

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

**\$3,755,000**

**CITY OF RIVERSIDE  
RIVERWALK BUSINESS CENTER ASSESSMENT DISTRICT  
LIMITED OBLIGATION IMPROVEMENT BONDS  
(Property Secured Only – No Issuer Liability)**

**Dated: Date of Delivery**

**Due: September 2, as shown below**

The City of Riverside Riverwalk Business Center Assessment District Limited Obligation Improvement Bonds (the "Bonds") are issued pursuant to provisions of the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code) and a Fiscal Agent Agreement, dated as of June 1, 2004, by and between the City of Riverside (the "City") and U.S. Bank National Association, as Fiscal Agent (the "Fiscal Agent") (the "Fiscal Agent Agreement"). The Bonds are payable from unpaid assessments (the "Assessments") levied on the parcels within the Riverwalk Business Center Assessment District (the "Assessment District").

Interest on the Bonds will be payable on March 2 and September 2 of each year, commencing September 2, 2004. All Bonds will bear interest from their date of authentication, as indicated above. Initially, the Bonds will be delivered in fully registered form only and when delivered will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Except as described herein, ownership interests in the Bonds may be purchased in denominations of \$5,000 or any integral multiple thereof, in book-entry form only as described herein. Upon receipt of payments of principal of, premium, if any, and interest on the Bonds, DTC will in turn remit such principal, premium, if any, and interest to the participants in DTC (as described herein) for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry System" herein.

**The Bonds are subject to optional and mandatory redemption by the City prior to maturity as described herein.**

Proceeds from the sale of the Bonds, together with certain other amounts available under the Fiscal Agent Agreement, will be used to (i) finance the design, construction and acquisition of public improvements for the benefit of the property within the Assessment District, (ii) fund a Reserve Fund for the Bonds, (iii) pay costs of issuance of the Bonds; and (iv) pay capitalized interest on the Bonds through September 2, 2004.

**The obligations of the City under the Bonds are not general obligations of the City, but are limited obligations, payable solely from the Assessments and the other assets pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City, or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds. Notwithstanding any other provision of the Fiscal Agent Agreement, the City is not obligated to advance available funds from the City treasury to cure any deficiency in the Redemption Fund established under the Fiscal Agent Agreement.**

The Bonds are not rated. See the Section of the Official Statement entitled "RISK FACTORS" herein for a discussion of the risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT IN ORDER TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.**

**MATURITY SCHEDULE**

(See Inside Cover)

The Bonds are offered when, as and if issued and delivered to the Underwriter. The Bonds are subject to the approval as to certain legal matters by Best Best & Krieger LLP, Riverside, California, Bond Counsel, and the satisfaction of certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriter by McFarlin & Anderson LLP, Lake Forest, California. It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York on or about June 30, 2004.

**Stone & Youngberg LLC**

**\$3,755,000**  
**CITY OF RIVERSIDE**  
**RIVERWALK BUSINESS CENTER ASSESSMENT DISTRICT**  
**LIMITED OBLIGATION IMPROVEMENT BONDS**  
**(Property Secured Only — No Issuer Liability)**

**MATURITY SCHEDULE**  
**\$2,530,000 Serial Bonds**  
**Base CUSIP® No. 769003<sup>1</sup>**

<u>Maturity Date</u> <u>September 2</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP®</u> <u>No.<sup>1</sup></u>	<u>Maturity Date</u> <u>September 2</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP®</u> <u>No.<sup>1</sup></u>
2005	\$ 80,000	2.75%	2.75%	KL7	2015	\$120,000	5.45%	5.45%	KW3
2006	80,000	3.40	3.40	KM5	2016	130,000	5.60	5.60	KX1
2007	85,000	4.10	4.10	KN3	2017	135,000	5.70	5.70	KY9
2008	85,000	4.40	4.40	KP8	2018	145,000	5.80	5.80	KZ6
2009	90,000	4.60	4.60	KQ6	2019	150,000	5.90	5.90	LA0
2010	95,000	4.80	4.80	KR4	2020	160,000	5.90	5.95	LB8
2011	100,000	5.00	5.00	KS2	2021	170,000	6.00	6.00	LC6
2012	105,000	5.10	5.10	KT0	2022	180,000	6.00	6.05	LD4
2013	110,000	5.20	5.20	KU7	2023	190,000	6.10	6.10	LE2
2014	115,000	5.30	5.30	KV5	2024	205,000	6.10	6.15	LF9

\$1,225,000 6.25% Term Bond Due September 2, 2029 – Yield 6.25% CUSIP® No.<sup>1</sup>769003LG7

<sup>1</sup> CUSIP® A registered trademark of the American Bankers Association. Copyright© 1999-2004 Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the City nor the Underwriter takes any responsibility for the accuracy of such numbers.

## **CITY OF RIVERSIDE**

### **MAYOR AND CITY COUNCIL**

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

### **CITY STAFF**

George A. Caravahlo, City Manager  
Michael J. Beck, Assistant City Manager – Development  
Paul C. Sundeen, Finance Director and City Treasurer  
Brent A. Mason, Assistant Finance Director  
Colleen J. Nicol, MMC, City Clerk  
Gregory P. Priamos, City Attorney  
Brian Nakamura, Public Works Director

### **SPECIAL SERVICES**

#### **Bond Counsel**

Best Best & Krieger LLP  
Riverside, California

#### **Appraiser**

Harris Realty Appraisal  
Newport Beach, California

#### **Market Absorption Consultant**

Empire Economics, Inc.  
San Juan Capistrano, California

#### **Assessment Engineer**

Albert A. Webb Associates  
Riverside, California

#### **Fiscal Agent**

U.S. Bank National Association  
Los Angeles, California

## GENERAL INFORMATION ABOUT THE OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the City in any press release and in any oral statement made with the approval of an authorized officer of the City or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend,” and similar expressions identify “forward looking statements” within the meaning of the 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 subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results and those differences may be material. 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, give rise to any implication that there has been no change in the affairs of the City or any other entity described or referenced herein since the date hereof. The City does not plan to issue any updates or revision to the forward-looking statements set forth in this Official Statement.

**Limited Offering.** No dealer, broker, salesperson or other person has been authorized by the Assessment District 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 representation must not be relied upon as having been authorized by the Assessment District 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.

**Involvement of Underwriter.** The Underwriter has submitted the following statement 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 opinions herein are subject to change without notice and neither 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 Assessment District or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement 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.

**Stabilization of Prices.** In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the 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 Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

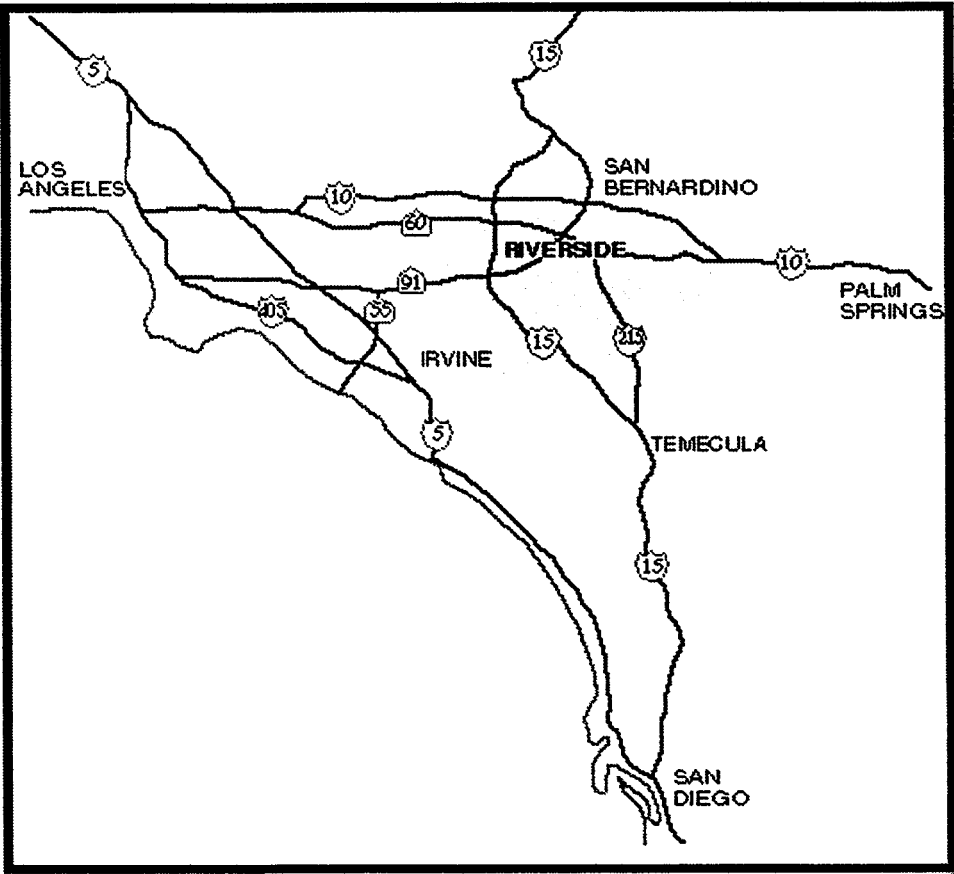
THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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# City of Riverside Regional Location Map



# City of Riverside

## Riverwalk Business Center Assessment District

Riverside 91 Fwy

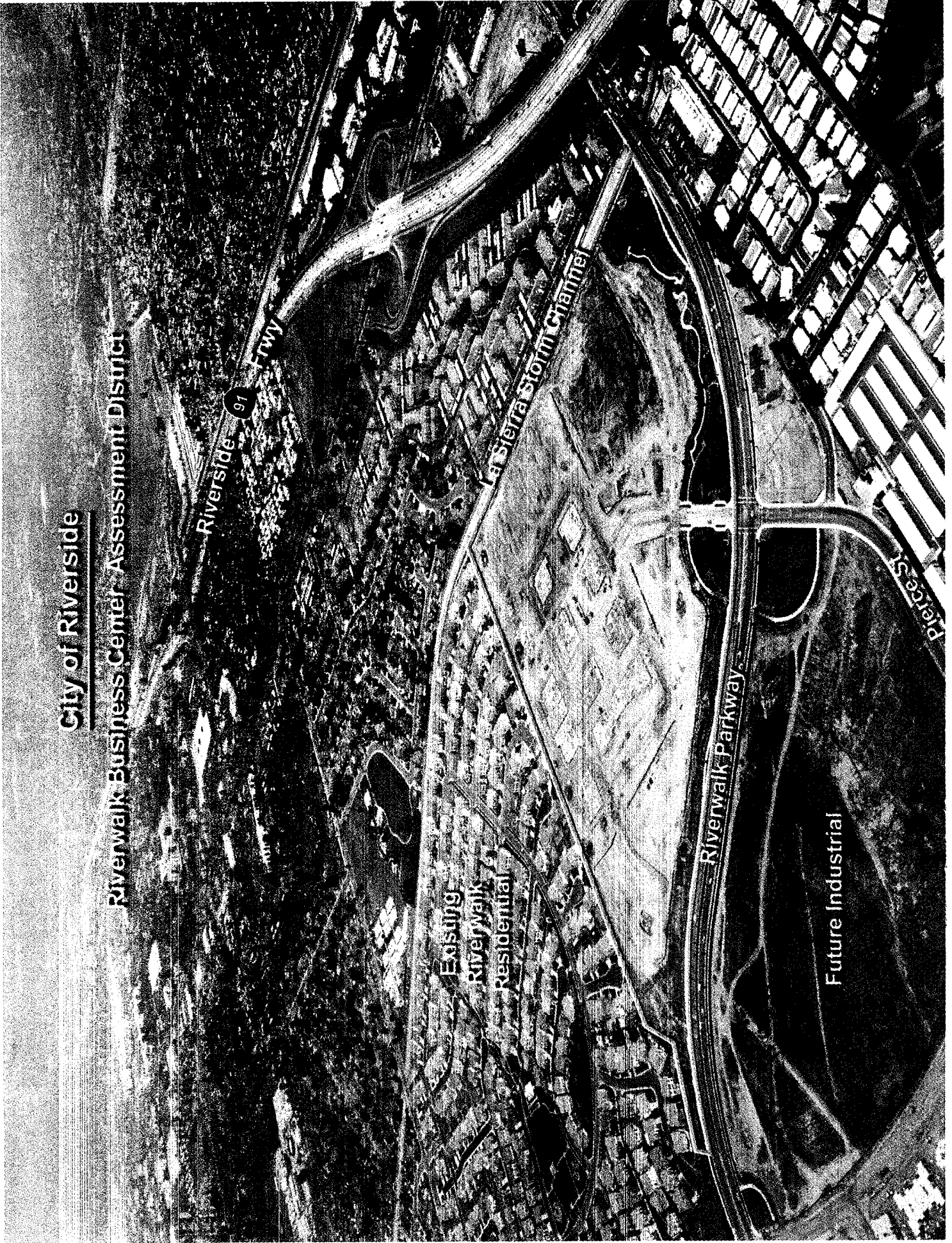
Las Sierra Storm Channel

Riverwalk Parkway

Pierce St

Existing  
Riverwalk  
Residential

Future Industrial





## OFFICIAL STATEMENT

Relating to

\$3,755,000

### CITY OF RIVERSIDE RIVERWALK BUSINESS CENTER ASSESSMENT DISTRICT LIMITED OBLIGATION IMPROVEMENT BONDS (Property Secured Only – No Issuer Liability)

#### INTRODUCTION

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.*

This Official Statement (which includes the cover page, the table of contents and the Appendices attached hereto) is furnished by the City of Riverside (the "City"), to provide information concerning the City of Riverside, Riverwalk Business Center Assessment District Limited Obligation Improvement Bonds, issued in the aggregate principal amount of \$3,755,000 (the "Bonds"). The Bonds are issued pursuant to provisions of the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code) (the "1915 Act") and a Fiscal Agent Agreement (the "Fiscal Agent Agreement"), dated as of June 1, 2004, by and between the City and U.S. Bank National Association, as Fiscal Agent (the "Fiscal Agent"). See "THE BONDS" herein. The City may issue additional bonds on a parity with the Bonds for refunding purposes only.

Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings given such terms in the Fiscal Agent Agreement, some of which are set forth in Exhibit C hereto "Summary of Certain Provisions of the Fiscal Agent Agreement."

#### **The Assessment District**

Riverwalk Business Center Assessment District (the "Assessment District") consists of 24 assessed parcels of land aggregating approximately 47.95 gross acres (43.39 net acres) located in the City designated for "business park" land uses. The Bonds are secured by certain Assessments (the "Assessments") levied on the parcels (the "Parcels") within the Assessment District. All of the property within the Assessment District was owned by La Sierra University, a California non-profit religious corporation. La Sierra University entered into an option agreement with Turner Development Corporation, a California corporation, for the sale of the Parcels in 3 phases. On July 30, 2003, La Sierra University sold the first phase, consisting of Parcel Nos. 6, 7, 8 and 18 to 24, inclusive to Turner Riverwalk – 1, LLC, a California limited liability company, an Affiliate (as defined in the Major Owner Continuing Disclosure Agreement) of Turner Development Corporation. As of April 1, 2004, buildings are under construction on all 10 of the parcels owned by Turner Riverwalk – 1, LLC. Turner Development Corporation has an option to acquire the remaining 14 Parcels in the Assessment District from La Sierra University. It is anticipated that Turner Development Corporation, through an Affiliate which was recently formed, Turner Riverwalk – 2, LLC, will exercise its option with respect to the second phase consisting of 7 Parcels on or before June 30, 2004. It is expected that Turner Development Corporation, through a separate Affiliate which would be formed in connection with the exercise of the option with respect to Phase 3, will exercise its option with respect to Phase 3 consisting of 7 Parcels on or before October 31, 2005. La Sierra University and Turner

Riverwalk – 1, LLC are referred to herein as the “Major Owners.” See “THE ASSESSMENT DISTRICT” herein.

### **Purpose of the Bonds**

The Bonds are being issued to (i) finance the design, construction and acquisition of public improvements for the benefit of the property within the Assessment District, (ii) fund a Reserve Fund for the Bonds, (iii) pay costs of issuance of the Bonds; and (iv) pay capitalized interest on the Bonds through September 2, 2004.

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

The Bonds are secured by the Assessments on the land within the Assessment District, together with interest thereon at a fixed interest rate, and the Bonds, including principal and interest, are payable, exclusively out of the Redemption Fund. **Only the Parcels in the Assessment District constitute security for the Bonds. Pursuant to the Fiscal Agent Agreement, the Fiscal Agent will establish, within certain of the funds created under the Fiscal Agent Agreement, separate accounts for the Bonds, and the principal of and interest on the Bonds are payable exclusively out of the Redemption Fund, as provided in the Fiscal Agent Agreement.**

The unpaid Assessments represent fixed liens on the Parcels within the Assessment District. Installments of principal and interest sufficient to meet debt service on the Bonds (the “Assessment Installments”) will be included on the regular County of Riverside (the “County”) tax bills sent to the owners of the Parcels within the Assessment District against which there are unpaid Assessments.

**PAYMENTS OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE SECURED SOLELY BY THE ASSESSMENTS (INCLUDING PREPAYMENTS THEREOF) ON THE PARCELS WITHIN THE ASSESSMENT DISTRICT, TOGETHER WITH INTEREST THEREON AND ANY PENALTIES RECEIVED WITH RESPECT THERETO, AND ANY OTHER AMOUNTS (INCLUDING PROCEEDS OF THE SALE OF THE BONDS) HELD IN ANY ACCOUNT ESTABLISHED PURSUANT TO THE FISCAL AGENT AGREEMENT FOR THE BONDS (OTHER THAN THE REBATE FUND).**

**THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY, BUT ARE LIMITED OBLIGATIONS, PAYABLE SOLELY FROM THE ASSESSMENTS AND THE OTHER FUNDS PLEDGED THEREFOR UNDER THE FISCAL AGENT AGREEMENT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE BONDS. NOTWITHSTANDING ANY OTHER PROVISION OF THE FISCAL AGENT AGREEMENT, THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO CURE ANY DEFICIENCY IN THE REDEMPTION FUND ESTABLISHED UNDER THE FISCAL AGENT AGREEMENT.**

### **Appraisal**

An appraisal prepared by an MAI appraiser of the land and existing improvements for the development within the Assessment District dated April 6, 2004 (the “Appraisal”), has been prepared by Harris Realty Appraisal, Newport Beach, California (the “Appraiser”) in connection with issuance of the Bonds. The purpose of the Appraisal is to estimate the “as is” market value for the *fee simple estate, subject to special assessment liens* for all the property within the Assessment District. The appraisal estimates the market value of the land and any improvement under construction, under the ownerships of Turner Riverwalk – 1, LLC and La Sierra University. The Appraisal is based on certain assumptions. Subject to

these assumptions, the Appraiser estimated that the fee simple market value of the property within the Assessment District (subject to the lien of the Assessments) as of April 1, 2004, was \$11,900,000 with \$8,800,000 relating to property owned by La Sierra University and \$3,100,000 relating to property owned by Turner Riverwalk – 1, LLC.

The fee simple market value includes the value of grading and infrastructure improvements completed as of the date of value and the improvements to be financed by the Bonds. The market values reported in the Appraisal result in an estimated overall value-to-lien ratio of 3.17:1, calculated with respect to the Bonds. The value-to-lien ratios of individual parcels will differ from the foregoing aggregate value-to-lien ratio. See Table 5 – “Value-to-Lien Ratio” in “THE ASSESSMENT DISTRICT – Appraised Value-to-Lien Ratios” section. See “RISK FACTORS – Parity of Taxes, Bonds and Fixed Assessments” and “RISK FACTORS – Appraised Value; Land Value” herein and APPENDIX D – “SUMMARY APPRAISAL REPORT” appended hereto for further information on the Appraisal and for limiting conditions relating to the Appraisal.

### **Tax Exemption**

Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also in the opinion of Bond Counsel, interest on the Bonds will be exempt from State personal income taxes. See “TAX MATTERS” herein.

### **Risk Factors Associated with Purchasing the Bonds**

Investment in the Bonds involves risks that may not be appropriate for some investors. See the section of this Official Statement entitled “RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds.

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

U.S. Bank National Association, Los Angeles, California, will serve as the fiscal agent, paying agent, registrar, authentication and transfer agent, and dissemination agent for the Bonds and will perform the functions required of it under the Fiscal Agent Agreement for the payment of the principal of and interest and any premium on the Bonds and all activities related to the redemption of the Bonds. Best Best & Krieger LLP, Riverside, California is serving as Bond Counsel to the City. McFarlin & Anderson LLP, Lake Forest, California, is acting as Underwriter’s Counsel.

Albert A. Webb Associates, Riverside, California, acted as assessment engineer to the City. The appraisal was prepared by Harris Realty Appraisal, Newport Beach, California. Empire Economics, Inc., San Juan Capistrano, California, acted as Absorption Consultant.

*Payment of the fees and expenses of Bond Counsel, Underwriter’s Counsel, the Fiscal Agent and the Underwriter and of a portion of the fees and expenses of the Assessment Engineer, is contingent upon the sale and delivery of the Bonds.*

### **Continuing Disclosure**

*The City.* The City has covenanted for the benefit of owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Parcels by not later than nine months following the end of the City’s fiscal year (which currently would be April 1) (the “Annual Report”),

commencing with the Annual Report for the 2003-2004 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by U.S. Bank National Association, as dissemination agent (the "Dissemination Agent") on behalf of the City with each Nationally Recognized Municipal Securities Information Repository and the State Repository, if any. The notices of material events will be filed by the Dissemination Agent on behalf of the City with the Municipal Securities Rulemaking Board and the State Repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The City has not previously failed to comply in all material respects with any previous undertakings with respect to said rule to provide annual reports or notices of material events.

*The Major Owners.* The Major Owners have covenanted for the benefit of the owners of the Bonds to provide semi-annually certain financial information and information regarding the development of the property owned by them or their Affiliates (as defined in the Major Owner Continuing Disclosure Agreement attached hereto as Appendix G), in the Assessment District (each a "Major Owner's Semi-Annual Report"), and to provide notice of the occurrence of certain enumerated events, if material. Such information is to be provided not later April 1 and October 1, commencing with the report due not later than April 1, 2005.

*Filing of District Annual Reports; Major Owner's Semi-Annual Reports; Form of Reports.* Each Annual Report will be filed by the Fiscal Agent, as dissemination agent, with each Nationally Recognized Municipal Securities Information Repository and with each State Repository, if any. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5); provided, however, a default under either Major Owner's Continuing Disclosure Agreement will not, in itself, constitute a default under the Fiscal Agent Agreement, and the sole remedy under each Major Owner's Continuing Disclosure Agreement in the event of any failure of either Major Owners or the Dissemination Agent to comply with each Major Owners Continuing Disclosure Agreement will be an action to compel performance. Each Major Owner's continuing disclosure obligations will terminate upon the occurrence of certain events, including when its and its Affiliates' property is subject to less than 15% of the Assessment levy of the Assessment District for the then current Fiscal Year. For a complete listing of items of information which will be provided in the City's Annual Reports and the Major Owners' Semi-Annual Reports, see APPENDIX G – "FORM OF MAJOR OWNER CONTINUING DISCLOSURE AGREEMENT." Each Major Owner has indicated that it and its Affiliates have never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

### **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, certain sections of the Fiscal Agent Agreement, security for the Bonds, special risk factors, the City, the Assessment District, the Major Owners, the development plan for the property owned by the Major Owners and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Fiscal Agent Agreement, and other resolutions and documents are qualified in their entirety by reference to the complete texts of the Bonds, the Fiscal Agent Agreement, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors' rights. Copies of such documents may be obtained upon written request from the City of Riverside, 3900 Main Street, Riverside, California 92522, Attention: Finance Director. The City may charge for copying and mailing any documents requested.

## **PLAN OF FINANCING**

### **Purpose of the Bonds**

On October 7, 2003, the City Council (the "City Council") confirmed a total assessment lien in the amount of \$3,755,000 on property within the Assessment District. The assessment diagram and Assessment was recorded with the City on October 7, 2003, and the assessment diagram and notice of assessment was recorded with the County on October 9, 2003 as Document No. 2003-796791. The Assessment District consists of approximately 47.95 gross acres (43.39 net acres), which include streets, open space parcels and other non-buildable areas. Only the Assessments on Parcels within the Assessment District constitute security for the Bonds.

The City is issuing the Bonds in the aggregate principal amount of \$3,755,000 pursuant to the Fiscal Agent Agreement secured by the Assessment lien on the 24 Parcels within the Assessment District to (i) finance the design, construction and acquisition of public improvements for the benefit of the property within the Assessment District; (ii) fund a Reserve Fund for the Bonds; (iii) pay costs of issuance of the Bonds; and (iv) to pay capitalized interest on the Bonds through September 2, 2004.

### **Use of Proceeds of Bonds; Improvements to Be Financed with Proceeds of the Bonds**

Proceeds of the Bonds will be used for the acquisition and construction of infrastructure improvements constructed or to be constructed by Turner Riverwalk – 1, LLC for the benefit of the Assessment District. The proposed infrastructure improvements consist of the construction and/or acquisition of certain streets, traffic signals, water, sewer, storm drains and dry utility improvements. Detailed Plans and Specifications for the improvements are on file in the office of the Superintendent of Streets, Public Works Department of the City. It is also anticipated that additional in-tract improvements will be financed by the developers of the real property within the Assessment District through conventional financing.

The improvements necessary for the use and enjoyment of the Parcels within the Assessment District are being built by Turner Riverwalk – 1, LLC and will be acquired by the City. If sufficient funds are not available to pay the full acquisition price, Turner Riverwalk – 1, LLC could be paid less than full reimbursement for the improvements built.

A Funding Construction and Acquisition Agreement Riverwalk Business Center Assessment District (the "Acquisition Agreement"), by and between the City of Riverside and Turner Development Corporation dated as of August 12, 2003, describes the transfer and acquisition of the public improvements. Pursuant to an Assignment and Assumption Agreement dated August 12, 2003, Turner Development Corporation assigned and delegated all of its rights and obligations under the Acquisition Agreement to Turner Riverwalk-1, LLC and Turner Riverwalk – 1, LLC assumed and agreed to be bound by all such obligations.

## Sources and Uses of Funds

The Bond proceeds are expected to be applied as follows:

### Sources of Funds

Principal Amount of Bonds	\$3,755,000.00
Less Original Issue Discount	3,039.80
Less Underwriter's Discount	<u>74,795.00</u>
Total Sources	\$3,677,165.20

### Uses of Funds

Improvement Fund	\$3,161,433.74
Redemption Fund <sup>(1)</sup>	36,663.96
Reserve Fund	294,067.50
Costs of Issuance Fund <sup>(2)</sup>	<u>185,000.00</u>
Total Uses	\$3,677,165.20

<sup>(1)</sup> Represents capitalized interest through September 2, 2004.

<sup>(2)</sup> \$25,000 of the amount deposited in the Costs of Issuance Fund will be withdrawn by the City for initial administrative costs.

## THE BONDS

### Authority for Issuance

The Bonds are issued pursuant to the provisions of the 1915 Act (the "Act") and the Fiscal Agent Agreement.

The formation and assessment proceedings for the Assessment District were conducted pursuant to the Municipal Improvement Act of 1913 (the "1913 Act"), Article XIIIID of the California Constitution and the Proposition 218 Omnibus Implementation Act (Statutes of 1997, Chapter 38). The City Council confirmed a total assessment of \$3,755,000 on October 7, 2003, and recorded such confirmed assessment on October 9, 2003.

### General

The Bonds will be issued as fully registered bonds in the denomination of \$5,000 or any integral multiple of \$5,000. The Bonds will be dated the date of delivery and will bear interest at the rates per annum and will mature, subject to the redemption provisions set forth below, on the dates and in the principal amounts, all as set forth on the cover page hereof.

Interest on the Bonds is payable semiannually on March 2 and September 2 of each year, commencing September 2, 2004 (each an "Interest Payment Date") to the persons in whose names ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided in the Fiscal Agent Agreement. Such interest will be paid by check mailed by the Fiscal Agent on such Interest Payment Date, by first class mail, postage prepaid, to such Registered Owners at their respective addresses shown on the Registration Books as of the close of business on the

immediately preceding Record Date, except as provided in the Fiscal Agent Agreement. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months.

Principal of and premium, if any, on the Bonds will be payable upon presentation and surrender thereof upon maturity or earlier redemption at the principal corporate trust office (the "Trust Office") of the Fiscal Agent in St. Paul, Minnesota, or such other address as specified by the Fiscal Agent. Principal of and premium, if any, and interest on the Bonds will be paid in lawful money of the United States of America.

The Bonds will be issued in book-entry form, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company ("DTC"), New York, New York. Payment of interest on any Bond registered as of each Record Date in the name of Cede & Co. will be made by wire transfer of same-day funds to the account of Cede & Co. See "Book-Entry System" herein.

**Redemption of the Bonds**

**Optional Redemption**

The Bonds maturing on or after September 2, 2014, are subject to redemption prior to their stated maturity dates on September 2, 2013 or on any Interest Payment Date thereafter, on a pro rata basis among maturities (and by lot within any one maturity), in integral multiples of \$5,000, at the option of the City from moneys derived by the City from any source, at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 2, 2013 and March 2, 2014	102%
September 2, 2014 and March 2, 2015	101
September 2, 2015 and thereafter	100

**Mandatory Redemption from Assessment Prepayments**

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

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 2, 2004 through March 2, 2013	103%
September 2, 2013 and March 2, 2014	102
September 2, 2014 and March 2, 2015	101
September 2, 2015 and thereafter	100

**Sinking Fund Redemption**

The Outstanding Bonds maturing on September 2, 2029, are subject to mandatory sinking fund redemption, in part, on September 2, 2025, and on each September 2 thereafter prior to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, from sinking fund payments as follows:

Sinking Fund Redemption Date (September 2)	Principal Amount To Be Redeemed
2025	\$215,000
2026	230,000
2027	245,000
2028	260,000
2029 (maturity)	275,000

The amounts in the foregoing schedule shall be reduced pro rata among redemption dates, in order to maintain substantially level Annual Debt Service, as directed in writing to the Fiscal Agent by an Authorized Officer, as a result of any prior partial redemption of the Bonds pursuant to the Fiscal Agent Agreement.

#### **Purchase of Bonds**

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

#### **Refunding Bonds**

Pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the California Streets and Highways Code), the City may issue refunding bonds for the purpose of redeeming the Bonds. The City may issue and sell refunding bonds without giving notice to and conducting a hearing for the owners of property in the assessment district, or after giving notice to the owners of the Bonds after the making of certain required findings by the City Council.

#### **Selection of Bonds for Redemption**

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds, the Fiscal Agent shall select the Bonds for redemption in such a way that the ratio of Outstanding Bonds to issued Bonds shall be approximately the same in each maturity of the Bonds insofar as possible, and shall select Bonds for redemption within each maturity of the Bonds by lot.

#### **Notice of Redemption and Effect Thereof**

Notice of any redemption will be given by the Fiscal Agent by first class mail, postage prepaid, to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to one or more Information Services, at least 30 but not more than 60 days prior to the date fixed for redemption. Such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

From and after the date fixed for redemption, if funds available for the payment of the redemption prices of the Bonds called for redemption, together with accrued interest to the date of redemption, shall have



been deposited in the Redemption Fund, such Bonds shall cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and interest shall cease to accrue on the Bonds to be redeemed on the redemption date specified in the notice of redemption.

### **Transfer and Exchange of Bonds**

So long as the Bonds remain in book-entry form, transfer and exchange of any of the Bonds shall be accomplished in accordance with the provisions of such book-entry system. In the event of the termination of such book-entry system with respect to the Bonds, then any Bond may be transferred upon the registration books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Fiscal Agent. Whenever any Bond or Bonds are surrendered for transfer, the City will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds of a like aggregate principal amount. The Fiscal Agent will collect from the Bondowner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The Fiscal Agent will collect from the Bondowner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

The Fiscal Agent will not be obligated to make any transfer or exchange of Bonds during the 15 day period preceding the selection of Bonds for redemption, or with respect to any Bonds selected for redemption.

### **Book-Entry System**

The Depository Trust Company ("DTC"), New York, New York, 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 certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. See APPENDIX H – "BOOK-ENTRY SYSTEM."

## BONDS DEBT SERVICE

The debt service requirements with respect to the Bonds is set forth on the following schedule:

Year Ending September 2	Principal	Interest	Total
2004 <sup>(1)</sup>	—	\$ 36,663.96	\$ 36,663.96
2005	\$ 80,000	212,887.50	292,887.50
2006	80,000	210,687.50	290,687.50
2007	85,000	207,967.50	292,967.50
2008	85,000	204,482.50	289,482.50
2009	90,000	200,742.50	290,742.50
2010	95,000	196,602.50	291,602.50
2011	100,000	192,042.50	292,042.50
2012	105,000	187,042.50	292,042.50
2013	110,000	181,687.50	291,687.50
2014	115,000	175,967.50	290,967.50
2015	120,000	169,872.50	289,872.50
2016	130,000	163,332.50	293,332.50
2017	135,000	156,052.50	291,052.50
2018	145,000	148,357.50	293,357.50
2019	150,000	139,947.50	289,947.50
2020	160,000	131,097.50	291,097.50
2021	170,000	121,657.50	291,657.50
2022	180,000	111,457.50	291,457.50
2023	190,000	100,657.50	290,657.50
2024	205,000	89,067.50	294,067.50
2025	215,000	76,562.50	291,562.50
2026	230,000	63,125.00	293,125.00
2027	245,000	48,750.00	293,750.00
2028	260,000	33,437.50	293,437.50
2029	<u>275,000</u>	<u>17,187.50</u>	<u>292,187.50</u>
TOTALS	\$3,755,000	\$3,577,336.46	\$7,322,336.46

<sup>(1)</sup> Interest on the Bonds through September 2, 2004, will be paid from Bond proceeds deposited into the Redemption Fund.

## SECURITY FOR THE BONDS

### Assessment Installments

The Bonds are secured by the Assessments, together with interest thereon at fixed interest rates, and the Bonds, including principal and interest, are payable, exclusively out of the Redemption Fund. Pursuant to the Fiscal Agent Agreement, the Fiscal Agent will establish, maintain and hold in trust specifically for the Bonds, the Improvement Fund, the Redemption Fund, the Reserve Fund, the Costs of Issuance Fund and the Rebate Fund. The Bonds are secured by the amounts held in such funds and accounts (other than the Rebate Fund). Principal of and interest on the Bonds are payable exclusively out of the Redemption Fund.

PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS IS SECURED SOLELY BY THE ASSESSMENTS (INCLUDING PREPAYMENTS THEREOF) ON THE PARCELS, TOGETHER WITH INTEREST THEREON AND ANY PENALTIES RECEIVED WITH RESPECT THERETO, AND ANY OTHER AMOUNTS (INCLUDING PROCEEDS OF THE SALE OF THE BONDS) HELD IN ANY FUND ESTABLISHED PURSUANT TO THE FISCAL AGENT AGREEMENT FOR THE BONDS (OTHER THAN THE REBATE FUND).

Under the provisions of the Act, the Assessment Installments will be included annually on the regular County tax bills sent to the owners of the Parcels within the Assessment District against which there are unpaid Assessments. Such Assessment Installments are to be paid into the Redemption Fund for the payment of principal of, premium, if any, and interest on the Bonds as they become due.

Collection of Assessment Installments will commence with Fiscal Year 2004-05. Any Assessment may be prepaid at any time, together with any applicable premium to the redemption date, plus interest thereon, as the City may determine with respect to the portion of the prepayment which cannot be applied to the redemption of Bonds on the first available redemption date.

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY, BUT ARE LIMITED OBLIGATIONS, PAYABLE SOLELY FROM THE ASSESSMENTS AND THE OTHER FUNDS PLEDGED THEREFOR UNDER THE FISCAL AGENT AGREEMENT. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE BONDS. NOTWITHSTANDING ANY OTHER PROVISION OF THE FISCAL AGENT AGREEMENT, THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO CURE ANY DEFICIENCY IN THE REDEMPTION FUND ESTABLISHED UNDER THE FISCAL AGENT AGREEMENT.

### Reserve Fund

Under the Fiscal Agent Agreement, the Fiscal Agent is required on the Closing Date to deposit in the Reserve Fund from proceeds of sale of the Bonds an amount equal to the "Reserve Requirement," which is defined in the Fiscal Agent Agreement to mean, with respect to the Bonds, as of the date of any calculation, the least of (1) 10% of the proceeds of the sale of the Bonds, (2) maximum annual debt service on the Bonds and (3) 125% of average annual debt service on the Bonds. Amounts on deposit in the Reserve Fund will be transferred to the Redemption Fund in the event of any deficiency at any time in the Redemption Fund of the amount then required for payment of the principal of, premium, if any, and interest on the Bonds or, in accordance with the terms of the Fiscal Agent Agreement, for the purpose of redeeming Bonds from the Redemption Fund. The moneys in the Reserve Fund may be invested in any Permitted Investment, as said term is defined in the Fiscal Agent Agreement. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT – Deposit and Investment of Moneys in Funds."

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

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

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon receiving written direction from an Authorized Officer, transfer the amount in the Reserve Fund to the Redemption Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption, in accordance with the Fiscal Agent Agreement, of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Redemption Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred by the Fiscal Agent to the City to be applied as provided in Section 8885 of the California Streets and Highways Code.

#### **Obligation of the City Upon Delinquency**

The City is under no obligation to transfer any funds of the City into the Redemption Fund for payment of the principal of or interest on the Bonds if a delinquency occurs in the payment of any Assessment Installments. See "SECURITY FOR THE BONDS – Covenant to Commence Superior Court Foreclosure Proceedings" for a discussion of the City's obligation to foreclose Assessment liens upon delinquencies.

Ownership of the Parcels in the Assessment District is concentrated in La Sierra University and Turner Riverwalk – 1, LLC. See "RISK FACTORS – General" herein. The failure of La Sierra University, Turner Riverwalk – 1, LLC or any subsequent owners to pay Assessment Installments in a timely manner could result in the unavailability of money to pay the principal of or interest on the Bonds prior to reimbursement from resale of property or delinquency redemptions.

#### **Covenant to Commence Superior Court Foreclosure Proceedings**

The Act provides that in the event any Assessment Installment or any interest thereon is not paid when due, the City may order the institution of a court action to foreclose the lien of the unpaid Assessment. In such an action, the real property subject to the unpaid Assessment may be sold at judicial foreclosure sale. This foreclosure sale procedure is not mandatory. The City has covenanted in the Fiscal Agent Agreement that it will order, and cause to be commenced, judicial foreclosure proceedings against properties with delinquent Assessment installments in excess of \$10,000 by the October 1 following the close of the Fiscal Year in which such installments were due, and will commence judicial foreclosure proceedings against all properties with delinquent Assessment Installments by the October 1 following the close of each Fiscal Year in which it receives Assessment Revenues in an amount which is less than 95% of the total Assessment Revenues which were to be received in the Fiscal Year and diligently pursue to completion such foreclosure proceedings.

Upon the redemption or sale of the real property responsible for such delinquencies, the City will apply the net proceeds thereof to deposit to the Reserve Fund the amount of any delinquency advanced therefrom to the Redemption Fund for payment of interest on or principal of the Bonds, including Assessment Revenues including net proceeds of redemption or sale of the real property and all such moneys are dedicated in their entirety to the payment of the principal of the Bonds, and interest and any premium on, the Bonds, as provided in the Fiscal Agent Agreement and the 1915 Act.

IN THE EVENT SUCH SUPERIOR COURT FORECLOSURE OR FORECLOSURES ARE NECESSARY, THERE MAY BE A DELAY IN PAYMENTS TO BONDOWNERS PENDING PROSECUTION OF THE FORECLOSURE PROCEEDINGS AND RECEIPT BY THE CITY OF THE PROCEEDS OF THE FORECLOSURE SALE; IT IS ALSO POSSIBLE THAT NO BID FOR THE PURCHASE PRICE OF APPLICABLE PROPERTY WOULD BE RECEIVED AT THE FORECLOSURE SALE. SEE "RISK FACTORS." NOTWITHSTANDING ANY OTHER PROVISION OF THE FISCAL AGENT AGREEMENT, THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO CURE ANY DEFICIENCY IN THE REDEMPTION FUND OR RESERVE FUND ESTABLISHED UNDER THE FISCAL AGENT AGREEMENT.

The 1913 Act provides that the court in a foreclosure proceeding has the power to order property securing delinquent assessment installments to be sold for an amount not less than all assessment installments, interest, penalties, cost, fees and other charges that are delinquent at the time the foreclosure action is ordered and certain other fees and amounts as provided in the 1913 Act. The court may also include subsequent delinquent assessment installment and all other delinquent amounts.

If the property to be sold fails to sell for the minimum price described above, the City may petition the court to modify the judgment so that the property may be sold at a lesser price or without a minimum price. In certain circumstances, the court may modify the judgment after a hearing if the court makes certain determinations, including, but not limited to, a determination that the sale at less than the minimum price will not result in an ultimate loss to the owners of the bonds or a determination that the owners of at least 75% of the principal amount of the bonds outstanding have consented to the petition and the sale will not result in an ultimate loss to the non-consenting bondowners. Neither the property owner nor any owner of a security interest in the property nor any defendant in the foreclosure action nor any agent thereof may purchase the property at the foreclosure sale for less than the minimum price.

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 140 days must elapse after the date 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 City), an action may be commenced by the delinquent property owner within 90 days after the date of sale to set aside such sale. The constitutionality of the 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.)

La Sierra University and Turner Riverwalk – 1, LLC currently own all of the Parcels within the Assessment District (See "PROPERTY OWNERSHIP AND DEVELOPMENT" and "RISK FACTORS – General" herein). The failure of La Sierra University, Turner Riverwalk – 1, LLC or any subsequent owner to pay Assessment Installments in a timely manner could result in the unavailability of money to pay the principal of or interest on the Bonds.

### **Sales of Tax Defaulted Property Generally**

Property securing delinquent Assessment Installments which is not sold pursuant to the judicial foreclosure proceedings described above may be sold, subject to redemption by the property owner, in the

same manner and to the same extent as real property sold for nonpayment of general County property taxes. On or before June 30 of the year in which such delinquency occurs, the property becomes tax defaulted. This initiates a five year period during which the property owner may redeem the property. At the end of the five year period the property becomes subject to sale by the County Treasurer and Tax Collector. Except in certain circumstances, as provided in the 1915 Act, the purchaser at any such sale takes such property subject to all unpaid Assessments, interest and penalties, costs, fees and other charges which are not satisfied by application of the sales proceeds and subject to all public improvement assessments which may have priority. See “ – Covenant to Commence Superior Court Foreclosure Proceedings” for the circumstances under which the City is required to take action to foreclose the lien of delinquent Assessments.

### **Delinquency Resulting in Ultimate or Temporary Default on Bonds**

If a temporary deficiency occurs in the Redemption Fund with which to pay Bonds which have matured, past due interest or the principal and interest on Bonds coming due during the current tax year, but it does not appear to the Treasurer of the City that there will be an ultimate loss to the Bondowners, the Treasurer shall, pursuant to the 1915 Act, direct the Fiscal Agent to pay the principal of Bonds which have matured as presented and make interest payments on the Bonds when due as long as there are available funds in the Redemption Fund, in the following order of priority:

- (1) All matured interest payments shall be made before the principal of any Bonds is paid.
- (2) Interest on Bonds of earlier maturity shall be paid before interest on Bonds of later maturity.
- (3) Within a single maturity, interest on lower numbered Bonds shall be paid before interest on higher numbered Bonds.
- (4) The principal of Bonds shall be paid in the order in which the Bonds are presented for payment. Any Bond which is presented but not paid shall be assigned a serial number according to the order of presentment and shall be returned to the Bondowner.

When funds become available for the payment of any Bond which was not paid upon presentment, the Treasurer shall notify the registered owner of such Bond by registered mail to present the Bond for payment. If the Bond is not presented for payment within ten days after the mailing of the notice, interest shall cease to run on the Bond.

If it appears to the Treasurer that there is a danger of an ultimate loss accruing to the Bondowners for any reason, he or she is required pursuant to the 1915 Act to withhold payment on all matured Bonds and interest on all Bonds and report the facts to the City Council so that the City Council may take proper action to equitably protect all Bondowners.

Upon the receipt of such notification from the Treasurer, the City Council is required to fix a date for a hearing upon such notice. At the hearing the City Council shall determine whether in its judgment there will ultimately be insufficient money in the Redemption Fund to pay the principal of the unpaid Bonds and interest thereon.

If the City Council determines that in its judgment there will not be an Ultimate Default, it shall direct the Treasurer to pay matured Bonds and interest as long as there is available money in the Redemption Fund.

If the City Council determines that in its judgment there will ultimately be a shortage in the Redemption Fund to pay the principal of the unpaid Bonds and interest thereon (an “Ultimate Default”), the City Council shall direct the Treasurer to pay to the owners of all outstanding and unpaid Bonds such proportion thereof as the amount of funds on hand in the Redemption Fund bears to the total amount of the

unpaid principal of the Bonds and interest which has accrued or will accrue thereon. Similar proportionate payments shall thereafter be made periodically as moneys come into the Redemption Fund.

Upon the determination by the City Council that an Ultimate Default will occur, the Treasurer shall notify all Bondowners to surrender their Bonds to the Treasurer for cancellation. Upon cancellation of the Bonds, the Bondowner shall be credited with the principal amount of the Bond so canceled. The Treasurer shall then pay by warrant the proportionate amount of principal and accrued interest due on the Bonds of each Bondowner as may be available from time to time out of the money in the Redemption Fund. Interest shall cease on principal payments made from the date of such payment, but interest shall continue to accrue on the unpaid principal at the rate specified on the Bonds until payment thereof is made. No premiums shall be paid on payments of principal on Bonds made in advance of the maturity date thereon.

If Bonds are not surrendered for registration and payment, the Treasurer shall give notice to the Bondowner by registered mail, at the Bondowner's last address as shown on the registration books maintained by the Fiscal Agent, of the amount available for payment. Interest on such amount shall cease as of ten days from the date of mailing of such notice.

### **Priority of Lien**

The Assessments (and any reassessments) and each Assessment Installment, and any interest and penalties thereon, constitute a lien against the Parcels within the Assessment District until the same are paid. Such lien is subordinate to all special assessment liens previously imposed upon the same property, but has priority over all private liens and over all special assessment liens which may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general taxes and the lien for any assessment district special taxes.

### **Existing Liens**

The Parcels within the Assessment District are subject to an annual maintenance assessment by the City of approximately \$1,000 per acre. Such assessments are subject to an increase each year based upon the consumer price index as provided in the maintenance assessment proceedings. The lien for the Assessments is co-equal to the lien for the annual landscape maintenance assessment and the lien for general property taxes. In addition, Turner Riverwalk – 1, LLC/Turner Development Corporation proposes the establishment of a separate owners' association which will impose charges with respect to the Parcels. "THE ASSESSMENT DISTRICT – Direct and Overlapping Debt."

The City is unaware of any present or contemplated assessment district or community facilities district that includes property within the Assessment District except as described above.

### **Assessments and the Teeter Plan**

The County has adopted a Teeter Plan as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. By policy, the County does not include assessments, reassessments and special taxes, including the Assessments of the Assessment District, in its Teeter program.

## **THE ASSESSMENT DISTRICT**

The Bonds are secured by the Assessments levied on the Parcels within the Assessment District. See, "THE ASSESSMENT DISTRICT – Assessment District Location" for a description of such Parcels. The formation and assessment proceedings for the Assessment District were conducted pursuant to the 1913 Act, Resolution No. 20501, adopted by the City Council on August 12, 2003, Article XIIIID of the California Constitution and the Proposition 218 Omnibus Implementation Act (Statutes of 1997, Chapter 38). The City Council confirmed a total Assessment in the Assessment District of \$3,755,000 on October 7, 2003, and recorded such confirmed Assessment on October 9, 2003.

Assessment proceedings were initiated by the City Council upon receipt of a petition by La Sierra University, as the sole landowner at the time. Albert A. Webb Associates, Riverside, California (the "Assessment Engineer") prepared a written report (the "Engineer's Report") which contains, among other things, the proposed Assessment for two assessment parcels (subsequently subdivided into twenty-four assessment parcels) (the "Parcels") of land in the Assessment District. The total amount of the proposed Assessments was based upon the Assessment Engineer's estimated cost of the acquisition of certain infrastructure improvements to be completed for the benefit of the Assessment District.

The Engineer's Report was filed and approved by the City Council on October 7, 2003, after a public hearing was held at which property owners in the Assessment District had the right to protest the levy of the proposed Assessments in writing prior to or at the commencement of the hearing and to be heard at the hearing. Assessment ballots were mailed to owners of property within the Assessment District prior to the public hearing in accordance with the Act. No written protests were filed at or prior to the commencement of the public hearing or were voiced at the public hearing. Following the closing of the public hearing, the City Council tabulated the assessment ballots and determined that all record owners (La Sierra University and Turner Riverwalk – 1, LLC) had cast their assessment ballots in favor of formation of the Assessment District and the imposition of the Assessments. The City Council thereupon approved the Engineer's Report and adopted its resolution confirming the Assessments and ordering the acquisition of certain infrastructure improvements to be completed for the benefit of the Assessment District. After confirmation and recordation, the Assessments became liens against the Parcels as described in the Engineer's Report.

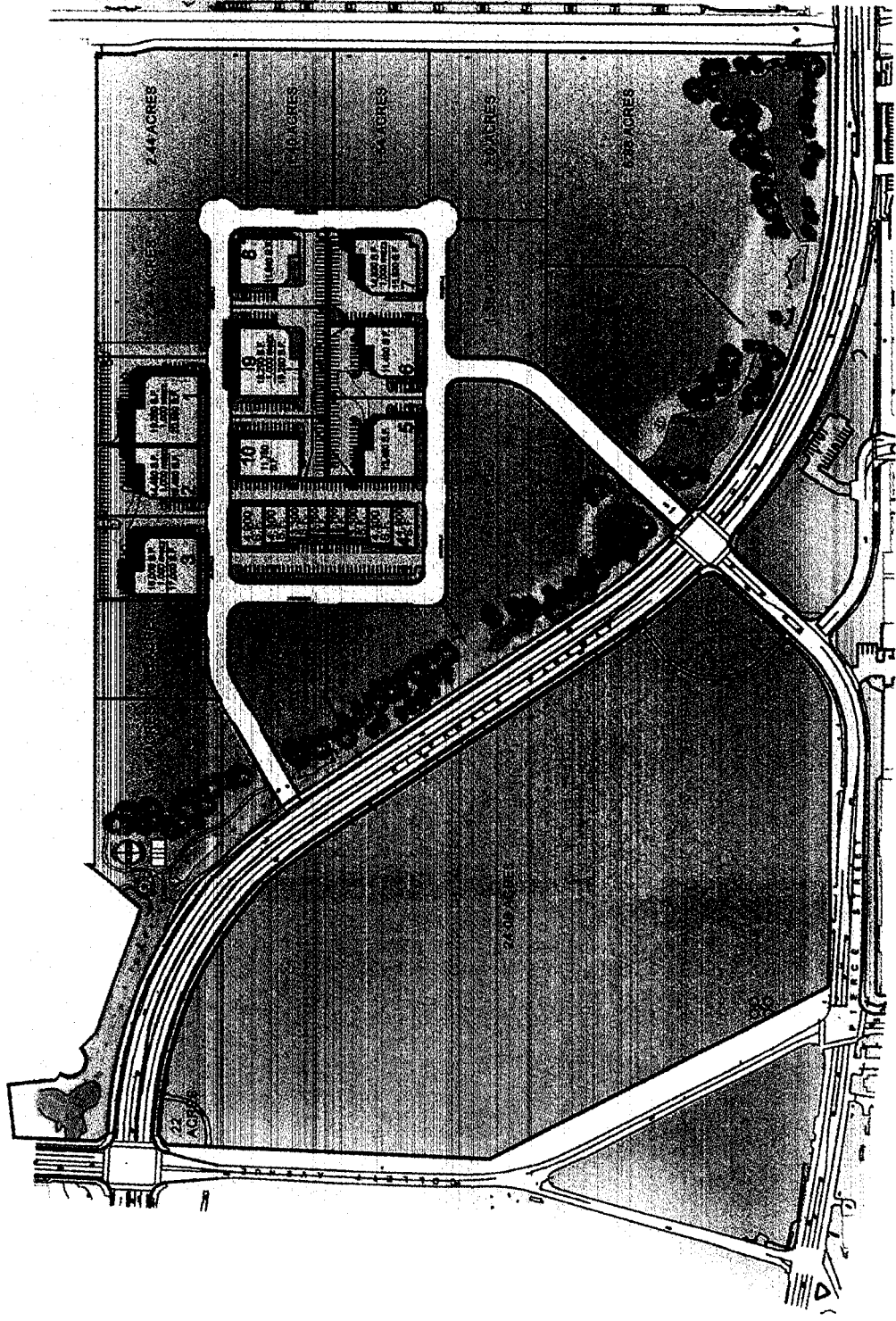
### **Assessment District Formation**

The proceedings for the formation of the Assessment District were conducted pursuant to the 1913 Act and Article XIIIID of the Constitution of the State of California (the "State"). The Assessment District was formed for the acquisition of certain infrastructure improvements to be constructed by Turner Riverwalk – 1, LLC for the benefit of the Assessment District. The Assessment District is an area of special assessment referring to the property that is specially benefited from the improvements and that is to be assessed to pay for the costs of acquisition and construction of the improvements. The Assessment District is not a governmental unit.

### **Assessment District Location**

The Assessment District generally consists of approximately 47.95 gross acres (approximately 43.39 net acres) of land. It is anticipated that the Parcels in the Assessment District will be developed primarily as a business-industrial project. The property in the Assessment District is located in the La Sierra University Specific Plan Area in the south western portion of the City of Riverside. La Sierra University is the principal landowner within the Specific Plan Area and University-related improvements are the dominant land use. The Assessment District is part of an industrial planning area that was previously used for agricultural school teaching purposes. The immediate surrounding neighborhood is primarily residential in nature with the necessary supporting services such as schools, parks, and commercial uses.





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MASTER PLAN  
 TURNER RIVERWALK  
 RIVERSIDE, CALIFORNIA



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The property in the Assessment District is a portion of the new industrial development known as "Turner Riverwalk." This development is located in the southwest portions of the City of Riverside. The 24 individual parcels are a portion of the Riverwalk at La Sierra University development, which will also include multi-family residential, commercial and for-sale residential uses when completed. The La Sierra University Specific Plan in its entirety contains approximately 531 gross acres, of which approximately 77 acres are committed to industrial use. The property within the Assessment District has a legal description of Parcels 1 to 24 of Parcel Map No. 31164. Turner Riverwalk-1, LLC owns Parcels 6, 7, 8 and 18 to 24. La Sierra University retains ownership of Parcels 1 to 5 and 9 to 17 but has entered into an option agreement with Turner Development Corporation for the sale of those parcels. The option agreement expires as of July 30, 2004 with respect to 7 parcels in Phase 2 and October 31, 2005 with respect to the remaining Assessment District property in Phase 3 (23.40 acres to be developed in two stages, referred to herein as Phases 3A and 3B). It is expected that Turner Development Corporation, through an Affiliate which was recently formed, Turner Riverwalk – 2, LLC, will exercise its option with respect to Phase 2 on or before June 30, 2004. It is expected that Turner Development Corporation, through a separate Affiliate which would be formed in connection with the exercise of the option with respect to Phase 3, will exercise its option with respect to Phase 3 on or before October 31, 2005.

The Assessment District is part of an area for which the City Council approved a specific plan for development on March 18, 1997, the "La Sierra University Specific Plan" which sets forth a comprehensive land use plan and establishes regulations and conditions for development of the property. The Specific Plan encompasses approximately 531 gross acres. The La Sierra University Specific Plan provides for a variety of land uses including (i) approximately 77.2 acres of industrial/business park property, (ii) approximately 45.2 mixed use office/residential property with approximately 90 residential units, (iii) approximately 7.1 acres of commercial retail, business and office property, (iv) approximately 147.1 acres of campus property, (v) approximately 76.4 acres of multi-family property with a maximum of 976 units, and (vi) approximately 154.9 acres of single family residential property with a maximum of 703 units. Only 47.95 gross acres of the 77.2 gross acres zoned for industrial/business park property are located within the Assessment District. No assessment district has been formed with respect to the balance of the acreage zoned for industrial/business park use.

The property in the Assessment District is located east and south of Riverwalk Parkway at Collett Avenue. The property has direct access to the Riverside (91) Freeway from the Pierce Street interchange which is located within one-half mile of the Assessment District. The subject neighborhood is bounded by the Riverside Freeway (91) on the south, Pierce Street on the west and north and La Sierra Avenue on the east. Magnolia Avenue and La Sierra Avenue also provide access to the Riverside Freeway. The Riverside (91) Freeway provides access to employment centers in Orange County and to the Southern California freeway grid. The Riverside (91) Freeway interchange with Interstate 15 is located three miles west of Pierce Street. Interstate 15 is a north-south route that provides access to the Pomona Freeway and Interstate 10 in San Bernardino County and extends southward to San Diego. A Metrolink commuter rail station is located at La Sierra Avenue and the Riverside Freeway. Metrolink provides a transportation alternative to employment in Orange and Los Angeles counties.

The property is a portion of the property previously owned by La Sierra University. The University encompasses both developed and undeveloped properties east and west of Pierce Street, north of the La Sierra Channel, and southwest of Golden Avenue and La Sierra Avenue. La Sierra University is one of the largest landowners in western Riverside, having retained and accumulated its properties since the school was established as a Seventh-Day Adventist high school in 1922. As part of the La Sierra University Specific Plan, the University will be expanded to accommodate 5,000 students and surplus lands are proposed to be developed with institutional, office, residential, commercial, and industrial uses as described above.

Utility services for parcels in the Assessment District will be provided by the City of Riverside (sewer, water, and electricity) Southern California Gas Company (gas), various companies (refuse), Charter Communications (cable), and SBC (telephone).

## **Assessment Formula**

The 1913 Act and Article XIID of the State Constitution, pursuant to which the Assessments were levied and the improvements are being acquired and constructed, requires that individual assessments assigned to the property within the Assessment District be based on the special benefit such properties receive from the improvements. The method of assessment developed by the Assessment Engineer bases assessments on the net area of each of the Parcels as described in the Engineer's Report.

## **Property Tax and Assessment Payment Delinquency Status**

The City will issue the Bonds. Each of the Bonds is secured by the Assessments levied on the Parcels within the Assessment District.

The City reports that according to County records, as of April 21, 2004, the owners of the Parcels in the Assessment District were not delinquent in their regular property tax payments or the payment of any special tax payments or assessments with respect to such Parcels.

## **Environmental Conditions**

*Environmental Impact Report.* In connection with the La Sierra Specific Plan approval, the City processed an Environmental Impact Report (the "EIR") for the property encompassed by the La Sierra Specific Plan. The EIR was certified by the City in March 1997.

*Endangered Species Act.* The property within the Assessment District has been used for agricultural school teaching purposes for many years and Turner Riverwalk – 1, LLC, Turner Development Corporation and La Sierra University are not aware of any endangered or threatened species subject to the jurisdiction of the United States Department of Interior Fish and Wildlife Service.

*Biological Resources.* The project site has been used for agricultural school teaching purposes for many years. Based upon the biological studies performed for the site, the property within the Assessment District does not include significant onsite biological resources.

*No Mitigation Required Relating to Waters of the United States.* While the U.S. Army Corps of Engineers has jurisdiction over developments in or affecting the navigable waters of the United States pursuant to the Rivers and Harbors Act and the Federal Clean Water Act, the property within the Assessment District is not a jurisdictional wetland subject to the jurisdiction of the U.S. Army Corps of Engineers and Turner Riverwalk – 1, LLC, Turner Development Corporation and La Sierra University are not aware of any wetlands within the Assessment District.

*Streambed Alteration Agreement Was Not Required.* The requirements of the California Department of Fish and Game ("CDFG") have been reviewed in connection with the development of the property within the Assessment District and there are no actions required which will constrain development of the property within the Assessment District.

*National Pollution Discharge Elimination System Permit and Storm Water Pollution Prevention Plan.* Pursuant to the Federal Clean Water Act (Section 402(g)) and State General Construction Activity Storm Water Permit, a National Pollution Discharge Elimination System (NPDES) permit and storm water pollution prevention plan was required from the State Water Resources Control Board (Division of Water Quality) for grading and construction of areas greater than five acres. Turner Riverwalk – 1, LLC had a Storm Water Pollution Prevention Plan prepared for the project and was notified on August 14, 2003 (WDID #8 33C323065), that the State Water Resources Control Board (Division of Water Quality) had processed the notice to comply with the general permit to discharge storm waters associated with construction activity. The

proposed discharge from the planned development of Riverwalk Business Park will comply with the applicable provisions of the Clean Water Act.

### **Other Matters**

*Additional Approvals.* Additional discretionary approval, such as design review for architecture (by Turner Riverwalk – 1, LLC or end users) is needed for development in the Assessment District as contemplated by the EIR that may require additional environmental review by the City under the California Environmental Quality Act. The Major Owners do not anticipate that obtaining any of the approvals will constrain development of the property.

*Covenants, Conditions and Restrictions.* Turner Riverwalk – 1, LLC proposes to form a Riverwalk Owners Association to provide for on-site landscaping. In addition, separate owners association(s) may be formed with respect to the condominium buildings during the buildout of the project. The estimated owner association fees aggregate approximately \$60,000 per year initially, and are expected to be allocated based on square footage of the respective buildings within the Assessment District. Finally, the property within the Assessment District is subject to an annual maintenance assessment by the City of approximately \$1,000 per acre pursuant to the Riverwalk Landscape Maintenance District established by the City. Such assessments are subject to an increase each year based upon a consumer price index as provided in the landscape maintenance assessment proceedings. Covenants, conditions and restrictions will be recorded against the property prior to sale of individual units.

### **Acquisition of Improvements**

A Funding Construction and Acquisition Agreement Riverwalk Business Center Assessment District (the "Acquisition Agreement"), by and between the City of Riverside and Turner Development Corporation dated as of August 12, 2003, describes the transfer and acquisition of the public improvements. Pursuant to an Assignment and Assumption Agreement dated August 12, 2003, Turner Development Corporation assigned and delegated all of its rights and obligations under the Acquisition Agreement to Turner Riverwalk-1, LLC and Turner Riverwalk – 1, LLC assumed and agreed to be bound by all such obligations.

Under the terms of the Acquisition Agreement, the City will acquire public improvements from Turner Riverwalk – 1, LLC upon completion of various discrete components of infrastructure and inspection thereof by the City. The Acquisition Agreement provides that the improvements or a completed segment will be acquired for an amount based upon the value of the improvements or the total of the actual costs incurred by Turner Riverwalk – 1, LLC, to design, engineer and construct the improvements or completed segment.

## **PROPERTY OWNERSHIP AND DEVELOPMENT**

*The information about the Major Owners contained in this Official Statement has been provided by representatives of the Major Owners and has not been independently confirmed or verified by the Underwriter or the City. Such information is included because it may be relevant to an informed evaluation of the security for the Bonds. However, because ownership of the property may change at any time, no assurance can be given that the planned development will occur at all, will occur in a timely manner or will occur as presently anticipated and described below or that the Major Owners will acquire or own the property within the Assessment District at all. No representation is made herein as to the accuracy or adequacy of such information, as to the experience, abilities or financial resources of the Major Owners or any other landowner, or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.*

*The Major Owners are not personally liable for payment of the Assessments or the Bonds, and the following information should not be construed to suggest that the Assessments or the Bonds are personal obligations or indebtedness of the Major Owners or that the Major Owners will continue to own their respective parcels of land.*

**Description of Development**

The approximately 47.95 gross acres of land encompassing the Assessment District are proposed to be acquired under an option agreement in three phases and developed by Turner Riverwalk –1, LLC or its Affiliates in two initial stages corresponding to Phase 1 and Phase 2 and in two stages for Phase 3. Phase 1 was acquired on July 30, 2003 and consists of ten parcels currently owned by Turner Riverwalk – 1, LLC, aggregating approximately 9.74 net acres and planned for development of approximately 10 industrial buildings all of which are under construction. Nine buildings, aggregating approximately 136,700 square feet, are freestanding, ranging from 11,490 square feet to 20,550 square feet. The remaining building, aggregating approximately 30,400 square feet, is expected to contain eight industrial condominiums ranging from 2,700 square feet to 4,900 square feet. Phase 2 consists of seven parcels currently owned by La Sierra University, aggregating approximately 10.25 net acres and planned for development of approximately 12 industrial buildings aggregating approximately 178,250 square feet. Turner Development Corporation is expected to acquire the 7 Parcels in Phase 2 through an Affiliate which was recently formed (Turner Riverwalk – 2, LLC) on or before June 30, 2004. Phase 3A, a portion of the 23.40 net acre Phase 3 property, consists of 2 Parcels owned by La Sierra University aggregating approximately 11.03 net acres and planned for development of approximately 13 office buildings aggregating approximately 102,990 square feet along the Riverwalk feature. Phase 3B, the balance of the 23.40 net acres within Phase 3, consists of 5 Parcels currently owned by La Sierra University aggregating approximately 12.37 net acres for which preliminary development plans are being developed. The option on Phases 3A and 3B of the Assessment District property expires on October 31, 2005. Turner Development Corporation expects to exercise the options prior to their termination date through separate limited liability companies formed for such purposes.

**Table 1  
City of Riverside  
Riverwalk Business Center Assessment District  
Property Ownership and Description  
(As of April 1, 2004)**

<u>Phase</u>	<u>Owner</u>	<u>No. of Parcels</u>	<u>Net Acres</u>	<u>Est. No. of Bldgs.</u>	<u>Aggregate Sq. Ft.</u>
1	Turner Riverwalk – 1, LLC	10	9.74	10	136,770
2	La Sierra University	7	10.25	12	178,250
3A	La Sierra University	2	11.03	13	102,940
3B	La Sierra University	<u>5</u>	<u>12.37</u>	(1)	(1)
	Total	24	43.39		

(1) Still in planning phase.

## Turner Riverwalk – 1, LLC

**Turner Riverwalk – 1, LLC and its Members.** Turner Riverwalk – 1, LLC (“Turner Riverwalk – 1, LLC”) is a California limited liability company. The managing members are Mr. Rusty Turner, Mr. Sean Sheward and Mr. Michael Kendall. Turner Riverwalk – 1, LLC is the current owner of 9.74 acres within the Assessment District and is coordinating the construction of the infrastructure for the Riverwalk Commercial Business Center. An affiliate, Turner Riverwalk – 2, LLC, a California limited liability company was recently formed in connection with the exercise of the option with respect to Phase 2.

Turner Development Corporation was formed in 1979 by Mr. Rusty Turner. Turner Developer Corporation, a California corporation wholly-owned by Mr. Rusty Turner, has options to acquire the remaining balance of Riverwalk Commercial Business Center property. Through various entities in which he exercised management control, Mr. Turner has been involved in acquisition, investment and development of approximately 3,000,000 square feet consisting of 31 projects and 116 buildings.

**Development Experience.** Representative projects in which Mr. Turner has been involved include the following:

**Table 2**  
**City of Riverside**  
**Riverwalk Business Center Assessment District**  
**Representative Projects in Which Mr. Turner was Involved**

<b>Project Name</b>	<b>City/ Location</b>	<b>Acres/Sq. Ft.</b>	<b>Type of Development</b>	<b>Role of Project Manager</b>	<b>Time Period of Development</b>
<b>Acquisitions, Investments, Dispositions</b>					
2381/2391 Morse Avenue	Irvine	Rehab of 2 vacant office buildings	Office buildings	LLC Manager/ Owner	2000 to 2003
Hammond Business Park	Irvine	41,022 sq. ft.	Industrial Park	LLC Manager/ Owner	1993 to present
Freeway Business Center	Santa Ana	3 R&D buildings	Research and Development	Owner	2000 to 2002
San Juan Capistrano Business Park	San Juan Capistrano	Existing 237,369 sq. ft. 16 buildings	Business Park	LLC Manager/ Owner	2000 to present
Monroe Industrial Park	Placentia	Existing 38,655 sq. ft.	Industrial bldg.	Owner	2001 to 2003
<b>Land Development</b>					
A.J. West Ranch	Lake Forest	77 acres	Industrial, Office and Hotel Land	LLC Manager/ Developer	1999 to 2002
Mira Loma Gateway	Mira Loma	145 acres	Industrial Land	LLC Manager/ Developer	1993 to 1997
<b>Industrial Development</b>					
Turner/Grove Business Park	Ontario	9 buildings 248,989 sf	Industrial	LLC Manager/ Developer	1996 to present
Turner Railroad Business Park	City of Industry	5.73 acres/ 106,437 sq. ft.	Business Park	LLC Manager/ Developer	1999 to 2001
Turner/Chino Business Park	Chino	4 buildings 138,464 sf	Industrial	LLC Manager/ Developer	1998 to present
Turner/Lake Forest	Lake Forest	10 buildings; 278,111 sf	Industrial	LLC Manager/ Developer	1995 to 1999
Empire Business Park	Mira Loma	11 buildings; 668,264 sf	Industrial	Developer (Fee)	1994 to 1999
Turner/Philadelphia Business Park	Ontario	21 buildings; 335,211 sf	Light manufacturing/ industrial	LLC Manager/ Developer	1986 to present

**Status of Development.** The 10 Parcels owned by Turner Riverwalk – 1, LLC are improved with ten buildings under construction. Nine buildings, aggregating approximately 136,700 square feet, are freestanding, ranging from 11,490 square feet to 20,550 square feet. The remaining building, aggregating approximately 30,400 square feet, will contain eight industrial condominiums ranging from 2,700 square feet to 4,900 square feet. Four of the nine buildings are currently in escrow to purchasers and six of the eight industrial condominiums are in escrow to purchasers. The Assessment District will generally contain single-tenant industrial buildings configured to accommodate one user and industrial condos. The 10 buildings under construction were designed primarily for warehousing and distribution, and Turner Riverwalk – 1, LLC estimates the 10 buildings will be completed and escrows will close during the Fall of 2004.

**Development Budget.** The property within the Assessment District has been under site construction since early 2004 and has been mass-graded with wet and dry utilities installed or under construction. Based on information provided by Turner Riverwalk – 1, LLC, as of April 1, 2004, approximately 30% of the neighborhood and infrastructure improvements have been completed. As described in Table 3 below, as of April 30, 2004, approximately \$1,818,878 of infrastructure costs to be financed with proceeds of the Bonds have been incurred and approximately \$1,181,121 for infrastructure improvements are still required, and are subject to reimbursement from the proceeds of the Bonds. (The Appraisal indicates that as of April 1, 2004, approximately \$1,490,000 of infrastructure costs to be financed with proceeds of the Bonds had been incurred and approximately \$1,460,000 for infrastructure improvements were still required, and subject to reimbursement from the proceeds of the Bonds.) Turner Riverwalk – 1, LLC estimates that off-site improvements will be substantially complete by September 2004. This includes off-site costs relating to the 10 parcels owned by Turner Riverwalk – 1, LLC and the 14 parcels in Phase 2 and Phases 3A and 3B owned by La Sierra University and subject to the option agreement with Turner Development Corporation. In addition, Turner Riverwalk – 1, LLC or its Affiliates will incur costs for construction of buildings and related expenses.

The foregoing reflects Turner Riverwalk – 1, LLC's present plan for the development of the Phase 1 property. Turner Riverwalk – 1, LLC or its Affiliates are in the process of finalizing development plans for Phase 2 and estimate exercise of the option for such parcels by June 30, 2004. Construction costs relating to buildings in Phase 2 are estimated to be \$13,700,000. There can be no assurance that Turner Riverwalk – 1, LLC will have the resources, willingness or ability to successfully implement the development plan as described above or that Turner Development Corporation will exercise its option to purchase the remaining 14 parcels.



The following represents the pro forma and cost to date through April 30, 2004:

**Table 3**  
**City of Riverside**  
**Riverwalk Business Center Assessment District**  
**Pro Forma Development Budget and Costs to Date**

Description	Total Estimated Costs	Estimated Amount Spent (as of April 30, 2004)	Estimated Remaining Costs	Sources of Funds
<b>Assessment District Infrastructure (“Loop Street” Infrastructure)</b>				
Land Acquisition	\$1,105,030	\$1,105,030	\$0	Loan (PFF Bank & Trust)
Hard Costs	1,644,970	497,858	1,147,112	Loan (PFF Bank & Trust)
Soft Costs	<u>250,000</u>	<u>215,990</u>	<u>34,009</u>	Loan (PFF Bank & Trust)
	\$3,000,000	\$1,818,878	\$1,181,121	
<b>Phase 1 Construction</b>				
Land Acquisition	\$2,125,728	\$2,125,728	\$0	Equity/Loan (PFF Bank & Trust)
Hard Costs	6,990,968	1,961,919	5,029,049	Construction Loan (PFF Bank & Trust)
Soft Costs	<u>3,209,304</u>	<u>1,701,639</u>	<u>1,507,665</u>	Construction Loan (PFF Bank & Trust)
	\$12,326,000	\$5,789,286	\$6,536,714	
<b>Phase 2 Construction</b>				
Land Acquisition	\$2,753,000	\$0	\$2,753,000	Equity (\$2,225,000)/ Loan (BofA)
Hard Costs	7,988,000	0	7,988,000	Construction Loan (BofA)
Soft Costs	<u>2,959,000</u>	<u>0</u>	<u>2,959,000</u>	Construction Loan (BofA)
	\$13,700,000	\$0	\$13,700,000	
<b>Phase 3A Construction</b>				
Land Acquisition	\$3,600,000	\$0	\$3,600,000	Equity \$3,000,000/ Loan (to be determined)
Hard Costs	8,260,000	0	8,260,000	Construction Loan (To be determined)
Soft Costs	<u>3,718,000</u>	<u>0</u>	<u>3,718,000</u>	Construction Loan (To be determined)
	\$15,578,000	\$0	\$15,578,000	
<b>Phase 3B Construction</b>				
In planning stage				

Source: Turner Riverwalk – I, LLC.

**Environmental Review.** Most required development approvals were obtained over the last several years. See "THE ASSESSMENT DISTRICT – Environmental Conditions" above. The project has satisfied reviews relating to sensitive plant or animal species on the property (among other matters). Turner Riverwalk – 1, LLC is not aware of any additional permits required to proceed with development of the property other than the usual permits required from the City and applicable local agencies.

The project is within an area outside the 100-year flood plain according to the Federal Emergency Management Agency Community Panel No. 060260-0025A. Drainage is via natural sheet flow and percolation. Turner Riverwalk – 1, LLC is not aware of any drainage problems that would not be cured by development of the site.

**Plan of Finance.** Turner Riverwalk – 1, LLC is financing development of the improvements to be acquired through the Bonds and the Phase 1 building construction improvements through two loans with PFF Bank & Trust. One loan is authorized in an amount up to approximately \$10.8 million to provide for land acquisition and building construction. The outstanding balance as of March 31, 2004 was approximately \$3,320,463. A second loan from PFF Bank & Trust with an authorized amount up to approximately \$3 million provides financing for costs of public improvements which are to be reimbursed from proceeds of the Bonds. As of March 31, 2004, the outstanding balance of the infrastructure loan was approximately \$1,296,209. See Table 3 above. Construction financing for Phase 2 is being negotiated with Bank of America with respect to Turner Riverwalk – 2, LLC, a new limited liability company which was recently formed.

The foregoing plans and Turner Riverwalk – 1, LLC's projections are subject to change. There can be no assurance that Turner Riverwalk – 1, LLC has the willingness or ability to successfully implement the development plans described above. In the event that cost overruns occur which exceed the funds described above, Turner Riverwalk – 1, LLC will need to raise additional funds. No assurance can be given that such funds could be raised or would be raised on a timely basis. Continued development in the Assessment District may also be adversely affected by changes in general economic conditions, fluctuations in the real estate market and other similar factors. See "RISK FACTORS" herein for a discussion of risk factors.

If and to the extent that internal financing and sales revenues are inadequate to pay the costs to complete the planned development of the Parcels within the Assessment District, portions of the project may not be developable by Turner Riverwalk – 1, LLC.

**Absorption.** Sales of completed buildings in Phase 1 are estimated to occur from the third quarter of 2004 through the second quarter of 2005. See "PROPERTY OWNERSHIP AND DEVELOPMENT – Market Absorption Study" and APPENDIX E.

Turner Development Corporation has an option for the acquisition of the balance of approximately 33.65 gross acres in the Assessment District (14 parcels) from La Sierra University in two blocks. Phase 2 (approximately 10.25 acres) expires in July 2004 and Phases 3A and 3B (approximately 23.40) acres expires in October, 2005. The members of Turner Riverwalk – 1, LLC, or affiliates thereof, are expected to acquire the remaining 14 parcels if the option is exercised. Sales of completed buildings in Phase 2 are estimated to occur from the first quarter of 2005 through the second quarter of 2006. Sales of completed buildings in Phase 3A are estimated to occur from the third quarter of 2005 through the fourth quarter of 2006. Phase 3B is in the planning phase and an estimated sales schedule has not been prepared by Turner Development Corporation as of this time.

The foregoing absorption estimates were provided by Turner Riverwalk – 1, LLC. The Market Absorption Study contains projected absorption of buildings. See "THE ASSESSMENT DISTRICT – Market Absorption Study" and APPENDIX E – "UPDATE LETTER; MARKET ABSORPTION STUDY – SUMMARY AND CONCLUSIONS."

**History of Property Tax Payment; Loan Defaults; Bankruptcy.** Turner Riverwalk – 1, LLC to the actual knowledge of its current management certifies that:

- Neither Turner Riverwalk – 1, LLC nor, to Turner Riverwalk – 1, LLC's actual knowledge, any of its current Affiliates (as defined in the Major Owner Continuing Disclosure Agreement attached hereto as Appendix G) has ever been delinquent in the payment of any ad valorem property taxes, special assessments or special taxes in any material amount within the past 5 years.

- Neither Turner Riverwalk – 1, LLC nor any of its Affiliates is currently in default on any loans, lines of credit or other obligation related to its development in the Assessment District or any of its other projects which default would in any way materially and adversely affect its ability to develop its property in the Assessment District as described in the Official Statement or to pay the Assessments for which it is responsible. No Affiliate has any loans, lines of credit, or other obligation related to the development in the Assessment District.

- Turner Riverwalk – 1, LLC and its Affiliates are solvent and neither Turner Riverwalk – 1, LLC nor any of its Affiliates has ever filed bankruptcy or been declared bankrupt or has any proceeding pending or to Turner Riverwalk – 1, LLC's actual knowledge threatened in which Turner Riverwalk – 1, LLC may be adjudicated as bankrupt, or discharged from any or all of its debts or obligations.

- No action, suit, proceedings, inquiry or investigations at law or in equity, before or by any court, regulatory agency, public board or body, is pending (with service of process to Turner Riverwalk – 1, LLC or an Affiliate having been accomplished) against Turner Riverwalk – 1, LLC or any Affiliate or, to Turner Riverwalk – 1, LLC's actual knowledge, threatened, which if successful, would materially adversely affect the ability of Turner Riverwalk – 1, LLC to complete the development and sale of the property proposed for development by such entities within the Assessment District or to pay special taxes or *ad valorem* tax obligations when due on such property within the Assessment District.

### **La Sierra University**

La Sierra University, a California non-profit religious corporation ("La Sierra University"), has entered into an option agreement with Turner Development Corporation for the sale of the remaining 14 Parcels. The sale of the 7 Parcels within Phase 2 are expected to close by June 30, 2004 to a limited liability company which was recently formed and which is an affiliate of Turner Development Corporation. The sale of the 7 Parcels within Phases 3A and 3B are expected to close by October 31, 2005.

The University encompasses both developed and undeveloped properties east and west of Pierce Street, north of the La Sierra Channel, and southwest of Golden Avenue and La Sierra Avenue. La Sierra University is one of the largest landowners in western Riverside, having retained and accumulated its properties since the school was established as a Seventh-day Adventist high school in 1922.

Over the years the school grew from a high school to a junior college and then to La Sierra College in 1939. In 1967 La Sierra College merged with Loma Linda University. In 1990 the University was reorganized and La Sierra University was established as a separate institution. The University now has an enrollment of approximately 1,500 students in both undergraduate and graduate programs in liberal arts, business and management, religion, and teaching.

As part of the La Sierra University Specific Plan, the University will be expanded to accommodate 5,000 students and surplus lands will be developed with institutional, office, residential, commercial, and industrial uses.

**Description of Project.** La Sierra University has contracted to option the balance of 33.65 acres to Turner Development Corporation, or its Affiliates.

The property which La Sierra University owns is expected to be acquired by separate limited liability companies pursuant to an assignment by Turner Development Corporation of its option to acquire parcels within the Assessment District.

**Status of Development.** The Parcels within the Assessment District are encompassed within a final map recorded July 24, 2003. As described above, under “ – Turner Riverwalk – 1, LLC – Status of Development,” Turner Riverwalk – 1, LLC will be constructing all backbone public improvements and rough grading lots. La Sierra University is not responsible for construction of any improvements. Estimated costs are set forth above in the section subcaptioned “ – Turner Riverwalk – 1, LLC – Development Budget.”

**Environmental Review.** Most required development approvals were obtained over the last several years. See “THE ASSESSMENT DISTRICT – Environmental Conditions” above. The project has satisfied reviews relating to sensitive plant or animal species on the property (among other matters). La Sierra University is not aware of any additional permits required to proceed with development of the property other than the usual permits required from the City and applicable local agencies.

The project is within an area outside the 100-year flood plain according to the Federal Emergency Management Agency Community Panel No. 060260-0025A. Drainage is via natural sheet flow and percolation. La Sierra University not aware of any drainage problems that would not be cured by development of the site.

**Plan of Finance.** La Sierra University expects Turner Development Corporation or an assignee of Turner Development Corporation to exercise its option to purchase the balance of the property within the Assessment District and does not expect to be liable for payment of the Assessments, except for a limited period of time with respect to Phases 3A and 3B. La Sierra University does not have financing in place for construction of any improvements. Such costs are expected to be incurred by Turner Riverwalk – 1, LLC or limited liability companies which are assignees of Turner Development Corporation’s option rights.

**History of Property Tax Payment; Loan Defaults; Bankruptcy.** La Sierra University has made the following representations:

- Except as described below, neither La Sierra University nor to La Sierra University’s actual knowledge, any of its current Affiliates (as defined in the Major Owner Continuing Disclosure Agreement attached hereto as Appendix G) has ever been delinquent in the payment of any ad valorem property taxes, special assessments or special taxes in any material amount within the past 5 years. La Sierra University was delinquent for the first installment of taxes in Fiscal Year 2002-03 for certain property owned by La Sierra University outside of the Assessment District. The aggregate amount involved was less than \$25,000 and La Sierra University paid the taxes when the missed payment was brought to its attention.

- Neither La Sierra University nor any of its Affiliates is currently in default on any loans, lines of credit or other obligation related to its proposed development in the Assessment District or any of its other projects which default would in any way materially and adversely affect its ability to develop its proposed development in the Assessment District as described in the Official Statement or to pay the Assessment Installments for which it is responsible.

- La Sierra University and its Affiliates are solvent and neither La Sierra University nor any of its Affiliates has ever filed bankruptcy or been declared bankrupt, or has any proceeding pending or to La Sierra University’s actual knowledge, threatened in which it or its Affiliates may be adjudicated as bankrupt, or discharged from any or all of its debts or obligations.

- No action, suit, proceedings, inquiry or investigations at law or in equity, before or by any court, regulatory agency, public board or body, is pending (with service of process to La Sierra University or an Affiliate having been accomplished) against La Sierra University or any Affiliate or, to La Sierra University’s actual knowledge, threatened, which if successful, would materially adversely affect the ability of La Sierra University to complete the acquisition and development of the property expected to be owned within the Assessment District or to pay Special Taxes, assessments or *ad valorem* tax obligations when due on its proposed property within the Assessment District.

## **Direct and Overlapping Debt**

Contained within the Assessment District are numerous overlapping local agencies providing public services. Some of such local agencies have outstanding bonds issued in the form of general obligation and special assessment bonds. Additional indebtedness could be authorized by the City or other public agencies at any time.

The table below sets forth the existing authorized indebtedness payable from taxes and assessments that may be levied within the Assessment District prepared by California Municipal Statistics, Inc. and dated as of April 1, 2004 (the "Debt Report"). The Debt Report is included for general information purposes only. In certain cases, the percentages of debt calculations are based on assessed values, which will change significantly as sales occur and assessed values increase to reflect building structures. The Assessment District believes the information is current as of its date, but makes no representation as to its completeness or accuracy. Other public agencies, such as the County, may issue additional indebtedness at any time, without the consent or approval of the Assessment District.

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Assessment District in whole or in part. Such long term obligations generally are not payable from property taxes, assessments or special taxes on land in the Assessment District. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. Additional indebtedness could be authorized by the Assessment District, the City or other public agencies at any time.

**Table 4  
City of Riverside  
Riverwalk Business Center Assessment District  
Direct and Overlapping Bonded Indebtedness**

CITY OF RIVERSIDE RIVERWALK ASSESSMENT DISTRICT

2003-04 Local Secured Assessed Valuation: \$666,622

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/04</u>
Metropolitan Water District	0.00005%	\$ 224
Alvord Unified School District	0.017	8,495
City of Riverside Riverwalk Assessment District	100.	3,755,000 (1)
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$3,763,719</b>
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Riverside County General Fund Obligations	0.001%	\$ 6,531
Riverside County Board of Education Certificates of Participation	0.001	132
Riverside City Community College District Certificates of Participation	0.002	244
Alvord Unified School District Certificates of Participation	0.017	4,232
City of Riverside General Fund Obligations	0.005	2,963
<b>TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$14,102</b>
Less: Riverside County self-supporting obligations		218
<b>TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>		<b>\$13,884</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		<b>\$3,777,821 (2)</b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$3,777,603</b>

(1) Includes \$3,755,000 1915 Act bonds to be sold.

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

Ratios to 2003-04 Assessed Valuation:

Direct Debt (\$3,755,000) .....	563.29%
Total Direct and Overlapping Tax and Assessment Debt .....	564.60%
Gross Combined Total Debt .....	566.71%
Net Combined Total Debt .....	566.68%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/03: \$0

*Source: California Municipal Statistics, Inc.*

**Transportation Uniform Mitigation Fee; Multiple Species Habitat Conservation Plan**

The County of Riverside and the 14 cities in western Riverside County, including the City, adopted a new transportation fee for development, which adds approximately \$6,650 to every new single-family house and approximately \$4,600 to each future apartment or condominium unit in the County, subject to credit for a portion, if any, of transportation facility fees imposed by the County or applicable city which relates to facilities encompassed within the new transportation fee. New retail, service and industrial development will also be charged the transportation fee based on the square footage of new development (approximately \$8.90 per square foot for retail, \$5.08 per square foot for service and \$1.44 per square foot for industrial). The fee was approved by the County in February 2003. The fee was approved by the City in early 2003. The fees relating to industrial properties will be phased in over a two year period commencing July 1, 2004. The fee was implemented by the other cities in the County between February 1, and June 1, 2003. Cities may opt out of the fee, but then they will not be able to receive any money from Measure A, the County's half-cent sales tax initiative. Extension of the term of Measure A was approved by the voters at the November 5, 2002 election. Measure A is estimated to cover more than 50% of the cost of maintaining cities' roads and streets. The half-cent sales tax program is now extended an additional 30 years and will

expire in 2039. The Appraisal is based in part on comparable land sales which occurred before implementation of the Transportation Uniform Mitigation Fee. The effect of the Transportation Uniform Mitigation Fee on land values and sales prices cannot be determined at this time. Due to the stage of development of the property, the property in Phase 1 is not subject to the Transportation Uniform Mitigation Fee. In addition, Turner Riverwalk – 2, LLC (an entity in formation process) expects to obtain necessary approvals so that the property in Phase 2 is not subject to the Transportation Uniform Mitigation Fee. Property in Phases 3A and 3B is expected to be subject to the Transportation Uniform Mitigation Fee.

The County of Riverside adopted and the cities in western Riverside County may adopt a new fee for the costs of a Multiple Species Habitat Conservation Plan. The fee adopted by the County, and which may be adopted by the cities would apply to new development. The Ordinance adopted by the County is effective upon the issuance of the appropriate permits authorizing take in connection with the Multiple Species Habitat Conservation Plan by the U.S. Fish and Wildlife Service and the California Department of Fish and Game, which effective date has not occurred as of May 15, 2004, but is expected to be during the second quarter of 2004. The County fee ranges from approximately \$1,651 per home to \$5,620 an acre for commercial property. The City has adopted a fee relating to the costs of the Multiple Species Habitat Conservation Plan, and the property in Phases 2, 3A and 3B of the Assessment District is expected to be subject to the proposed fee. The effect of the Multiple Species Habitat Conservation Plan fee adopted by the County or which may be adopted by any city on land values and sales prices cannot be determined at this time.

### **Market Absorption Study**

Empire Economics, Inc., the market absorption consultant (the “Market Absorption Consultant”), has prepared a market Absorption Study, dated January 22, 2004 (the “Market Absorption Study”).

Based upon its analysis of the economic and real estate conditions along with the characteristics of the business-industrial products in the Assessment District and taking into account the “relatively-high” special assessments, the Market Consultant estimated the overall rate of absorption as approximately 12 acres per year, on the average during the 2004 to Spring-2007 time period. The Market Absorption Consultant’s estimated absorption rates are 7.7 acres in 2004, 12.3 acres in 2005, 17.0 acres in 2006 and the remaining 6.5 acres in 2007, with build out occurring in Spring-2007. For purposes of the Market Absorption Study, “absorption” represents a building that is fully constructed and occupied by final-users.

The Market Absorption Study is subject to a number of assumptions and limiting conditions. See APPENDIX E – “UPDATE LETTER; MARKET ABSORPTION STUDY – SUMMARY AND CONCLUSIONS” for a discussion of the assumptions and limit conditions of the Market Absorption Study.

### **Appraisal**

The City retained Harris Realty Appraisal (the “Appraiser”), appraisers and consultants in real estate, to appraise the property within the Assessment District. The Appraiser has provided an appraisal in connection with the Bonds. The Appraisal Report City of Riverside Riverwalk Business Center Assessment District, Riverside, California dated April 6, 2004 (the “Appraisal”), sets forth the Appraiser’s estimate of the market value of the property included within the Assessment District as of April 1, 2004, and is included herein as Appendix D.

The Appraisal includes an estimate of market value of all the undeveloped land, and the buildings under construction subject to special assessment. The land is under the ownerships of the Major Owners – La Sierra University and Turner Riverwalk – 1, LLC. The land has been under construction with mass-grading and infrastructure improvements since early 2004. Ten industrial buildings are under construction on the ten parcels owned by Turner Riverwalk – 1, LLC.

According to the specific guidelines of the California Debt and Investment Advisory Commission (CDIAC), each ownership is valued in bulk, representing a discounted value to that ownership as of the date of value. When a particular ownership of land represents a merchant builder parcel, no further discounting

is considered warranted. The aggregate value of the two ownerships represents market value of the entire property within the Assessment District.

The property is valued as enhanced by infrastructure improvements financed by the Assessment District and the market value estimate is net of the existing special assessment lien and considers that the buyer will assume all future financial obligations with respect to the annual debt service on the Bonds.

In the Appraisal, the Appraiser opines that, as of April 1, 2004, the market value of the fee simple interest in the subject property within the Assessment District, subject to the existing assessment lien from the Assessment District, was \$11,900,000, with \$8,800,000 relating to property owned by La Sierra University and \$3,100,000 relating to property owned by Turner Riverwalk – 1, LLC.

The Appraisal is attached hereto as Appendix D. Reference is hereby made to the Appraisal for important assumptions and limiting conditions upon which the valuation conclusions are based. See also “RISK FACTORS” for a discussion of the risks associated with the valuation conclusions contained in the Appraisal and “THE ASSESSMENT DISTRICT – Property Ownership and Development” for a discussion of the owners of the Parcels within the Assessment District.

The Assessment District has not undertaken to commission annual appraisals of the market value of property in the Assessment District for purposes of its Annual Reports pursuant to the Continuing Disclosure Agreement, and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See Appendix F hereto for the form of the Continuing Disclosure Agreement.

#### Appraised Value-to-Lien Ratio

As described above, in the Appraisal, the Appraiser opines that, as of April 1, 2004, the Parcels within the Assessment District have an estimated “as is” land value of \$11,900,000. The property is valued as enhanced by existing and/or proposed infrastructure improvements financed by the Assessment District. See “THE ASSESSMENT DISTRICT – Appraisal” and APPENDIX D – “SUMMARY APPRAISAL REPORT.” The ratio of the aggregate appraised market value of the Parcels within the Assessment District, \$11,900,000, to the lien of the Assessments, \$3,755,000 is 3.17:1. Following is a table that sets forth the value to lien ratio for the Parcels included within the Assessment District.

**Table 5**  
**City of Riverside**  
**Riverwalk Business Center Assessment District**  
**Value-to-Lien Ratio**

Owner	Phase	No. Parcels	Net Acres	Appraised Value	Lien <sup>(1)</sup>	Value-to-Lien Ratio
Turner Riverwalk – 1, LLC	1	10	9.74	\$3,100,000	\$842,906	3.68:1
La Sierra University	2, 3A, 3B	14	33.65	8,800,000	2,912,094	3.02:1
		24	43.39	\$11,900,000	\$3,755,000	3.17:1

(1) No additional bonds secured by the lien of the Assessments may be issued.

As described above, the Parcels within the Assessment District are also subject to an obligation for the Metropolitan Water District and the Alford Unified School District. Such obligation are based on the assessed value of the property and will increase as the property is developed and the assessed value increases. See “THE ASSESSMENT DISTRICT – Direct and Overlapping Debt.”

The City cannot predict the amount or timing of additional bonds issued by any public entity or the effect that the issuance of any debt may have on the ratio of the total direct and overlapping debt to the appraised value of the Assessment District at the time the debt is issued.



## **RISK FACTORS**

*The purchase of the Bonds involves certain investment risks. 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. The discussion does not purport to be comprehensive or definitive, the risk factors are listed in no particular order of importance, and the discussion 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 Assessment District to pay their Assessments when due. Any such failure to pay Assessments could result in the inability of the City to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the Assessment District. The Official Statement should be read in its entirety for the purpose of making an informed investment decision.*

### **General**

To provide for the payment of debt service on the Bonds, it is necessary that unpaid Assessment Installments be paid in a timely manner. Although the unpaid Assessments constitute a fixed lien on the Parcels within the Assessment District, they do not constitute a personal indebtedness of the respective owner of such Parcels. There is no assurance that Turner Riverwalk –1, LLC, La Sierra University, or any subsequent owners will be financially able to pay the Assessment Installments or that they will pay such installments even though financially able to do so.

Failure by the owners of the Parcels within the Assessment District to pay Assessment Installments when due, depletion of the Reserve Fund, or the inability to sell the Parcels within the Assessment District at foreclosure proceedings for amounts sufficient to cover delinquent Assessment Installments levied against such Parcels would result in the inability to make full or punctual payments of debt service to the Bondowners.

Turner Riverwalk – 1, LLC and La Sierra University currently own the Parcels within the Assessment District. Turner Development Corporation, an affiliate of Turner Riverwalk - 1, LLC has an option to purchase the parcels owned by La Sierra University and expects to exercise such option with respect to Phase 2 of the development, through itself or a related entity on or before June 30, 2004. See "THE ASSESSMENT DISTRICT – Property Ownership and Development." Due to the concentration of ownership of the Parcels, the timely payment of the Assessment Installments will depend upon the willingness and ability of the Major Owners or their successors to pay such installments when due. If any such entity or subsequent owner is unwilling or unable to pay the Assessments when due, a potential shortfall in the Redemption Fund could occur, which would result in the depletion of the Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Assessments, and consequently, a delay or failure in payments of the principal of or interest on the Bonds. The City has not undertaken to assess the financial condition of Turner Riverwalk – 1, LLC, La Sierra University, or Turner Development Corporation or the likelihood that any of them will pay or will be able to pay the Assessment Installments when due, and expresses no view concerning these matters.

The City reports that according to County records, as of April 21, 2004, the owners of the Parcels within the Assessment District were not delinquent in the payment of regular taxes for such Parcels.

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

The Bondowners 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 Assessment District, the supply of or demand for competitive properties in such area, the market value of commercial property or industrial buildings and/or sites in the event of sale or foreclosure, and the maintenance of the property (ii) changes in real estate tax rate and other operating expenses, governmental rules (including, without limitation, zoning laws) and fiscal

policies, and (iii) natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses.

### **Assessments Are Not Personal Obligations**

The owners of land within the Assessment District are not personally liable for the payment of the Assessments. Rather, the Assessments are an obligation only of the land within the Assessment District. If the value of the land within the Assessment District is not sufficient to fully secure the Assessments, then the City has no recourse against the owners under the laws by which the Assessments have been levied and the Bonds have been issued.

### **The Bonds Are Limited Obligations of the City**

The City has no obligation to pay principal of and interest on the Bonds in the event Assessment Installments are delinquent, other than from amounts, if any, on deposit in certain funds and accounts held under the Fiscal Agent Agreement, or funds derived from the tax sale or foreclosure and sale of parcels on which the Assessment Installments are delinquent, nor is the City obligated to advance funds to pay such debt service on the Bonds.

If a delinquency occurs in the payment of any Assessment Installment, the Fiscal Agent is required to transfer the amount of such delinquent installment from the Reserve Fund to the Redemption Fund. If the Reserve Fund is depleted and if there are additional delinquencies, the City is not required to transfer into the Redemption Fund the amount of the delinquency out of any other moneys of the City.

### **Foreclosure Shortfall**

Pursuant to the Act, if a Parcel within the Assessment District is foreclosed upon and cannot be sold at the foreclosure sale at a price equal to the amount of the judgment for delinquent Assessment Installments with costs and interest thereon, the City may petition a court to authorize the sale of such Parcels at a lower price upon the consent of Bondowners owning 75% or more in principal amount of the Bonds and certain other conditions. Any such sale would produce a shortfall in the aggregate Assessment Installments payable with respect to such lot and, ultimately, a default in the payment of principal on the Bonds.

### **State Budget**

The State is experiencing serious budgetary shortfalls for the current fiscal year. The effect of the State revenue shortfalls on the local or State economy or on the demand for, or value of, the parcels within the Assessment District cannot be predicted.

### **Bankruptcy and Foreclosure Delays**

The payment of the Assessment Installments and the ability of the City to foreclose the lien of a delinquent unpaid Assessment Installment, as discussed in "SECURITY FOR THE BONDS – Obligation of the City Upon Delinquency" may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure action could be delayed due to crowded local court calendars, delays in the legal process and procedural delaying tactics.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Collection of Assessment Installments. Although bankruptcy proceedings would not cause the lien of the Assessments to become extinguished, the bankruptcy of a property owner or of a partner or other equity owner of a property owner, could result in the stay of the enforcement of the lien for the Assessments,

a delay in prosecuting Superior Court foreclosure proceedings or adversely affect the ability or willingness of a property owner to pay the Assessment Installments, and could result in the possibility of delinquent Assessment Installments not being paid in full. In addition, the amount of any lien on property securing the payment of delinquent Assessment Installments could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Assessment Installments in excess of the reduced lien could then be treated as an unsecured claim by the court. Any such stay of the enforcement of the lien, or any such delay or non-payment would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent Assessment Installments not being paid in full.

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

The City's ability to enforce the lien of a Assessment Installment and to foreclose the lien of a delinquent Assessment Installment, is limited with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, Federal Deposit Insurance Corporation (the "FDIC") or other similar federal government agencies has or obtains an interest.

Specifically with respect to the FDIC, in the event that any financial institution making a loan which is secured by a lot is taken over by the FDIC and the applicable Assessment Installment is not paid, the remedies available to the City may be constrained. The FDIC's December 10, 1996 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, such as the Assessment Installments, 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 lots on which the FDIC holds a mortgage lien, the FDIC will not permit its lien to be foreclosed upon 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 or assessments.

The FDIC has filed claims against the County of Orange with respect to Mello-Roos District special taxes in the United States Bankruptcy Court and in Federal District Court in which the FDIC has taken a position similar to the position outlined in the Policy Statement. While all of such claims have not been resolved, the Bankruptcy Court has issued a tentative ruling in favor of the FDIC on certain of such claims. The County of Orange has appealed such ruling and the FDIC has cross-appealed. The decision of the United States Court of Appeals for the 9<sup>th</sup> Circuit (the "9<sup>th</sup> Circuit Court") was filed on August 28, 2001. In its decision, the Court stated that the FDIC, as a federal agency, is exempt from the Mello-Roos special tax. The FDIC has also filed suit (the "post-bankruptcy" suit) regarding special taxes imposed after 1994. However, such action has been stayed pending resolution of the 9<sup>th</sup> Circuit Court appeal by the FDIC regarding the bankruptcy case. The post-bankruptcy suit has recently been consolidated with the cases filed by the FDIC against other California counties and is pending in the United States District Court in Los Angeles. The FDIC has filed a motion to lift the bankruptcy stay.

It is unclear whether or not the FDIC would take a position with respect to special assessments, such as the Assessments, similar to that which it has taken with respect to Mello-Roos community facilities district special taxes. The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a Parcel in which the FDIC has or obtains an interest, although prohibiting the lien on the FDIC-owned property to be foreclosed at a judicial foreclosure sale would prevent the sale of such Parcel at a foreclosure sale. Bondowners should assume that the City will be unable to foreclose on any Parcel owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, default in payment of the Bonds. The City has not undertaken to determine whether the FDIC currently has, or is likely to acquire, any interest in any of the Parcels, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

## **Factors That May Affect Land Development and Value**

The development, sale and lease of buildings constructed on the Parcels within the Assessment District may be adversely affected by changes in general economic conditions, fluctuations in the real estate market, changes in ownership of the land, unexpected delays, disruptions and changes, and other factors which may affect the willingness and ability of the Major Owners, or any property owner to pay the Assessment Installments when due. In addition, construction of improvements on the Parcels within the Assessment District will be subject to existing and future federal, state and local regulations. Approval may be required from various public agencies in connection with the design, nature and extent of improvements, or such matters as land use and zoning. Failure to meet any such future legislation or obtain any such approvals in a timely manner could delay or adversely affect the improvement of the Parcels within the Assessment District.

Under current California law, it is generally accepted that proposed development is not exempt from future land use regulations until building permits have been properly issued and substantial work has been performed and substantial liabilities have been incurred in good faith reliance on such permits. As of April 1, 2004, building permits had been issued for only a portion of the Parcels within the Assessment District.

### **Earthquakes**

The Assessment District is located in a seismically active area of Southern California and is subject to unpredictable seismic activity. There is no evidence that a ground surface rupture will occur in the event of an earthquake, but there is significant potential for destructive ground-shaking during the occurrence of a major seismic event. Known active faults that could cause significant ground shaking within the Assessment District include, but are not limited to, the San Andreas Fault. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure within the Assessment District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Assessments when due. In addition, the value of land within the Assessment District could be diminished in the aftermath of such an earthquake, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of Assessments.

### **Endangered Species**

During the past several years, there has been an increase in activity at the State and Federal level related to the listing and possible listing of certain plant and animal species found in the State as endangered species. An increase in the number of endangered species is expected to curtail development in a number of areas. At present, the parcels within the Assessment District are not known to be inhabited by any plant or animal species which either the California Fish and Game Commission or the United States Fish and Wildlife Service has listed as endangered or proposed for addition to the endangered species list. Notwithstanding this fact, new species are proposed to be added to the State and federal protected lists on a regular basis. Any action by the State or federal governments to protect additional species could negatively impact the ability to complete the development as planned. This, in turn, could reduce the likelihood of timely payment of the Assessment Installments and would likely reduce the value of the land and the potential revenues available at a foreclosure sale for delinquent Assessments. See "RISK FACTORS – Factors That May Affect Land Development and Value" and "RISK FACTORS – Appraised Value; Land Value."

### **Hazardous Substances**

One of the most serious risks in terms of the potential reduction in the value of a lot is a claim with regard to a hazardous substance. In general, the owners and operators of a lot may be required by law to remedy conditions of the lots relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of the property whether or not

the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should the lots be affected by a hazardous substance, will be to reduce the marketability and value of the lots by the costs of remedying the condition, because the prospective purchaser, upon becoming owner, will become obligated to remedy the condition just as the seller is.

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

The City, Turner Riverwalk – 1, LLC, La Sierra University, and Turner Development Corporation have no knowledge of any hazardous substances being located on the property within the Assessment District.

### **Appraised Value; Land Value**

The value of the land within the Assessment District is a critical factor in determining the investment quality of the Bonds. The Appraisal was prepared for the purpose of estimating the current aggregate “as is” value of the fee simple interests in the Parcels within the Assessment District as of April 1, 2004. The Appraisal is qualified by the Appraiser as stated in the Appraisal. Should future conditions and events reduce the level of permitted development of the Assessment District, the value of the land would likely be reduced from that estimated by the Appraiser.

The opinion of value relates to sale by a willing seller to a willing buyer, each having similar information and neither being forced by other circumstances to sell or to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information. In addition, the opinion is a present opinion. It is based upon present facts and circumstances. Differing facts and circumstances may lead to differing opinions of value. The appraised market value is not evidence of future value because future facts and circumstances may differ significantly from the present.

If a property owner is delinquent in the payment of a Assessment Installment, the City’s only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the Bonds. Reductions in property values due to a downturn in the economy, physical events such as earthquakes or floods, stricter land use regulations or other events could adversely impact the security underlying the Assessments.

The estimated value-to-lien ratio of individual parcels varies greatly. No assurance can be given that, should a parcel with delinquent Assessment Installments be foreclosed upon and sold for the amount of the delinquency, any bid will be received for such property or, if a bid is received, that such bid will be sufficient to pay all delinquent Assessment Installments.

See “SECURITY FOR THE BONDS – Obligation of the City Upon Delinquency” for a discussion of the provisions which apply, and procedures which the City is obligated to follow under the Fiscal Agent Agreement, in the event of delinquencies in the payment of Assessment Installments. Although the Act authorizes the City to cause a foreclosure action to be commenced and diligently pursued to completion, the 1915 Act does not specify any obligation of the City with regard to purchasing or otherwise acquiring any lot or parcel of property sold at a foreclosure sale in any such action if there is no other purchaser at such sale. The City has not in any way agreed, nor does it expect, to be such a purchaser. See “– FDIC/Federal Government Interests in Properties” above for a discussion of the policy for the Federal Deposit Insurance Corporation regarding the payment of assessments and special taxes and limitations on the City’s ability to foreclose on the lien of the Assessments in certain circumstances.

## **Parity of Assessments, Bonds and Taxes**

The Assessments and any penalties received with respect thereto constitute a lien against the Parcels within the Assessment District until they are paid. The lien of the Assessments is on a parity with all special taxes levied by other agencies and general property taxes wherever such special taxes and general taxes are imposed on the same property, and subordinate to liens of special assessments previously imposed. The Assessments have priority over all existing and future private liens imposed on the Parcels within the Assessment District and over all future fixed special assessments.

The City does not have control over the ability of other local government agencies to issue indebtedness secured by assessments or special taxes against all or a portion of the Parcels within the Assessment District. In addition, the owners of the Parcels within the Assessment District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by assessments or special taxes. Any such assessments or special taxes may have a lien on such property on a parity with the Assessments. See "THE ASSESSMENT DISTRICT – Direct and Overlapping Debt" for a description of such authorized but unissued debt and all governmental debt secured by the Parcels within the Assessment District.

## **Future Indebtedness**

Construction has not yet commenced on several of the buildings to be constructed in the Assessment District. To develop these Parcels, the current or future owner may require financing that would increase the public and/or private debt for which the Parcels within the Assessment District provide security. Such debt and any additional debt could reduce the ability or desire of the owner of such Parcels to pay the Assessment Installments as they become due.

In addition, as described above, if any additional improvements or other costs are financed through the issuance of governmental debt payable from special taxes against the Parcels within the Assessment District, such taxes would have a lien on a parity with that of the Assessments.

## **Disclosure to Future Purchasers**

The City has recorded a notice of the Assessment lien in the Office of the Riverside County Recorder on October 9, 2003, as Document No. 2003-796791. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Assessment obligation in the purchase of a parcel of land in the Assessment District or the lending of money thereon. California law requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a fixed lien assessment of the existence and maximum amount of such assessment using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the assessment lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Assessments, could adversely affect the willingness and ability of the purchaser or lessor to pay the Assessments when due.

## **California Constitution Article XIIC and Article XIID**

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIID requires that, beginning July 1, 1997, the proceedings for the levy of any assessment by the City under the Act (including, if applicable, any increase in such assessment or any supplemental assessment under the Act) must be conducted in conformity with the provisions of Section 4 of Article XIID. The City has completed its proceedings for the levy of assessments in the Assessment District in accordance

with the provisions of Section 4 of Article XIID and the "Proposition 218 Omnibus Implementation Act" (Statutes of 1997, Chapter 38). Under Section 10400 of the Streets and Highways Code of the State, any challenge (including any constitutional challenge) to the proceedings or the assessment must be brought within 30 days after the date the assessment was levied.

Article XIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article XIIC does not define the term "assessment." In the case of the unpaid Assessments which are pledged as security for payment of the Bonds, the Act provides a mandatory, statutory duty of the City and the County Auditor to post installments on account of the unpaid Assessment Installments to the property tax roll of the County each year while any of the Bonds are outstanding, commencing with property tax year 2004-05, in amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year. Although the matter is not free from doubt, it is likely that a court would hold that Article XIIC has not conferred on the voters the power to reduce or repeal the unpaid Assessments which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the mandatory, statutory duty of the City and the County Auditor with respect to the unpaid Assessments which are pledged as security for payment of the Bonds.

The interpretation and application of 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.

### **Ballot Initiatives and Legislative Measures**

Article XIII A, Article XIII B and Proposition 218 were each adopted as measures that qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities, and Governor Schwarzenegger has proposed a ballot measure affecting State budget. Governor Schwarzenegger's California Recover Plan, approved at the March 2004 election among other things, added to the Constitution a requirement requiring the Governor and Legislature to approve a balanced budget (as opposed to the former requirement that the Governor present a balanced budget to the Legislature) and granted the Governor additional powers in the event of budget deficits. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the State Legislature. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the County, the City, the School District or local districts to increase revenues or to increase appropriations or on the ability of a property owner to complete the development of the property.

### **No Acceleration**

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 Fiscal Agent Agreement. There is no provision in the Act or the Fiscal Agent Agreement for acceleration of the Assessment Installments in the event of a payment default by the owners of the lots within the Assessment District or otherwise, or upon any adverse change in the tax status of interest on the Bonds. Pursuant to the Fiscal Agent Agreement, a Bondowner is given the right for the equal benefit and protection of all Bondowners to pursue certain remedies described in APPENDIX C – "SUMMARY OF CERTAIN PROVISION OF THE FISCAL AGENT AGREEMENT."

### **Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS" herein, interest on the Bonds could become includable in 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 City in violation of its covenants in the Fiscal Agent Agreement. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed under one of the other provisions contained in the Fiscal Agent Agreement.

## **Limited Liquidity of the Bonds**

The City has not applied for, and does not expect to receive, a rating on the Bonds from any nationally recognized rating organization. This fact, coupled with the fact that the Bonds are secured by a limited number of Parcels, may limit the secondary market for, and therefore the liquidity of, the Bonds.

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

## **Limitations on Remedies**

Remedies available to the Bondowners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of the Bonds. See “– FDIC/Federal Government Interests in Properties,” and “No Acceleration.”

## **CONCLUDING INFORMATION**

### **Tax Matters**

#### *General*

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the Fiscal Agent Agreement to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on



the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

The Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser's basis in a Premium Bond and, under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

#### *IRS Audit of Tax Exempt Bond Issues*

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

#### **No Litigation**

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

#### **No Rating**

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

#### **Legal Matters**

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Best & Krieger LLP, Riverside, California, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix B hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed on for the Underwriter by McFarlin & Anderson LLP, Lake Forest, California and for the City by the City Attorney. The fees of Bond Counsel and Underwriter's Counsel are contingent upon issuance of the Bonds.

## **Underwriting**

The Bonds are being purchased through negotiation by Stone & Youngberg LLC (the "Underwriter"). The Underwriter has agreed to purchase the Bonds for \$3,677,165.20, which represents the par amount of the Bonds, less an underwriter's discount of \$74,795.00 and an original issue discount of \$3,039.80. The purchase contract for 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 such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

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

## **Additional Information**

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

Copies of this Official Statement in reasonable quantity and other documents referred to herein may be obtained from the offices of the City.

Execution of this Official Statement by the City Manager of the City has been duly authorized by the City.

## **CITY OF RIVERSIDE**

By /s/ Paul C. Sundeen  
Paul C. Sundeen, Finance Director

## APPENDIX A

### GENERAL INFORMATION ABOUT THE CITY OF RIVERSIDE

*The following information is provided for background purposes only. The City of Riverside has no liability whatsoever with respect to the Bonds or the Fiscal Agent Agreement.*

#### **General Information**

Founded as a cooperative joint-stock venture in 1870 by John North and a group of Easterners who wished to establish a colony dedicated to furthering education and culture, Riverside was built on land that was once a Spanish rancho. In 1883 the City incorporated under the general laws of the State of California. The City has a Council-Manager form of government, and is represented by the seven members of the City Council who are elected from wards to serve a four-year term. The Mayor is elected from the City at large to serve a four-year term.

Riverside owns and operates its own electric and water utilities providing businesses with low rates and safe, reliable sources of electricity and water. Riverside's business customers enjoy electrical rates up to 40% lower than investor utilities. Riverside's water rights assure that customer needs will be met well into the future at rates 50% lower than neighboring communities.

Other governmental entities, such as the State of California, the County and various school and other districts, also provide various levels of service within the City of Riverside. However, the Riverside City Council does not have a continuing oversight responsibility over these other governmental entities.

Located on California Highway 91, the City of Riverside is the largest city in the Inland Empire and in Riverside County (as of January, 2002) and the 11<sup>th</sup> largest city in California, encompassing 85.6 square miles. The City of Riverside is approximately 50 miles east of Los Angeles, 90 miles north of San Diego, 40 miles northeast of Orange County, and 45 miles inland from the Pacific Ocean, contiguous to desert and mountain regions. The City's approximately 274,100 residents are offered a broad range of housing options from apartments to luxury custom homes, with the 2002 estimated median housing price at \$153,895.

## Population

From 1990 – 2003, the City's population grew from 223,300 to 274,100, a gain of 50,800 or 22.7%. In this same period, Riverside County added 561,100, a gain of 49.0%.

### CITY OF RIVERSIDE AND COUNTY OF RIVERSIDE POPULATION FROM 1990 TO 2003

Year	Riverside		Riverside County	
	Population	% Change	Population	% Change
1990	223,300	—	1,144,400	—
1991	227,500	1.9%	1,221,300	6.7%
1992	233,500	2.6	1,275,500	4.4
1993	236,400	1.2	1,312,300	2.9
1994	238,000	0.7	1,340,200	2.1
1995	239,000	0.4	1,365,500	1.9
1996	240,500	0.6	1,391,800	1.9
1997	243,200	1.1	1,420,600	2.1
1998	246,300	1.3	1,451,400	2.2
1999	250,200	1.6	1,490,500	2.7
2000	253,800	1.4	1,533,800	2.9
2001	261,300	3	1,584,300	3.3
2002	269,600	3.2	1,645,300	3.9
2003	274,100	1.7	1,705,500	3.7

Source: California Department of Finance.

## Construction Activity

The following table shows a five year history of construction activity in the City.

### CITY OF RIVERSIDE BUILDING PERMITS AND VALUATIONS 1999 – 2003

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Valuation:					
Residential	\$193,668,641	\$254,669,512	\$268,277,310	\$231,280,762	\$253,539,080
Non-residential	<u>63,403,182</u>	<u>43,237,261</u>	<u>96,552,009</u>	<u>110,750,442</u>	<u>142,604,591</u>
Total	<u>\$257,071,823</u>	<u>\$297,906,773</u>	<u>\$364,829,319</u>	<u>\$342,031,204</u>	<u>\$396,143,671</u>
Residential Units: <sup>1</sup>					
Single family	749	1,017	1,237	1,113	689
Multiple family	<u>846</u>	<u>790</u>	<u>40</u>	<u>0</u>	<u>1,377</u>
Total	<u>1,595</u>	<u>1,807</u>	<u>1,277</u>	<u>1,113</u>	<u>2,066</u>

Source: *Construction Industry Research Board.*

<sup>1</sup> Reflects all building permits for residential property.

The following table shows historical commercial and residential construction and property values.

**CITY OF RIVERSIDE  
COMMERCIAL AND RESIDENTIAL CONSTRUCTION AND PROPERTY VALUES  
1994 – 2003**

Fiscal Year	Commercial Construction <sup>(1)</sup>		Residential Construction <sup>(1)</sup>		Property Values <sup>(2)</sup>	
	Number of Units	Value	Number of Units	Value	Commercial	Residential
1994	1,894	\$31,013	2,503	\$64,579	\$4,375,165	\$5,802,420
1995	1,835	35,900	2,268	46,603	4,445,547	5,848,192
1996	1,804	70,448	2,417	69,378	4,237,613	5,844,620
1997	1,599	56,691	2,654	83,550	4,239,980	5,889,169
1998	1,621	44,194	3,053	100,611	4,139,302	5,948,479
1999	1,710	54,805	3,074	147,977	4,323,469	6,160,694
2000	1,573	47,835	3,694	278,035	3,939,530	6,665,754
2001	1,718	82,009	3,747	273,389	4,163,934	7,219,923
2002	1,899	91,027	4,099	264,995	4,799,848	7,960,167
2003	1,982	134,945	4,444	316,394	4,933,988	8,471,469

Values in thousands of dollars.

Source: (1) City of Riverside, City Planning Department.  
(2) County Land Use Statistical Recap Report.

## Economic Condition

Rather than being dominated by a single industry, Riverside is home to a wide range of light industries, manufacturers, distributors, diverse retailers, offices, professional services and other employers. Riverside's diverse manufacturing base includes such sectors as electrical instruments, plastic molding, wood and metal fabrication, food processing, and recreational vehicle productions. The City's retail base is also experiencing growth and is home to several auto dealers including Saturn, Volkswagen and BMW. The following tables set forth major manufacturing and non-manufacturing employers:

### CITY OF RIVERSIDE MAJOR MANUFACTURING EMPLOYERS (As of April, 2004)

Employer	Approximate No. of Employees	Type of Business
B. F. Goodrich	750	Aerostructures
Market Broiler Management Inc.	600	Food products provider
Luxfer Gas Cylinders	540	High-pressure gas storage
Specialty Brands, Inc.	501	Food products provider
Johnson Machinery	500	Construction products
Pepsi Cola Bottling Group	500	Bottling soft drink
Fleetwood Enterprises	461	Recreational vehicles
TacoBell/ET Tacos Inc.	400	Food products provider
Flexsteel Industries Inc.	254	Manufacturer of residential, commercial and vehicle seats
Quebecor World	210	Print media services

*Source: Greater Riverside Chambers of Commerce.*

### CITY OF RIVERSIDE MAJOR NON-MANUFACTURING EMPLOYERS (As of April, 2004)

Employer	Approximate No. of Employees	Type of Business
Riverside Unified School District	3000	Public Education
Kaiser Permanente Medical Center	1600	Medical facility
Alvord Unified School District	1269	Public Education
The Press-Enterprise Company	1200	Newspaper
Riverside County Regional Medical	1200	Medical facility
Riverside Community College	918	Education
Riverside Medical Clinic	500	Medical facility
Riverside Public Utilities	500	Utility
The Historic Mission Inn	400	Hotel
AMTRAK	399	Transportation

*Source: Greater Riverside Chambers of Commerce.*

## Sales Tax Revenues

Industrial and business parks offering clean industries and convenient office space provide growing employment opportunities. The retail community is expanding rapidly with excellent shopping venues including the Riverside Plaza, the Galleria at Tyler, the Mission Inn District in Downtown Riverside, the Riverside Marketplace, and neighborhood strip centers. A wide selection of restaurants allows diners to choose between nationally recognized chains or intimate dining bistros.

### CITY OF RIVERSIDE SALES AND USE TAX HISTORY

<u>Year</u>	<u>Amount</u>
1993-94	\$23,072,000
1994-95	\$24,169,000
1995-96	\$25,395,000
1996-97	\$25,415,000
1997-98	\$28,101,000
1998-99	\$30,481,000
1999-00	\$34,571,000
2000-01	\$35,850,000
2001-02	\$39,271,000
2002-03	\$41,995,000

*Source: City of Riverside Comprehensive Annual Financial Report.*



**CITY OF RIVERSIDE  
PRINCIPAL TAXPAYERS  
FOR THE YEAR ENDED JUNE 30, 2003**

Taxpayer	Type of Business	2003 Assessed Valuation (in thousands)	Percent of Total Assessed (Valuation)
Tyler Mall LTD Partnership	Regional Shopping Center	\$143,014	1.0%
Riverside Healthcare System	Hospital	95,952	0.7%
State Street Bank & Trust Co. of California	Realty Investment	94,846	0.7%
Rohr Incorporation	Manufacturer	57,502	0.4%
Lyon Corona Pointe	Realty Investment	55,800	0.4%
California State Teachers Retirement System	Realty Investment	54,359	0.4%
Pepsi Bottling Group	Manufacturer	47,711	0.3%
Press Enterprise	Newspaper	47,004	0.3%
Mission Grove Park Apartments	Apartments	43,567	0.3%
Metal Container Corporation	Manufacturer	<u>41,423</u>	<u>0.3%</u>
		\$681,178	4.8%

*Source: City of Riverside Comprehensive Annual Financial Report.*

**CITY OF RIVERSIDE  
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
FOR THE FISCAL YEARS ENDED JUNE 30, 1994 THROUGH 2003  
(Values in Thousands)**

Fiscal Year Taxes	Total Secured and Unsecured	Exemptions Veteran Church, etc.	Net Assessed Value	Exemptions Homeowners	Net Total Assessed Value	Estimated Actual Value
1994	\$10,665,256	\$(1,538,547)	\$9,116,709	\$(242,359)	\$8,874,350	\$9,116,709
1995	\$10,782,241	\$(1,544,755)	\$9,237,486	\$(243,981)	\$8,993,505	\$9,237,486
1996	\$10,904,642	\$(1,634,835)	\$9,269,807	\$(243,498)	\$9,026,318	\$9,269,807
1997	\$10,655,256	\$(1,574,851)	\$9,109,262	\$(242,473)	\$8,866,789	\$9,103,262
1998	\$10,782,241	\$(1,598,304)	\$9,130,939	\$(241,776)	\$8,889,163	\$9,130,939
1999	\$10,904,642	\$(1,580,501)	\$9,154,275	\$(238,588)	\$8,915,687	\$9,154,275
2000	\$11,190,463	\$(1,665,818)	\$9,524,645	\$(233,807)	\$9,290,828	\$9,524,645
2001	\$11,956,092	\$(1,784,167)	\$10,171,925	\$(233,376)	\$9,938,549	\$10,171,925
2002	\$12,902,502	\$(1,894,558)	\$11,007,944	\$(234,557)	\$10,773,387	\$11,007,944
2003	\$14,051,945	\$(2,166,760)	\$11,885,185	\$(240,201)	\$11,644,984	\$11,885,185

*Source: City of Riverside Comprehensive Annual Financial Report.*

## General Information

*Industrial Real Estate.* Riverside is an area that offers available land and lower development costs. A plentiful, educated and skilled labor force and competitive labor costs have attracted more than 115 industrial employers in the last ten years. Industrial developments include: Airport Industrial Redevelopment Area where the Toro Corporation, committed more than \$3 million in capital improvements and Dynamic Plumbing adding 28,000 square feet and 130 jobs to the area; Hunter Industrial Park added 150 new jobs; and Sycamore Canyon added Magnussen Home Furnishings and Quebecor World with over 800,000 square feet developed. In 2003 several speculative projects were announced, including a 14.25 acre development by Investment Building Group; a 16-acre commitment by The Magnon Companies; Columbia Technology Park was announced with two buildings totaling approximately 400,000 square feet, and Pacific Park began construction on six new buildings totaling 800,000 square feet.

*Climate.* Riverside enjoys a mild Mediterranean climate with year-round temperatures averaging in the mid 60's. Summer-time temperatures can average in the mid 80's or the mid 90's during the day. Mild winter temperatures average in the mid 50's to the mid 60's. Yearly average rainfall in Riverside is approximately 10.4 inches, as compiled by the Riverside Public Utilities.

*Education.* The City is served by the Riverside Unified School District and the Alford Unified School District, with a total of 10 senior high schools (including 3 continuation schools), 10 middle schools, 1 charter school and 40 elementary schools serving a total of approximately 58,000 students. In addition, there are 50 private schools and several pre-schools.

The University of California, Riverside, Sherman Institute (government school for Indians), California Baptist College and La Sierra University, Riverside serve the growing population. Riverside began the 1990s with a well-educated population, and its population trends and school performance figures have allowed it to maintain that position.

*Transportation.* Highway 91 and its connecting arterials provide convenient links to Orange County, San Diego (Interstate 15), Los Angeles (Interstate 10), and San Bernardino (Interstate 215). A toll lane has recently been added between Riverside and Orange Counties on Highway 91 for commuters. The Ontario International Airport, 18 miles northwest of Riverside, provides flights to cities all over the world. Commuter service is also available. Several major air freight carriers serve Ontario, as well as Hawaiian Airlines, American Airlines and Aero Mexico. The Riverside Municipal Airport terminal building, recently converted into a general aviation business center, offers a wide range of services and amenities.

*Housing.* Riverside is located within the Inland Empire which expects to be the fastest growing urban area of California in both absolute and percentage terms, adding an expected 1.1 million more people by 2010, a 34.2% growth rate. Riverside offers a wide variety of quality, affordable housing in a safe and friendly neighborhood environment. The diverse housing stock includes: executive estates, ranchos, moderately priced tract homes, luxury condos, senior housing, apartments, and historical homes. More than 1,113 new homes were built in Riverside in 2002. The latest population data shows Riverside with 274,100 residents as of January, 2003.

**APPENDIX B**

**FORM OF OPINION OF BOND COUNSEL**

(Closing Date)

Mayor and City Council  
City of Riverside  
3900 Main Street  
Riverside, California 92522

**Re: \$3,755,000 City of Riverside Riverwalk Business Center Assessment District  
Limited Obligation Improvement Bonds (Property Secured Only –  
No Issuer Liability)**

Ladies and Gentlemen:

We have examined the record of the proceedings taken by the City of Riverside (the "City") for the levy of special assessments and the authorization and issuance of bonds, including the above-referenced bonds (the "Bonds"), with respect to a special assessment district known as Riverwalk Business Center Assessment District (the "Assessment District"), pursuant to Resolution No. 20501 adopted by the City Council of the City on August 12, 2003 (the "Resolution of Intention").

The proceedings were taken pursuant to the Municipal Improvement Act of 1913 (Division 12 of the Streets and Highways Code of the State of California). The Bonds are issued pursuant to the Improvement Bond Act of 1915 (Division 10 of the Streets and Highways Code of the State of California), a resolution adopted by the City Council on May 25, 2004, and the Fiscal Agent Agreement dated June 1, 2004, between the City and U. S. Bank National Association, as fiscal agent (the "Agreement").

The Bonds are designated "City of Riverside Riverwalk Business Center Assessment District Limited Obligation Improvement Bond (Property Secured Only - No Issuer Liability)." The Bonds are issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof. The Bonds bear interest from their date to their respective dates of maturity, payable semiannually beginning September 2, 2004, and thereafter on the second day of March and September of each year.

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

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

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

such requirements could cause the interest on the Bonds to be included in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds.

We are of the opinion that, assuming compliance by the City with the aforementioned covenants, the interest on the Bonds is excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. We are further of the opinion that the interest on the Bonds is exempt from personal income taxes imposed by the State of California under present state income tax laws.

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

The opinions expressed herein may be affected by actions which may be taken (or not taken) or events which may occur (or not occur) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur or are not taken or do not occur.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Agreement may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

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

#### **General**

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

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

The Agreement establishes the Improvement Fund, the Cost of Issuance Fund, the Redemption Fund, the Reserve Fund and the Rebate Fund. On the date of delivery of the Bonds, the Fiscal Agent will receive the proceeds of the sale of the Bonds to be deposited as described in "SOURCES AND USES OF FUNDS" in the Official Statement.

#### **Definitions**

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

"Assessment" or "Assessments" means the assessment levied on the lots and parcels of property within the Assessment District by the adoption by the City Council of Resolution No. 20542 on October 7, 2003 and the recording of the assessment diagram and notice of assessment for the Assessment District with the County Recorder of the County of Riverside pursuant to Section 3114 of the California Streets and Highways Code.

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

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

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing payment of the purchase price of the Bonds by the Original Purchaser.

"Code" means the Internal Revenue Code of 1986, as amended.

“Debt Service” means the amount of interest and principal payable on the Bonds scheduled to be paid during the period of computation, excluding amounts payable during such period which relate to principal of the Bonds which are scheduled to be retired and paid before the beginning of such period.

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

“Federal Securities” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (i) Cash; and
- (ii) Direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States), or obligations, the payment of principal of and interest on which is unconditionally guaranteed by the United States.

“Investment Earnings” means all interest earned and any gains and losses on the investment of moneys in any fund or account created by the Agreement excluding interest earned and gains and losses on the investment of moneys in the Rebate Fund.

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

“Outstanding,” when used as of any particular time with reference to the Bonds, means all Bonds except:

- (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;
- (ii) Bonds called for redemption which are no longer entitled to any benefit under the Agreement other than the right to receive payment of the redemption price therefor;
- (iii) Bonds paid or deemed to have been paid; and
- (iv) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City and authenticated by the Fiscal Agent pursuant to the Agreement or any Supplemental Agreement.

“Permitted Investments” means:

- (i) Federal Securities;
- (ii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):
  - (a) U.S. Export-Import Bank  
Direct obligations or fully guaranteed certificates of beneficial ownership

- (b) Farmers Home Administration  
Certificates of beneficial ownership
- (c) Federal Financing Bank
- (d) Federal Housing Administration Debentures
- (e) General Services Administration  
Participation certificates
- (f) Government National Mortgage Association (GNMA)  
GNMA - guaranteed mortgage-backed bonds  
GNMA - guaranteed pass-through obligations
- (g) U.S. Maritime Administration  
Guaranteed Title XI financing
- (h) U.S. Department of Housing and Urban Development  
Project Notes  
Local Authority Bonds  
New Communities Debentures - United States government guaranteed debentures  
U.S. Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds;

(iii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- (a) Federal Home Loan Bank System  
Senior debt obligations
- (b) Federal Home Loan Mortgage Corporation  
Participation Certificates  
Senior debt obligations
- (c) Federal National Mortgage Association  
Mortgage-backed securities and senior debt obligations
- (d) Student Loan Marketing Association  
Senior debt obligations
- (e) Resolution Funding Corporation (REFCORP) obligations
- (f) Farm Credit System  
Consolidated systemwide bonds and notes;

(iv) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of "AAAm-G," "AAA-m" or "AA-m" and, if rated by Moody's, rated "Aaa,"

“Aa1” or “Aa2” by Moody’s, including funds for which the Fiscal Agent or any of its affiliates provides investment management services;

(v) Certificates of deposit secured at all times by collateral described in clauses (i) and/or (ii) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Fiscal Agent on behalf of the Owners of the Bonds must have a perfected first security interest in the collateral;

(vi) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(vii) Investment agreements with domestic or foreign banks or corporations the long-term debt or claims paying ability of which or, in the case of a guaranteed corporation, the long-term debt, or, in the case of a monoline financial guaranty insurance company, the financial strength, of the guarantor is rated in at least the double A category by Standard & Poor’s and Moody’s; provided that, by the terms of the investment agreement:

(a) interest payments are to be made to the Fiscal Agent at times and in amounts as necessary to pay debt service on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days’ prior notice;

(c) the investment agreement shall provide that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) the City and the Fiscal Agent receive the opinion of domestic counsel (which opinion shall be addressed to the City) that such investment agreement is legal, valid, binding upon and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the City;

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

(1) the provider’s rating by either Standard & Poor’s or Moody’s falls below “AA-“ or “Aa3,” respectively, the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with the applicable state and federal laws (other than by means of entries on the provider’s books) to the City, the Fiscal Agent or a third party acting solely as agent therefor (the “Holder of the Collateral”) collateral free and clear of any third-party liens or claims, the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Standard & Poor’s and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach); or (ii) assign the investment agreement and all of its obligations thereunder to a financial institution mutually acceptable to the provider and the City which is rated either in the first or second highest category by Standard & Poor’s and Moody’s; and



(2) the provider's rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below "A-" or "A3," respectively, the provider must, at the direction of the City or the Fiscal Agent, within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the invested funds, in either case with no penalty or premium to the City or the Fiscal Agent, as appropriate; and

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

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

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

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

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

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

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

(xi) Repurchase agreements which satisfy the following criteria:

(a) Repurchase agreements must be between the City or the Fiscal Agent and a dealer bank or securities firm which is:

(1) A primary dealer on the Federal Reserve reporting dealer list which is rated "A" or better by Standard & Poor's and Moody's, or

(2) A bank rated "A" or above by Standard & Poor's and Moody's;

(b) The written agreement must include the following:

(1) Securities which are acceptable for transfer are:

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

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

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

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

(B) The value of the collateral must be at least equal to one hundred four percent (104%) of the amount of money transferred by the Fiscal Agent to the dealer, bank or security firm under the agreement plus accrued interest. If the value of the securities held as collateral is reduced below one hundred four percent (104%) of the value of the amount of money transferred by the Fiscal Agent, then additional acceptable securities and/or cash must be provided as collateral to bring the value of the collateral to one hundred four percent (104%); provided, however, that if the securities used as collateral are those of FNMA or FHLMC, then the value of the collateral must be equal to one hundred five percent (105%) of the amount of money transferred by the Fiscal Agent; and

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

(xii) the Local Agency Investment Fund in the State Treasury of the State of California as permitted by the State Treasurer pursuant to Section 16429.1 of the California Government Code.

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

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

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

### **Improvement Fund**

(A) *Establishment of Improvement Fund.* Pursuant to the Agreement, there is established, as a separate account to be held by the Fiscal Agent, the “Riverwalk Business Center Assessment District of the City of Riverside Improvement Bonds Improvement Fund,” to the credit of which a deposit shall be made as required by the Agreement. Moneys in the Improvement Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed, except as otherwise provided in the Agreement, for the payment or reimbursement of the costs of the design, acquisition and construction of the Project and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(B) *Procedure for Disbursement.* Disbursements from the Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate which shall:

(i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made and the person to which the disbursement is to be paid; and

(ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officer's Certificate previously filed with the Fiscal Agent requesting disbursement, and that the amount being requested is an appropriate disbursement from the Improvement Fund.

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

(D) *Closing of Fund.* Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund, and further stating that moneys on deposit in the Improvement Fund are not needed to complete the Project or reimburse the cost thereof, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the City, and the City shall apply such amount as provided in Section 10427.1 of the California Streets and Highways Code.

(E) *Officer's Certificate.* Upon receipt of an Officer's Certificate delivered pursuant to the Agreement, the Fiscal Agent is authorized to act thereon without further inquiry and shall not be responsible for the accuracy of the statements made in such Officer's Certificate or the application of the funds disbursed pursuant thereto, and shall be absolutely protected and incur no liability in relying on such Officer's Certificate.

### **Pledge of Assessment Revenues**

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

(B) *Transfers of Assessment Revenues.* On or before the second (2nd) Business Day preceding each Interest Payment Date, the City Treasurer shall transfer to the Fiscal Agent for deposit in the Redemption Fund an amount of the Assessment Revenues which the Fiscal Agent has advised the City Treasurer will be needed to pay Debt Service on the Bonds on such Interest Payment Date. Upon receipt of each such transfer of Assessment Revenues, the Fiscal Agent shall deposit the amount thereof in the Redemption Fund for the payment of Debt Service on the Bonds on the Interest Payment Date for which the transfer is made. Notwithstanding the preceding provisions of the Agreement, the City Treasurer shall not transfer to the Fiscal Agent for deposit in the Redemption Fund any amount for the payment of Debt Service on the Bonds on the Interest Payment Date which occurs on September 2, 2004, and the amount deposited in the Redemption Fund pursuant to another section of the Agreement, representing capitalized interest on the

Bonds and Investment Earnings thereon, shall be utilized by the Fiscal Agent to pay interest on the Bonds on such Interest Payment Dates.

### **Redemption Fund**

(A) *Deposits.* Pursuant to the Agreement, there is established, as a separate account to be held by the Fiscal Agent, the "Redemption Fund" to the credit of which deposits shall be made as required by the provisions of this Agreement and the Improvement Bond Act of 1915. Moneys in the Redemption Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(B) *Disbursements.* On each Interest Payment Date, the Fiscal Agent shall withdraw from the Redemption Fund and pay to the Owners of the Bonds the principal of and interest and any premium then due and payable on the Bonds on the Interest Payment Date.

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

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

On September 3 of each year, beginning on September 3, 2005, the amount on deposit in the Redemption Fund shall not exceed the greater of (i) one year's earnings on such amount, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year. If on September 3 of any year the amount on deposit in the Redemption Fund exceeds the maximum amount allowable pursuant to the preceding sentence and if on such September 3 the City shall have delivered to the Fiscal Agent an Officer's Certificate containing the information required below in this paragraph, the excess shall be transferred by the Fiscal Agent as directed by such Officer's Certificate to the Reserve Fund to the extent that the amount on deposit therein is less than the Reserve Requirement, and any such excess remaining thereafter shall be paid by the Fiscal Agent to the City as directed by such Officer's Certificate. On September 3 of each year, after any such excess amount has been transferred as provided in the Agreement, the amount on deposit in the Redemption Fund shall not exceed the greater of (i) one year's earnings thereon, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year. An Officer's Certificate delivered by the City to Fiscal Agent pursuant to the Agreement shall (1) specify the dollar amount of the excess determined pursuant to the first sentence of this paragraph, (2) specify the dollar amount of such excess which the Fiscal Agent is to transfer to the Reserve Fund, and (3) specify the dollar amount of such excess which the Fiscal Agent is to pay to the City. Upon receipt of such an Officer's Certificate, the Fiscal Agent is authorized to act thereon without further inquiry, shall not be responsible for the accuracy of the statements contained therein, and shall be absolutely protected and incur no liability in relying on such Officer's Certificate.

Amounts in the Redemption Fund shall also be withdrawn and deposited in the Rebate Fund as provided in the Agreement.

(C) *Investment.* Moneys in the Redemption Fund shall be invested and deposited in accordance with the Agreement. Investment Earnings shall be retained in the Redemption Fund, except to the extent they are required to be deposited by the Fiscal Agent in the Rebate Fund in accordance with specific section of such Agreement.

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

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

### **Reserve Fund**

(A) *Establishment of Fund.* Pursuant to the Agreement, there is established, as a separate account to be held by the Fiscal Agent, the "Reserve Fund" to the credit of which a deposit shall be made as required by the Agreement, which deposit is equal to the Reserve Requirement as of the Closing Date, and to which deposits shall be made as provided in such Agreement. Moneys in the Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of the principal of and interest and any premium on the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

(B) *Use of Fund.* Except as otherwise provided in the Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Redemption Fund in the event of any deficiency at any time in the Redemption Fund of the amount then required for payment of the principal of, and interest and any premium on the Bonds or, in accordance with the provisions of such Agreement, or for the purpose of redeeming Bonds.

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

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

(D) *Transfers on Payment of Assessments.* Whenever an Assessment levied on a lot or parcel of property within the Assessment District is paid off, the Fiscal Agent shall, upon receiving an Officer's Certificate regarding such Assessment, transfer from the Reserve Fund to the Redemption Fund an amount equal to the reduction in such Assessment determined pursuant to Section 8881 of the California Streets and Highways Code, which amount shall be specified in the Officer's Certificate. Upon receipt of such an

Officer's Certificate, the Fiscal Agent is authorized to act thereon without further inquiry, shall not be responsible for the accuracy of the statements contained therein, and shall be absolutely protected and incur no liability in relying on such Officer's Certificate.

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

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

(G) *Investment.* Moneys in the Reserve Fund shall, except as provided in the Agreement, be invested and deposited in accordance with the Agreement.

#### **Other Covenants of the City**

*Punctual Payment.* The City will punctually pay or cause to be paid the principal of and interest and any premium on the Bonds when and as due in strict conformity with the terms of the Agreement and any Supplemental Agreement to the extent that the Assessment Revenues are available therefor, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Agreement and all Supplemental Agreements and of the Bonds.

*Special Obligation.* The Bonds are special obligations of the City and are payable solely from and secured solely by the Assessment Revenues and the amounts in the Redemption Fund, the Reserve Fund and the Improvement Fund.

*Extension of Time for Payment.* In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default under the Agreement, to the benefits of the Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

*Against Encumbrances.* The City shall not encumber, pledge or place any charge or lien upon any of the Assessment Revenues or other amounts pledged to the Bonds superior to or on a parity with the

pledge and lien created in the Agreement for the benefit of the Bonds, except as permitted by such Agreement.

*Protection of Security and Rights of Owners.* The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

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

*Further Assurances.* The City will adopt, make, execute and deliver any and all such further ordinances, resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Agreement, and for better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Agreement.

*Tax Covenants.* Pursuant to the Agreement, the City covenants that:

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

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

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

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

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

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

## **Deposit and Investment of Moneys in Funds**

Moneys in any fund or account created or established by the Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause (iv) of the definition of Permitted Investments. The Fiscal Agent shall have no obligation to pay additional interest or maximize investment income on any funds held by it. Neither the City nor the Owners of the Bonds shall have any claim of any kind against the Fiscal Agent in connection with investments properly made pursuant to this Section. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account, subject, however, to the requirements of the Agreement for transfer of Investment Earnings in funds and accounts.

The Fiscal Agent may act as principal or agent in the acquisition or disposition of any investment. The Fiscal Agent shall not incur any liability for losses arising from any investments made pursuant to the Agreement. For purposes of determining the amount on deposit in any fund or account held under the Agreement, all Permitted Investments or investments credited to such fund or account shall be valued at the cost thereof (excluding accrued interest and brokerage commissions, if any).

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

Investments in any and all funds and accounts may be commingled in a single fund for purposes of making, holding and disposing of investments, notwithstanding provisions in the Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent under the Agreement, provided that the Fiscal Agent shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in such Agreement.

The Fiscal Agent shall sell or present for redemption any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited, and the Fiscal Agent shall not be liable or responsible for any loss resulting from the acquisition or disposition of any such investment security in accordance with Agreement.

The City acknowledges that notwithstanding regulations of the Comptroller of the Currency or other applicable regulatory entity may grant the City the right to receive brokerage confirmations of securities transactions as they occur, the City agrees that the Fiscal Agent shall not send such confirmations to the City to the extent permitted by law. The Fiscal Agent shall furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent under the Agreement.



## **Rebate Fund; Rebate to the United States**

Pursuant to the Agreement, there is created, to be held by the Fiscal Agent, as a separate fund distinct from all other funds and accounts held by the Fiscal Agent under the Agreement, the Rebate Fund. The Fiscal Agent shall, in accordance with written directions received from an Authorized Officer, deposit into the Rebate Fund moneys transferred by the City to the Fiscal Agent pursuant to the Rebate Certificate or moneys transferred by the Fiscal Agent from the Reserve Fund. The Rebate Fund shall be held either uninvested or invested only in Federal Securities at the direction of the City. Moneys on deposit in the Rebate Fund shall be applied only to payments made to the United States, to the extent such payments are required by the Rebate Certificate. The Fiscal Agent shall, upon written request and direction of the City, make such payments to the United States.

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

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

## **Appointment of Fiscal Agent**

The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in the Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent.

Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the Agreement, shall be the successor to the Fiscal Agent without the execution or filing of any paper or any further act, anything in the Agreement to the contrary notwithstanding.

The City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a company having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Agreement, the combined capital and surplus of such company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of the Agreement within forty-five (45) days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the City, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

### **Liability of Fiscal Agent**

The recitals of facts, covenants and agreements in the Agreement and in the Bonds contained shall be taken as statements, covenants and agreements of the City and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of the Agreement or of the Bonds, nor shall the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Agreement or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Agreement, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

In the absence of willful misconduct, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates, written directions or opinions furnished to the Fiscal Agent and conforming to the requirements of the Agreement. Except as provided in the Agreement, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of the Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the City in the Agreement or in any of the documents executed by the City in connection with the Bonds.

The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer of the Fiscal Agent unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

No provision of the Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Agreement, or in the exercise of any of its rights or powers unless an indemnity and security satisfactory to the Fiscal Agent shall have been provided to the Fiscal Agent.

The Fiscal Agent shall not be responsible for accounting for, or paying to, any party to the Agreement, including, but not limited to the City and the Owners, any returns on or benefit from funds held for payment of unredeemed Bonds or outstanding checks and no calculation of the same shall affect, or result in any offset against, fees due to the Fiscal Agent under the Agreement.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Agreement at the request or direction of any of the Owners pursuant to the Agreement unless such

Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

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

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

### **Notice to Fiscal Agent**

The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, written direction, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Fiscal Agent under the Agreement in good faith and in accordance therewith.

Whenever in the administration of its duties under the Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Agreement) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a certificate of the City, and such certificate shall be full warranty to the Fiscal Agent for any action taken or suffered under the provisions of the Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

### **Books and Accounts**

The Fiscal Agent shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it with respect to the expenditure of amounts disbursed from the Redemption Fund, the Reserve Fund, the Improvement Fund and the Cost of Issuance Fund. Such books of record and accounts shall, upon reasonable notice, at all times during business hours be subject to the inspection of the City and the Owners of not less than ten percent (10%) of the aggregate principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

### **Amendment of the Agreement**

(A) This Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of the Owners, or with the written consent, without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or the time for paying interest thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent

of the Owner of such Bond, (ii) permit the creation of any pledge of or lien upon the Assessment Revenues, or the moneys on deposit in the Redemption Fund, the Reserve Fund or the Improvement Fund, superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Improvement Bond Act of 1915, the laws of the State of California or the Agreement), (iii) reduce the percentage of Bonds required for the amendment of the Agreement, (iv) reduce the principal amount of or redemption premium on any Bond or reduce the interest rate thereon. Any such amendment may not modify the rights or obligations of the Fiscal Agent without its prior consent. The City shall provide to the Fiscal Agent an opinion of counsel that any such Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of the Agreement and the Fiscal Agent may conclusively rely on such opinion.

(B) This Agreement and the rights and obligations of the City and the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City in the Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Agreement reserved to or conferred upon the City;

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

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

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

### **Owners' Meetings**

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

### **Procedure for Amendment with Written Consent of Owners**

The City may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Agreement, to take effect when and as provided in the Agreement. A copy of the Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, postage prepaid, by the City to each Owner of Bonds Outstanding, but failure to mail copies of the Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as provided in the Agreement.

Such a Supplemental Agreement shall not become effective unless there shall be filed with the City the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the

Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Agreement) and a notice shall have been mailed as provided in the Agreement. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the City prior to the date when the notice provided for in the Agreement has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner provided for in the Agreement for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in such Agreement (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by the Agreement to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise specifically provided in the Agreement) upon the City and the Owners of all Bonds then Outstanding at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60)-day period.

#### **Effect of Supplemental Agreement**

From and after the time any Supplemental Agreement becomes effective pursuant to the Agreement, the Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Agreement of the City and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Agreement subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of the Agreement for any and all purposes.

#### **Endorsement or Replacement of Bonds Issued After Amendments.**

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

#### **Discharge of Agreement**

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

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

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

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash or non-callable Federal Securities in such amount as the City shall determine, as confirmed by an Independent Financial Consultant, will, together with the interest to accrue thereon and amounts then on deposit in the Redemption Fund and Reserve Fund, be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

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

Any funds held by the Fiscal Agent to pay and discharge the indebtedness on all Bonds, upon payment of all fees and expenses of the Fiscal Agent, which are not required for such purpose, shall be paid over to the City.

#### **Execution of Documents and Proof of Ownership by Owners**

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

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

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

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

**APPENDIX D**  
**SUMMARY APPRAISAL REPORT**

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# Harris Realty Appraisal

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

April 6, 2004

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

Re: **Riverwalk Business Center Assessment District**

Dear Mr. Mason:

In response to your authorization, we have prepared a self-contained appraisal report which addresses all of the property within the boundaries of The Riverwalk Business Center Assessment District. This appraisal includes an estimate of Market Value of all the undeveloped land, and the buildings under construction subject to special assessment. This land is under the ownerships of the primary landowner, La Sierra University, and the developer Turner Riverwalk-1, LLC. The land has been under construction with mass-grading and infrastructure improvements since early 2004. All ten of the industrial buildings, in phase 1, are under construction.

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

Based on the investigation and analyses undertaken, our experience as real estate appraisers, and subject to all the premises, assumptions and limiting conditions set forth in this report, the following opinion of Market Value is formed as of April 1, 2004.

**ELEVEN MILLION NINE HUNDRED THOUSAND DOLLARS**

**\$11,900,000**

La Sierra University - \$8,800,000

Turner Riverwalk-1, LLC - \$3,100,000

**APPRAISAL REPORT**

**CITY OF RIVERSIDE  
RIVERWALK BUSINESS CENTER  
ASSESSMENT DISTRICT  
RIVERSIDE, CALIFORNIA**

Prepared for:

CITY OF RIVERSIDE  
3900 Main Street  
Riverside, CA 92522

James B. Harris, MAI  
Berri J. Cannon

**Harris Realty Appraisal**  
5100 Birch Street, Suite 200  
Newport Beach, CA 92660

April 2004


Mr. Brent Mason  
April 6, 2004  
Page Two

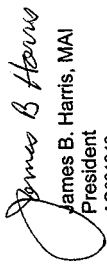
*The above value represents the aggregate value according to ownership of the 43± taxable acres, which includes the land owned by the primary landowner and the developer. The property is under construction with grading and infrastructure improvements. In Phase I, all ten industrial buildings are under construction. Approximately \$1,460,000 for in-tract infrastructure improvements are still required from the builder. Those improvements are anticipated to be completed in September 2004. Proceeds from this Assessment District in the amount of \$2,951,190 are to reimburse the developer for the completion of streets and utilities within the Assessment District.*

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

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

Respectfully submitted,

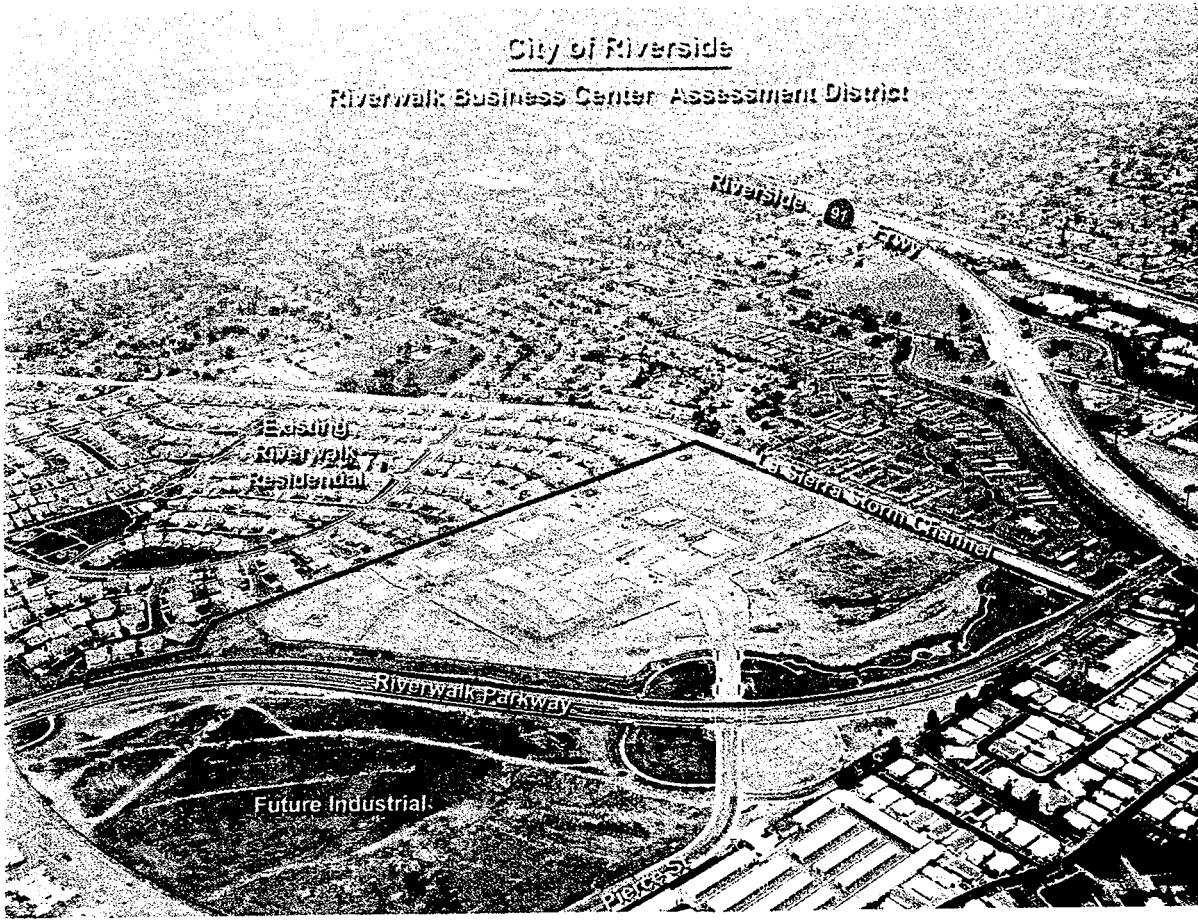
  
Berri J. Cannon  
Vice President  
AG0009147

  
James B. Harris, MAI  
President  
AG001846

## SUMMARY OF FACTS AND CONCLUSIONS

EFFECTIVE DATE OF APPRAISAL	April 1, 2004
DATE OF REPORT	April 6, 2004
INTEREST APPRAISED	Fee Simple Estate, subject to special assessment liens
LEGAL DESCRIPTION AND OWNERSHIP	Parcels 1-24, Parcel Map No. 31164 Turner Riverwalk-1, LLC Parcels 6, 7, 8 and 18 to 24 of P. M. No. 31164 La Sierra University Parcels 1 to 5 and 9 to 17 of P. M. No. 31164
SITE SIZE	43.39 net acres; 47.95 gross acres
SITE CONDITION	The site is in a mass graded condition with streets cut, sewer completed and water and storm drains underway. All ten industrial buildings are under construction with foundations, slabs and walls poured.
HIGHEST AND BEST USE	Continued development as a part of master-planned community with industrial uses.
VALUATION CONCLUSION	<b>\$11,900,000 MARKET VALUE</b> \$8,800,000 - La Sierra University \$3,100,000 - Turner Riverwalk-1, LLC

City of Riverside  
 Riverwalk Business Center Assessment District



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**INTRODUCTION**

**Purpose of the Report**

The purpose of this appraisal is to estimate the Market Value for the *fee simple estate, subject to special assessment liens* for all the property within the Riverwalk Business Center Assessment District (the "Riverwalk AD" or the "District") in the City of Riverside in Riverside County. The purpose of this appraisal is to estimate the "As Is" Market Value of the land and any improvement under construction, under the ownerships of the developer and primary landowner.

The opinions set forth are subject to the assumptions and limiting conditions set forth in this appraisal, and the appraisal guidelines as set forth by the City of Riverside.

**Function of the Report and Intended Use**

It is our understanding that this appraisal report is to be used for Assessment District bond financing purposes only. The subject property is described more particularly within this report. The bonds are issued pursuant to the Municipal Improvement Act of 1915. The maximum authorized bond indebtedness for the District is \$3,755,000.

**Client and Intended Users of the Report**

This report was prepared for our client, the City of Riverside. The intended users of the report include the City of Riverside, it's Underwriter, Legal Counsel, Consultants, and potential bond purchasers.

**Scope of the Assignment**

According to guidelines from the City and the CDIAAC guidelines, the total value conclusion includes the "As Is" estimate of Market Value according to each ownership within the boundaries of the Riverwalk AD. The aggregate value, represents a Market Value for the entire District. This is a fully documented self-contained appraisal report. The lands designated for park, open space or civic uses within the District and not subject to special assessment are not included in this assignment.

The industrial land and improvements are valued in their "As Is" condition as of the date of value. Site development for the entire industrial portion of Riverwalk is considered approximately 30% complete. Under construction, in Phase I, are ten industrial buildings with foundations, slabs poured and walls poured.

We have analyzed the subject property based upon the proposed uses and our opinion of its highest and best use. We have searched for sales of industrial land to estimate the value of the properties.

The following paragraphs summarize the process of collecting, confirming and reporting of data used in the analysis.

1. Gathered and analyzed demographic data from sources including the California Department of Finance (population data), Employment Development Department of the State of California (employment data), City of Riverside (zoning information, building permit trends), Riverside Chamber of Commerce (local demographic trends). Subject information was gathered from the developer/ builder and their consultants.
2. Inspected the subject's neighborhood and reviewed proposed product and similar products for consideration of Highest and Best Use of the lots.
3. Gathered and analyzed comparable industrial land sales within the Riverside market areas. Data was gathered from sources including, Comps.com, brokers, appraisers, builders active in the area and developers within the Southern California area. Where feasible, data was confirmed with both the buyer and seller. The data gathered are presented on summary data sheets within this report.

**Date of Value and Report**

The opinions of Market Value expressed in this report are stated as of April 1, 2004. The date of the appraisal report is April 6, 2004.

**Date of Inspection**

The subject property was inspected on numerous occasions, with the most recent on March 28, 2004.



**Definitions****Market Value**<sup>1</sup>

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

- (a) Buyer and seller are typically motivated.
- (b) Both parties are well informed or well advised, and each acting in what he considers his own best interest.
- (c) A reasonable time is allowed for exposure in the open market.
- (d) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- (e) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

**Fee Simple Estate**<sup>2</sup>

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

**Fee Simple Estate Subject to Special Tax and Special Assessment Liens** Empirical evidence (and common sense) suggests that the selling prices of properties encumbered by such liens are discounted compared to properties free and clear of such liens. In new development projects, annual special tax and/or special assessment payments can be substantial, and prospective buyers take this added tax burden into account when formulating their bid prices. Taxes, including special taxes, are legally distinct from assessments.

The Market Values included herein, reflect the values potential buyers would consider given the special assessments and encumbrances of the Riverwalk AD by the City of Riverside.

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

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

**Retail Value**

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

**Finished Site**<sup>3</sup>

Land that is improved so that it is ready to be used for a specific purpose. (Improvements include padded lot, streets and utilities to the lot, and all fees required to issue a building permit paid.)

**Assumptions and Limiting Conditions**

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

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

**Contingencies of the Appraisal**

The appraisal is contingent upon the successful issuance, creation and funding of an Assessment District (AD) through the City of Riverside. The special assessment formula was prepared on behalf of the City of Riverside by Albert A. Webb Associates, consulting engineers.

The Market Value estimate reported in this report reflects the funding for a portion of the infrastructure improvements from the proceeds of the Riverwalk AD. The total public improvements subject to reimbursement include the street and associated infrastructure improvements. Specifically these improvements include the street, landscape, sewer, water, underground electrical and communication facilities and storm drain improvements and drainage system. The total construction funds with contingency are \$2,951,190 and the maximum assessed amount is \$3,755,000, according to the engineer's report prepared by Webb Associates dated July 2003. If the AD is not created and/or the amount or

<sup>3</sup> *Ibid*, Page 334

timing of the reimbursements should change, the value opinion stated herein would be lower. Please refer to the Valuation section of this report for further detail of the reimbursements and timing for such reimbursements.

The infrastructure costs and grading costs have been provided for our review by the master developer and prepared by the engineering firm of Albert A. Webb Associates. It is assumed that all conditions for site development as indicated in the Specific Plan and Conditions of Approvals are included in the infrastructure costs. *A specific assumption of this appraisal report is that the costs are accurate.*

The individual parcel sizes have been calculated by Albert A. Webb Associates. We have relied on their calculations in estimating usable salable acreage. Our value estimate is, in part, based on the accuracy of this information.

**Assumptions and Limiting Conditions**

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

The date of value for which the opinions of Market Value are expressed in this report is April 1, 2004. The dollar amount of this value opinion is based on the purchasing power of the United States dollar on that date.

The appraisers have not been provided with plans and specifications for the proposed industrial buildings within Riverwalk. For purposes of this appraisal, we have assumed that the quality of construction, functional utility, amenities and features will meet market demand for new product in the market area in which Riverwalk is located. This is a specific assumption of the value estimates included in the report.

The appraisers have been provided with approximate construction costs to build the industrial buildings within Riverwalk from Turner Development. Any variance in building costs could alter our value conclusion.

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

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

The appraisers have been provided with a summary of a soils report for the subject property prepared by Norcal Engineering dated June 11, 2003, prepared for Turner Development. For purposes of this appraisal, the soil is assumed to be of adequate load-bearing capacity to support all uses considered under our conclusion of Highest and Best Use.

The appraisers have been provided with a title report on the subject property prepared by First American Title Insurance, dated July 30, 2003, Order Number OR-2217368-A. For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely affect the value of the subject properties.

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

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

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

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

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

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



# HRA

The presence of such substances such as asbestos, urea formaldehyde, foam insulation, or other hazardous substances or environmental conditions may affect the value of the property. The value estimated herein is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate if so desired.

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

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

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

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

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

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

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

# HRA

The appraisers will appear at the deposition, judicial, or administrative hearing with his/her appraisal report and files and will answer all questions unless the employer provides the appraisers with legal counsel who then instructs them not to appear, instructs them not to produce certain documents, or instructs them not to answer certain questions. These instructions will be overridden by a court order which the appraisers will follow if legally required to do so. It shall be the responsibility of the employer to obtain a protective order.

The appraisers have personally inspected the subject property; however, no opinion as to structural soundness of existing improvements or conformity to city, county, or any other agency building code is made. No responsibility for undisclosed structural deficiencies/conditions is assumed by the appraisers. No consideration has been given in this appraisal to personal property located on the premises; only the real estate has been considered unless otherwise specified.

James B. Harris is a Member and Berri J. Cannon is an Associate Member of the Appraisal Institute. The Bylaws and Regulations of the Institute require each Member and Associates to control the uses and distribution of each appraisal report signed by such Member or Associates. Except as hereinafter provided, possession of this report, or a copy of it, 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 appraisers and in any event only with property written qualification and only in its entirety. **The City of Riverside, its Underwriter and Legal Counsel may publish this report in the Official Statement for the Riverwalk Business Center AD.**

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, public relations, new media or any other public means of communication without the prior consent and approval of the undersigned.

The acceptance of and/or use of this appraisal report by the client or any third part constitutes acceptance of the following conditions:

**The liability of Harris Realty Appraisal and the appraisers responsible for this report is limited to the client only and to the fee actually received by the appraisers. Further, there is no accountability, obligation or liability to any third party. If the appraisal report is placed in the hands of anyone other than the client for whom this report was prepared, the client shall make such party and/or parties aware of all limiting conditions and assumptions of this**

assignment and related discussions. Any party who uses or relies upon any information in this report, without the preparer's written consent, does so at his own risk.

If the client or any third party brings legal action against Harris Realty Appraisal or the signer of this report and the appraisers prevail, the party initiating such legal action shall reimburse Harris Realty Appraisal and/or the appraisers for any and all costs of any nature, including attorneys' fees, incurred in their defense.

AREA DESCRIPTION

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

Southern California Regional Overview

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

**Population**

The Southern California region has added about 6.9 million new residents since 1980 as indicated in the table shown on page 14. According to the California Department of Finance, the most recent data available indicate that as of January 2003, the regional population stood at over 20.2 million. If the region were an individual state, it would rank as one of the most populous in the nation.

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



**Employment**

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

**Southern California Region  
Employment Trends  
1983-2002<sup>1</sup>**

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

<sup>1</sup> 2002 benchmark

Source: Employment Development Department

3/03

In the Southern California region, average annual non-agricultural employment has grown from 5,691,000 jobs in 1983, to a peak employment of 8,015,300 in 2001. Employment declined to 8,003,100 in 2002. This decline was mostly caused by a 40,100 job decrease in Los Angeles County. This represents an increase of over 750,000 new jobs over the past five years.

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

Employment among the individual industry categories reflects some fundamental regional changes in the economy during the past decade. The level of mining activity in Southern California continues to steadily decline as reflected in the consistent decrease in mining employment. Construction employment, as of 1989, was at a high level in response to the level of construction activity that had occurred in the region during the past five years. During the period from 1991 through 1994, construction employment declined in response to decreased residential and commercial construction activity. From 1994 through 2004, as the economy rebounded, residential construction increased bringing back most construction jobs lost during the mid-1990's recession.

Total manufacturing employment in the region has exhibited little gain from the levels recorded in 1980. Due to the high labor, land, and capital costs in most of the

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Southern California region, some manufacturing firms have expanded or relocated their manufacturing operations outside of the area.

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

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

The employment group that has contributed most to the employment growth in the region is the service sector. Since 1980, the majority of all new jobs have been created in the service category. The service sector was the leader in new job growth during the years that followed the economic recovery from the 1990 recession. This sector will experience layoffs due to its tie to the travel and tourism industries, due to the terrorist attack.

Government employment tends to mirror the growth of the population that it services. It is expected that government employment will grow at a rate similar to the area population. The future employment growth in the Southern California region is expected to continue but at a level moderately lower than recent years. Factors that will affect employment growth include the direction of the national economy, wage levels, housing prices, and population trends. Given the national disaster of September 11, 2001,

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government should not experience layoffs; on the contrary, growth particularly in the defense sector should occur.

### Riverside County

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

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

### Population

Riverside County has more than doubled its population, adding approximately 882,488 new residents since 1980 as illustrated in the following table. As of the 2000 Census, the countywide population stood at 1,545,387 residents. The 2003 estimate by the State of California indicates that the County had 1,705,500 residents on January 1, 2003. Annual population gains, from natural increase and immigration, have ranged from less than 18,500 persons in 1997 up to 72,087 persons in 2000. From 1991 to 1997, the rate of growth in population declined moderately each year. Recent gains of 26,100 to 72,087 persons represent annual changes of 1.8% to 4.9%.

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

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

**Riverside County  
Population Trends  
1980-2003**

Year	Population	Average Annual Change	
		Number	Percent
1980	663,199	--	--
1985	815,100	30,380	4.6%
1990	1,170,413	71,063	6.0%
1991	1,223,200	52,787	4.5%
1992	1,268,800	45,600	3.7%
1993	1,304,400	35,600	2.8%
1994	1,332,000	27,600	2.1%
1995	1,356,600	23,600	1.8%
1996	1,381,900	26,300	1.9%
1997	1,400,400	18,500	1.3%
1998	1,447,200	46,800	3.3%
1999	1,473,300	26,100	1.8%
2000	1,545,387	72,087	4.9%
2001	1,609,400	64,013	4.1%
2002	1,644,300	34,900	2.2%
2003	1,705,500	60,200	3.7%

April 1, 1980, 1990, 2000; all other years January 1.  
Source: California Department of Finance, U.S. Census 5/03

## Employment

Employment data for Riverside County are compiled for the entire MSA, which includes San Bernardino and Riverside Counties. These counties have become a diverse economy, with manufacturing, construction and tourism the major industry groups. In conjunction with the rapid population growth experienced in the past two decades, the employment base has continued to grow and diversify. The Inland Empire's

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unemployment rate is moderately above the Southern California average and similar to the State. The higher unemployment rate is due to the seasonal nature of agricultural employment in the area. The following exhibit illustrates the area's unemployment compared to California as of December 2003.

	Labor Force	Unemployment
California	17,634,200	6.1%
Inland Empire	1,720,700	5.2%

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

Nonagricultural employment has grown from an annual average of 443,100 jobs in 1983 to 1,057,800 jobs in 2002. This represents an increase of over 600,000 new jobs created in San Bernardino and Riverside Counties during the past 20 years. As the economy rebounded from the national recession in 1981-1982, annual employment gains jumped by more than 30,500 new jobs in 1984. Job gains peaked in 1990 with 44,400 new jobs. During the economic recession of 1991 to 1996, increases ranged from 4,400 to 28,600 new jobs representing a 0.6% to 3.8% gain per annum. During the last four years, job increases have ranged from 28,700 new jobs to 56,700 new jobs. The percentage increases have ranged from 2.8% to 6.4%. The table on the following page illustrates the annual employment trends from 1983 through 2002.

Employment among the individual industry categories reflects changes in the Inland Empire economy during the past decade. Construction employment gains generally mirror the regional economy. In response to the high level of construction activity that occurred in the County during the period from 1984 to 1989, construction employment reached nearly three times the level recorded in 1982. From 1992 through

1995, construction employment declined in response to decreased building activity. The 2002 levels were more than double the 1993 low.

**San Bernardino-Riverside MSA<sup>1</sup>  
Employment Trends  
1983-2002**

Year	Employment	Average Annual Change Number	Percent
1983	443,100	--	--
1984	473,600	30,500	6.9%
1985	514,100	40,500	8.6%
1986	551,400	37,300	7.3%
1987	588,700	37,300	6.8%
1988	625,100	36,400	6.2%
1989	666,200	43,100	6.9%
1990	712,600	44,400	6.6%
1991	718,800	6,200	0.9%
1992	729,600	10,800	1.5%
1993	734,000	4,400	0.6%
1994	751,300	17,300	2.4%
1995	779,900	28,600	3.8%
1996	803,500	23,600	3.0%
1997	841,400	37,900	4.7%
1998	882,200	40,800	4.8%
1999	938,900	56,700	6.4%
2000	991,500	52,600	5.6%
2001	1,029,100	37,600	3.8%
2002	1,057,800	28,700	2.8%

<sup>1</sup> Data revised due to changes in research methodology, 2002 Benchmark  
Source: Employment Development Department 5/03

The number of manufacturing jobs in the Inland Empire has increased over 45% from the levels recorded in 1991. However, manufacturing jobs declined 4.5% from the 2000 high of 120,000 jobs. Due to the high labor and capital costs in Los Angeles and Orange Counties, manufacturing firms have expanded or relocated some of their manufacturing operations to Riverside and San Bernardino counties to take advantage of the labor force and lower land costs.

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

A significant number of the new jobs created in the 1990's have been created in the service sector. The service sector will continue to play a major role in employment growth during the next few years. Government employment is a major employment sector in the Inland Empire due to the rapid growth.

The future employment growth in the Inland Empire is expected to continue as more firms relocate to the area to take advantage of lower land prices and the abundant labor pool. Factors that will affect employment growth include the direction of the national economy, the availability of water, and the decline in aerospace and defense related spending. Due to the terrorist attack on September 11, 2001 and the Iraq conflict, consumer confidence has been negatively impacted. The nation's current situation is completely new and a brand new economic climate is ahead of us. At best, current projections of the impact to Riverside County are mere speculation. However, most economists indicate we are in a flat economy and that recovery began in mid to late 2003.

**Income**

The average household income in Riverside County is estimated to be \$61,251. The median household income stands at \$46,974. These figures are moderately below the Southern California region average. The lower income level is due to the lower wages in agriculture, manufacturing, service and government employment. The household income distribution for Riverside County is illustrated in the following table.

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

Income Range	Households	Percent <sup>1/</sup>
Less than \$15,000	73,151	13.50%
\$15,000 - \$24,999	65,958	12.17%
\$25,000 - \$34,999	63,135	11.65%
\$35,000 - \$49,999	86,087	15.89%
\$50,000 - \$74,999	105,393	19.45%
\$75,000 - \$99,999	64,348	11.87%
\$100,000 - \$149,999	56,987	10.52%
\$150,000 or more	26,870	4.97%
<b>Total</b>	<b>541,929</b>	<b>100.0%</b>
Median Household Income		\$46,974
Average Household Income		\$61,251

<sup>1/</sup> Percent of total distribution

Source: Claritas

9/03

# HRA

## Transportation

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

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

## Environmental Concerns

The Endangered Species Act of 1973 precludes any activity that constitutes a taking of a federally listed endangered species except by permit. Numerous areas within Riverside County have been identified as containing potential habitat of the Stephen's Kangaroo Rat, a listed species. The evidence of habitation by this rat has resulted in delays or substantial revisions of proposed developments. The California Department of Fish and Game are currently reviewing the status of additional wildlife for possible inclusion on a list of endangered or threatened species. However, given the development status of the subject's immediate area, no adverse impact is expected.

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

## Retail Sales

Retail demand continues to be fueled by the growth in population as outlined previously. For Riverside County, taxable retail sales have increased from \$3.9 billion in 1985 to over \$7.1 billion by 1994 and to over \$14.2 billion by 2002. During the past four years, annual changes have ranged from an increase of \$768 million in 1998 to an increase of \$1.5 billion in 2000, as shown on the next table. Data for 2003 are not available as of the date of this report.

The increases in retail sales are due to the exceptionally high County population growth rates experienced during the period from 1983 through 1990. During the period from 1991 through 1993, retail sales were stagnant due to the economic recession. From 1994, and continuing throughout 2002, there was a significant rebound in retail sales. Official state reports for 2003 will not be released until later this year. In the future, retail sales growth should mirror the population growth in the County.

**Riverside County  
Retail Sales Trends 1/  
1985-2002**

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

1/ Taxable Retail Sales Total (not adjusted for inflation) Source: State Board of Equalization 1/04



# HRA

## City of Riverside

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

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

The City stretches along both sides of the Riverside Freeway (91). The City is mostly residential with neighborhood commercial uses along major streets and at major intersections. There is a Central Business District concentrated in the downtown area. This is the seat of the City and County governments. Most of the major office buildings in the County are located in the downtown area. Industrial development is mostly in the eastern section of the City, toward March Air Force Base and Moreno Valley. Typical housing cost ranges from \$250,000 to \$600,000.

## Population

The City of Riverside has benefited from the population growth throughout Riverside County. The City of Riverside's population increased from 226,500 in 1990 to the current level of 274,100 as of January 2003. Until 1990, the growth rate had been approximately 2.0% to 4.6% per annum. Between 1991 and 2000, the growth rate was between 0.6% and 1.5%, except for 1992 and 1998. However, in 2000 and 2001, the population increases were 2.4% and 3.1%. The growth rate declined to 1.7% in 2003. This is an indication that the City of Riverside is mostly built out, except for scattered in-fill sites.

# HRA

## Neighborhood Map



# HRA

## City of Riverside Population Summary 1990-2003

Year	Population	Average Annual Change	
		Number	Percent
1990	226,500	---	---
1991	228,500	2,000	0.9%
1992	233,700	5,200	2.3%
1993	237,200	3,500	1.5%
1994	239,600	2,400	1.0%
1995	241,100	1,500	0.6%
1996	243,400	2,300	1.0%
1997	245,200	1,800	0.7%
1998	250,800	5,600	2.3%
1999	254,300	3,500	1.4%
2000	255,200	900	0.4%
2001	261,200	6,000	2.4%
2002	269,400	8,200	3.1%
2003	274,100	4,700	1.7%

Source: California Department of Finance  
US Census 5/03

### Income Levels

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

### City of Riverside Household Income Distribution - 2003

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

Source: Claritas 4/04

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### Retail Sales

In 2002, the City of Riverside generated retail sales of \$2,891,630,000 or 20% of the County's total retail sales. The City's retail sales increased 14.6% from the City's 2000 level.

### Transportation

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

### Immediate Surroundings

The subject property is located in the La Sierra University Specific Plan Area in west Riverside. La Sierra University is the principal landowner within the Specific Plan Area and University related improvements are the dominant land use. The subject is part of one industrial planning area that was previously used for agricultural purposes. The surrounding neighborhood is primarily residential in nature with the necessary supporting services such as schools, parks, and commercial uses. The recently completed Riverwalk residential development is adjacent on the north and east sides of the industrial development. The subject property is in the path of development and has no serious issues or environmental impacts that would hinder development to industrial uses. Overall, the subject is considered to be well located for industrial development.

The subject property is located east and south of Riverwalk Parkway at Collett Avenue in the La Sierra University Specific Plan in Riverside. The subject has direct access to the Riverside (91) Freeway from the Pierce Street interchange. The subject neighborhood is bounded by the Riverside Freeway (91) on the south, Pierce Street on the west and north and La Sierra Avenue on the west.

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The property is a portion of the property previously and still owned by La Sierra University. The University encompasses both developed and undeveloped properties east and west of Pierce Street, north of the La Sierra Channel, and southwest of Golden Avenue and La Sierra Avenue. La Sierra University is one of the largest landowners in western Riverside, having retained and accumulated its properties since the school was established as a Seventh-day Adventist high school in 1922.

Over the years the school grew from a high school to a junior college and then to La Sierra College in 1939. In 1967 La Sierra College merged with Loma Linda University. In 1990 the University was reorganized and La Sierra University was established as a separate institution. The University now has an enrollment of approximately 1,500 students in both undergraduate and graduate programs in liberal arts, business and management, religion, and teaching.

As part of the La Sierra University Specific Plan, the University will be expanded to accommodate 5,000 students and surplus lands will be developed with institutional, office, residential, commercial, and industrial uses.

Although much of the University property is undeveloped, the surrounding neighborhood is established and largely built-out. To the south, east, and west, a mix of new and older single-family and multi-family residential uses are adjacent to the subject property. Located near the northeast corner of the property at the Specific Plan Area at Pierce Street and La Sierra Avenue is the Five Points commercial area. A neighborhood shopping center, anchored by a Stater Bros. market and Rite-Aid drug store, is located on the southwest side of La Sierra Avenue. This center is currently impacted with very high vacancies. East of Golden Avenue and south of Schuyler Avenue is a 20-year old single-family neighborhood. Opposite the flood control channel at the subject's southeast border is the McAuliffe Elementary School and Rancho Loma Park, an attractive single-family development with apartments closer to the Riverside Freeway. Southwest of Pierce Street near the Riverside freeway is a mobile home park. To the northwest along Pierce Street is an industrial building, a private elementary and high

## HRA

school, a mix of older commercial properties and residential properties. The new Riverwalk residential development is adjacent to the north and east of the subject property.

In addition to the Stater Bros. shopping center, neighborhood shopping is available on La Sierra Avenue at Magnolia Avenue. Community shopping is available 1.5 miles west of the subject at McKinley Street and the Riverside Freeway in Corona. There are several major centers at this intersection with anchor tenants including Wal-Mart, Home Depot, and Costco. Regional shopping is available at the Galleria at Tyler Mall, located at Tyler Street and the Riverside Freeway in Riverside about two miles east of the subject. The Galleria is a 1,050,000 square foot enclosed mall that is anchored by JC Penny, Macy's, Nordstrom, and Robinson's-May and includes about 170 regional and national stores.

Freeway access is good with the Riverside (91) Freeway located within one-half mile of the subject via Pierce Street. Magnolia Avenue and La Sierra Avenue also provide convenient access to the Riverside Freeway. The Riverside Freeway provides access to employment centers in Orange County and to the Southern California freeway grid. Three miles west of Pierce Street is the Riverside Freeway interchange with Interstate 15. Interstate 15 is a north-south route that provides access to the Pomona Freeway and Interstate 10 in San Bernardino County and extends southward to San Diego. A Metrolink commuter rail station is located at La Sierra Avenue and the Riverside Freeway. Metrolink provides a transportation alternative to employment in Orange and Los Angeles counties.

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## MARKET OVERVIEW

San Bernardino and Riverside Counties provide access to one of the largest markets in the United States. The California population of just under thirty-six million generates retail sales alone in excess of \$441 billion. Forty-seven (47%) of that market is within one hour of Riverside. Also, an excellent transportation system provides rapid movement of goods throughout the Pacific region.

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

The subject is located in the Inland Empire East market area. As of December 2003, this area could be summarized as shown below.

- \* The East End of the Inland Empire contains approximately 81 million square feet of space in industrial buildings over 10,000 square feet.
- \* At the end of Fourth Quarter, 2003, 5.3 million square feet of industrial space was available for sale or lease. This number reflects a 6.5% vacancy rate, down

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0.4% from the previous quarter and reflects a two point decrease from this time last year.

- \* During Fourth Quarter 2003, 1,644,385 square feet of space was leased or sold.
- \* Aggregate 2003 lease and sale activity totaled 9.1 million square feet, up from 2002's 5.5 million mark.
- \* Currently, there are 35 industrial buildings under construction in the Inland Empire East end, drastically different from the mid 1990's.
- \* Asking lease rates indicate an extremely wide range from \$0.31 to \$0.42 per square foot per month, with the lower end reflecting a few selective older buildings in outlying areas and the high end is reflective of the newer speculative product in the more recently developed areas.
- \* The Corona and Riverside submarkets dominated the transaction volume during the Fourth Quarter with 504,537 and 569,647 square feet of gross sales and leasing activity.

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

## Industrial Market Overview

December 2003

Ex. City = 10,000+ sq.ft.	Bldg. SF	IJC Bldg. SF	SE Vacant	Vacanc y Rate	Avail. SF	Avail Rate	Q4-03 Activity
Colton	5,615,788	143,448	-0-	0.00%	83,537	1.49%	88,700
Corona	23,052,161	664,227	727,073	3.15%	2,464,976	10.69%	504,537
Moreno Valley	1,437,863	-0-	18,800	1.31%	99,840	6.94%	-0-
Perris	4,630,284	-0-	136,904	2.96%	136,904	2.96%	20,440
Redlands/Loma Linda	5,446,889	-0-	756,793	13.93%	848,200	15.57%	134,963
Rialto	5,858,447	-0-	-0-	-0-	11,800	0.20%	87,171
Riverside	24,889,423	834,409	323,493	1.30%	1,318,745	5.30%	569,647
San Bernardino	10,195,081	-0-	144,000	1.41%	326,131	3.20%	238,927
<b>Inland Empire East</b>	<b>81,125,936</b>	<b>1,642,084</b>	<b>2,109,063</b>	<b>2.60%</b>	<b>5,290,133</b>	<b>6.52%</b>	<b>1,644,385</b>

Source: CB Richard Ellis, fourth quarter 2003

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

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

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

## HRA

The Inland Empire seems to show little or no effects of the 9/11 tragedy. The recently completed 210/30 freeway along with a highly-skilled work force, low cost housing, continued job growth and vast amounts of available land also makes the Inland Empire an attractive choice for manufacturers and distributors.

In the fourth quarter of 2003, the Inland Empire experienced over 6.0 million square feet of gross absorption and continuous demand resulted in 3.5 million square feet of positive net absorption. There was approximately 2.7 million square feet of new product delivered to the market, with 5.6 million square feet remaining under construction. Sublease space still plays a strong role although it has decreased slightly from last quarter. The average asking industrial lease rate for buildings 10,000 square feet and greater remains flat at \$0.38 per gross square foot while buildings over 100,000 square feet report an average asking rate of \$0.32 per gross square foot.

During the fourth quarter of 2003, the Inland Empire industrial vacancy experienced a decline from third quarter's rate of 3.10%, which brings this quarter to 2.60%. The western market area of Inland Empire accounts for 72% of the total vacant product at 2.72%. Across the board, the majority of vacancy rates in Inland Empire cities remain in the single digits. Rates range from fully occupied in the cities of Colton and Rialto to a high of 13.3% in the City of Redlands.

Approximately 6.0 million square feet of gross activity was experienced during the fourth quarter of 2003. The City of Ontario led the other cities of the Inland Empire with 1.6 (27%) million square feet of sale and lease activity. Of the 6.0 million square feet of gross activity, new demand in the Inland Empire industrial market resulted in 3.5 million square feet of positive net absorption. Year-end 2003 net absorption amounts to 17,137,209 square feet. Some of the more notable transactions were Exel Logistics occupying 579,000 square feet in Fontana, Bradshaw occupying 450,000 square feet in Rancho Cucamonga and Hino Motors occupying 230,500 square feet in Ontario.

Average asking manufacturing and warehouse gross lease rates ranged from a low of \$0.25 to a high of \$0.75 in the fourth quarter, producing an average asking gross

## HRA

lease rate of \$0.38 per square foot. Big box (100,000 square feet and greater) industrial buildings reported an average asking gross lease rate of \$0.32 per square foot for the fourth quarter.

As of the end of the fourth quarter, the Inland Empire industrial market completed development on 26 projects totaling 2.7 million square feet and had 5.6 million square feet still in the construction phase. Total square footage under construction decreased 3% during the fourth quarter from third quarter's 5.8 million square feet. The Inland Empire industrial market currently has 31 million square feet of space planned for the next two years.

**SITE ANALYSIS**

**General**

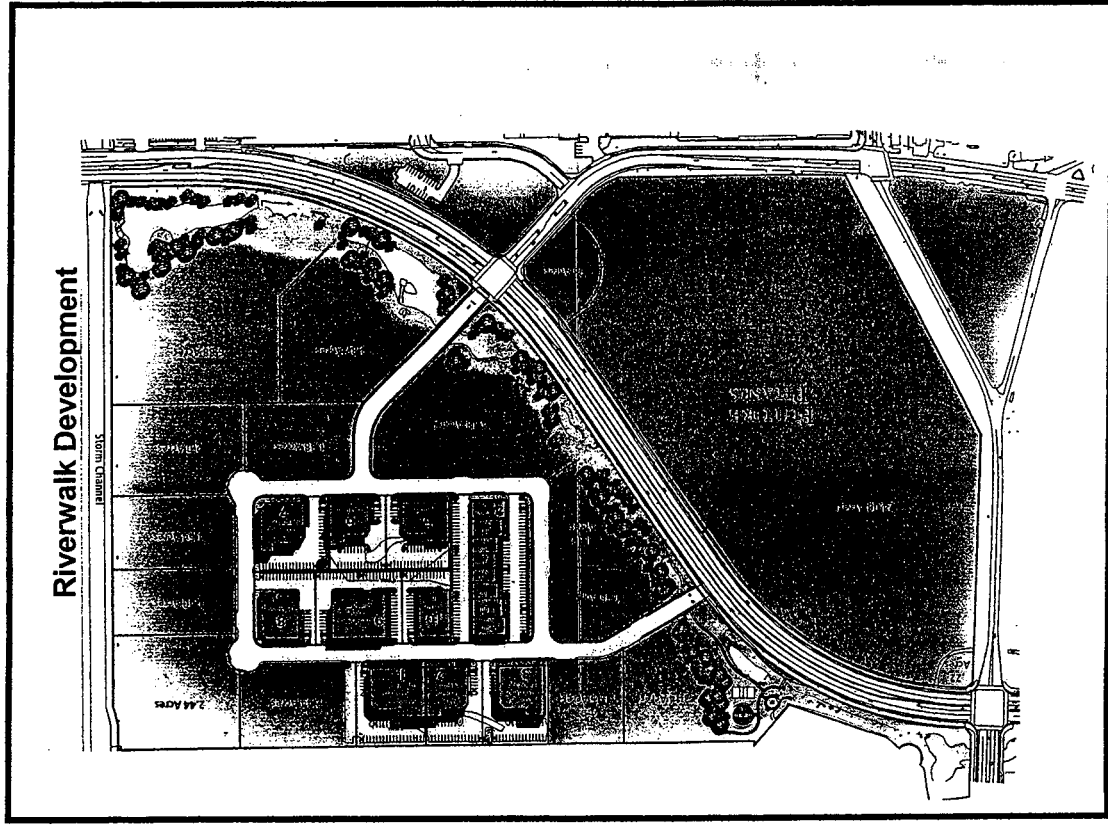
The subject properties include a portion of the industrial land of the Riverwalk master planned community. This 48± gross acre development is the first industrial portion of the La Sierra University Specific Plan area. The Riverwalk Business Center development encompasses a portion of one planning area. The area and its specific development will be described later in this report. All portions of this project are entitled, with ten industrial building under construction. Please refer to the following page for a map outlining the Riverwalk Business Center Development.

**Location**

The site is the eastern portion of Planning Area 5, within the La Sierra University Specific Plan. The subject planning area is located east of Riverwalk Parkway and south of Collett Avenue, in Riverside. This site is adjacent to the existing La Sierra University in western Riverside. This location is approximately one-half mile north of the Riverside Freeway (91) at the Pierce Street interchange.

**Current Site Condition**

The subject property has been under site construction since early 2004. Mass grading and site improvements are under construction on the 48± gross acres. (Please refer to the aerial photograph at the beginning of this report.) The planning area has been mass-graded with wet and dry utilities installed or under construction. The subject site is about 30% complete. A review of the cost summaries included in the appraisers work files indicates that approximately 30% of the infrastructure costs have been completed. Approximately \$2,000,000 for infrastructure improvements are required. Approximately \$1,460,000 for infrastructure improvements are still required, and are subject to reimbursement from the proceeds of the Assessment District bonds. Off-site improvements will be substantially complete by September 2004 according to the developer. Partially completed improvements to the industrial parcels have been given consideration in our valuation based on physical inspection of the improvements and input from the merchant builder on their costs incurred as of April 1, 2004.



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**Size and Shape**

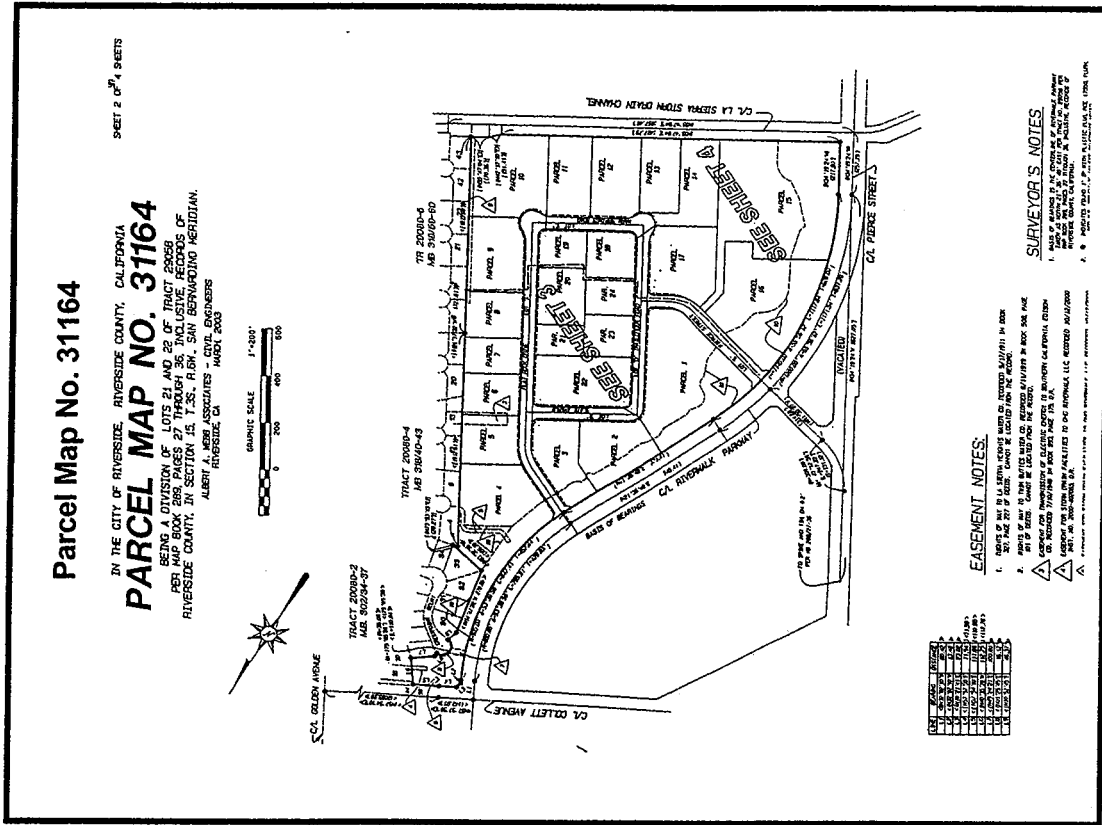
The overall shape of the Riverwalk Business Center AD is irregular and consists of 47.95 gross acres and 43.39 net acres. Individual industrial parcels are generally rectangular and range between one and four acres, although some parcels will be smaller or larger. Please refer to the table below which lists the individual parcels and their sizes. The following page is a copy of the Parcel Map proposed for 24 parcels.

Riverwalk Business Center  
Assessment District  
Parcel Map No. 31164  
Parcel Areas

Parcel Number	Gross Acres	Gross Sq. Ft.	Net Acres	Net Sq. Ft.
1	4.83	210,395	4.71	179,032
2	1.81	78,844	1.68	73,181
3	1.91	83,200	1.51	65,776
4	4.32	188,179	4.16	181,210
5	1.25	54,450	1.13	49,223
6	1.06	46,174	0.95	41,382
7	0.90	39,204	0.81	35,284
8	1.11	48,352	1.00	43,560
9	1.84	80,150	1.54	67,082
10	2.49	108,464	2.40	104,544
11	1.51	65,776	1.41	61,420
12	1.66	72,310	1.54	67,082
13	1.24	54,014	1.20	52,272
14	1.55	67,518	1.53	66,647
15	5.74	250,034	5.72	249,163
16	4.01	174,676	3.73	162,479
17	2.34	101,930	1.99	86,684
18	1.18	51,401	0.93	40,511
19	0.99	43,124	0.76	33,106
20	1.23	53,579	1.10	47,916
21	0.69	30,056	0.61	26,572
22	2.56	111,514	2.04	88,862
23	0.91	39,640	0.81	35,284
24	0.82	35,719	0.73	31,799
<b>Total</b>	<b>47.95</b>	<b>2,088,702</b>	<b>43.39</b>	<b>1,890,068</b>

CONSULTING REAL ESTATE APPRAISERS

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**EASEMENT NOTES:**

1. ANY EASEMENT OR INTEREST IN REAL PROPERTY IS SUBJECT TO THE SUPERSEDING EFFECTS OF THE RECORDS OF THE COUNTY OF RIVERSIDE, CALIFORNIA.
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24. ANY EASEMENT OR INTEREST IN REAL PROPERTY IS SUBJECT TO THE SUPERSEDING EFFECTS OF THE RECORDS OF THE COUNTY OF RIVERSIDE, CALIFORNIA.

**SURVEYOR'S NOTES:**

1. THIS PARCEL MAP WAS PREPARED BY THE SURVEYOR IN ACCORDANCE WITH THE REQUIREMENTS OF THE SURVEYING AND MAPPING ACT OF 1907, AS AMENDED.
2. THIS PARCEL MAP WAS PREPARED BY THE SURVEYOR IN ACCORDANCE WITH THE REQUIREMENTS OF THE SURVEYING AND MAPPING ACT OF 1907, AS AMENDED.
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CONSULTING REAL ESTATE APPRAISERS

# HRA

# HRA

## Soils and Geology

A summary of the soils and geological study has been provided to the appraisers. The report was prepared by Norcal Engineering dated June 11, 2003 and prepared for Turner Development. The report indicates that the project as proposed is feasible. The subject is basically an in-fill project surrounded by residential, commercial, institutional, and industrial uses. These existing uses range from new to 60 years. The appraisers assume that the soil conditions allow all of the proposed development as discussed in the Highest and Best Use section of this report and as proposed by the builder.

## Topography and Drainage

The topography of the site is mostly level with a gradual downslope to the east. Site elevations range from 710 feet down to 700 feet above sea level. Two small hills on the north side of Collett Avenue reach an elevation of 740 feet.

Drainage is via natural sheet flow and percolation. The capacity of the La Sierra Channel is inadequate to accept the runoff from the contributing area during a 10-year frequency storm. Excess runoff will be diverted into the water features of the proposed linear park, which will be designed as retention basins. During our inspection of the site, we observed no drainage problems that would not be cured by development of the site.

## Zoning

The La Sierra University Specific Plan was adopted by the Riverside City Council on March 18, 1997, as Resolution No. 19057. The Riverside General Plan was amended to conform to the land uses in the Specific Plan. The Specific Plan is the controlling document for development of each planning area in conjunction with the applicable Riverside zoning designation. The following table outlines the land use designation, the amended General Plan designation, applicable zoning designation, acreage, and development potential for each planning area in the Riverwalk AD. Although the total industrial acreage is 77± gross acres, the Riverwalk AD is only 48± gross acres. The remaining 29± gross acres will be for future development

La Sierra University Specific Plan

P.A. Sub area	Specific Plan Land Use Designation	Amended General Plan Designation ( )	Base Zones	Approximate Acres
5	Industrial Business Park	Industrial/Business Park (14) (IBP)	MP	77.2
				77.2

Source: La Sierra University Specific Plan

As proposed, the subject project appears to be a legally conforming use within the Specific Plan. The subject property is in conformance with all zoning requirements, and is assumed to be in conformance with all governmental regulations.

## Access and Circulation

A new arterial backbone street has been extended through the Riverwalk Specific Plan from Pierce Street and the La Sierra Channel on the south to Pierce Street and Golden Avenue on the north. This new major highway is called Riverwalk Parkway and has a 110-foot right-of-way with extensive landscaping, water features, landscaped median, two traffic lanes in each direction, concrete curbs and gutters, sidewalks, and street lighting. This new arterial provides primary access to all the planning areas and will be improved with a linear park its entire length.

Collett Avenue is a partially improved collector street with a dedicated width of 88 feet. Improvements will include two paved traffic lanes with no curbs or gutters. Collett Avenue will be improved as a 100-foot arterial street during development of the Specific Plan. This will be the major east/west street through Riverwalk.

Pierce Street is designated as a 66-foot wide collector street. This east-west collector street will be improved along the subject's west side and will connect with Riverwalk Parkway after development of the subject parcels.

The subject District will have good access from the Riverside Freeway via Pierce Street and Riverwalk Parkway.



# HRA

## Easements

We have reviewed the title report prepared by First American Title Insurance Company, dated July 30, 2003, order number OR-2217368-A for the subject property. There did not appear to be any easements, restrictions or conditions that would adversely affect the value of the subject property. It is a specific assumption of this appraisal that all easements and encumbrances affecting the property are not detrimental to value.

## Utilities

All of the subject properties are served by the following companies/agencies:

- Electricity City of Riverside
- Water City of Riverside
- Gas Southern California Gas Company
- Sewer City of Riverside
- Telephone Pacific Bell
- Police City of Riverside
- Fire City of Riverside

## Earthquake, Flood Hazards, and Nuisances

The subject property, as of the date of valuation, was not located in a designated Earthquake Study Zone as determined by the State Geologist. However, all of Southern California is subject to seismic activity. The subject property is located in a Zone "C" flood designated area according to Federal Emergency Management Agency Community Panel No. 060260-0025A effective date January 6, 1983. This designation references an area of minimal flooding, which is outside the 500-year flood plain. Flood insurance is not required. No other nuisances or hazards were observed on physical inspection of the subject properties as of the date of value.

## Environmental Issues

The subject site is an in-fill site surrounded by existing development and was previously farmed for over 50 years. The property is reportedly not impacted by any negative environmental issues.

# HRA

## Taxes and Special Assessments

The two assessor parcels that comprised the District as of January 1, 2003, have 2003-2004 assessments as shown on the following table. Pursuant to Proposition 13, passed in California in 1978, current assessed values may or may not have any direct relationship to current market value. Real estate tax increases are limited according to Proposition 13 to a maximum of 2% per year plus bonds, if any. If the property is sold, real estate taxes are normally subject to modification to the then current market value.

The office of Albert A. Webb Associates estimates the Assessments on the undeveloped land within the Riverwalk Business Center AD. The estimated land values are based, in part, on the Assessments estimated for the subject property. Within the Addenda of this report is a summary of the Assessments as estimated by Albert A. Webb Associates for the two subject parcels. The assessor has re-parcelized the subject property into 24 assessor parcels, corresponding to Parcel Map No. 31164. According to the office of Albert A. Webb Associates, the average Assessment for each of the 24 industrial parcels is \$7,245 per acre. Some parcels could have a higher or lower assessment.

### **Riverwalk Business Center Assessment District 2003-2004 Assessed Values and Taxes**

APN	A.V. Land A.V. Imps.	R.E. Taxes	Proposed Assessment
142-090-017	\$298,006		
	\$0		
	\$298,006	\$22,697.26	\$155,332
142-090-018	\$368,616		
	\$0		
	\$368,616	\$29,084.72	\$192,137

The subject property falls within the taxing jurisdiction of the Riverside County Assessor's office. The applicable tax rate area is 09-023. The published annual tax rate in this area is 1.082560%. The subject tax rate includes bond indebtedness related to school district debt service and flood control district debt service.

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The overall effective tax rate for the proposed buildings will be approximately 1.25% of our appraised base values. There does not appear to be a great deal of resistance to the special assessments that do not increase the overall tax rate significantly above 1.25% of assessed value.

For the 2004-2005 tax year, the two subject parcels have been remapped into 24 assessor parcels. This conforms the assessor parcels to Parcel Map No. 31164. Although mapped, assessment information is not available.

# HRA

## IMPROVEMENTS

The Riverwalk Business Center is improved with ten buildings under construction. Nine buildings are freestanding, ranging from 11,490 square feet to 20,550 square feet. The remaining building will contain eight industrial condos ranging from 2,700 square feet to 4,900 square feet. A brief description of the proposed buildings follows.

### **General**

Phase I of the project is under construction. This phase will contain 10 buildings. Within the Riverwalk AD there will be four phases of construction. The subject properties will be single-tenant industrial buildings configured to accommodate one user, and industrial condos. The improvements were designed primarily for warehousing and distribution, and will be completed in September 2004. The site improvements are to be completed in August 2004. Our exterior inspection of the subject property was conducted during March 2004.

### **Specifications**

**Foundation:** Concrete slab on grade with continuous perimeter and pad footings extending 12 to 24 inches below finished grade. Construction drawings indicate a 4 to 6 inch reinforced concrete slab on 4 inches of base.

**Structural Frame:** Pre-cast concrete tilt-up panels with 8 inch interior steel-type columns supporting glu-lam beams and roof structures; wood frame interior construction.

**Exterior Finish:** Concrete tilt-up panels will be approximately 18 to 26 feet in height with painted exterior surfaces. Recessed office entrances have reflective glass and anodized aluminum frames.

**Roof:** Three-ply, built-up roof system with mineral cap over plywood sheathing. Roof appears to be engineered with adequate slope to facilitate run-off to perimeter roof drains.

**Doors:** Office entrances are tempered glass in anodized aluminum frames. The warehouse area will have adequate steel roll-up loading doors and steel pedestrian doors.

**Insulation:** R-11 wall and R-19 fiberglass ceiling insulation adjacent to office

# HRA

- Interior Finish: space, with foil ceiling insulation in warehouse area.
- Warehouse: General office areas will consist of carpet and vinyl tile on the floors, drywall partitions, suspended acoustic ceiling with flush fluorescent lighting and air conditioning. Ceiling height varies from 8 to 9 feet with pre-finished laminated doors in metal frames.
- Restrooms: The unfinished warehouse space will have an estimated clear height of 16 to 24 feet, adequate for the proposed use. There are numerous ventilator skylights and halogen shop lighting.
- Electrical: There are adequate shop and office restrooms for a facility of this size.
- Site Improvements: Electrical service will be 200 to 850 amps, which is adequate for this size property.
- Condition: The site is configured with asphalt paved parking areas at the front, side and rear portions of the site. Parking is provided for approximately 383 cars.
- Condition: The subject property will be new and will be in excellent condition. Typical life expectancy for good quality warehouse buildings is 30 to 40 years, with effective age estimated to be similar to actual age, approximately 0 years.

# HRA

## HIGHEST AND BEST USE

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

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

It is implied in these definitions that determination of highest and best use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners. Hence, in certain situations, the highest and best use of land may be for parks, greenbelts, preservation, conservation, wildlife habitats, and the like. A use which does not meet the needs of the public will not meet the highest and best use criteria.

The determination of highest and best use, therefore, requires a separate analysis for the land as legally permitted, as if vacant. Next, the highest and best use of the property with its improvements must be analyzed to consider any deviation of the existing improvements from the ideal. "The highest and best use of both land as though vacant and property as improved must meet four criteria. The highest and best use must be: legally permissible, physically possible, financially feasible, and maximally productive. These criteria are often considered sequentially."<sup>5</sup> The four criteria interact and, therefore, may also be considered in concert. A use may be financially feasible, but it is irrelevant if it is physically impossible or legally prohibited.

## Legal Considerations

Legal considerations affecting the highest and best use of the subject site are primarily governmental regulations such as zoning and building codes. The subject site is zoned MP. This zoning permits a wide variety of business park and industrial uses. Based on the existing zoning, an alternate use such as residential would not meet the intent of

<sup>4</sup> *The Appraisal of Real Estate*, 10th Edition, Pub. by the Appraisal Institute, Chicago, Ill., p. 275.

<sup>5</sup> *Ibid.*, p. 280.

## HRA

the zoning, and does not conform to immediate surrounding development and would most likely not be permitted.

The entire proposed development of Riverwalk Business Center is approved by the City of Riverside. All of the parcels within this appraisal have recorded parcel maps. The proposed improvements conform to the various zone designations.

### Physical Characteristics

The subject site is effectively level at street grade, contains a total of approximately 43± net acres, has all utilities available and assumed stable soil conditions. Based on these factors, it is the appraiser's opinion that no unusual costs would be incurred in the site's development.

The subject site is located adjacent to one primary street that is improved. The nature of the surrounding improvements indicates that a future business park use of the site would conform to the surrounding area and be the most appropriate use.

The site is located in close proximity to commercial areas, and is near the Riverside freeway. The surrounding area is mostly residential in development. Based upon the physical considerations, it appears a business park use would be the most appropriate use of the site.

### Financial Feasibility and Maximum Productivity

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

The issue of financial feasibility and maximum productivity revolves around the site's ability to generate the highest increment of income from its proposed use. As discussed previously, the sites are suitable for development with business park uses. In

## HRA

our research of the market for improved sales, land sales and rental rates in the vicinity of the subject, and discussions with brokers indicate the market has improved considerably over the market of two to three years ago. Rental rates have been flat and concessions in the form of free rent are common. Sales have been good for single tenant buildings as indicated by the large number of 2003 small building sales. But while the current levels are up, they appear to have stabilized. This level of stabilization is at historically strong levels.

### Market Conditions and Feasibility

*It is not in the scope of this appraisal assignment for the appraisers to conduct an extensive independent market study/absorption analysis, but it is the appraisers' responsibility to address the reasonableness of the conclusions of any market study which has been prepared by outside firms for the subject property. For a project the size and complexity of the Riverwalk Business Center, there will be divergent opinions, often based on the same base data, as to the anticipated absorption time-frame of the undeveloped land within the master planned community.*

In an attempt to arrive at reasonable and supportable absorption schedules for the various uses within the subject, the appraisers reviewed an independently prepared absorption analysis which relates to the subject AD. This independent study is titled Market Absorption Study, Riverwalk Commercial Assessment District, prepared for the City of Riverside, prepared by Empire Economics, Inc., dated January 2004. A copy of a portion of the absorption analysis summary is included in the Addenda of this report.

The following paragraph discusses the assumptions, analysis and conclusions of the Empire Economics report. The data contained in this section will assist in estimating the anticipated absorption period and other pertinent characteristics for the subject property. Absorption estimates are considered when valuing the "As Is" value of the undeveloped land under the two ownerships (Empire Economics report addresses the undeveloped land under two ownerships). It should be noted that the Empire Economics study is based on absorption of product by the end-user, such as an individual

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buyer/tenant of industrial space. This typically is 12 to 18 months later than land absorption to the builders.

## Market Absorption Study, Empire Economics

The absorption schedule presented for the subject property is predicated on the basic assumption that the industrial market will improve in the subject area over the foreseeable future, and is considered a reasonable, though conservative, blending of the cyclical and structural factors that influence the California economy. The analysis is based on a computer model which uses population and employment as the generators of industrial demand. Based on the previously mentioned economic premise, the Empire Economic's report presents the following absorption summary for the industrial land.

Estimated Absorption Summary						
City of Riverside						
Riverside Commercial Assessment District						
January 2004; Subject to Revision						
Product Types	- Major Property Owners -					
	Phase I Bldgs.	Phase I Condos	Phase II	Phase III	Annual	Cumul.
Development Status	7.7	2.0	10.3	22.5	42.5	
Total - Net Acres	18.1%	0.5%	24.2%	52.9%		
Share-Acres	2004	2004	2005	2003		
Market Entry - Est.	2004	2004	2005	2003		
2004	6.7	2.0	0.0	0.0	8.7	8.7
2005	1.0	0.0	10.3	2.5	13.8	22.5
2006	0.0	0.0	0.0	17.0	17.0	39.5
2007	0.0	0.0	0.0	3.0	3.0	42.5
2008	0.0	0.0	0.0	0.0	0.0	42.5
Totals	7.7	2.0	10.3	22.5	42.5	
Averages						

## Maximally Productive

In considering what use would be maximally productive for the subject property, we must consider the previously stated legal considerations. We are assuming the land uses

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allowed under the Specific Plan with the City and the Development Agreement are the most productive uses that will be allowed at the present time. Current zoning and approved uses indicate that other alternative uses are not feasible at this time.

## Conclusion

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

## As Vacant

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

## As Improved

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

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

**VALUATION METHODOLOGY**

**Basis of Valuation**

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

**Valuation Approaches**

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

**Cost Approach**

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

**Income Approach**

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

**Direct Comparison**

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

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

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

A limited analysis of the property under construction was undertaken. This entailed the use of the Direct Comparison Approach to value for the land, plus the cost spent to date for all of the improvements. The cost information was provided by the builder, Turner Development.

**VALUATION INDUSTRIAL LAND USES**

**General**

The parcels within the Riverwalk Business Center Assessment District are in a mass graded/super pad condition within an approved specific planning area. The only current street improvements are Riverwalk Parkway.

Included in this portion of the appraisal is all the property owned by La Sierra University and Turner Riverwalk-1, LLC. Each parcel has been identified within the Site Analysis section of this report. All 43.39 net acres are for industrial use. La Sierra University owns 33.65 acres and Turner Riverwalk-1, LLC owns 9.74 acres.

**Direct Comparison Approach**

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

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

**Finished Site Value - Industrial Uses**

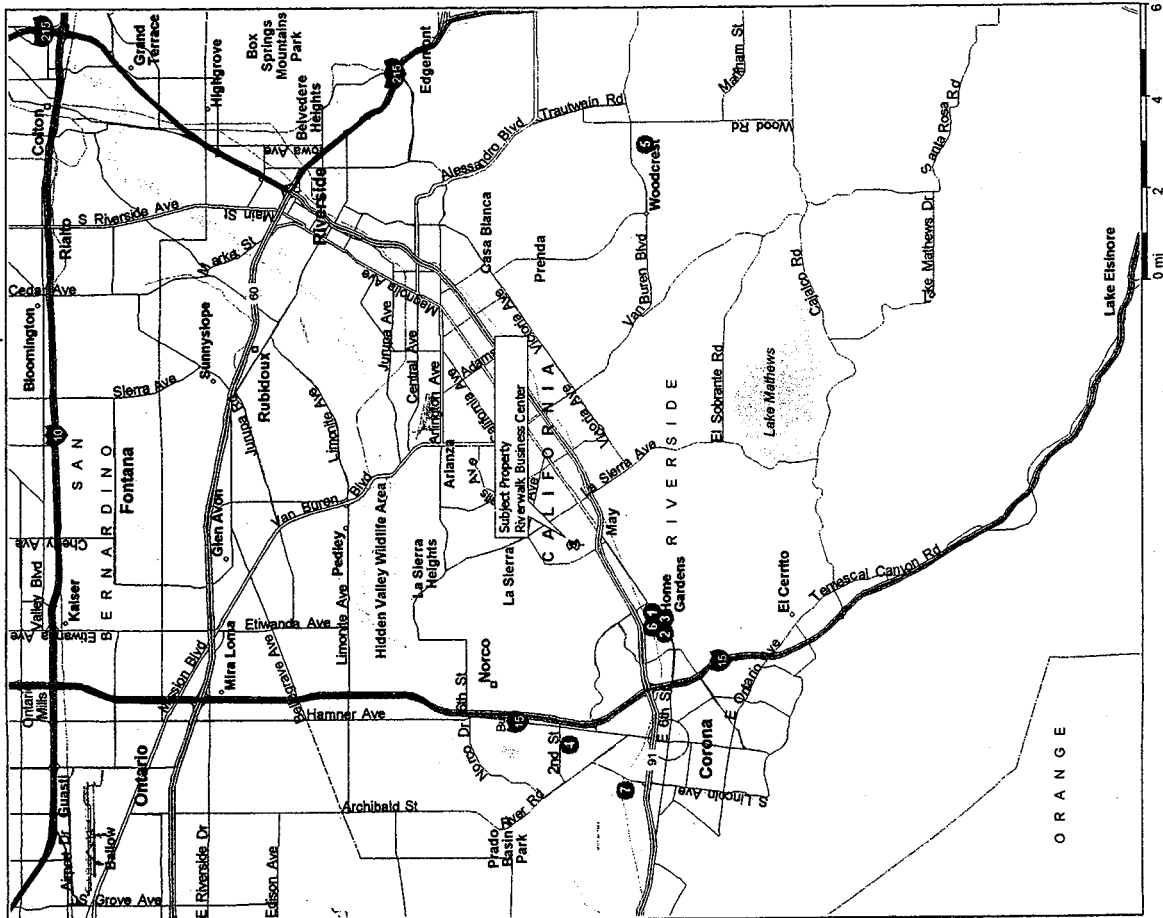
We have included transfers of similar properties in other locations in Riverside, County. The following table summarizes the sales considered most helpful in valuing the parcels for within the Turner Riverwalk Business Center. Following the summary and location map are individual data sheets which more fully describe the comparables.

**INDUSTRIAL LAND SUMMARY**

<u>Data No./Location</u>	<u>Sale Date</u>	<u>Size/AC</u>	<u>Size/SF</u>	<u>Price Paid</u>	<u>Price/SF</u>	<u>Condition</u>
1 W/S Benjamin Dr. 300' N/O Sampson Ave. Corona	Jan-04	3.67	159,865	\$1,141,818	\$7.14	Finished
2 NEC 6th St. & Radio Rd. Corona	Jun-03	18.33	798,455	\$3,700,000	\$4.63	Raw
3 W/S Corporate Terrace N/O Deillah St. Corona	Jun-03	4.09	178,160	\$800,000	\$4.49	Semi-Finished
4 S/S Second St. E/O Mountain Ave. Norco	May-03	5	217,800	\$1,416,000	\$6.50	Semi-Finished
5 "L" SEC Van Buren Blvd. & Dauchy Ave Riverside	May-03	5	217,800	\$893,000	\$4.10	Semi-Finished
6 341 Deillah St. Corona	Jan-03	2.86	124,582	\$872,000	\$7.00	Finished
7 510 Alcoa Cir. Corona	Dec-02	10.47	456,073	\$2,690,000	\$5.90	Semi-Finished

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## Industrial Land Sales Map



### Industrial Land Sale No. 1

**Location:** West side Benjamin Drive, 300 feet north of Sampson Avenue, Corona  
**APN:** 139-250-046 & 047  
**Buyer:** Dennis Ray, Et Ux  
**Seller:** Dwyer Instruments, Inc.  
**Site Size:** 3.67 acres; 159,865 square feet  
**Zoning:** M-3  
**Use:** Construct a single tenant industrial building  
**Condition of Site:** Finished site  
**Recording Date:** January 16, 2004  
**Sale Price:** \$1,141,818  
**Price/Sq. Ft.:** \$7.14  
**Special Assessments:** None  
**Financing:** All cash to seller  
**Verification:** Listing Broker  
**Remarks:** This is a vacant site in a secondary industrial area in Corona. Surrounding uses are mostly single tenant industrial buildings. Street with curb and gutter are installed. The padded site is 10 to 30 feet above street grade. This property is not in an AD/CFD.

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## Industrial Land Sale No. 2

**Location:** Northeast corner 6<sup>th</sup> Street and Radio Road, Corona  
**APN:** 115-200-019  
**Buyer:** MDC Corona, Inc.  
**Seller:** Corona 18.4 Acres, LLC  
**Site Size:** 18.33 acres; 798,455 square feet  
**Zoning:** M-3  
**Use:** Proposed for a 19 building industrial park  
**Condition of Site:** Raw land  
**Recording Date:** June 10, 2003  
**Sale Price:** \$3,700,000  
**Price/Sq. Ft.:** \$4.63  
**Special Assessments:** None  
**Financing:** All cash to the seller  
**Verification:** Selling Broker  
**Remarks:** This property is to be developed with a 19 building industrial park known as The Corona Commons. This park will contain 342,000± square feet in buildings ranging from 6,600± square feet to 33,000± square feet. The site is still in a raw condition with no existing street improvements. Site costs are reported to be \$2.00 per square foot of land. This property is not in an AD/CFD.

# HRA

## Industrial Land Sale No. 3

**Location:** West side Corporate Terrace Circle, 230 feet north of Deillah Street, Corona  
**APN:** 115-670-002 & 003  
**Buyer:** Corporate Terrace Corona, LLC  
**Seller:** JCB, Inc.  
**Site Size:** 4.09 acres; 178,161 square feet  
**Zoning:** M-3  
**Use:** Built out with two buildings totaling 75,000 square feet  
**Condition of Site:** Semi-finished  
**Recording Date:** June 30, 2003  
**Sale Price:** \$800,000  
**Price/Sq. Ft.:** \$4.49  
**Special Assessments:** None  
**Financing:** All cash to the seller  
**Verification:** Buyer  
**Remarks:** This site sold in a semi-finished condition. Cost to finish the site was reported at \$1.00 per square foot. Surrounding uses are mostly single tenant industrial buildings. This property is not in an AD/CFD.

# HRA

## Industrial Land Sale No. 4

**Location:** South side Second Street, 330 feet east of Mountain Avenue, Norco

**APN:** 2098 Second Street, Norco  
126-210-002

**Buyer:** Norco Trails, LLC

**Seller:** Frank Muramoto

**Site Size:** 5.00 acres, 217,800 square feet

**Zoning:** M-1

**Use:** Proposed for an industrial park

**Condition of Site:** Semi-Finished land at time of sale

**Recording Date:** May 19, 2003

**Sale Price:** \$1,416,000

**Price/Sq. Ft.:** \$6.50

**Special Assessments:** None

**Financing:** All cash to the seller

**Verification:** Selling Broker

**Remarks:** This property is currently being built-out with an industrial park. Surrounding uses are a combination of older residential and commercial uses. Cost to finish the site is estimated at \$1.00 per square foot of land. This property is not in an AD/CFD.

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## Industrial Land Sale No. 5

**Location:** Eile around the southeast corner of Van Buren Boulevard and Dauchy Avenue, Riverside

**APN:** 16020 Dauchy Avenue & 18601 Van Buren Boulevard, Riverside  
266-040-036, 043 and 046

**Buyer:** Orangecrest Self Storage

**Seller:** Rick Fritts

**Site Size:** 5.00 acres; 217,800 square feet

**Zoning:** M-P

**Use:** Built-out with a 88,000 square foot self storage facility

**Condition of Site:** Semi-finished at time of sale

**Recording Date:** May 16, 2003

**Sale Price:** \$893,000

**Price/Sq. Ft.:** \$4.10

**Special Assessments:** None

**Financing:** All cash to the seller

**Verification:** Listing Broker

**Remarks:** This property has been improved with a new self storage facility known as Orangecrest Self Storage. Cost to finish the site were approximately \$1.25 per square foot of land. This property was in escrow for approximately two years, due to legal issues of the seller. This property is not in an AD/CFD.

# HRA

## Industrial Land Sale No. 6

Location: 341 Dellilah Street, Corona  
APN: 115-670-021  
Buyer: BJB Properties, Inc.  
Seller: Yale Commercial Real Estate, LP  
Site Size: 4.71 gross acres; 205,168 square feet  
2.86 net acres; 124,582 square feet  
Zoning: M-2  
Use: Proposed for a 50,000 square foot headquarters building  
Condition of Site: Finished at time of sale  
Recording Date: January 31, 2003  
Sale Price: \$872,000  
Price/Sq.Ft.: \$4.25 gross; \$7.00 net  
Special Assessments: None  
Financing: All cash to the seller  
Verification: Seller and Listing Broker  
Remarks: This is the last remaining vacant parcel in an existing industrial area. This site is 20 to 30 feet above street grade. Due to the elevation difference, much of the site is unusable. After completion, the building will have some freeway visibility. This property is not in an AD/CFD.

# HRA

## Industrial Land Sale No. 7

Location: 510 Alcoa Circle, Corona  
APN: 118-060-022  
Buyer: Rexco/Jung Investment Company  
Seller: McGrath Rent Corporation  
Site Size: 10.47 acres; 457,073 square feet  
Zoning: M-1  
Use: A 200,000 square foot industrial park is under construction  
Condition of Site: Semi-finished at time of sale  
Recording Date: December 31, 2002  
Sale Price: \$2,690,800  
Price/Sq.Ft.: \$5.90  
Special Assessments: None  
Financing: All cash to seller  
Verification: Selling Broker  
Remarks: This site is now under construction with a 200,000 square foot industrial park. Access is limited to a 60 foot section of a cul-de-sac. Cost to finish the site was reported at \$0.50 per square foot of land. This property is not in an AD/CFD.

## HRA

### Analysis

We have reviewed and inspected all of the data items set forth in the summary. The adjustments considered for the data items were for financing, economic changes between date of value and recorded sale date, location, site characteristics, costs to bring to finished lot condition and assessments. The individual adjustments made to the comparable sales are illustrated on the adjustment grid on page 66.

### Property Rights

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

### Financing

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

### Conditions of Sale

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

### Time/Market Conditions

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

Due to the current strengthening of the industrial market over the last 12 months, demand for industrial land has increased similar to other use properties. Rent levels for industrial property have stabilized, but sales prices are increasing. All of the sales

## HRA

recorded between December 2002, and the present time. A 1% per month adjustment is indicated in the market. Data No. 5 had an unusually long escrow time, therefore a ½% per month adjustment for the escrow period is used in our analysis.

### Location

The location of the subject property is considered good, located at the western edge of the City of Riverside, with excellent freeway access. Data Item Nos. 1, 2, 3, 4, 6 and 7 are located in Corona/Norco, further to the west. However, all of these sales have inferior access. No adjustment is required. Data No. 5 has an inferior location in Riverside and inferior freeway access. An upward adjustment of 10% is necessary.

### Size

We have not adjusted for size within the adjustment grid, because we are valuing parcels ranging from less than 1 acre to over 5 acres. Assuming all other factors are similar, larger sites typically tend to sell for less on a per square foot basis, than smaller sites due to economies of scale. There is also a smaller market for larger and more expensive land parcels, thus limiting the marketability of the site. However, a review of the adjusted per square foot prices indicates there is little variance in price between a 2± acre parcel and a 10± acre parcel.

### Assessment District Obligations

We have also adjusted for the differences in Assessment District obligations of the comparable sales to those of the subject. For purposes of this analysis, we have assumed the improvements of this issuance of the Riverwalk Business Center AD are in place and bonds have been sold. The subject property is within the boundaries of an Assessment District which has a \$7,245 per acre obligation. Based on the annual payment of assessments compared to the properties without the obligation results in an estimated downward adjustment of 10% to all of the sales.

**Conclusion of Industrial "As Is" Parcel Values**

We have given consideration to the interviews with numerous brokers familiar with the Riverside County industrial market. Most of those interviewed indicated that they thought the subject property would sell in the \$6.00 to \$7.00 per square foot range on finished basis. This is generally supported by the market data. Given the market data, we have concluded at \$7.00 per square foot on a finished basis. However, portions of the property are not expected to be absorbed by the final users until 2007. Although, land prices are expected to continue increasing in price, we have discounted the indicated value by 15% to account for the absorption period.

$$\begin{aligned}
 &\$7.00 \times (15\%) = \$5.95 \\
 &\text{Say} \quad \quad \quad \$6.00
 \end{aligned}$$

We have valued all of the property at \$6.00 Per Square Foot on a finished basis.

Please refer to the adjustment grid found on the following page.

**INDUSTRIAL LAND ADJUSTMENT GRID**

Data No./Location	Size/AC	Size/SF	Price Paid	Price/SF	Ca Eq	Time	Time & Cash Eq.			ADJ.	Price/SF	Size/AC	Size/SF	Price Paid	Price/SF	Ca Eq	Time	ADJUSTMENTS			Adj. Value	
							Location	\$/SF	Size									Costs to Finish	CFD	%		Value
1 W/S Benjamin Dr. 300' N/O Sampson Ave. Corona	3.67	159,865	\$1,141,818	\$7.14	0%	3%		\$7.36	0%	0%	0%	\$0.00	-10%								\$6.62	
2 NEC 6th St. & Radio Rd. Corona	18.33	798,455	\$3,700,000	\$4.63	0%	10%		\$5.10	0%	0%	0%	\$2.00	-10%									\$6.59
3 W/S Corporate Terrace N/O Delliah St. Corona	4.09	178,160	\$800,000	\$4.49	0%	10%		\$4.94	0%	0%	0%	\$1.00	-10%									\$5.45
4 S/S Second St. E/O Mountain Ave. Norco	5.00	217,800	\$1,416,000	\$6.50	0%	11%		\$7.22	0%	0%	0%	\$1.00	-10%									\$7.49
5 7. SEC Van Buren Blvd. & Dauchy Ave Riverside	5.00	217,800	\$893,000	\$4.10	0%	18%		\$4.84	10%	0%	0%	\$1.25	-10%									\$6.09
6 341 Delliah St. Corona	2.86	124,582	\$872,000	\$7.00	0%	15%		\$8.05	0%	0%	0%	\$0.00	-10%									\$7.24
7 510 Alcoa Cir. Corona	10.47	456,073	\$2,690,000	\$5.90	0%	16%		\$6.84	0%	0%	0%	\$0.50	-10%									\$6.66

# HRA

## "As Is" Value - Riverwalk Business Center

As of the date of value the subject property was under construction. The site has been mass graded with interior streets cut. The sewer is installed, the storm drain is nearing completion and the water is under construction. All ten buildings in Phase One are under construction with foundations complete, slabs poured and walls poured. The following table illustrates the current "As Is" value of the District.

### Riverwalk "As Is" Property Value

Finished Land - Net Acres	\$11,340,408
1,890,068 Sq. Ft. X \$6.00/ SF:	\$ 2,000,000
Plus: Building Improvement Cost:	<\$ 1,460,000>
Less: Remaining Site Cost:	\$11,880,408
<b>TOTAL "AS IS" VALUE AS OF 4/1/04:</b>	<b>\$11,900,000</b>
<b>Say</b>	

La Sierra University - \$8,800,000  
Turner Riverwalk-1, LLC - \$3,100,000

# HRA

## VALUE CONCLUSION

Based upon the investigation undertaken, our experience as real estate appraisers, and subject to all the premises, assumptions and limiting conditions set forth in this report, the following opinion of value has been formed, as of April 1, 2004.

**ELEVEN MILLION NINE HUNDRED THOUSAND DOLLARS**

**\$11,900,000**

*The above value represents the aggregate value according to ownership of the 48± gross acres, which includes the land owned by the primary landowner and the developer. The property is under construction with grading and infrastructure improvements. In Phase I, all ten industrial buildings are under construction. Approximately \$1,460,000 for in-tract infrastructure improvements are still required from the builder. Those improvements are anticipated to be completed in September 2004. Proceeds from this Assessment District in the amount of \$2,951,190 are to reimburse the developer for the completion of streets and utilities within the Assessment District.*

**CERTIFICATION**

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

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

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

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

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

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

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


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

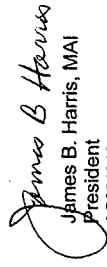
No one provided professional assistance to the persons signing this report.

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

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

Respectfully submitted,

  
Berri J. Cannon  
Vice President  
AG009147

  
James B. Harris, MAI  
President  
AG001846

**ADDENDA**

**QUALIFICATIONS**

**HARRIS REALTY APPRAISAL**  
5100 Birch Street, Suite 200  
Newport Beach, CA 92660  
(949) 851-1227



## QUALIFICATIONS OF

JAMES B. HARRIS, MAI

### PROFESSIONAL BACKGROUND

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

5100 Birch Street, Suite 200  
Newport Beach, California 92660

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

### PROFESSIONAL ORGANIZATIONS

Member of the Appraisal Institute, with MAI designation No. 6508

Director, Southern California Chapter - 1998, 1999

Chair, Orange County Branch, Southern California Chapter - 1997

Vice-Chair, Orange County Branch, Southern California Chapter - 1996

Member, Region VII Regional Governing Committee - 1991 to 1995, 1997, 1998

Member, Southern California Chapter Executive Committee - 1990, 1997 to 1999

Chairman, Southern California Chapter Seminar Committee - 1991

Chairman, Southern California Chapter Workshop Committee - 1990

Member, Southern California Chapter Admissions Committee - 1983 to 1989

Member, Regional Standards of Professional Practice Committee - 1985 - 1997

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

California State Certified Appraiser, Number AG001846

### EDUCATIONAL ACTIVITIES

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

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

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

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

### TEACHING AND LECTURING ACTIVITIES

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

### LEGAL EXPERIENCE

Testified as an expert witness in the Superior Court of the County of Los Angeles and the County of San Bernardino and in the Federal Bankruptcy Courts five times concerning the issues of Eminent Domain, Bankruptcy, and Specific Performance. He has been deposed numerous times concerning these and other issues. This legal experience has been for both Plaintiff and Respondent clients. He has prepared numerous appraisals for submission to the IRS, without having values overturned. He has worked closely with numerous Bond Counsel in the completion of 55 Land Secured Municipal Bond Financing appraisals over the last five years.

### SCOPE OF EXPERIENCE

#### Feasibility and Consultive Studies

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

#### Appraisal Projects

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

#### Residential

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

#### Commercial

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

#### Industrial

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

#### Vacant Land

Community Facilities Districts, master planned communities, residential sites, commercial sites, and industrial sites; right-of-ways for pipelines, full and partial takings for public acquisitions.

**QUALIFICATIONS  
OF  
BERRI J. CANNON**

**LECTURING ACTIVITIES**

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

**PROFESSIONAL BACKGROUND**

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

5100 Birch Street, Suite 200  
Newport Beach, California 92660

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

**PROFESSIONAL ORGANIZATIONS**

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

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

California State Certified Appraiser, Number AG009147

**EDUCATIONAL ACTIVITIES**

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

Successfully completed the following courses sponsored by the Appraisal Institute:

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

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

**SCOPE OF EXPERIENCE**

**Appraisal Projects**

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

**Residential**

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

**Commercial**

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

**Industrial**

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

**Vacant Land**

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

**PARTIAL LIST OF CLIENTS**

**Lending Institutions**

American Savings Bank  
Bank of America  
Bank of California  
Bank One  
Coast S&L Assoc.  
Commerce Bank  
Downey S&L Assoc.  
Fremont Investment and Loan  
First Los Angeles Bank  
Institutional Housing Partners  
NationsBank  
Preferred Bank  
Santa Monica Bank  
Sumitomo Bank  
Tokai Bank  
Union Bank  
Universal S&L Assoc.  
Wallace Moir Company  
Wells Fargo Bank  
Weyerhaeuser Mortgage

**Public Agencies**

Amy Corps of Engineers  
California State University  
Caltrans  
Capistrano Unified School District  
City of Beaumont  
City of Costa Mesa  
City of Encinitas  
City of Fontana  
City of Fullerton  
City of Honolulu  
City of Indian Wells  
City of Irvine  
City of Lake Elsinore  
City of Los Angeles  
City of Newport Beach  
City of Oceanside  
City of Palm Springs  
City of Perris  
City of Riverside  
City of San Marcos  
County of Orange  
County of Riverside  
Eastern Municipal Water District  
Orange County Sheriff's Department  
Ramona Municipal Water District  
Rancho Santa Fe Comm. Services District  
Saddleback Valley Unified School District  
Santa Ana Unified School District  
Val Verde Unified School District

**ALBERT A. WEBB ASSOCIATES ASSESSMENT STUDY  
(Portion)**

**Developers and Landowners**

Borstein Enterprises  
Coto de Caza, Ltd.  
DMB - Ladera  
Foothill Ranch Company  
Hon Development Co.  
The Irvine Company  
Irvine Apartment Communities  
Johnson Ranch  
Lennar Homes  
McLain Development  
Rancho Mission Viejo  
Santa Margarita Company  
Sterling Development  
Shapell Industries  
McClintock, Weston, Benshoof,  
Rocheftort & MacCuish  
Palmiri, Tyler, Wiener, Wilhelm, & Waldron  
Sonnenschein Nath & Rosenthal  
Strauss & Troy  
Wyman, Bautzer, Rothman, Kuchel &  
Silbert

**Law Firms**

Arter & Hadden  
Bronson, Bronson & McKinnon  
Bryan, Cave, McPheeters & McRoberts  
Richard Clements  
Cox, Castle, Nicholson  
Gibson, Dunn & Crutcher  
Hill, Farrer & Burrill

SECTION 3

CITY OF RIVERSIDE  
RIVERWALK BUSINESS CENTER ASSESSMENT DISTRICT  
ENGINEER'S ESTIMATE OF COSTS AND EXPENSES

SECTION 3

CITY OF RIVERSIDE  
RIVERWALK BUSINESS CENTER ASSESSMENT DISTRICT  
ENGINEER'S ESTIMATE OF COSTS AND EXPENSES

Description	Estimated Costs and Expenses Preliminary	Confirmed	Description	Estimated Costs and Expenses Preliminary	Confirmed
<b>I. CONSTRUCTION COSTS</b>			<b>TOTAL AMOUNT ASSESSED</b>	<b>\$3,755,000</b>	<b>\$0</b>
A. Street Improvements - including water system, sewer system, and landscape improvements	\$1,453,234				
B. Electrical backbone system	\$172,000				
C. Storm Drain Improvements & Drainage System	\$70,930				
D. Right-of-way	\$1,105,026				
E. Design Engineering	\$50,000				
F. Permits/Fees	\$50,000				
G. Legal	\$50,000				
<b>SUBTOTAL</b>	<b>\$2,951,190</b>	<b>\$0</b>			
Contingency - included above	\$0				
<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$2,951,190</b>	<b>\$0</b>			
<b>II. INCIDENTAL EXPENSES</b>					
Procedural and Formation Costs					
Professional services	\$225,000				
<b>TOTAL INCIDENTALS</b>	<b>\$225,000</b>	<b>\$0</b>			
<b>III. BOND ISSUANCE COSTS</b>					
A. Bond Reserve Fund	\$323,810				
B. Capitalized Interest @ 6.75% (7 months)	\$175,000				
C. Underwriter Discount	\$80,000				
<b>TOTAL BOND ISSUANCE COSTS</b>	<b>\$578,810</b>	<b>\$0</b>			
<b>RECAPITULATION</b>					
<b>I. CONSTRUCTION COSTS AND CONTINGENCIES</b>	<b>\$2,951,190</b>	<b>\$0</b>			
<b>II. INCIDENTAL EXPENSES</b>	<b>\$225,000</b>	<b>\$0</b>			
<b>TOTAL PROJECT COSTS</b>	<b>\$3,176,190</b>	<b>\$0</b>			
<b>III. BOND ISSUANCE COSTS</b>	<b>\$578,810</b>	<b>\$0</b>			
<b>SUBTOTAL</b>	<b>\$3,755,000</b>	<b>\$0</b>			
<b>IV. DEVELOPER CONTRIBUTION</b>	<b>\$0</b>	<b>\$0</b>			

**ESTIMATED ABSORPTION SCHEDULES**  
**RIVERWALK COMMERCIAL ASSESSMENT DISTRICT**

January 12, 2004; Subject to Revision

(Absorption Schedule Based upon Actual/Projected Special Taxes of \$7,245 per acre/year)  
 (Absorption Schedule Represents the Construction and Occupancy of a Building)

Product Types	Industrial Demand	Share	Capture Rate	Capture Rate	Potential Demand	Phase I		Phase II	Phase III	Future Phases	Grand Totals	
						8-5B	Non-Derivable				Riverwalk AD	Indus. Codes
	Comat. - Acres	Goods			Riverwalk AD	# 1-3 & 6-10	# 4					
					(Special Assmt.)							
					Below \$4,999							
Development Sites												
Total - Acres						7.7	2.0	18.3	22.5	24.1	66.6	
Shops - Acres						11.4%	3.1%	15.5%	53.7%	36.2%		
Buildings - Sq Ft						156,700	30,400	164,660				
Market-Entry - Estimated						2004	2004	2005	N/A	N/A		
Recent Trends:												
1999	1,082		13.3%									
2000	1,247		3.2%									
2001	993		17.5%									
2002	838		6.9%									
2003	837		11.5%									
Estimated Absorption:												
2004	1,000	65.0%	12.0%	15.0%	12	6.7	2.0	0.0	0.0	0.0	8.7	8.7
2005	1,100	65.0%	13.0%	20.0%	19	1.0	0.0	18.3	2.5	0.0	13.8	22.6
2006	1,250	65.0%	14.0%	26.0%	23	0.0	0.0	0.0	17.0	0.0	17.0	39.6
2007	1,250	65.0%	15.0%	20.0%	24	0.0	0.0	0.0	3.0	14.0	17.0	56.3
2008	1,250	65.0%	15.0%	20.0%	24	0.0	0.0	0.0	0.0	10.1	10.1	66.4
2009	1,250	65.0%	15.0%	20.0%	24	0.0	0.0	0.0	0.0	0.0	0.0	66.4
Totals						7.7	2.0	18.3	22.5	24.1	66.6	

RIVERWALK  
 PHASE ONE AND INFRASTRUCTURE  
 COST ANALYSIS

	Total Budget	Amount Billed/Spent through 2/29/04	Remaining Budget	Projected Costs in March, 2004	Projected Costs in April, 2004	Projected Costs in May, 2004	Projected Costs in June, 2004		
Infrastructure	\$ 2,038,221	\$ 78,353	\$ 1,959,867	\$ 497,585	\$ 268,000	\$ 320,000	\$ 207,415		\$ 1,371,353
		% Comp		% Comp	% Comp	% Comp	% Comp		% Comp
Building Construction	\$ 7,093,372	\$ 1,219,687	\$ 5,873,685	\$ 738,551	\$ 1,588,000	\$ 1,419,000	\$ 709,000		80.0%
		17.2%		33.3%	55.0%	70.0%			
Sub-Totals	\$ 9,131,593	\$ 1,298,040	\$ 7,833,553	\$ 1,236,137	\$ 1,856,000	\$ 1,739,000	\$ 916,415		
Cumulative Cost Projections through June, 2004				\$ 2,534,176	\$ 4,390,176	\$ 6,129,176	\$ 7,045,591		

Riverwalk AD Costs Inc.Proj 4.19.04.xls Summary  
 4/19/04

SITE COSTS

**APPENDIX E**

**UPDATE LETTER; MARKET ABSORPTION STUDY – SUMMARY AND CONCLUSIONS**

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# EMPIRE ECONOMICS, INC.

Economic-Real Estate Consultants

Joseph T. Janczyk, Ph.D.  
35505 Camino Capistrano, Suite 200  
Capistrano Beach, CA 92624

Phone: (949) 661-7012  
Fax: (949) 661-8763  
E-Mail: joe @empireeconomics.com

March 30, 2004

Mr. Brent A. Mason  
Assistant Finance Director  
City of Riverside  
3900 Main Street  
Riverside, CA 92522

## **Re: Market Absorption Study: Riverwalk Commercial AD – Update Letter**

Dear Brent,

Empire Economics (Empire) has recently performed some research to confirm that the absorption schedules presented in the Market Absorption Study for the Riverwalk Commercial Assessment District dated January 22, 2004 are consistent with the recent development and marketing that has occurred in the Riverwalk Business Park. Specifically, Empire had discussions with Mr. Sean Sheward from the Turner Development Corporation regarding the development/marketing status of the Riverwalk Business Park; accordingly, the primary findings are as follows:

- With regards to Phase I, there are some 7.7 acres for buildings 1-3 and 5-10; Empire expected these to be built/occupied during 2004. According to Mr. Sheward, the construction of all of these buildings are expected to be completed by September 2004. Furthermore, with regards to their occupancy, two of the buildings are currently in escrow (#9 on 1.10 acres and also #10 on 0.61 acres), and another two have offers on them (#3 with 0.96 acres and #7 with 0.93 acres).
- With respect to Phase I, there are another 2.0 acres for industrial condominiums that Empire expects to be built/occupied during 2004. According to Mr. Sheward, the construction of these buildings are also expected to be completed by September 2004. Additionally, with regards to their occupancy, six of the eight buildings have been sold to final-users.

Therefore, based upon a consideration of the development status and marketing of the properties/buildings in the Riverwalk Commercial Business Park Phase I, Empire regards the absorption schedules as set forth in its Market Study Summary dated January 22, 2004 as being representative of the expected absorption for these properties.

If you have any additional comments or considerations, please contact me as I would be pleased to respond to them.

I am looking forward to assisting you with the Bond Financing for the Riverwalk Commercial AD.

Sincerely,

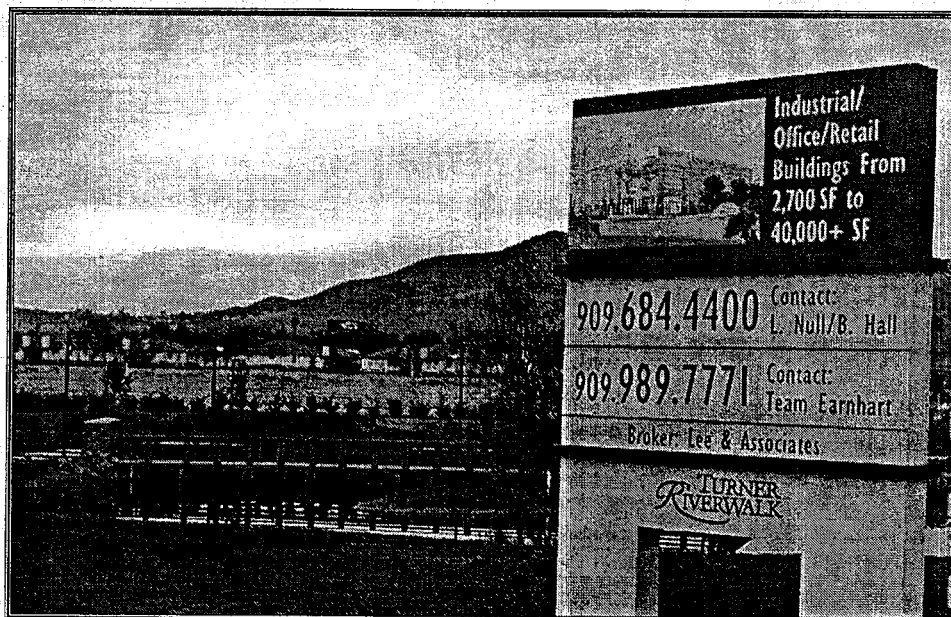
Joseph T. Janczyk, Ph.D.  
Economic Consultant

JTJ:rm

**MARKET ABSORPTION STUDY - DRAFT  
SUMMARY AND CONCLUSIONS**

**RIVERWALK COMMERCIAL ASSESSMENT DISTRICT**

**CITY OF RIVERSIDE, CALIFORNIA**



**PROPERTY IN A PORTION OF THE DISTRICT**

**(DATE OF PHOTO: DECEMBER 2003)**

**(REFER TO DISTRICT REPORT FOR EXACT BOUNDARIES)**

**BY EMPIRE ECONOMICS, INC.**

**\*MARKET STUDY: JANUARY 22, 2004 \***

## CERTIFICATION OF INDEPENDENCE

The Securities & Exchange Commission has recently taken action against Wall Street firms that have utilized their research analysts to promote companies that they conduct business with, citing this as a potential conflict of interest. Accordingly, Empire Economics (Empire), in order to ensure that its clients are not placed in a situation that could cause such conflicts of interest, provides a Certification of Independence. Specifically, this states that Empire performs consulting services for public entities only in order to avoid potential conflicts of interest that could occur if it also provided consulting services for developers/builders. For example, if a research firm for a specific Assessment District or Community Facilities District, were to provide consulting services to both the public entity as well as the property owner/developer/builder, then a potential conflict of interest could be created, given the different objectives of the public entity versus the property owner/developer.

Accordingly, Empire certifies that the Market Absorption Study for the City of Riverside's Riverwalk Commercial Assessment District was performed in an independent professional manner, as represented by the following statements:

- Empire was retained to perform the Market Absorption Study by the City of Riverside, not the District's property owner or the developer/builder.
  
- Empire has not performed any consulting services for the District's property owner nor the developer/builder during at least the past five years.
  
- Empire will not perform any consulting services for the District's property owner nor the developer/builder during at least the next three years.
  
- Empire's compensation for performing the Market Absorption Study for the Riverwalk Commercial Assessment District is not contingent upon the issuance of Bonds; Empire's fees are paid on a non-contingency basis.

Therefore, based upon the statements set-forth above, Empire hereby certifies that the Market Absorption Study for the City of Riverside's Riverwalk Commercial Assessment District was performed in an independent professional manner.

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Empire Economics, Inc.  
Joseph T. Janczyk, President

## CHARACTERISTICS OF THE RIVERWALK COMMERCIAL AD

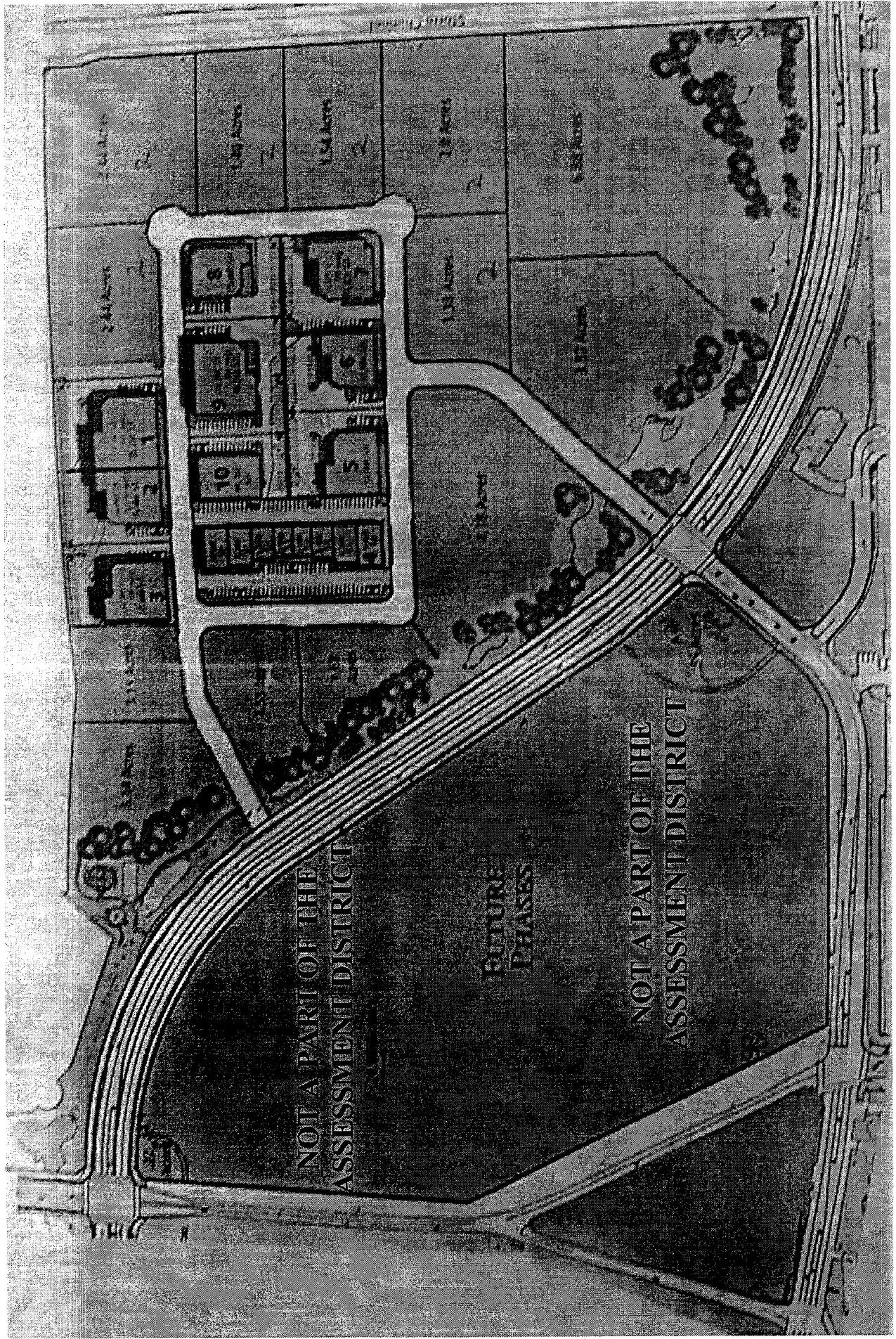
The Riverwalk Business Park is situated in the south-westerly portion of the City of Riverside, northerly of Route 91 and easterly of Pierce Street. According to Turner Riverwalk -1, LLC, the developer, the Riverwalk Business Park has a total of some 43.5 net acres, and these are expected to be developed primarily as business-industrial projects; some of the project's features are as follows:

- Excellent access to the Riverside Freeway, Route 91, via Pierce Street.
- Pedestrian friendly environment: landscaping, lakes, streams and outdoor gathering places such as gazebos as well as basketball/volleyball courts.
- Use of electric power at a significant discount through Riverside Public Utilities.
- Mixed-use environment with mostly industrial and minor amounts of professional office and service retail.

The City of Riverside and Turner Riverwalk -1, LLC have formed an Assessment District (AD) in order to issue Bonds to fund a portion of the "public" infrastructure that is required to support the development of the forthcoming projects in the District; this is hereafter referred to as the Riverwalk Commercial AD.

Based upon the development strategy of the Turner Riverwalk -1, LLC, the Riverwalk Commercial AD's some 43.5 net acres have been partitioned into various phases; accordingly, their characteristics are as follows:

- Phase I is expected to have nine separate buildings on some 7.7 acres with a total of approximately 136,700 sq.ft. of space; construction on these is expected to commence in early 2004.
- Phase I is also expected to have one building on some 2.0 acres with some 30,400 sq.ft. of space, and this contains eight separate industrial condominiums with some 2,700 to 4,900 sq.ft.; the construction on this building is also expected to commence in early 2004.
- Phase II is expected to have several buildings on some 10.3 acres with some 179,400 sq.ft. of space; these are anticipated to commence construction in the 3<sup>rd</sup>-2004.
- Phase III with some 23.5 acres is expected to be developed as several buildings; the commencement of their construction depends upon the absorption of the buildings in the prior phases.

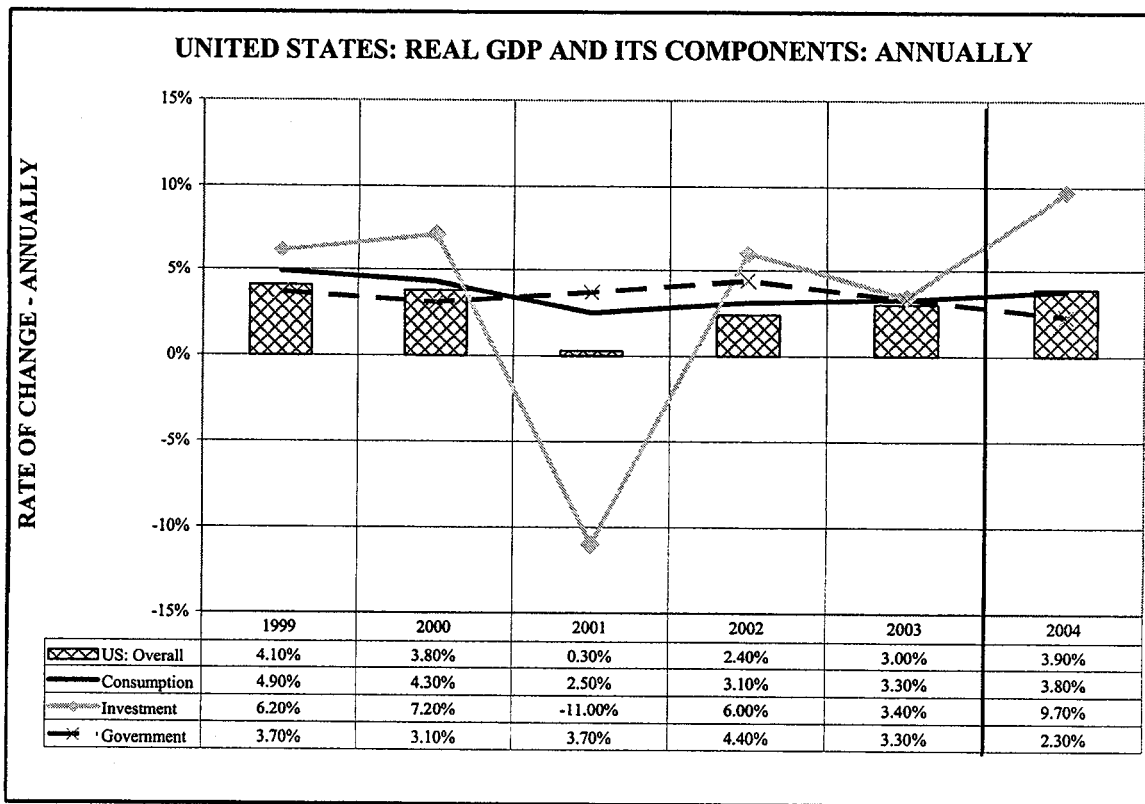


# RECENT/EXPECTED ECONOMIC CONDITIONS UNITED STATES, CALIFORNIA, AND RIVERSIDE-SAN BERNARDINO COUNTIES

The purpose of this section is to discuss the recent/expected economic trends and patterns for the United States, California, and Riverside-San Bernardino counties, including Gross Domestic Product (GDP) and employment.

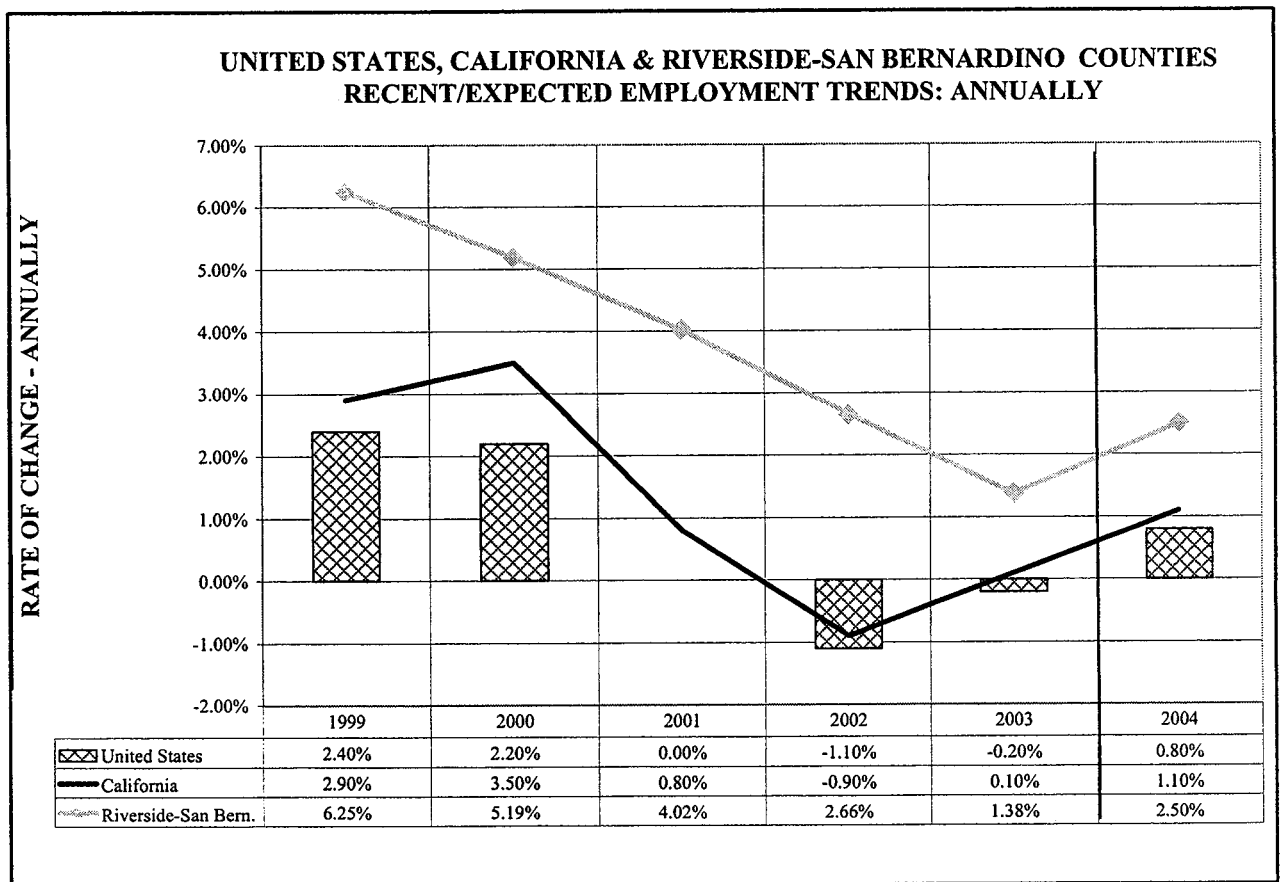
## Recent /Expected GDP Trends/Patterns

With regards to the recent/expected growth rates for GDP for the United States economy, these are discussed first for GDP in the aggregate, and then for each of its components. During 1999 and 2000, real GDP increased by annualized rates of 4.1% and 3.8%, respectively. Then, in 2001, real GDP increased by only 0.3%, as the economy slowed. In 2002 and 2003 real GDP rebounded, increasing by 2.4% and 3.0% respectively. For 2004, the expectation is that real GDP will rise by some 3.9%. With respect to the rates of change in the various components of GDP for 2004, consumption is expected to increase by 3.8%, somewhat higher than the 2003 rate of 3.3%. Business investment in 2004 is expected to rise by some 9.7%, a dramatic increase from its 2003 level of some 3.4%. Finally, with respect to government purchases for 2004, these are expected to amount to some 2.3%, somewhat lower than their 2003 rise of 3.3%. Therefore, for 2004, the rate of growth for investment spending is expected to be much higher, consumer spending is expected to be stronger, while the rate of growth for government spending is expected to diminish.



**Recent/Expected Employment Trends/Patterns**

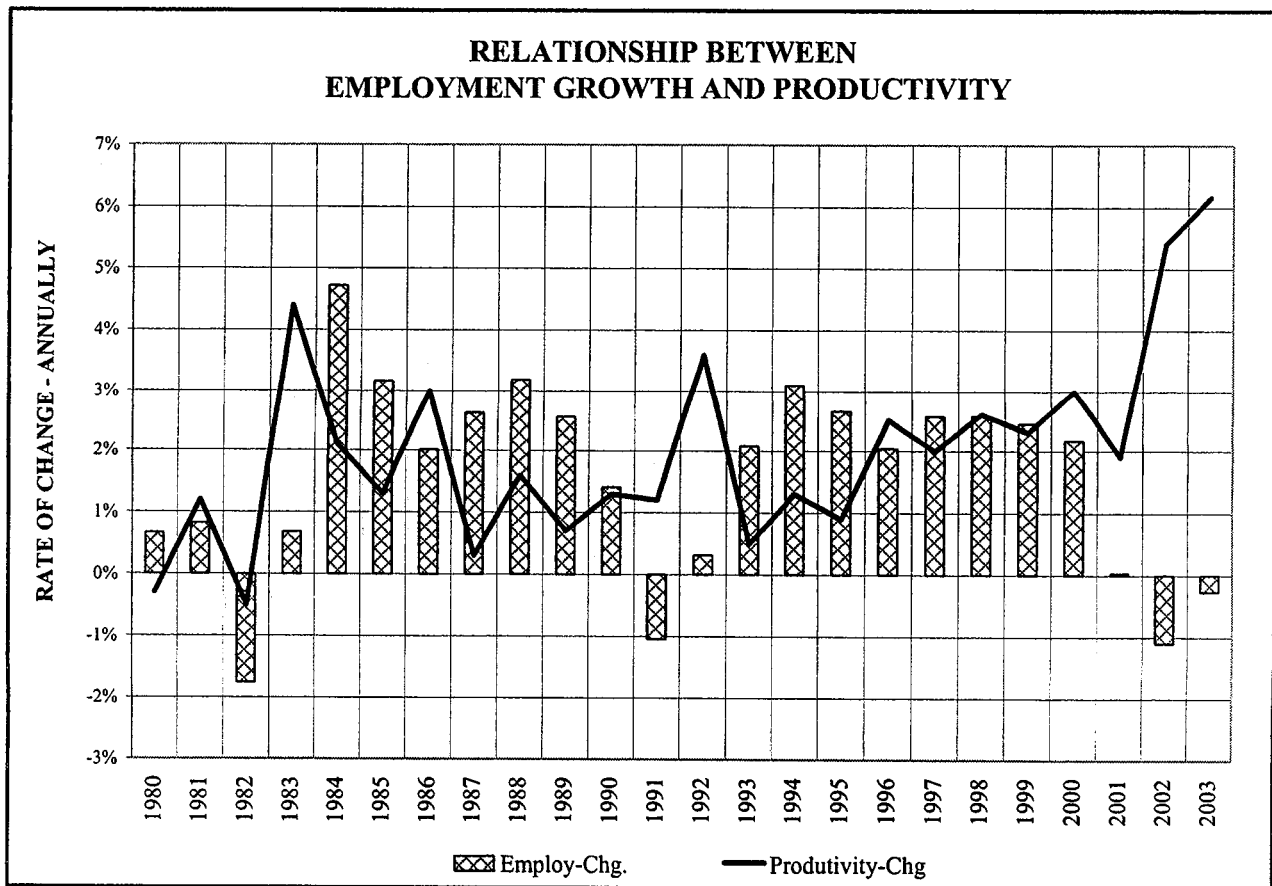
With regards to the recent/expected growth rates for employment, these are now discussed for the United States, California, and Riverside-San Bernardino economies, both on an annual as well as a quarterly basis. For the United States, employment growth in 1999 and 2000 amounted to some 2.4% and 2.2%, respectively. Then in 2001, due to the economic slowdown, employment was virtually stable. For 2002, employment declined by -1.1% followed by a smaller decline of -0.2% in 2003. For 2004, employment in the United States is expected to rise by +0.80%. California followed a generally similar pattern, with strong rates of growth in 1999 and 2000, a low rate of growth in 2001, a decline in 2002, and then minimal growth in 2003. The expectation is that for 2004, employment in California will grow by some 1.1%, a significant increase from the 0.10% of 2003. The Riverside-San Bernardino counties experienced strong rates of employment growth during 1999-2003, although the rate of growth diminished, from 6.25% in 1999 to 1.38% in 2003. For 2004, employment in Riverside-San Bernardino is expected to grow by some 2.50%. Therefore, during 2004, the United States, California, and Riverside-San Bernardino are expected to experienced significantly higher rates of employment growth, as compared to their 2003 levels.





## Relationship Between Employment Growth and Productivity Changes

The above analysis revealed that although the United States (US) has suffered employment declines in 2002 and 2003, some -0.65% per year, on the average; however, during this same time period, real GDP has been increasing by a significant amount, some 2.7% per year on the average. This disparity can be explained by changes in productivity which have enabled the labor force to produce increasing amounts of goods and services without hiring more employees. To better understand these relationships, information was compiled for the US economy on the employment changes and productivity changes during the 1980 to 2003 time period. An analysis of this data shows that when productivity changes are relatively high, amounting to some 3% or more, employment either declines or increases only minimally. The higher levels of productivity enable firms to increase their output without having to hire additional workers. This particular relationship has been exacerbated during the 2002 to 2003 time period: employment has declined by an average -0.65% per year while productivity has been increasing at an annualized rate of some 5.8% on the average. The result has been that for the US economy, as a whole, real GDP has increased by some 2.7% per year on the average during this time period. Therefore, although the current economic recovery is sometimes referred to as a “jobless” recovery, the gains in real GDP can be explained by the significant increases in productivity. For additional information on these relationships please refer to the graph shown below.



## RELATIONSHIP BETWEEN EMPLOYMENT GROWTH AND INDUSTRIAL CONSTRUCTION ACTIVITY IN RIVERSIDE-SAN BERNARDINO COUNTIES

This section performs an analysis of the relationship between changes in employment for Riverside and San Bernardino (R/SB) counties and their levels of construction activity for new industrial developments; additionally, the capture rate for R/SB relative to Southern California is also discussed.

The demand for Business Park properties is generated primarily by firms that are involved in the durable goods, nondurable goods, transportation and wholesale trade; the particular sectors are represented in the following table.

### Employment Categories

<b>Durable Goods</b>	<b>Transportation &amp; Warehousing</b>
Primary Metal Manufacturing	Transportation and Warehousing
Fabricated Metal Product Mfg	Residual-Air Transportation
Electrical Equipment and Appliance Manufacturing	Truck Transportation
Transportation Equipment Manufacturing	
Residual-Miscellaneous Manufacturing	
	<b>Wholesale Trade</b>
<b>Nondurable Goods</b>	Merchant Wholesalers, Durable Goods
Food Man & Beverage & Tobacco	Merchant Wholesalers, Nondurable Goods
Plastics and Rubber Products Manufacturing	Wholesale Electronic Markets and Agents
Residual-Textile Mills	

During the 1990-2003 time period, employment in these sectors increased by some 74,175 positions, some 5,700 positions per year, on the average.

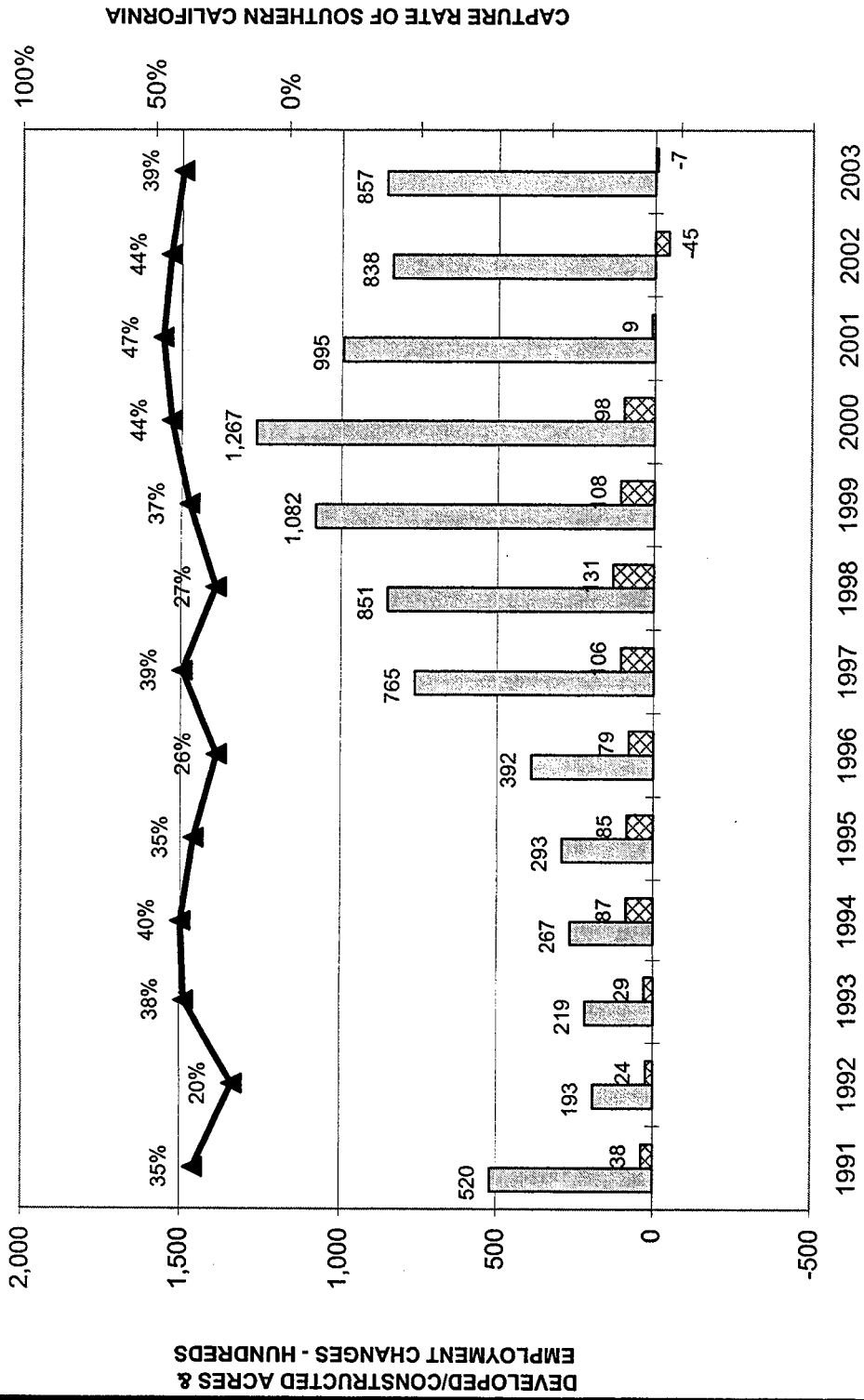
The new industrial construction activity in R/SB Business Parks amounted to an estimated 8,538 acres during the 1990-2003 time period, some 657 acres per year, on the average. The vast majority of this new construction activity occurred in Business Parks that are located in the western portions of R/SB.

Riverside-San Bernardino counties have established themselves as a very competitive area for industrial development, as reflected by their capture rate of some 36.3% of all such new industrial development in Southern California during the 1990-2003 time period, on the average.

Based upon the amounts of employment growth and new industrial construction activity for R/SB during the 1990-2003 time period, the typical or average number of employees is estimated to be 8.7 per acre; however, depending upon the specific type of activity, the number of employees varies significantly.

For additional information on the relationship between R/SB's industrial related employment growth and the demand for industrial property, please refer to the following graph.

# EMPLOYMENT CHANGES AND INDUSTRIAL CONSTRUCTION ACTIVITY IN RIVERSIDE - SAN BERNARDINO COUNTIES



LEFT: Industrial Acres  
  LEFT: Employment Changes - 100s  
  RIGHT: Share R-SB / South. Calif.

## DEMAND FOR INDUSTRIAL PROPERTY IN RIVERSIDE-SAN BERNARDINO COUNTIES FROM THE VARIOUS EMPLOYMENT SECTORS

The changes in employment for Riverside and San Bernardino counties (R/SB) by various sectors are now analyzed, since this provides an overview of the demand for the various types of business-industrial product types.

This analysis utilizes the following employment categories, along with their levels of employment, based upon a restructuring and benchmarking of the prior employment data series that were released in March 2003.

Based upon a consideration of the characteristics of the economic bases for R/SB, the relevant economic sectors, and their recent growth have been as follows:

EMPLOYMENT SECTORS	TIME PERIOD: 1997-2003		
	Change/Yr	Rate/Yr.	Acres/Yr
Manufacturing	2,217	0.05%	115
Durable Goods	1,517	2.52%	63
Nondurable Goods	700	2.90%	51
Transportation & Warehousing	817	4.24%	163
Wholesale Trade	1,483	5.63%	371
<b>Totals</b>	<b>4,517</b>		<b>649</b>

R/SB has experienced a growth rate of some 4,517 jobs per year in the key economic sectors during the 1997-2003 time period and these, in turn, generated an estimated demand for some 649 industrial acres per year, on the average.

- **Manufacturing-Durable** employment growth of 1,517 new jobs per year generated a demand for some 63 acres of industrial property per year, based upon some 25 employees per acre.
- **Manufacturing-Non Durable** employment growth of 700 new jobs per year generated a demand for some 51 acres of industrial property per year, based upon some 14 employees per acre.
- **Transportation and Warehousing** employment growth of 817 new jobs per year generated a demand for some 163 acres of industrial property per year, based upon some 5 employees per acre.
- **Wholesale Trade** employment growth of 1,483 new jobs per year generated a demand for some 371 acres of industrial property per year, based upon some 4 employees per acre.

## SPECIAL ASSESSMENTS/TAXES FOR SELECTED BUSINESS PARKS IN RIVERSIDE – SAN BERNARDINO COUNTIES

(Note: The following analysis is based upon Actual/Projected Special Assessments)

The marketability of the properties in the Riverwalk Commercial AD depends upon numerous factors, including its location, pricing, and accessibility; additionally in the case of the Riverwalk Commercial AD in particular, a significant marketing factor is its level of Special Assessments/Taxes.

By way of background, Business Parks in Riverside-San Bernardino counties typically utilize a Mello Roos or Assessment District as a means of funding the infrastructure required to support their development. This involves the issuance of Bonds, and the annual debt services is paid initially by the developers, and then the final-users as the property is developed/absorbed.

Accordingly, Empire Economics compiled information on Special Taxes/Assessments for selected Business Parks in Riverside–San Bernardino counties, and their characteristics are as follows:

Tax Burden Categories (Per Acre - Annually)	Number Business Parks	Acres (Estimated)	Tax Burden (Acre/Yr.)
Above \$4,000	3	1,188	\$8,403
\$3,000-4,000	4	1,404	\$3,700
Below \$3,000	2	2,604	\$2,422
Totals/Averages	9	5,196	\$4,984

For the nine Business Parks, as a whole, the Special Taxes/Assessments (ST/A) amounted to some \$4,984 per acre per year; however, this average is impacted by the very high ST/A for one Business Park in particular; accordingly, it is useful to analyze these by various categories:

- There are three Business Parks which have relatively high levels of ST/A, and these average some \$8,403 per acre per year. These Business Parks have experienced significant ST/A delinquencies, and minimal absorption of the properties by final-users.
- The second category contains five Business Parks that have ST/A between \$3,000-4,000 per acre per year. These Business Parks have experienced, in general, favorable absorption rates.
- The third category has two Business Parks that have ST/A which are below \$3,000 per acre per year. The absorption rate for the Mira Loma Business Park has been very strong, due to its location in the western portion of San Bernardino County, while the absorption rate for the South “A” Street Business Park has been somewhat weak, due to its location in the Moreno Valley area.

Therefore, the above analysis reveals that relatively high levels of ST/A have significant impacts on the marketability of the properties in the Business Parks, and that the proposed Bond Issue for the Riverwalk Commercial AD may result in it having Special Assessments of more than \$4,000 per acre per year which may reduce its competitiveness in the marketplace.

**The Riverwalk Commercial AD is expected to have Special Assessments of some \$7,245 per acre per year which places it in the “relatively high” Special Assessment/Tax category.**

**SELECTED BUSINESS PARKS: SPECIAL ASSESSMENT/TAX PAYMENTS**

<b>Business Park</b>	<b>County</b>	<b>Location</b>	<b>Acres</b>	<b>Special Taxes/ Assessments Annually per Acre (Actual/Projected)</b>
<b>Annual Special Taxes/Assessments Above \$4,000/acre</b>				
Empire Business Center	San Bernardino	Fontana	200	\$16,677
(Mostly industrial but also some commercial-retail as well.)				
North "A" Street	Riverside	Moreno Valley Area	714	\$4,333
(Special Taxes of \$4,333, the average for the District; substantial variation among parcels.)				
Agua Mansa Industrial Center	River/San Bern.	North Riverside City	274	\$4,200
(Expected Taxes of \$4,000; recent actual Special Taxes somewhat higher.)				
<b>Annual Special Taxes/Assessments of \$3,000 - 4,000/acre</b>				
Corporate Park	San Bernardino	Rancho Cucamonga	138	\$3,974
Kaiser Commerce Center	San Bernardino	Near Fontana	424	\$3,756
Northeast Development	San Bernardino	Redlands	250	\$3,669
Sycamore Canyon	Riverside	Riverside	592	\$3,401
<b>Annual Special Taxes/Assessments Below \$3,000/acre</b>				
Mira Loma	Riverside	Mira Loma	2,163	\$2,444
South "A" Street	Riverside	Moreno Valley Area	441	\$2,400
<b>Statistical Summary:</b>				
	<b>Number</b>			
Above \$4,000	3		1,188	\$8,403
\$3,000-4,000	4		1,404	\$3,700
Below \$3,000	2		2,604	\$2,422
<b>Totals/Averages</b>	<b>9</b>		<b>5,196</b>	<b>\$4,984</b>

## **ESTIMATED ABSORPTION SCHEDULES FOR THE PRODUCTS IN THE RIVERWALK COMMERCIAL AD**

The purpose of this section is to estimate the absorption schedules for the forthcoming business-industrial (as well as a minor amount of professional office and service retail) products in the Riverwalk Commercial AD; accordingly, this is based upon a consideration of the following:

- First, the **POTENTIAL DEMAND** schedules for the business-industrial products for the Riverwalk Commercial AD were derived based upon a consideration of the following:
  - \* The growth prospects for the Southern California Market Region, as a whole.
  - \* The growth prospects for Riverside-San Bernardino counties, in particular.
  - \* The competitiveness of the City of Riverside and the Riverwalk Commercial AD in the marketplace.

Thus, the result of this analysis is the potential demand for the forthcoming business-industrial products in the Riverwalk Commercial AD, based upon a consideration of the following:

Riverside-San Bernardino counties' expected industrial employment growth.  
The share of the industrial employment that is related to non-durable goods.  
The demand for industrial acreage generated by this employment growth.  
The market share of this demand for the City of Riverside.  
The capture rate of this demand by the Riverwalk Commercial AD.

**The potential demand for industrial acreage is utilized as a guideline for estimating the expected absorption for the products in the Riverwalk Commercial AD; however, various modifications are made, based upon a consideration of near-term projects as well as the market-entry for the various properties.**

- Next, **MARKET ENTRY DEVELOPMENT SCHEDULE** or the ability of the properties in the Riverwalk Commercial AD to respond to this demand is estimated. Accordingly, this is based upon a consideration of the time required for the properties to complete the infrastructure and planning approvals required for them to enter the marketplace, and this was obtained from Turner Riverwalk -1, LLC. Furthermore, the time required for the builder to construct and deliver the business-industrial products to the final-users is also considered.
- Then, based upon a consideration of the **POTENTIAL DEMAND** and the **MARKET ENTRY DEVELOPMENT SCHEDULE**, the absorption rate for each of the products is estimated, from the year in which the products are expected to enter the marketplace, and continuing thereafter on an annualized basis, until all of the acres are occupied/utilized.

Accordingly, based upon an analysis of the economic and real estate conditions along with the characteristics of the forthcoming business-industrial products in the Riverwalk Commercial AD, the estimated absorption schedules are discussed below.

Before proceeding, it is worthwhile to note that the term "absorption" is utilized herein to represent a building that is fully constructed and occupied by final-users.

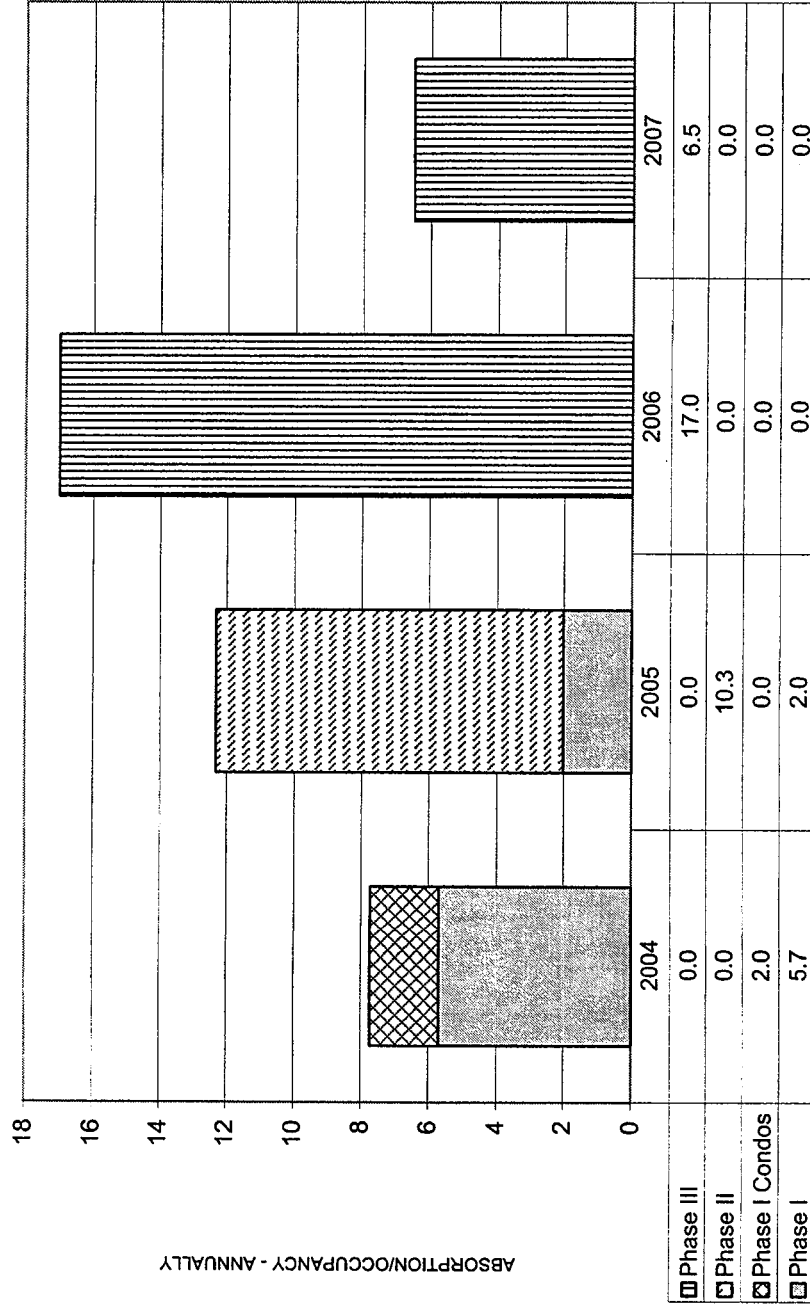
- The forecasted employment growth for Riverside-San Bernardino (R/SB) counties is expected to generate a demand for some 1,000 acres of new industrial development in 2004. Then, as the economy recovers, demand increases, reaching a level of some 1,100 acres in 2005 and then an annualized rate of 1,250 acres in 2006 and thereafter.
- The Riverwalk Commercial AD, based upon its market orientation, is expected to be oriented primarily towards businesses in the manufacturing non-durable, transportation/warehousing, and wholesale trade sectors but not the durable goods sector; additionally, this is also consistent with the development patterns in its neighborhood. Since the demand for these sectors represents some 65% of the aggregate amount of industrial demand for R/SB, this share is applied to the gross level of demand to arrive at the estimated demand for the relevant sectors for the Riverwalk Commercial AD.
- The share of the R/SB demand for the City of Riverside, based the recent trends in its market shares for industrial construction activity, is estimated to start at 12% in 2004 (the average for 2001-2003), and increase on an annual basis thereafter, attaining a level of 15% in 2007 and thereafter. The recent capture rates for the City of Riverside reflect the City's ability to provide businesses with relatively low utility rates.
- With respect to the level of industrial demand for the City of Riverside, as a whole, the Riverwalk Commercial AD is expected to start with a capture rate of 15% of this demand in 2004, when the first buildings are under construction, and then the capture rate is expected to increase to 20% in 2005, once it has established itself in the marketplace, and then remain at that level thereafter.
- Furthermore, consideration is also given to the properties that are presently in escrow. Phase I has nine separate buildings on some 7.7 acres which are expected to have a total of approximately 136,700 sq.ft. of space; construction on these is expected to commence in early 2004; currently, one of these properties is in escrow. Phase I also has one building on some 2.0 acres which is expected to have 30,400 sq.ft. of space, and this contains eight separate industrial condominiums with some 2,700 to 4,900 sq.ft.; the construction on this building is also expected to commence in early 2004; currently six of these are in escrow.
- Based upon a consideration of the factors discussed above, the potential demand for the properties in the Riverwalk Commercial AD (if the Special Assessments were less than \$4,000/yr.) amounts to some 43.5 acres during the 2004 to Fall-2006 time period; however, it is necessary to modify this demand schedule for the relatively high levels of Special Assessments for the properties in the Riverwalk Commercial AD.
- Accordingly, since the actual/projected Special Assessments for the Riverwalk Commercial AD, some \$7,245 per acre per year, exceeds the threshold level of \$4,000/acre/year, the potential demand is reduced by some 25%.

Accordingly the estimated absorption for the properties in the Riverwalk Commercial AD, taking into account the "relatively-high" Special Assessments of some \$7,245 per acre per year, is expected to amount to some 7.7 acres in 2004, 12.3 acres in 2005, 17.0 acres in 2006, and the remaining 6.5 acres in 2007, with build-out occurring in Spring-2007. The overall rate of absorption amounts to some 12 acres per year, on the average during the 2004 to Spring-2007 time period.

For additional information on the estimated absorption schedules, please refer to the following graphs and table.



RIVERWALK COMMERCIAL AD: ESTIMATED ABSORPTION SCHEDULE  
 (SPECIAL ASSESSMENTS \$7,245 /ACRE/YEAR)



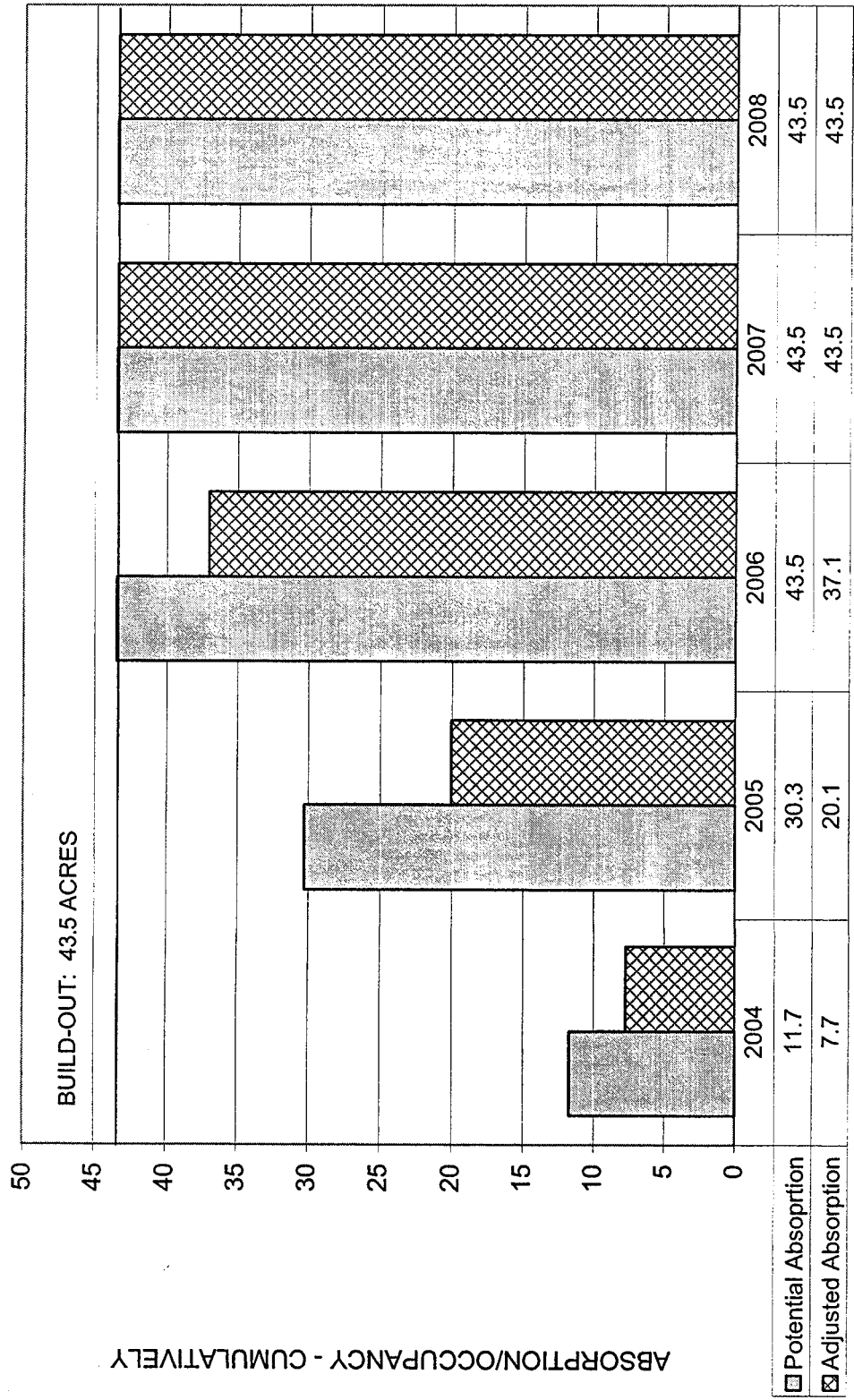
**ESTIMATED ABSORPTION SCHEDULES**  
**RIVERWALK COMMERCIAL ASSESSMENT DISTRICT**

January 22, 2004; Subject to Revision

(Absorption Schedule Based upon Actual/Projected Special Taxes of \$7,245 per acre/year)  
 (Absorption Schedule Represents the Construction and Occupancy of a Building)

Product Types >>>	Industrial Demand		Share	Capture Rate Riverside City	Capture Rate Riverwalk AD	Potential		Phase I Blg's # 1-3 & 5-10	Phase I Indus. Condos # 4	Phase II	Phase III	Grand Totals	
	R-SB	Counties - Acres				Demand Riverwalk AD	(Special Asmts. Below \$4,000)					Annually	Cumul.
<b>Development Status</b>													
Total - Acres								7.7	2.0	10.3	23.5	43.5	
Share-Acres								17.8%	4.7%	23.7%	54.1%		
Buildings-Sq.Ft.								136,700	30,400	179,400			
Market-Entry - Estimated								2004	2004	2005	N/A		
<b>Recent Trends:</b>													
1999		1,082		13.3%									
2000		1,267		3.2%									
2001		995		17.5%									
2002		838		6.9%									
2003		857		11.5%									
<b>Estimated Absorption:</b>													
2004	1,000		65.0%	12.0%	15.0%	12		5.7	2.0	0.0	0.0	7.7	7.7
2005	1,100		65.0%	13.0%	20.0%	19		2.0	0.0	10.3	0.0	12.3	20.1
2006	1,250		65.0%	14.0%	20.0%	13		0.0	0.0	0.0	17.0	17.0	37.1
2007	1,250		65.0%	15.0%	20.0%	0		0.0	0.0	0.0	6.5	6.5	43.5
2008	1,250		65.0%	15.0%	20.0%	0		0.0	0.0	0.0	0.0	0.0	43.5
<b>Totals</b>								7.7	2.0	10.3	23.5	43.5	

**RIVERWALK COMMERCIAL AD  
 POTENTIAL VS. ADJUSTED ABSORPTION RATES  
 (Potential Demand: Special Assessments Below \$4,000/yr./ac.)**



## ASSUMPTIONS AND LIMITING CONDITIONS

The Market Absorption Study for the Riverwalk Commercial AD is based upon various assumptions and limiting conditions; accordingly, these are as follows:

Title to Property

Property Boundaries

Accuracy of Information from Others

Opinions of a Legal/Specialized Nature

Right of Publication of Report

Soil and Geological Studies

Testimony or Court Attendance

Maps and Exhibits

Environmental and Other Regulations

Liability of Market Analyst

Acreage of Property

Designated Economic Scenario

Provision of the Infrastructure; Role of Coordinator

Developer/Builder Responsiveness to Market Conditions

Financial Strength of the Project Developer/Builder

Market Absorption Study Timeliness of Results

## APPENDIX F

### FORM OF CITY CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is executed and entered into as of June 1, 2004, by and between U.S. Bank National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America (the "Bank"), in its capacity as Dissemination Agent (the "Dissemination Agent") and in its capacity as Fiscal Agent (the "Fiscal Agent"), and the City of Riverside, a charter city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California and its Charter (the "City");

#### WITNESSETH:

**WHEREAS**, pursuant to the Fiscal Agent Agreement, dated as of June 1, 2004 (the "Fiscal Agent Agreement"), by and between the City and the Fiscal Agent, the City has issued the Riverwalk Business Center Assessment District Limited Obligation Improvement Bonds in the aggregate principal amount of \$3,755,000 (the "Bonds"); and

**WHEREAS**, this Disclosure Agreement is being executed and delivered by the City and the Fiscal Agent, as dissemination agent, for the benefit of the owners and beneficial owners of the Bonds and in order to assist the underwriter of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

**NOW, THEREFORE**, for and in consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Fiscal Agent Agreement. In addition, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and described in, Sections 2 and 3 of this Disclosure Agreement.

"Annual Report Date" shall mean the date in each year that is nine months after the end of the City's fiscal year, which date, as of the date of this Disclosure Agreement, is April 1.

"Disclosure Representative" shall mean the Finance Director of the City, or his or her designee, or such other office or employee as the City shall designate in writing to the Fiscal Agent from time to time.

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

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Internet at [www.sec.gov/consumer/nrmsir.htm](http://www.sec.gov/consumer/nrmsir.htm).

“Official Statement” shall mean the Official Statement, dated June 10, 2004, relating to the Bonds.

“Participating Underwriter” shall mean Stone & Youngberg LLC.

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

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

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

## Section 2. Provision of Annual Reports.

(a) The City shall, or, upon furnishing the Annual Report to the Dissemination Agent, shall cause the Dissemination Agent to, provide to each Repository, to the Fiscal Agent and to the Participating Underwriter an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement, not later than the Annual Report Date, commencing with the report for the 2003-04 fiscal year. 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 3 of this Disclosure Agreement; provided, however, that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 4(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the City shall provide the Annual Report (in a form suitable for reporting to the Repositories) to the Dissemination Agent, the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent) and the Participating Underwriter. If by such date, the Fiscal Agent has not received a copy of the Annual Report, the Fiscal Agent shall contact the Disclosure Representative and the Dissemination Agent to inquire if the City is in compliance with the first sentence of this subsection (b). The City 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 City and shall have no duty or obligation to review such Annual Report.

(c) If the Fiscal Agent is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Fiscal Agent shall send a notice to the Repositories and the appropriate State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

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

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

Section 3. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to that used for the City's audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. If the City's audited financial statements or unaudited financial statements are already filed, the Annual Report may reference that such financial statements are on file with the Repositories.

(b) The following information:

- (i) The principal amount of Bonds and parity bonds, if any, outstanding as of September 30 next preceding the date of the Annual Report Date.
- (ii) The balance in the Reserve Fund and a statement of the Reserve Requirement, as of the September 30 next preceding the Annual Report Date and the balance in the other funds and accounts held under the Fiscal Agent Agreement.
- (iii) The balance in the Improvement Fund as of the preceding September 30, and a statement as to whether or not such amount will be sufficient to pay the costs of the improvements intended to be paid therefrom.
- (iv) The total assessed value of all parcels within City of Riverside Riverwalk Business Center Assessment District (the "Assessment District") on which the assessments on taxable property within the Assessment District (the "Assessments") are levied, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, and a statement of assessed value-to-lien ratios therefor, either by individual parcel or by categories (e.g. "Below 3:1," "3:1 to 4:1" etc.).
- (v) The Assessment delinquency rate for all parcels within the Assessment District, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, the number of parcels within the Assessment District delinquent in payment of Assessments, as shown on the assessment roll on the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, the amount of each delinquency, the length of time delinquent and the date on which foreclosure was commenced, or similar information pertaining to delinquencies deemed

appropriate by the City; provided, however, that parcels with aggregate delinquencies of \$10,000 or less (excluding penalties and interest) may be grouped together and such information may be provided by category.

- (vi) The status of foreclosure proceedings, if any, for any parcels within the Assessment District on and a summary of the results of any foreclosure sales as of the September 30 next preceding the Annual Report Date.
- (vii) The identity of any property owner representing more than five percent (5%) of the annual Assessment levy delinquent in payment of Assessment Installments, as shown on such assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date.
- (viii) A land ownership summary listing property owners responsible for more than 5% of the Assessment levy, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the preceding September 30, stating the percentage of such Assessment levy for which each such owner is responsible, as shown on such roll, and stating the percentage of the prior year's Assessment levy for which each such owner was responsible, as shown on the assessment roll of the Riverside County Assessor last equalized prior to such roll.
- (ix) A summary of building permits issued by the City for property subject to the Assessment the Assessment District.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the City shall provide such further information, if any, as may be necessary to make the required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

A form of information cover sheet for municipal secondary market disclosure recommended by the Municipal Securities Rulemaking Board is attached as Exhibit B.

#### Section 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;



- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders;
- (viii) Contingent or unscheduled bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities;
- (xi) Rating changes; and
- (xii) Receipt by the City of notice that a credit on liquidity facility will not be renewed, replaced or extended.

(b) The Fiscal Agent shall, within five (5) business days of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f), provided, however, that the Dissemination Agent shall have no liability to Bond Owners for any failure to provide such notice. For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of the Listed Events described under clauses (ii), (iii), (vi), (x) and (xi) above shall mean actual knowledge by an officer at the corporate trust office of the Fiscal Agent. The Fiscal Agent shall have no responsibility for determining the materiality of any of the Listed Events.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Fiscal Agent pursuant to subsection (b) or otherwise, the City shall as soon as possible determine if such event would be material under applicable Federal securities law.

(d) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f). The City shall provide the Dissemination Agent with a form of notice of such event in a format suitable for reporting to the Municipal Securities Rulemaking Board and each State Repository, if any.

(e) If in response to a request under subsection (b), the City determines that the Listed Event would not be material under applicable Federal securities law, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository and shall provide a copy of such notice to each Participating Underwriter described in Section 12 hereof. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds pursuant to the Fiscal Agent Agreement.

Section 5. Termination of Reporting Obligation. All of the City's obligations under this Disclosure Agreement shall terminate upon the earliest to occur of (i) the legal defeasance of the Bonds, (ii) prior redemption of the Bonds or (iii) payment in full of all the Bonds. If such determination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 4(f).

Section 6. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. The Dissemination Agent may resign by providing forty-five (45) days' written notice to the City and the Fiscal Agent (if the Fiscal Agent is not the Dissemination Agent). The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the City in a timely manner and in a form suitable for filing. If at any time there is not any other designated Dissemination Agent, the Fiscal Agent shall be the Dissemination Agent.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City, the Fiscal Agent and the Dissemination Agent may amend this Disclosure Agreement (and the Fiscal Agent and the Dissemination Agent shall agree to any amendment so requested by the City, so long as such amendment does not adversely affect the rights or obligations of the Fiscal Agent or the Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 2(a), 3 or 4(a), 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 type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by owners of a majority of the owners of the Bonds affected thereby in the manner provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information containing the amended operating

data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations, including its obligation to pay debt service on the Bonds. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 4(f).

Section 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 9. Default. In the event of a failure of the City, the Dissemination Agent or the Fiscal Agent to comply with any provision of this Disclosure Agreement, the Fiscal Agent may (and, at the written direction of any Participating Underwriter or the owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Fiscal Agent), 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 City, the Dissemination Agent or the Fiscal Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City, the Dissemination Agent or the Fiscal Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 10. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent. Section 7.02 and Section 7.05 of the Fiscal Agent Agreement are hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Fiscal Agent Agreement, and the Fiscal Agent and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded to the Fiscal Agent thereunder. The Dissemination Agent and the Fiscal Agent shall have only such duties hereunder as are specifically set forth in this Disclosure Agreement. This Disclosure Agreement does not apply to any other securities issued or to be issued by the City. The Dissemination Agent shall have no obligation to make any disclosure concerning the Bonds, the City or any other matter except as expressly set out herein, provided that no provision of this Disclosure Agreement shall limit the duties or obligations of the Fiscal Agent under the Fiscal Agent Agreement. The Dissemination Agent shall have no responsibility for the preparation, review, form or content of any Annual Report or any notice of a Listed Event. The fact that the Fiscal Agent has or may have any banking, fiduciary or other relationship with the City or any other party, apart from the relationship created by the Fiscal Agent

Agreement and this Disclosure Agreement, shall not be construed to mean that the Fiscal Agent has knowledge or notice of any event or condition relating to the Bonds or the City except in its respective capacities under such agreements. No provision of this Disclosure Agreement shall require or be construed to require the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder. Information disclosed hereunder by the Dissemination Agent may contain such disclaimer language concerning the Dissemination Agent's responsibilities hereunder with respect thereto as the Dissemination Agent may deem appropriate. The Dissemination Agent may conclusively rely on the determination of the City as to the materiality of any event for purposes of Section 4 hereof. Neither the Fiscal Agent nor the Dissemination Agent make any representation as to the sufficiency of this Disclosure Agreement for purposes of the Rule. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees, as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination in the performance of its duties hereunder. The City's obligations under this Section 10 shall survive the termination of this Disclosure Agreement.

Section 11. Beneficiaries. The Participating Underwriter and the owners and beneficial owners from time to time of the Bonds shall be third party beneficiaries under this Disclosure Agreement. This Disclosure Agreement shall inure solely to the benefit of the City, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 12. Notices. Any notice or communications herein required or permitted to be given to the City, the Fiscal Agent or the Dissemination Agent shall be in writing and shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by telecopy or by being deposited, postage prepaid, in a post office letter box, to the addresses set forth below, or to such other address as may be provided to the other parties hereinafter listed in writing from time to time, namely:

If to the City:                      City of Riverside  
                                                 3900 Main Street  
                                                 Riverside, California 92522  
                                                 Attention: Finance Director  
                                                 Telephone: 909/826-5750  
                                                 Telecopier: 909/826-5683

If to the                                      U.S. Bank National Association  
Dissemination                              633 West Fifth Street, 24<sup>th</sup> Floor  
Agent:                                              LM-CA-T24T  
                                                 Los Angeles, California 90071  
                                                 Telephone: 213/615-6005  
                                                 Telecopier: 213/615-6199

If to the  
Fiscal Agent: U.S. Bank National Association  
633 West Fifth Street, 24<sup>th</sup> Floor  
LM-CA-T24T  
Los Angeles, California 90071  
Telephone: 213/615-6005  
Telecopier: 213/615-6199

If to the  
Participating  
Underwriter: Stone & Youngberg LLC  
One Ferry Building  
San Francisco, California 94111  
Telephone: 415/445-2300  
Attention: Municipal Research Department

Section 13. Future Determination of Obligated Persons. In the event the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within the Assessment District to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the City to meet the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Agreement shall be deemed to obligate the City to disclose information concerning any owner of land within the Assessment District except as required as part of the information required to be disclosed by the City pursuant to Section 4 and Section 5 hereof.

Section 14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

Section 15. State of California Law Governs. The validity, interpretation and performance of this Purchase Agreement shall be governed by the laws of the State of California.

Section 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 17. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

**IN WITNESS WHEREOF**, the parties hereto have executed this Disclosure Agreement as of the date first above written.

CITY OF RIVERSIDE

By: \_\_\_\_\_  
Finance Director

U.S. BANK NATIONAL ASSOCIATION, as Fiscal Agent

By: \_\_\_\_\_  
Authorized Signatory

U.S. BANK NATIONAL ASSOCIATION, as Dissemination Agent

By: \_\_\_\_\_  
Authorized Signatory

**EXHIBIT A**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE SEMI-ANNUAL REPORT**

Name of Issuer: City of Riverside  
Name of Bond Issue: City of Riverside  
Riverwalk Business Center Assessment District  
Limited Obligation Improvement Bonds  
Date of Issuance: June 30, 2004

NOTICE IS HEREBY GIVEN that the City of Riverside (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of June 1, 2004, by and between the U.S. Bank National Association, in its capacity as Fiscal Agent, and in its capacity as Dissemination Agent, and the City. [The City anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_, \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION, as  
Fiscal Agent, on behalf of the City of Riverside

\_\_\_\_\_  
Authorized Officer

cc: City of Riverside  
Stone & Youngberg LLC

**EXHIBIT B**

**MUNICIPAL SECONDARY MARKET DISCLOSURE  
INFORMATION COVER SHEET**

# Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm) for list of current NRMSIRs and SIDs

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**IF THIS FILING RELATES TO A SINGLE BOND ISSUE:**

Provide name of bond issue exactly as it appears on the cover of the Official Statement  
(please include name of state where issuer is located):

**\$3,755,000**  
**CITY OF RIVERSIDE**  
**RIVERWALK BUSINESS CENTER ASSESSMENT DISTRICT**  
**LIMITED OBLIGATION IMPROVEMENT BONDS**  
**(Property Secured Only – No Issuer Liability)**

(California)

Provide nine-digit CUSIP\* numbers if available, to which the information relates:

<u>Maturity</u> <u>(September 1)</u>	<u>CUSIP</u> <u>Number</u>	<u>Maturity</u> <u>(September 1)</u>	<u>CUSIP</u> <u>Number</u>
2005	769003KL7	2016	769003KX1
2006	769003KM5	2017	769003KY9
2007	769003KN3	2018	769003KZ6
2008	769003KP8	2019	769003LA0
2009	769003KQ6	2020	769003LB8
2010	769003KR4	2021	769003LC6
2011	769003KS2	2022	769003LD4
2012	769003KT0	2023	769003LE2
2013	769003KU7	2024	769003LF9
2014	769003KV5	2029	769003LG7
2015	769003KW3		



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**IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:**

Issuer's Name (please include name of state where Issuer is located): \_\_\_\_\_

Other Obligated Person's Name (if any): \_\_\_\_\_  
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP\* number(s), if available, of Issuer: \_\_\_\_\_

\*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

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**TYPE OF FILING:**

Electronic (number of pages attached) \_\_\_\_\_  Paper (number of pages attached) \_\_\_\_\_

If information is also available on the Internet, give URL: \_\_\_\_\_

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**WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)**

**A.  Annual Financial Information and Operating Data pursuant to Rule 15c2-12**

(Financial information and operating data should not be filed with the MSRB.)

**Fiscal Period Covered:** \_\_\_\_\_

**B.  Audited Financial Statements or CAFR pursuant to Rule 15c2-12**

**Fiscal Period Covered:** \_\_\_\_\_

**C.  Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)**

- |                                                                                                          |                                                                                                              |
|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies                                 | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the taxexempt status of the security    |
| 2. <input type="checkbox"/> Non-payment related defaults                                                 | 7. <input type="checkbox"/> Modifications to the rights of security holders                                  |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls                                                                       |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties   | 9. <input type="checkbox"/> Defeasances                                                                      |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform   | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
|                                                                                                          | 11. <input type="checkbox"/> Rating changes                                                                  |

**D.  Notice of Failure to Provide Annual Financial Information as Required**

**E.  Other Secondary Market Information (Specify):** \_\_\_\_\_

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I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

**Issuer Contact:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Issuer Web Site Address \_\_\_\_\_

**Dissemination Agent Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Relationship to Issuer \_\_\_\_\_

**Obligor Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Obligor Web site Address \_\_\_\_\_

**Investor Relations Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Telephone \_\_\_\_\_ Email Address \_\_\_\_\_

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## APPENDIX G

### FORM OF MAJOR OWNER CONTINUING DISCLOSURE AGREEMENTS

*A separate Major Owner Continuing Disclosure Agreement will be provided by La Sierra University and Turner Riverwalk – 1, LLC.*

This CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”) is executed and entered into as of June 1, 2004, by and between U.S. Bank National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America (the “Bank”), in its capacity as dissemination agent (the “Dissemination Agent”) and in its capacity as Fiscal Agent with respect to the Bonds, and [La Sierra University/Turner Riverwalk – 1, LLC] organized and existing under and by virtue of the laws of the State of California (the “Property Owner”);

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Property Owner for the benefit of the owners and beneficial owners of the Bonds.

Section 2. Definitions. In addition to the definitions set forth above and in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Affiliate*” of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, 5% or more of the outstanding voting securities of such other Person, (b) any Person, 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person. For purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

“*Assessment District*” means City of Riverside Riverwalk Business Center Assessment District.

“*Assessments*” means the assessments levied on taxable property within the Assessment District.

“*Assumption Agreement*” means an undertaking of a Major Owner, or an Affiliate thereof, and the Dissemination Agent, for the benefit of the owners and beneficial owners of the Bonds containing terms substantially similar to this Disclosure Agreement (as modified for such Major Owner’s development and financing plans with respect to the Assessment District), whereby such Major Owner or Affiliate agrees to provide semi-annual reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in the Assessment District owned by such Major Owner and its Affiliates and, at the option of the Property Owner or such Major Owner, agrees to indemnify the Dissemination Agent pursuant to a provision substantially in the form of Section 11 hereof.

“*Dissemination Agent*” means U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the Property Owner, and which has filed with the Property Owner, the Assessment District and the Fiscal Agent a written acceptance of such designation, and which is experienced in providing dissemination agent services such as those required under this Disclosure Agreement.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Agreement.

“*Major Owner*” means, as of any Report Date, an owner of land in the Assessment District responsible in the aggregate for 10% or more of the Assessments in the Assessment District actually levied at any time during the then-current fiscal year.

“*National Repository*” means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Securities and Exchange Commission’s Internet site at [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm).

“*Official Statement*” means the final official statement executed by the City in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Stone & Youngberg LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“*Property*” means the property owned by the Property Owner in the Assessment District.

“*Report Date*” means (a) April 1 and October 1 of each calendar year.

“*Repository*” means each National Repository and each State Repository, if any.

“*Rule*” means 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.

“*Semi-Annual Report*” means any Semi-Annual Report provided by the Property Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

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

### Section 3. Provision of Semi-Annual Reports.

(a) The Property Owner shall, or upon written direction shall cause the Dissemination Agent to, not later than the Report Date, commencing April 1, 2005, provide to each Repository a Semi-Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement with a copy to the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the City. Not later than 15 Business Days prior to the Report Date, the Property Owner shall provide the Semi-Annual Report to the Dissemination Agent. The Property Owner shall provide a written certification with (or included as a part of) each Semi-Annual Report furnished to the Dissemination Agent, the Fiscal Agent (if different from the Dissemination Agent), the Participating Underwriter and the City to the effect that such Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by it under this Disclosure Agreement. The Dissemination Agent, the Fiscal Agent, the Participating Underwriter and the City may conclusively rely upon such certification of the Property Owner and shall have no duty or obligation to review the Semi-Annual Report. The Semi-Annual Report may be submitted as a single document or as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 of this Disclosure Agreement.

(b) If the Dissemination Agent does not receive a Semi-Annual Report by 15 days prior to the Report Date, the Dissemination Agent shall send a reminder notice to the Property Owner that the Semi-Annual Report has not been provided as required under Section 3(a) above. The reminder notice shall instruct the Property Owner to determine whether its obligations under this Disclosure Agreement have terminated (pursuant to Section 6 below) and, if so, to provide the Dissemination Agent with a notice of such termination in the same manner as for a Listed Event (pursuant to

Section 5 below). If the Property Owner does not provide, or cause the Dissemination Agent to provide, a Semi-Annual Report to the Repositories by the Report Date as required in subsection (a) above, the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board and appropriate State Repository, if any, in substantially the form attached hereto as Exhibit A, with a copy to the Fiscal Agent (if other than the Dissemination Agent), the City and the Participating Underwriter.

(c) The Dissemination Agent shall:

(i) determine prior to each Report Date the name and address of each National Repository and each State Repository, if any;

(ii) to the extent the Semi-Annual Report has been furnished to it, file a report with the Property Owner (if the Dissemination Agent is other than the Property Owner), the City and the Participating Underwriter certifying that the Semi-Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Semi-Annual Reports. The Property Owner's Semi-Annual Report shall contain or incorporate by reference the information set forth in Exhibit B, any or all of which may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Property Owner shall clearly identify each such other document so included by reference. With respect only to the Semi-Annual Report that is required to be provided no later than April 1 of each Fiscal Year, if audited financial statements of the Property Owner or its parent company (the "Financial Statements") are prepared, attach the audited Financial Statements. If such audited Financial Statements are not available by the time such Semi-Annual Report is required to be filed, the audited Financial Statements shall be filed as a supplement or amendment to the Semi-Annual Report when they become available. Such Financial Statements shall be for the most recently ended fiscal year for the entity covered thereby. If the financial information or operating data to be provided in a Semi-Annual Report is amended pursuant to the provisions hereof, the first Semi-Annual Report containing the operating data or financial information in accordance with such amendment shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

In addition to any of the information expressly required to be provided in Exhibit B, the Property Owner's Semi-Annual Report shall include such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

A form of information cover sheet for municipal secondary market disclosure recommended by the Municipal Securities Rulemaking Board is attached as Exhibit C.

Section 5. Reporting of Significant Events.

(a) The Property Owner shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds, if material:

(i) bankruptcy or insolvency proceedings commenced by or against the Property Owner and, if known, any bankruptcy or insolvency proceedings commenced by or against any Affiliate of the Property Owner;

(ii) failure to pay any assessments (including the Assessments), taxes or special taxes due with respect to the Property;

(iii) filing of a lawsuit against the Property Owner or, if known, an Affiliate of the Property Owner, seeking damages which could have a significant impact on the Property Owner's ability to pay Assessments or to sell or develop the Property;

(iv) material damage to or destruction of any of the improvements on the Property;

(v) any payment default or other material default by the Property Owner on any loan with respect to the construction of improvements on the Property;

(vi) Any denial or termination of credit, any denial or termination of, or default under, any line of credit or loan or any other loss of a source of funds that could have a material adverse affect on such Property Owner's most recently disclosed financing plan or development plan or on the ability of such Property Owner, or any Affiliate of such Property Owner that owns any portion of the Property, to pay Assessments within the Assessment District when due;

(vii) Any significant amendments to land use entitlements for such Property Owner's Property;

(viii) Any previously undisclosed governmentally-imposed preconditions to commencement or continuation of development on such Property Owner's Property;

(ix) Any previously undisclosed legislative, administrative or judicial challenges to development on such Property Owner's Property, if material to the development plan;

(x) Any changes, if material to the development plan, in the alignment, design or likelihood of completion of significant public improvements affecting such Property Owner's Property, including major thoroughfares, sewers, water conveyance systems and similar facilities, and

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

(c) If the Property Owner determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Property Owner shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository, if any, with a copy to the Fiscal Agent, the Assessment District and the Participating Underwriter.

#### Section 6. Duration of Reporting Obligation.

(a) All of the Property Owner's obligations hereunder shall commence on the date hereof and shall terminate (except as provided in Section 11) on the earliest to occur of the following:

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

(ii) at such time as property owned by the Property Owner is no longer responsible for payment of 10% or more of the Assessments, or

(iii) the date on which the Property Owner prepays in full all of the Assessments attributable to the Property;

provided, however, that notwithstanding that the property owned by the Property Owner is no longer responsible for payment of 10% or more of the Assessments, in the event the Property Owner shall transfer any portion of its Property to another property owner which, taking into account such transfer shall be a Major Owner, the Property Owner's obligations hereunder shall continue with respect to the Property transferred and the other property owned by such Major Owner until such time as the transferee shall have assumed the obligations of the Property Owner hereunder or such transferee shall have the disclosure obligations set forth herein with respect to such Property pursuant to a Major Owner Continuing Disclosure Agreement executed in connection with issuance of the Bonds or an Assumption Agreement.

The Property Owner shall give notice of the termination of its obligations under this Disclosure Agreement in the same manner as for a Listed Event under Section 5.

(b) If a portion of the property in the Assessment District owned by the Property Owner, or any Affiliate of the Property Owner, is conveyed to a Person that, upon such conveyance, will be a Major Owner, the obligations of the Property Owner hereunder with respect to the property in the Assessment District owned by such Major Owner and its Affiliates may be assumed by such Major Owner or by an Affiliate thereof and the Property Owner's obligations hereunder will be terminated. In order to effect such assumption, such Major Owner or Affiliate shall enter into an Assumption Agreement in form and substance satisfactory to the Assessment District and the Participating Underwriter.

Section 7. Dissemination Agent. The Property Owner may, from time to time, appoint or engage a Dissemination Agent to assist the Property Owner in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. The Dissemination Agent may resign by providing thirty days' written notice to the Assessment District, the Property Owner and the Fiscal Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Property Owner may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied (provided, however, that the Dissemination Agent shall not be obligated under any such amendment that modifies or increases its duties or obligations hereunder without its written consent thereto):

(a) if the amendment or waiver relates to the provisions of sections 3(a), 4 or 5(a), 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 type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by owners of the Bonds in the manner provided in the Fiscal Agent Agreement 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.

If an amendment is made to the accounting principles followed in preparing the Financial Statements, the financial information for the year in which the change is made shall present a comparison between the

Financial Statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the Financial Statements or information, in order to provide information to investors to enable them to evaluate the ability of the Major Owner to generally meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A qualitative analysis in accordance with Generally Accepted Accounting Principles (GAAP) shall be deemed to satisfy this requirement. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5 hereof.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Property Owner from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Semi-Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Property Owner chooses to include any information in any Semi-Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Property Owner shall have no obligation under this Agreement to update such information or include it in any future Semi-Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Property Owner to comply with any provision of this Disclosure Agreement, the Fiscal Agent shall (upon written direction and only to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys), and the Participating Underwriter and any owner or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Property Owner to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Property Owner to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Property Owner agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities, costs and expenses due to the Dissemination Agent's negligence or willful misconduct or failure to perform its duties hereunder. The Dissemination Agent shall be paid compensation by the Property Owner for its services provided hereunder in accordance with the Dissemination Agent's schedule of fees as amended from time to time, which schedule, as amended, shall be reasonably acceptable, and all reasonable expenses, reasonable legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Assessment District, the Property Owner, the Fiscal Agent, the Bond owners, or any other party. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Agreement may be given as follows:



If to the City:	City of Riverside Development Department 3900 Main Street, 5 <sup>th</sup> Floor Riverside, California 92522 Telephone: 909/826-5665 Telecopier: 909/826-5744 Attention: Finance Director
If to the Dissemination Agent:	U.S. Bank National Association 633 West Fifth Street, 24th Floor LM-CA-T24T Los Angeles, California 90071 Telephone: 213/533-8712 Telecopier: 213/533-8729
If to the Fiscal Agent:	U.S. Bank National Association 633 West Fifth Street, 24th Floor LM-CA-T24T Los Angeles, California 90071 Telephone: 213/533-8712 Telecopier: 213/533-8729
If to the Participating Underwriter:	Stone & Youngberg LLC One Ferry Building San Francisco, California 94111 Telephone: 415/445-2300 Telecopier: 415/445-2395 Attention: Municipal Research Department

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Assessment District, the Property Owner (its successors and assigns), the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity. All obligations of the Property Owner hereunder shall be assumed by any legal successor to the obligations of the Property Owner as a result of a sale, merger, consolidation or other reorganization.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; EXECUTION PAGE FOLLOWS]

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Dated: \_\_\_\_\_, 2004

\_\_\_\_\_, a \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

AGREED AND ACCEPTED:  
U.S. Bank National Association,  
as Dissemination Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE SEMI-ANNUAL REPORT**

Name of Issuer: City of Riverside Riverwalk Business Center Assessment District

Name of Bond Issue: City of Riverside Riverwalk Business Center Assessment District  
Limited Obligation Improvement Bonds

Date of Issuance: June 30, 2004

NOTICE IS HEREBY GIVEN that \_\_\_\_\_ (the "Property Owner") has not provided a Semi-Annual Report with respect to the above-named bonds as required by that certain Major Owner Continuing Disclosure Agreement, dated June 1, 2004. The Property Owner anticipates that the Semi-Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

DISSEMINATION AGENT:  
U.S. Bank National Association

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

**EXHIBIT B**  
**SEMI-ANNUAL REPORT**  
**CITY OF RIVERSIDE**  
**RIVERWALK BUSINESS CENTER ASSESSMENT DISTRICT**  
**LIMITED OBLIGATION IMPROVEMENT BONDS**

This Semi-Annual Report is hereby submitted under Section 4 of the Continuing Disclosure Agreement (the "Disclosure Agreement") dated as of June 1, 2004 executed by the undersigned (the "Property Owner") in connection with the issuance of the above-captioned bonds by the City of Riverside Riverwalk Business Center Assessment District (the "City").

Capitalized terms used in this Semi-Annual Report but not otherwise defined have the meanings given to them in the Disclosure Agreement.

**I. Property Ownership and Development**

The information in this section is provided as of \_\_\_\_\_ (this date must be not more than 60 days before the date of this Semi-Annual Report).

A. Property currently owned by the Property Owner in the Assessment District (the "Property"):

Development Name(s) \_\_\_\_\_

Total Parcels in the Development	Buildings Completed Since the Date of Issuance of the Bonds (June 30, 2004)	Property Sale Since the Date of Issuance of the Bonds (June 30, 2004)	Property Sold Since the Last Semi-Annual Report
Acres* _____ Parcels _____	Acres* _____ Parcels _____	Acres* _____ Parcels _____	Acres* _____ Parcels _____

\* For bulk land sales only.

B. Status of land development activities with regard to the Property:

\_\_\_\_\_  
 \_\_\_\_\_

C. Status of building permits and any significant amendments to land use or development entitlements with regard to the Property:

\_\_\_\_\_  
 \_\_\_\_\_

D. Status of any land purchase contracts with regard to the Property, whether acquisition of land by the Property Owner or sales of land to other property owners.

\_\_\_\_\_  
 \_\_\_\_\_

**II. Legal and Financial Status of Property Owner**

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any change in the legal structure of the Property Owner or the financial condition and financing plan of the Property Owner that would materially and adversely interfere with its ability to complete its development plan described in the Official Statement. With respect only to the Semi-Annual Report that is required to be provided no later than April 1 of each Fiscal Year, if audited financial statements of the Property Owner or its parent company (the "Financial Statements") are prepared, attach or incorporate by reference to materials on file with the Repositories or Securities and Exchange Commission, the audited Financial Statements. If such audited Financial Statements are not available by the time such Semi-Annual Report is required to be filed, the audited Financial Statements shall be filed as a supplement or amendment to the Semi-Annual Report when they become available. Such Financial Statements shall be for the most recently ended fiscal year for the entity covered thereby.

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**III. Change in Development or Financing Plans**

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any development plans or financing plans relating to the Property *that are materially different from* the proposed development and financing plan described in the Official Statement.

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**IV. Status of Tax Payments**

Describe status of payment of assessments (including the Assessments), taxes, or special taxes due with respect to the Property.

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**V. Official Statement Updates**

Unless such information has previously been included or incorporated by reference in a Semi-Annual Report, describe any other significant changes in the information relating to the Property Owner or the Property contained in the Official Statement under the headings "THE ASSESSMENT DISTRICT" and "RISK FACTORS – General," " – Endangered Species" and " – Hazardous Substances" that would materially and adversely interfere with the Property Owner's ability to develop and sell the Property as described in the Official Statement.

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**VI. Other Material Information**

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

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**Certification**

The undersigned Property Owner hereby certifies that this Semi-Annual Report constitutes the Semi-Annual Report required to be furnished by the Property Owner under the Continuing Disclosure Agreement dated as of \_\_\_\_\_, 2004 executed by the Property Owner in connection with the issuance of the above-captioned bonds.

ANY OTHER STATEMENTS REGARDING THE PROPERTY OWNER, THE DEVELOPMENT OF THE PROPERTY, THE PROPERTY OWNER'S FINANCING PLAN OR FINANCIAL CONDITION, OR THE BONDS, OTHER THAN STATEMENTS MADE BY THE PROPERTY OWNER IN AN OFFICIAL RELEASE OR NEWSPAPER OF GENERAL CIRCULATION, OR FILED WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD OR A NATIONALLY RECOGNIZED MUNICIPAL SECURITIES INFORMATION REPOSITORY, ARE NOT AUTHORIZED BY THE PROPERTY OWNER. THE PROPERTY OWNER IS NOT RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF ANY SUCH UNAUTHORIZED STATEMENTS.

THE PROPERTY OWNER HAS NO OBLIGATION TO UPDATE THIS SEMI-ANNUAL REPORT OTHER THAN AS EXPRESSLY PROVIDED IN THE DISCLOSURE AGREEMENT.

Dated: \_\_\_\_\_

\_\_\_\_\_  
a \_\_\_\_\_

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

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

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

Title: \_\_\_\_\_

EXHIBIT C

MUNICIPAL SECONDARY MARKET DISCLOSURE  
INFORMATION COVER SHEET

# Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See [www.sec.gov/info/municipal/nrmsir.htm](http://www.sec.gov/info/municipal/nrmsir.htm) for list of current NRMSIRs and SIDs

**IF THIS FILING RELATES TO A SINGLE BOND ISSUE:**

Provide name of bond issue exactly as it appears on the cover of the Official Statement (please include name of state where issuer is located):

**\$3,755,000**  
**CITY OF RIVERSIDE**  
**RIVERWALK BUSINESS CENTER ASSESSMENT DISTRICT**  
**LIMITED OBLIGATION IMPROVEMENT BONDS**  
**(Property Secured Only – No Issuer Liability)**

(California)

Provide nine-digit CUSIP\* numbers if available, to which the information relates:

Maturity (September 1)	CUSIP Number	Maturity (September 1)	CUSIP Number
2005	769003KL7	2016	769003KX1
2006	769003KM5	2017	769003KY9
2007	769003KN3	2018	769003KZ6
2008	769003KP8	2019	769003LA0
2009	769003KQ6	2020	769003LB8
2010	769003KR4	2021	769003LC6
2011	769003KS2	2022	769003LD4
2012	769003KT0	2023	769003LE2
2013	769003KU7	2024	769003LF9
2014	769003KV5	2029	769003LG7
2015	769003KW3		

**IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:**

Issuer's Name (please include name of state where Issuer is located): \_\_\_\_\_

Other Obligated Person's Name (if any): \_\_\_\_\_  
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP\* number(s), if available, of Issuer: \_\_\_\_\_

\*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

**TYPE OF FILING:**

Electronic (number of pages attached) \_\_\_\_\_  Paper (number of pages attached) \_\_\_\_\_

If information is also available on the Internet, give URL: \_\_\_\_\_

**WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)**

**A.  Annual Financial Information and Operating Data pursuant to Rule 15c2-12**  
(Financial information and operating data should not be filed with the MSRB.)

**Fiscal Period Covered:** \_\_\_\_\_

**B.  Audited Financial Statements or CAFR pursuant to Rule 15c2-12**

**Fiscal Period Covered:** \_\_\_\_\_

**C.  Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)**

- |                                                                                                          |                                                                                                              |
|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies                                 | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security   |
| 2. <input type="checkbox"/> Non-payment related defaults                                                 | 7. <input type="checkbox"/> Modifications to the rights of security holders                                  |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls                                                                       |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties   | 9. <input type="checkbox"/> Defeasances                                                                      |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform   | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
|                                                                                                          | 11. <input type="checkbox"/> Rating changes                                                                  |

**D.  Notice of Failure to Provide Annual Financial Information as Required**

**E.  Other Secondary Market Information (Specify):** \_\_\_\_\_

**I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:**

**Issuer Contact:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Issuer Web Site Address \_\_\_\_\_

**Dissemination Agent Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Relationship to Issuer \_\_\_\_\_

**Obligor Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Employer \_\_\_\_\_  
Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_ Obligor Web site Address \_\_\_\_\_

**Investor Relations Contact, if any:**

Name \_\_\_\_\_ Title \_\_\_\_\_  
Telephone \_\_\_\_\_ Email Address \_\_\_\_\_



## APPENDIX H

### BOOK-ENTRY SYSTEM

*The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the City which the City believes to be reliable, but the City and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

The Depository Trust Company (“DTC”), New York, New York, 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 maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “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 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 or 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 transmissions to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds 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 Fiscal Agent 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 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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payment 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 City or the Fiscal Agent, on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor the nominee), the Fiscal Agent or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Bonds at any time by giving reasonable notice to the City and the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered as described in the Fiscal Agent Agreement.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered as described in the Fiscal Agent Agreement.

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

### **Discontinuance of DTC Services**

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the City determines that DTC shall no longer act and delivers a written certificate to the Fiscal Agent to that effect, then the City will discontinue the Book-Entry System with DTC for the Bonds. If the City determines to replace DTC with another qualified securities depository, the City will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Fiscal Agent Agreement. If the City fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) principal of, and redemption premiums if any, on the Bonds will be payable upon surrender thereof at the trust office of the Fiscal Agent identified in the Fiscal Agent Agreement, and (iii) the Bonds will be transferable and exchangeable as provided in the Fiscal Agent Agreement.

*The City and the Fiscal Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of, redemption price of or interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Fiscal Agent Agreement; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the Bonds or the Fiscal Agent Agreement. The City and the Fiscal Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of or interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The City and the Fiscal Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.*

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