relates to base price increases from 2.3 percent up to 7.1 percent depending on the plan. This percentage of increase in the base pricing partially offsets the options, upgrades and premiums which were purchased above the concessions being offered. It is our conclusion that the original builder's 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. 2013-1 proposed for 74 single-family detached homes being built out into the community of Hillcrest by Beazer Homes in the City of Riverside in Riverside County. Hillcrest opened for sale in March of 2022 and is currently selling. Out of the total 74 proposed homes, 53 are completed and have closed to individuals with an additional 16 homes in escrow and due to close upon completion. The remainder of the lots range from completed model or production homes to homes under construction. We have reviewed the builder sales and reviewed the areas Multiple Listing Service along with a physical inspection with no re-sales or current listings.

The subject property was valued using the Sales Comparison Approach to value and 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. 2013-1 bond proceeds along with the Riverside CFD No. 2013-1 special tax lien. As a result of our investigation, the concluded value for the subject property is:

Hillcrest by Beazer Homes

Beazer Homes Ownership (12 homes & 9 lots)	\$ 12,968,847
Individual Owned (53 homes)	<u>\$ 51,659,555</u>

Aggregate Value of Riverside CFD No. 2013-1	<u>\$ 64,628,402</u>
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The above values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification.

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 person 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 2013-1
BOUNDARY MAP

PROPOSED BOUNDARY MAP COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH) CITY OF RIVERSIDE

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH), 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 22 DAY OF OCT, 2013 BY RESOLUTION NO. 22585

[Signature]
CITY CLERK
CITY OF RIVERSIDE

FILED IN THE OFFICE OF THE CITY CLERK, CITY OF RIVERSIDE, THIS 23 DAY OF OCT, 2013

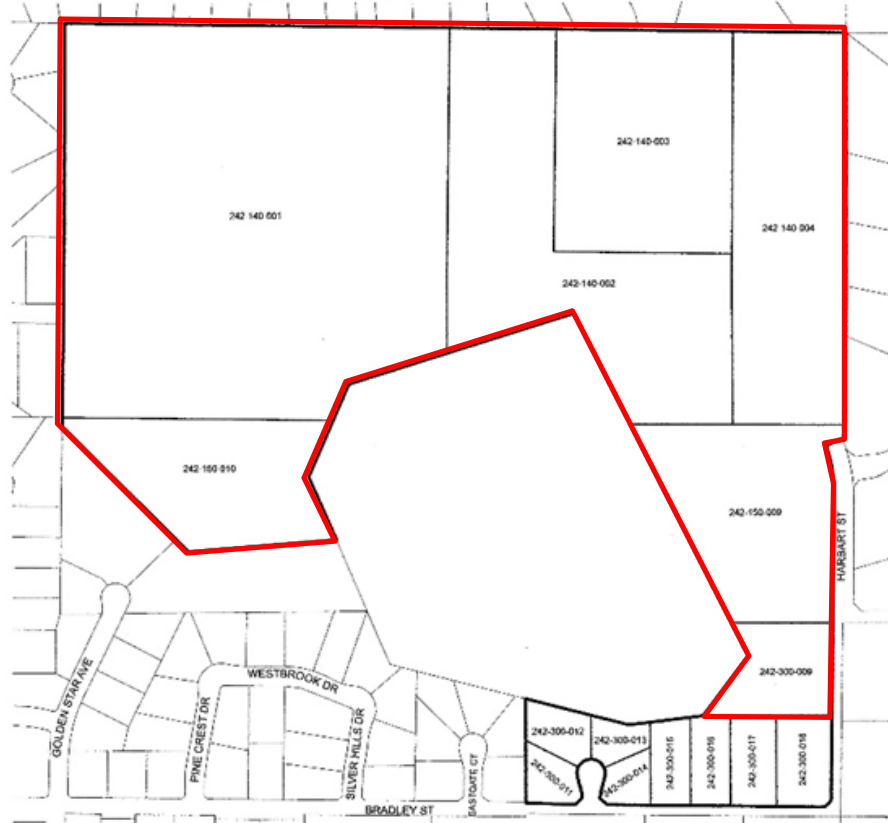
[Signature]
CITY CLERK
CITY OF RIVERSIDE

RECORDED THIS 24 DAY OF OCTOBER, 2013
AT THE HOUR OF 11:00 O'CLOCK A.M. IN BOOK 76
PAGE 54 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

FEES: \$ 10.00 NO: 2013-0507373
LARRY W. WARD, ASSESSOR, COUNTY CLERK, RECORDER

BY: *[Signature]*
DEPUTY

COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



NOT TO SCALE

LEGEND

— CFD BOUNDARY

- - - PARCEL LINE

XXX-XXX-XXX ASSESSOR PARCEL NUMBER



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 2013-2014.

The red outline is approximate boundaries of the CFD after the notice of cancellation of special tax lien on the eight residential lots along Bradley Street.

TRACT MAP Nos. 33029 and 33029-2

adkan
ENGINEERS
RIVERSIDE, CA

IN THE CITY OF RIVERSIDE,
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
TRACT NO. 33029

BEING A SUBDIVISION OF A PORTION OF THE NORTHEAST QUARTER OF SECTION 14, TOWNSHIP 3 SOUTH,
RANGE 5 WEST, SAN BERNARDINO MERIDIAN.

APRIL 2004

COPY
SHEET 3 OF 7 SHEETS

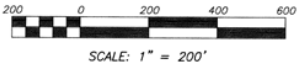
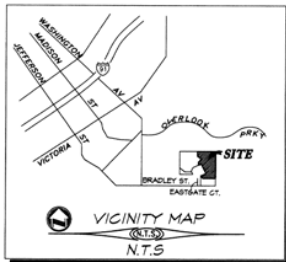
SURVEYOR'S NOTES

1. BASIS OF BEARINGS OF THIS SURVEY IS THE EAST LINE OF THE NORTHEAST QUARTER OF SECTION 14, TOWNSHIP 3 SOUTH, RANGE 5 WEST AS SHOWN ON TRACT MAP 29515, MAP BOOK 397/60-75 BEING N0022°34'W
2. THIS TRACT CONTAINS 49.02 ACRES.
3. DRAINAGE EASEMENTS SHALL BE KEPT FREE OF BUILDINGS AND OBSTRUCTIONS.
4. ALL FRONT LOT CORNERS ARE MONUMENTED BY LEAD & TAG LS 5390 SET IN TOP OF CURB ON THE PROLONGATION OF THE LOT LINE
5. ALL REAR LOT CORNERS ARE MONUMENTED BY A 1" IRON PIPE TAGGED LS 5390 SET FLUSH WITH GROUND, UNLESS OTHERWISE NOTED.
6. ○ INDICATES SET 1" IRON PIPE, FLUSH, WITH LS 5390 TAG, UNLESS OTHERWISE NOTED.
7. △ INDICATES SET SPIKE & TAG, LS 5390, FLUSH.
8. ● INDICATES FOUND MONUMENT, AS NOTED.
9. ▲ INDICATES FOUND 3/4" IRON PIPE, POSITION AS NOTED WITH R.C.F.C. & W.C.D. TAG UNLESS OTHERWISE NOTED.
10. ⊙ INDICATES FOUND 1" IRON PIPE, FLUSH, WITH LS 5390 TAG, PER TRACT NO. 33029-2, MB 434/60-63.
11. (()) INDICATES RECORD DATA PER TRACT NO. 7090 MB 89/82-83
12. [[]] INDICATES RECORD DATA PER TRACT NO. 8337 MB 119/16-17
13. [] INDICATES RECORD DATA PER TRACT NO. 22527 MB 191/41-43
14. << >> INDICATES RECORD DATA PER TRACT NO. 22924 MB 193/82-84
15. < > INDICATES RECORD DATA PER PM 25166 PMB 164/89-90
16. : : INDICATES RECORD DATA PER TRACT NO. 28907-1 MB 338/26-32
17. ((())) INDICATES RECORD DATA PER RS 66/74
18. | | INDICATES RECORD DATA PER RS 66/74
19. || || INDICATES MEASURED AND RECORD DATA PER TRACT NO. 33029-1 MB 434/60-63
20. < () > INDICATES RECORD DATA PER TRACT NO. 29515 MB 397/60-75
21. < () > INDICATES RECORD DATA PER CITY OF RIVERSIDE CERTIFICATE OF COMPLIANCE NO. LL-P18-0108, RECORDED 9/5/2018 AS DOC. NO. 2018-0355588, OFFICIAL RECORDS OF RIVERSIDE COUNTY.
22. < () > INDICATES RECORD AND MEASURED DATA PER TRACT NO. 33029-2 MB 434/60-63

EASEMENT NOTES

EASEMENT IN FAVOR OF MARCH INLAND PORT AIRPORT AUTHORITY FOR AVIATION AND INCIDENTAL PURPOSES PER DOCUMENT RECORDED OCTOBER 15, 2010 AS INSTRUMENT NO. 2010-0485273 OF OFFICIAL RECORDS. EASEMENT IS BLANKET IN NATURE AND AFFECTS ALL LOTS.

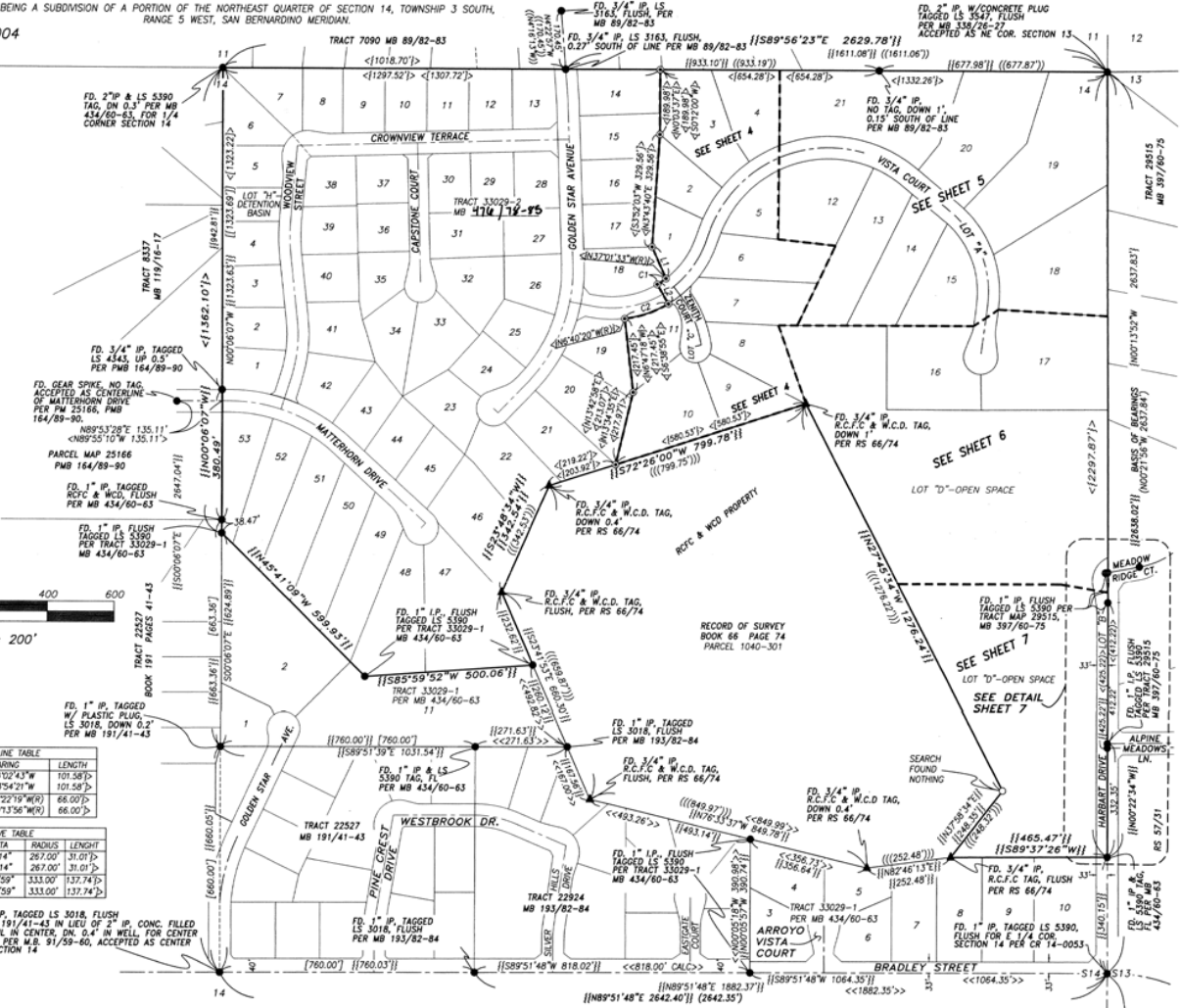
EASEMENT IN FAVOR OF THE CITY OF RIVERSIDE FOR SLOPE AND DRAINAGE PURPOSES PER DOCUMENT RECORDED FEBRUARY 17, 2006 AS INSTRUMENT NO. 2006-121291 OF OFFICIAL RECORDS.



LINE	BEARING	LENGTH
L1	<N24°02'43"W	101.58'D
L2	<S23°54'21"W	101.58'D
L3	<N30°22'19"W(R)	66.00'D
L4	<N30°13'56"W(R)	66.00'D

CURVE	DELTA	RADIUS	LENGTH
C1	<6°39'14"	267.00'	31.01'
C2	<6°39'14"	267.00'	31.01'
C3	<23°41'59"	333.00'	137.74'
C4	<23°41'59"	333.00'	137.74'

FD. 2" IP, TAGGED LS 3018, FLUSH WITH NAIL IN CENTER, DN. 0.4" IN WELL, FOR CENTER SEC. 14, PER M.B. 91/59-66, ACCEPTED AS CENTER COR. SECTION 14



SEARCH FOUND NOTHING

adkan
ENGINEERS
RIVERSIDE, CA

IN THE CITY OF RIVERSIDE,
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
TRACT NO. 33029-2

BEING A SUBDIVISION OF A PORTION OF THE NORTHEAST QUARTER OF SECTION 14, TOWNSHIP 3 SOUTH, RANGE 5 WEST AS SHOWN ON TRACT MAP 29515, MAP BOOK 397/60-75 BEING NOD22347

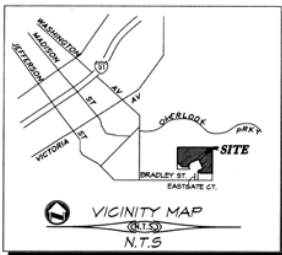
COPY 4
SHEET 3 OF 8 SHEETS

SURVEYOR'S NOTES

- BASIS OF BEARINGS OF THIS SURVEY IS THE EAST LINE OF THE NORTHEAST QUARTER OF SECTION 14, TOWNSHIP 3 SOUTH, RANGE 5 WEST AS SHOWN ON TRACT MAP 29515, MAP BOOK 397/60-75 BEING NOD22347
- THIS TRACT CONTAINS 44.23 ACRES.
- DRAINAGE EASEMENTS SHALL BE KEPT FREE OF BUILDINGS AND OBSTRUCTIONS.
- ALL FRONT LOT CORNERS ARE MONUMENTED BY LEAD & TAG LS 5390 SET IN TOP OF CURB ON THE PROLONGATION OF THE LOT LINE.
- ALL REAR LOT CORNERS ARE MONUMENTED BY A 1" IRON PIPE TAGGED LS 5390 SET FLUSH WITH GROUND, UNLESS OTHERWISE NOTED.
- O INDICATES SET 1" IRON PIPE, FLUSH, WITH LS 5390 TAG, UNLESS OTHERWISE NOTED.
- △ INDICATES SET SPIKE & TAG, LS 5390, FLUSH.
- INDICATES FOUND MONUMENT, AS NOTED.
- ▲ INDICATES FOUND 3/4" IRON PIPE, POSITION AS NOTED WITH R.C.F.C. & W.C.D. TAG UNLESS OTHERWISE NOTED.
- (()) INDICATES RECORD DATA PER TRACT NO. 7090 MB 89/82-83
- ([]) INDICATES RECORD DATA PER TRACT NO. 8337 MB 119/16-17
- ({ }) INDICATES RECORD DATA PER TRACT NO. 22527 MB 191/41-43
- (<>) INDICATES RECORD DATA PER TRACT NO. 22924 MB 193/82-84
- (<) INDICATES RECORD DATA PER TRACT NO. 28907-1 MB 338/26-32
- ((())) INDICATES RECORD DATA PER RS 66/74
- (|) INDICATES RECORD DATA PER RS 35/69
- (||) INDICATES MEASURED AND RECORD DATA PER TRACT NO. 33029-1 MB 434/60-63
- (>) INDICATES RECORD DATA PER TRACT NO. 29515 MB 397/60-75
- (<) INDICATES RECORD DATA PER CITY OF RIVERSIDE CERTIFICATE OF COMPLIANCE NO. LL-P18-0108, RECORDED 9/5/2018 AS DOC. NO. 2018-0355588 OFFICIAL RECORDS OF RIVERSIDE COUNTY.

EASEMENT NOTES

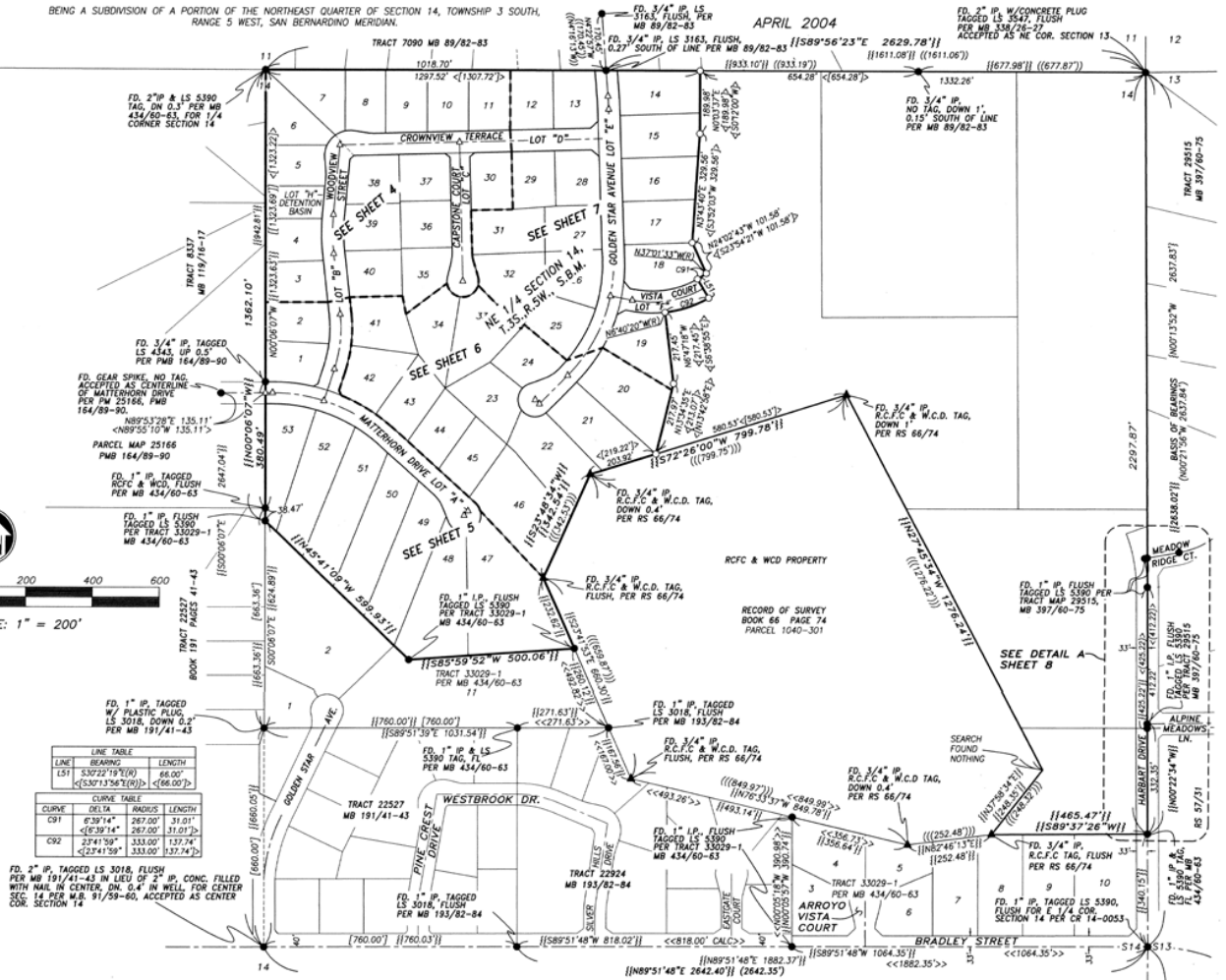
EASEMENT IN FAVOR OF MARCH INLAND PORT AIRPORT AUTHORITY FOR NAVIGATION AND INCIDENTAL PURPOSES PER DOCUMENT RECORDED OCTOBER 15, 2010 AS INSTRUMENT NO. 2010-0495573 OF OFFICIAL RECORDS. EASEMENT IS BLANKET IN NATURE AND AFFECTS ALL LOTS.



LINE TABLE			
LINE	BEARING	LENGTH	
L31	S30°22'19"E	66.00'	
	<(S30°13'56"E(9))>	<66.00'>	

CURVE TABLE			
CURVE	DELTA	RADIUS	LENGTH
C87	6°39'14"	267.00'	31.01'
	<(E°39'14">	267.00'	31.01'
C92	2°41'59"	333.00'	137.74'
	<(S2°41'59">	333.00'	137.74'

FD. 2" IP, TAGGED LS 3018, FLUSH PER MB 191/41-43 IN LIEU OF 2" IP, CONC. FILLED WITH NAIL IN CENTER, DN. 0.4" IN WELL FOR CENTER SEC. 14 PER M.S. 91/59-60, ACCEPTED AS CENTER COR. SECTION 14



APRIL 2004

FD. 3" IP, W/CONCRETE PLUG TAGGED LS 5547, FLUSH PER MB 338/26-32 ACCEPTED AS NE COR. SECTION 13

FD. 3/4" IP, NO TAG, DOWN 1', 0.15' SOUTH OF LINE PER MB 89/82-83

FD. 3/4" IP, R.C.F.C. & W.C.D. TAG, DOWN 0.4' PER RS 66/74

FD. 1" IP, FLUSH TAGGED LS 5390 PER TRACT MAP 29515, MB 397/60-75

FD. 3/4" IP, R.C.F.C. & W.C.D. TAG, DOWN 0.4' PER RS 66/74

FD. 1" IP, TAGGED LS 3018, FLUSH PER MB 193/82-84

FD. 3/4" IP, R.C.F.C. TAG, FLUSH, PER RS 66/74

FD. 1" IP, TAGGED LS 5390, FLUSH FOR E. 1/4 COR. SECTION 14 PER CH 14-0053

FD. 1" IP, TAGGED LS 3018, FLUSH PER MB 193/82-84

FD. 1" IP, TAGGED LS 3018, FLUSH PER MB 193/82-84

FD. 1" IP, TAGGED LS 3018, FLUSH PER MB 193/82-84

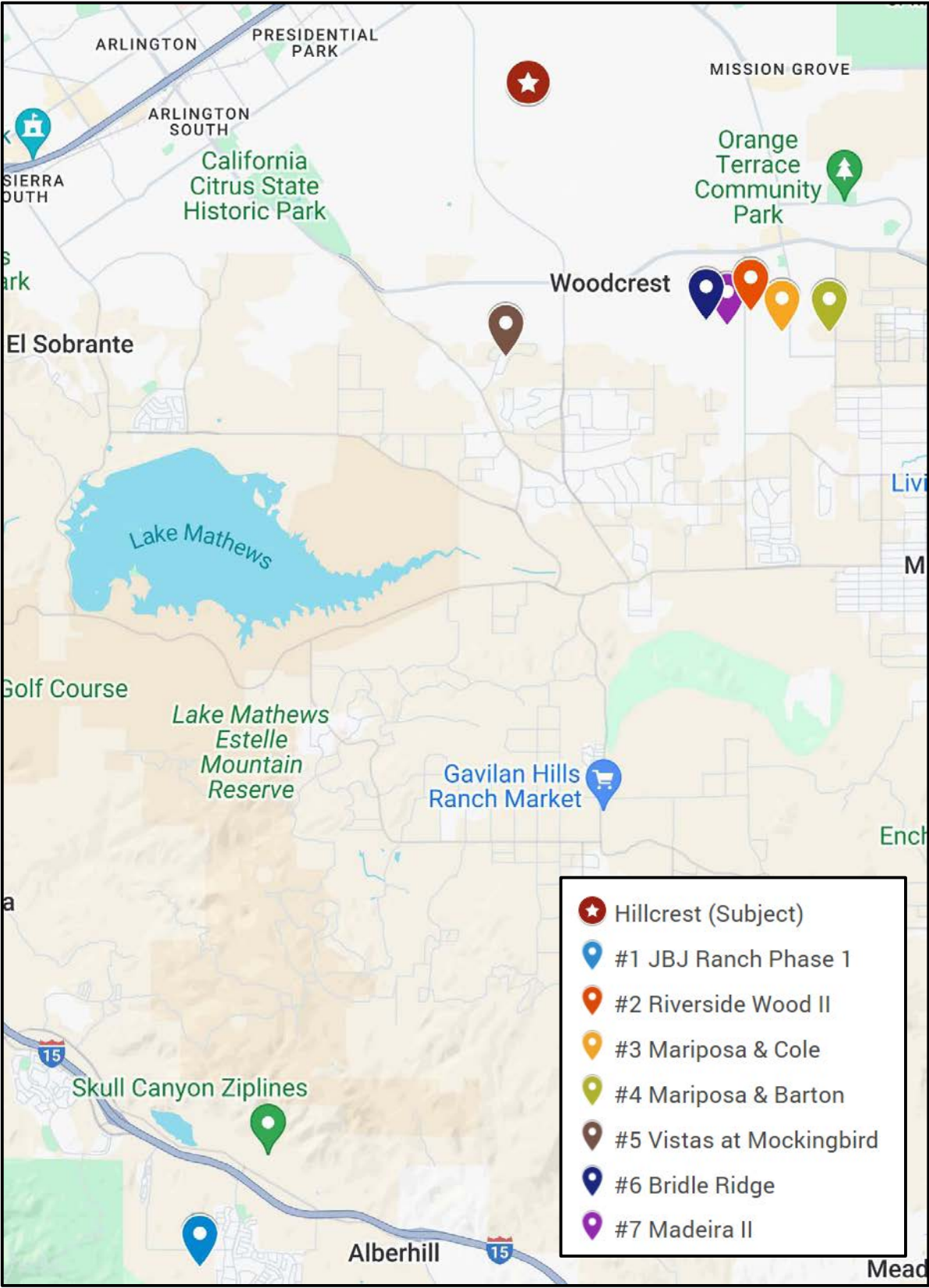
DISCOUNTED CASH FLOW ANALYSIS

Hillcrest Builder-Owned Houses Discounted Cash Flow Analysis

MONTH	Months	<u>MONTH 1</u>	<u>MONTH 2</u>	<u>MONTH 3</u>	<u>MONTH 4</u>	<u>TOTAL</u>
	4					
INCOME:						
Retail Sales	12,243,185	\$3,060,796	\$3,060,796	\$3,060,796	\$3,060,796	\$12,243,185
TOTAL INCOME		<u>\$3,060,796</u>	<u>\$3,060,796</u>	<u>\$3,060,796</u>	<u>\$3,060,796</u>	<u>\$12,243,185</u>
EXPENSES:						
Remaining Costs						
Marketing & Carrying Expenses	10%	(\$306,080)	(\$306,080)	(\$306,080)	(\$306,080)	(\$1,224,319)
Profit	10%	(\$306,080)	(\$306,080)	(\$306,080)	(\$306,080)	(\$1,224,319)
TOTAL EXPENSES		(\$612,159)	(\$612,159)	(\$612,159)	(\$612,159)	(\$2,448,637)
NET CASH FLOW		\$2,448,637	\$2,448,637	\$2,448,637	\$2,448,637	\$9,794,548
Discount Factor	10%	<u>0.9917</u>	<u>0.9835</u>	<u>0.9754</u>	<u>0.9673</u>	
DISCOUNTED CASH FLOW		\$2,428,400	\$2,408,331	\$2,388,427	\$2,368,688	\$9,593,847
CUMULATIVE DISCOUNTED CASH FLOW		<u>\$2,428,400</u>	<u>\$4,836,731</u>	<u>\$7,225,159</u>	<u>\$9,593,847</u>	<u>\$9,593,847</u>

FINISHED LOT LAND SALES MAP
& SUMMARY CHART

FINISHED LOT LAND SALES SUMMARY MAP

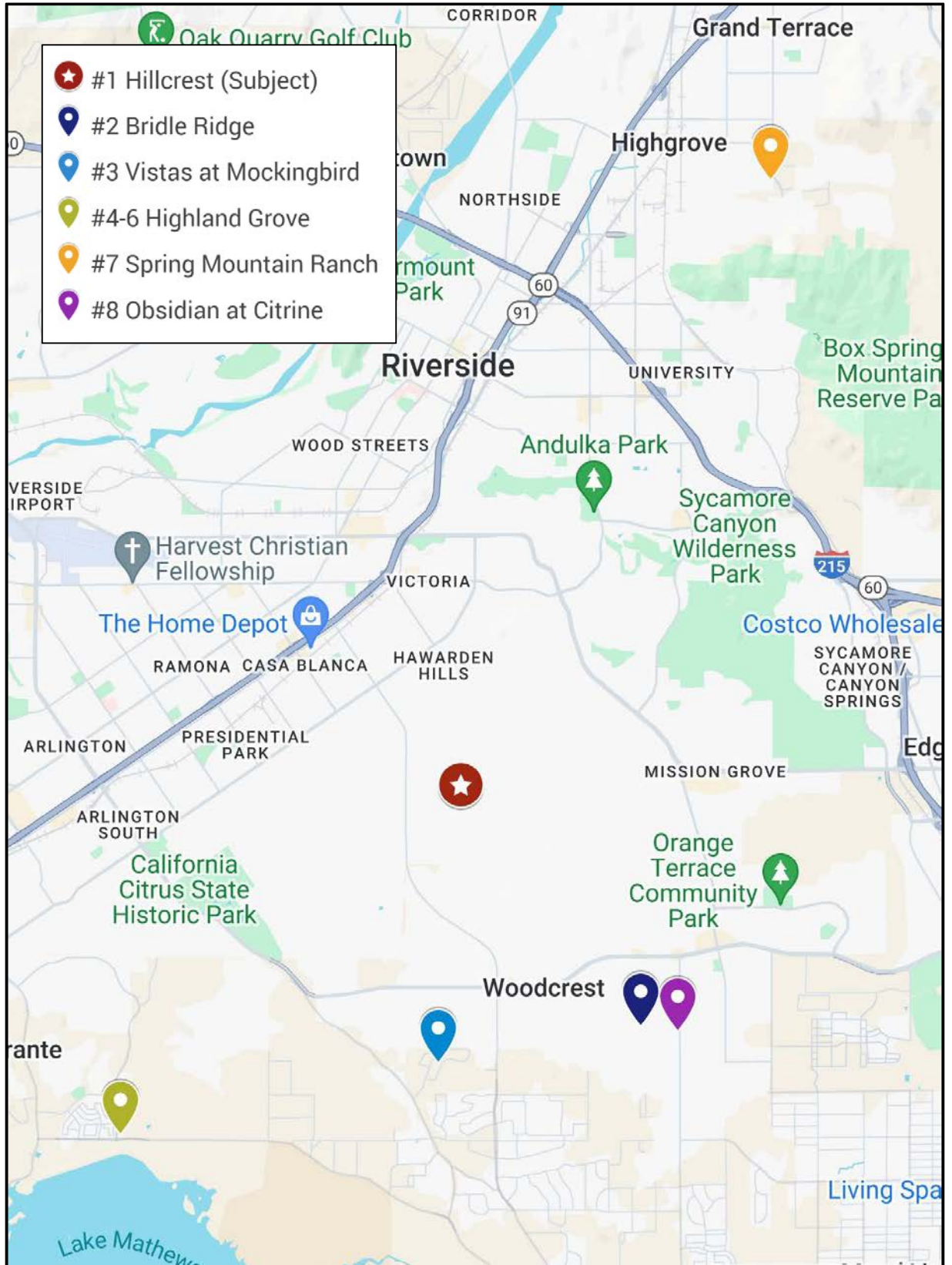


FINISHED LOT LAND SALES SUMMARY CHART

Data No.	Location / APN / Buyer / Seller	Sales Date	# Lots	Lot Size (sf) or Density	Sales Price / Price per Lot	Est. Finished Lot Price	Comments
1	JBj Ranch Phase 1, Mountain Road and Hidden Creek Drive, Temescal Valley / 393-310-005 / KB Home / Mission Pacific	December 2023	203	6,000	\$27,539,637 / \$135,663	\$295,000	Closed with an approved Final Map in an unimproved condition.
2	Riverside Wood II, NEC Lurin Avenue and Wood Road, Riverside / 266-130-023 / Taylor Morrison / Vista Emerald LLC	August 2023	96	5,000	\$11,500,000 / \$119,792	\$300,000	Closed in an unimproved condition with an approved TTM.
3	Mariposa & Cole, NWC Cole Avenue & Mariposa Avenue, Riverside / 266-140-021, 022, -029, -030, -049, -050 / KB Home / Diversified Pacific	June 2022	138	5,000	\$10,628,500 / \$77,018	\$244,000	Closed in an unimproved condition with an approved final map.
4	Mariposa & Barton, NWC Barton Street & Mariposa Avenue, Riverside / 266-160-006, -008, -018 / KB Home / Diversified Pacific	May 2022	81	5,000	\$5,986,000 / \$73,901	\$244,000	Closed in an unimproved condition with an approved final map.
5	Far West 72 (Vistas at Mockingbird Canyon), Mockingbird Canyon Road t Mariposa Avenue, Riverside / 273-580-016 / Trumark / Far West	November 2021	72	1 Acre	\$20,260,000 / \$281,389	\$331,389* *Estimated	Closed in a finished lot condition with an approved final map.
6	Lurin Avenue (Bridle Ridge), SEC Lurin Avenue and Taft Street, Riverside / 266-742-006 / Legacy Homes / HANSJVC LLC	October 2021	103	10,000	\$10,001,500 / \$97,102	\$215,000	Closed in an unimproved condition with an approved final map.
7	Madeira II, SW of Lurin Avenue & Wood Road, Riverside / 266-100-025 / KB Home / Diversified Pacific	October 2021	41	5,000	\$3,174,500 / \$77,427	\$199,000	Closed in unimproved condition with an approved tentative tract map.

IMPROVED RESIDENTIAL SALES MAP
& SUMMARY CHART

IMPROVED RESIDENTIAL SALES MAP



IMPROVED RESIDENTIAL SALES SUMMARY CHART

Data No.	Project Name Location/Developer	Plan	Room Count	Floors/ Parking	Size (SF)	Lot Size / Absorption	Base Sales Price	Price/SF
1 (Subj.)	Hillcrest / S of Tiger Tail Drive at Golden Star Ave, Riverside / Beazer (Subject)	1	4 / 3	1 / 2	2,462	20,000 sf lots 3.1 sales/mo	\$899,990	\$365.55
		2	4 / 3	1 / 2	2,848		\$999,990	\$351.12
		3	5 / 3.5	1 / 3	3,167		\$1,059,990	\$334.70
		4	5 / 4	2 / 3	3,370		\$1,054,990	\$313.05
		5	5 / 4.5	2 / 3	3,676		\$1,099,990	\$299.24
2	Bridle Ridge / SEC Lurin Ave and Taft St, Riverside / Legacy Homes	1	3 / 2	1 / 3	2,508	10,500 sf lots 1.3 sales/mo	\$839,990	\$334.92
		2	4 / 3	2 / 3	2,844		\$909,990	\$319.97
		3	4 / 3.5	2 / 3	3,256		\$949,990	\$291.77
		4	4 / 3.5	2 / 3	3,475		\$989,990	\$284.89
3	Vistas at Mockingbird Canyon / S of Mariposa Ave at Ginger Creek Dr, Riverside / Trumark Homes	1	4 / 4.5	1 / 3	4,113	43,000 sf lots 1.9 sales/mo	\$1,365,110	\$331.90
		2	5 / 4.5	1 / 3	4,648		\$1,424,700	\$306.52
		3	5 / 4.5	2 / 3	4,905		\$1,373,181	\$279.96
		4	5 / 4.5	2 / 3	5,013		\$1,369,500	\$273.19
4	Haciendas at Highland Grove, NE of El Sobrante Road and McAllister Street, Riverside / Pulte	1	3 / 2	1 / 3	2,070	8,000 sf lots 1.7 sales/mo	\$748,990	\$361.83
		2	3 / 2	1 / 3	2,304		\$761,990	\$330.72
		3	5 / 3	1 / 2	2,641		\$791,990	\$299.88
5	Manors at Highland Grove, NE of El Sobrante Road and McAllister Street, Riverside / Pulte	1	4 / 3	1 / 3	2,550	8,500 sf lots 2.1 sales/mo	\$792,990	\$310.98
		2	5 / 4	2 / 3	3,520		\$866,990	\$246.30
		3	6 / 4	2 / 3	3,699		\$886,990	\$239.79
6	Villas at Highland Grove, NE of El Sobrante Road and McAllister Street, Riverside / Pulte	1	4 / 2.5	2 / 3	2,792	8,000 sf lots 2.5 sales/mo	\$766,990	\$274.71
		2	4 / 3.5	2 / 3	2,988		\$791,990	\$265.06
		3	5 / 4	2 / 3	3,336		\$831,990	\$249.40
7	Sonoma at Spring Mountain Ranch / SW of Spring Street & Mt. Vernon Ave, Riverside / KB Home	1	3 / 2	1 / 2	1,831	6,000 sf lots 5.4 sales/mo	\$621,990	\$339.70
		2	3 / 2	1 / 2	2,106		\$644,990	\$306.26
		3	4 / 2	1 / 2	2,206		\$664,990	\$301.45
		4	4 / 2	1 / 2	2,396		\$688,990	\$287.56
		5	4 / 2.5	1 / 2	2,507		\$706,990	\$282.01
8	Obsidian at Citrine / SWC Lurin Ave & Wood Road, Riverside / KB Home	1	3 / 2	1 / 2	1,627	5,500 sf lots 3.6 sales/mo	\$632,990	\$389.05
		2	3 / 3	2 / 2	2,227		\$674,990	\$303.09
		3	5 / 3	2 / 2	2,528		\$693,990	\$274.52
		4	5 / 3	2 / 2	2,882		\$719,990	\$249.82

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, 2019 and 2022

Speaker, Mello-Roos & Special Assessment Financing, UCLA Extension Public Policy Program, February 2009, and March 2011

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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 Fund. The term “Additional Special Tax Reserve Fund” means the fund by that established pursuant to the Indenture.

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, increasing by two percent (2%) each Bond Year beginning with the Bond Year ending September 1, 2035 and each Bond Year thereafter.

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 (FNMA) 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 Assistant City Manager/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 the Community Facilities District No. 2013-1 (Kunny Ranch) of the City of Riverside, Special Tax Bonds, Series 2024.

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.

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 April 18, 2024, 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. 2013-1 (Kunny Ranch) of the City of Riverside, established pursuant to the Act and Resolution No. 22601 adopted by the City Council of the City on December 3, 2013.

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 April 1, 2024, 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, 2024 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. 7239 adopted by the City Council on December 10, 2013, 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 thereafter 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 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; provided, however, that the Reserve Requirement will not exceed \$278,500.00 except in connection with the issuance of Parity Bonds.

Resolution of Formation. The term “Resolution of Formation” means Resolution No. 22601 adopted by the City Council on December 3, 2013, 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 December 3, 2013 election.

School District Facilities Account. The term “School District Facilities Account” means the account by that name created and established in the Acquisition and Construction Fund pursuant to the Indenture.

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 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 December 3, 2013 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.

Term Bonds. The term “Term Bonds” means the Bonds maturing on September 1, 2038, September 1, 2043, September 1, 2048 and September 1, 2053 and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

Trustee. The term “Trustee” means U.S. Bank Trust Company, 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 Bonds in the aggregate principal amount of \$4,140,000, 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, the Additional Special Tax Reserve 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 Special Tax Fund (in which there will be established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account, and an Administrative Expense Account).

(2) The Rebate Fund (in which there will be established a Rebate Account and an Alternate Penalty Account).

(3) The Acquisition and Construction Fund (in which there will be established a City Facilities Account, a School District Facilities Account and a Costs of Issuance Account).

(4) The Surplus Fund.

(5) The Additional Special Tax Reserve 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 Administrative Expense Account

of the Special Tax Fund to the extent that Administrative Expenses exceed or are expected to exceed the Administrative Expenses Cap; (7) the Rebate Fund; and (8) 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, 2024, 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 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 Fund, if any, 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 hereof upon written direction from the District. If, after moneys in the Additional Special Tax Reserve Fund, if any, 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, 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. Moneys in the Special Tax Fund will be 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, 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 Fund 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 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.

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 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 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 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 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 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 Bonds and each issue of Parity Bonds issued on a tax-exempt basis for federal income tax purposes; 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 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 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 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 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 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 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 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; (iv) to the Additional Special Tax Reserve Fund; (v) to the Acquisition and Construction Fund to pay Project Costs; or after all of the Project Costs have been paid, (vi) 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.

Additional Special Tax Reserve Fund. Amounts in the Additional Special Tax Reserve Fund are not pledged to the repayment of the Bonds or Parity Bonds and may be used by the District for any lawful purpose and disbursed by the Trustee in accordance with the written direction of the District, including but limited to as follows:

(a) Moneys in the Additional Special Tax Reserve Fund, if any, will be used 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 Fund for deposit in the Interest Account or the Principal Account, as the case may be, or the Rebate Fund, as applicable, moneys, if any, necessary for such purposes.

(b) To the extent that the sum of the amounts on deposit in the Reserve Account and the Additional Special Tax Reserve Fund 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 Fund 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.

(c) To the extent that the sum of the amounts on deposit in the Reserve Account and the Additional Special Tax Reserve Fund 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 Fund 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.

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 (other than the Costs of Issuance Account) 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 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 of the Special Tax Fund and the Additional Special Tax Reserve 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 Fund 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 and the Accounts therein 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 and the Accounts therein. 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 and the Accounts therein 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 of the Special Tax Fund and the Additional Special Tax Reserve 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) In the absence of written investment directions from the District, the Trustee shall invest solely in Authorized Investments specified in clause (2)(e) of the definition thereof. 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. Notwithstanding anything in the Indenture to the contrary, the Trustee will not be 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 shall be entitled to its customary fee for making such investment. The Trustee may sell at the best market price obtainable, or present for redemption, any Authorized Investment so purchased whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Authorized Investment is credited, and, subject to the provisions of the Indenture, the Trustee will not be liable or responsible for any loss resulting from such investment. For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but will account for each separately. The Trustee is hereby 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 acknowledges 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 specifically waives 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 hereunder..

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 2024-25 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. 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 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 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 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 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 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 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 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 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 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 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 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 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 LLP, 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 LLP, that interest on the 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 Expenses 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 Expenses 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; or

(f) to modify, alter, amend or supplement the Indenture in any other respect which is not materially adverse to the Owners.

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 Trust Company, 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.

The Trustee will not be liable to the parties to the Indenture or deemed in breach or default thereunder if and to the extent its performance under the Indenture is prevented by reason of *force majeure*. The term “*force majeure*” means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. *Force majeure* will include, but not limited to, acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

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.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated April 18, 2024 (the “Disclosure Certificate”) is executed and delivered by Community Facilities District No. 2013-1 (Kunny Ranch) of the City of Riverside (the “District”) in connection with the issuance and delivery by the District of its \$4,140,000 Special Tax Bonds, Series 2024 (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted on March 19, 2024, by the City Council of the City of Riverside, acting as the legislative body of the District, and the Bond Indenture dated as of April 1, 2024, by and between the District and U.S. Bank Trust Company, 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. 2013-1 (Kunny Ranch) of the City of Riverside.

“EMMA” shall mean the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at 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 March 28, 2024.

“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 Trust Company, 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 April 1 after the end of the District’s Fiscal Year (June 30) commencing with the report due by April 1, 2025, 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 30 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 formed 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. 2013-1
(KUNNY RANCH) OF THE CITY OF RIVERSIDE

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.

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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