

In the opinion of Brown, Diven & Hentschke, Bond Counsel, subject 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 individual and corporate alternative minimum taxes, although it is included in adjusted current earnings in computing the alternative minimum tax imposed on corporations. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes under present state law. See "TAX EXEMPTION" herein.

\$4,416,947.15

**CITY OF RIVERSIDE
(Riverside County, California)**

**SYCAMORE CANYON BUSINESS PARK ASSESSMENT DISTRICT NO. 1
1915 ACT LIMITED OBLIGATION IMPROVEMENT BONDS, 1992 SERIES B**

Dated: September 1, 1992

Due: September 2, shown below

The 1915 Act Limited Obligation Improvement Bonds, 1992 Series B (the "Bonds"), are issued by the City of Riverside, California (the "City"), and are secured by certain assessments levied in the proceedings establishing Sycamore Canyon Business Park Assessment District No. 1 (the "Assessment District") pursuant to the Municipal Improvement Act of 1913, as amended, and will be issued pursuant to the Improvement Bond Act of 1915, as amended (the "1915 Act"), and the Indenture (as defined herein).

The Bonds are being issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof and one Bond in such denomination as is necessary to represent the remainder of the initial aggregate principal amount of the Bonds. Interest is payable semiannually on March 2 and September 2 of each year (each an "Interest Payment Date"), commencing March 2, 1993, by check mailed by first class mail, postage prepaid, or, at the written request of any owner of at least \$1,000,000 in principal amount of Bonds, by wire transfer in immediately available funds, to the registered owners of record as of the fifteenth day immediately preceding each Interest Payment Date. Bank of America National Trust and Savings Association is the fiscal agent, paying agent, registrar and transfer agent (the "Fiscal Agent") for the Bonds and principal of the Bonds is payable upon surrender thereof at the corporate trust office of the Fiscal Agent in Los Angeles, California.

The Bonds are subject to optional redemption on any Interest Payment Date and the Term Bonds maturing on September 2, 2012 are subject to mandatory sinking fund redemption commencing on September 2, 2006, all as described more fully herein. See "THE BONDS — Optional Redemption" and "THE BONDS — Redemption of Term Bonds" herein.

Under the provisions of the 1915 Act, assessment installments of principal and interest sufficient to meet annual debt service on the Bonds and administrative expenses of the City are billed and collected in the same manner and time as the regular tax bills sent to owners of property against which there are unpaid assessments. These assessment installments are to be collected by the Treasurer and Tax Collector of the County of Riverside (the "Tax Collector") and paid, upon receipt thereof by the Treasurer of the City, into the Redemption Fund and the Administrative Expense Fund, which will be administered by the Fiscal Agent and used to pay debt service on the Bonds as it becomes due and certain administrative expenses of the City. See "SECURITY FOR THE BONDS" herein.

To provide funds for payment of the Bonds and the interest thereon as a result of any delinquent assessment installments, the City will establish a Reserve Fund and will deposit therein Bond proceeds in an amount initially equal to \$353,355.77. See "SECURITY FOR THE BONDS" herein.

Additionally, the City has covenanted to initiate judicial foreclosure proceedings under certain circumstances in the event of a delinquency by any particular property owner and a withdrawal of money from the Reserve Fund to pay debt service on the Bonds. If a delinquency occurs in the payment of any assessment installment, the Fiscal Agent is required to transfer into the Redemption Fund the amount of the delinquency out of the Reserve Fund. This requirement continues during the period of delinquency, until reinstatement of the delinquent property from the proceeds of the sale on foreclosure of such property, or redemption following such foreclosure. **There is no assurance that sufficient funds will be available in the Reserve Fund for this purpose and if, during the period of delinquency, there are insufficient moneys in the Reserve Fund, no funds of the City other than the Reserve Fund will be available for the payment of delinquent assessment installments. The City has determined and declared that the City will not obligate itself to advance available funds from the treasury of the City to cure any deficiency which may occur in the Redemption Fund. The obligation to advance funds to the Redemption Fund in the event of delinquent assessment installments shall not exceed the balance in the Reserve Fund.**

As security for the payment of certain assessment installments, a direct pay letter of credit (the "Letter of Credit") in the initial amount of \$602,000 will be issued by Bank of California, N.A. Under the Letter of Credit, payments of assessment installments on only a portion of the property in the Assessment District will be made by Bank of California, N.A. to the Fiscal Agent for payment to the Tax Collector. Payments under the Letter of Credit will not cover assessment installments due prior to December 10, 1993 and will not be made after April 10, 1996. The amount available under the Letter of Credit will be reduced by draws thereunder and may be reduced by sales of the property subject to assessment installments secured thereby. Under certain circumstances the amount available to be drawn under the Letter of Credit may be exhausted prior to April 10, 1996. **The Letter of Credit does not guarantee the timely payment of the principal of, or interest on, the Bonds. See "LETTER OF CREDIT" herein.**

The Bonds are not general obligations of the City, the County of Riverside, the State of California or any other political subdivision of the State of California and neither the faith and credit nor the taxing power of the City, the County of Riverside, the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

See "SPECIAL RISK FACTORS" herein for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds. This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Purchasers should review the entire Official Statement before making any investment decision.

MATURITY SCHEDULE

\$2,091,947.15 Serial Bonds

Due (September 2)	Principal Amount	Interest Rate	Price	Due (September 2)	Principal Amount	Interest Rate	Price
1993	\$111,947.15	4.00%	100%	2000	\$165,000.00	7.25%	100%
1994	115,000.00	5.00	100	2001	175,000.00	7.50	100
1995	120,000.00	5.75	100	2002	190,000.00	7.75	100
1996	125,000.00	6.25	100	2003	205,000.00	8.00	100
1997	135,000.00	6.50	100	2004	220,000.00	8.10	100
1998	145,000.00	6.75	100	2005	235,000.00	8.20	100
1999	150,000.00	7.00	100				

\$2,325,000 8.50% Term Bonds Due September 2, 2012, Price 100%

The Bonds are offered when, as and if issued, subject to the approval of legality by Brown, Diven & Hentschke, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by O'Melveny & Myers, and for the City by the City Attorney. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, on or about November 5, 1992 against payment therefor.

Stone & Youngberg

CITY OF RIVERSIDE

Terry Frizzel, Mayor

CITY COUNCIL

Ronald O. Loveridge
Jack B. Clarke
Joy Defenbaugh
Robert Buster
Alex Clifford
Terri Thompson
Laura Pearson

CITY STAFF

John E. Holmes, City Manager
Robert C. Wales, Assistant City Manager-Development
Lawrence E. Paulsen, Assistant City Manager
Barbara J. Steckel, City Finance Director/Treasurer
Stan Yamamoto, City Attorney
Karen Lindquist, City Clerk
William R. Hansen, Debt Administrator

SPECIAL SERVICES

FINANCIAL ADVISOR

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San Francisco and Costa Mesa, California

BOND COUNSEL

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San Diego, California

ASSESSMENT ENGINEER

Albert A. Webb Associates
Riverside, California

APPRAISER

Chudleigh, Schuler and Associates
Medford, Oregon

FISCAL AGENT

Bank of America National Trust and Savings Association
Los Angeles, California

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT 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 STATED ON THE COVER PAGE OF THIS PRELIMINARY OFFICIAL STATEMENT, AND SUCH 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 EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. 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 any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any owner of property in the Assessment District since the date hereof.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

SUMMARY STATEMENT

THIS SUMMARY STATEMENT IS SUBJECT IN ALL RESPECTS TO THE MORE COMPLETE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND THE DOCUMENTS AND STATUTES REFERRED TO HEREIN.

The City

The City of Riverside, California (the "City"), is the County seat of the County of Riverside (the "County") and is located in the western portion of the County approximately 60 miles east of downtown Los Angeles and approximately 90 miles northeast of the City of San Diego. The City's area totals approximately 74 square miles and the City had a federal census population in 1990 of 226,505. For a more detailed description of the City see Appendix C hereto.

Purposes

The City of Riverside Sycamore Canyon Business Park Assessment District No. 1 (the "Assessment District") was formed in May 1989 to finance the acquisition and construction of certain improvements to the Sycamore Canyon Business Park area of the City. The total authorized indebtedness for the Assessment District is \$9,107,789. The City, on behalf of the Assessment District, has previously issued the \$4,268,565 Sycamore Canyon Business Park Assessment District No. 1, 1915 Act Limited Obligation Improvement Bonds, 1991 Series A (the "1991 Series A Bonds"), secured by the unpaid assessments on the two parcels of land within the Assessment District that are owned by Pepsi-Cola Bottling Company of Los Angeles, Inc. ("Pepsi"). See "THE 1991 SERIES A BONDS" herein. It is expected that the City, on behalf of the Assessment District, will issue approximately \$255,725.00 of Sycamore Canyon Business Park Assessment District No. 1, 1915 Act Limited Obligation Improvement Bonds, 1992 Series C (the "1992 Series C Bonds"), secured by the unpaid assessments on land within the Assessment District currently owned by Spectrum Associates No. I ("Spectrum") and subject to condemnation by the California State Department of Transportation ("Caltrans"). The 1992 Series C Bonds are not secured by assessments levied on the Bond Property (as hereinafter defined) and payments under the Letter of Credit (as hereinafter defined) will not be made in respect thereof. The 1992 Series C Bonds are not offered hereunder and will be subordinate to the Bonds in all respects. See "THE 1992 SERIES C BONDS" herein.

The \$4,416,947.15 aggregate principal amount of the City of Riverside Sycamore Canyon Business Park No. 1, 1915 Act Limited Obligation Improvement Bonds, 1992 Series B (the "Bonds"), are being issued to pay water facility fees and incidental expenses (the "Water Facility Fees"). See "WATER FACILITY FEES" herein. The Bonds are secured by the unpaid

assessments on the assessed parcels of land within the Assessment District, excluding the parcels owned by Pepsi and the Edgemont Community Services District ("Edgemont"), parcels subject to condemnation by Caltrans and certain parkland conveyed or to be conveyed to the City. Bond proceeds will also be used to fund a reserve fund and to pay the costs of issuing the Bonds. See "THE BONDS - Estimated Sources and Uses of Funds" herein.

The Bonds

The Bonds are issued under that certain Bond Indenture, dated as of September 1, 1992 (the "Indenture"), between the City and Bank of America National Trust and Savings Association, as fiscal agent, paying agent, registrar and transfer agent (the "Fiscal Agent"). The Bonds will be issued as fully registered Bonds in denominations of \$5,000 each or any integral multiple thereof and one Bond in such denomination as is necessary to represent the remainder of the initial aggregate principal amount of the Bonds. Interest on the Bonds is payable on each March 2 and September 2, commencing March 2, 1993. See "THE BONDS - Description of the Bonds" herein.

Redemption

Any Bond may be called for redemption prior to maturity in whole or in part on any March 2 or September 2 upon payment of the redemption price described herein under the heading "THE BONDS - Optional Redemption," plus accrued interest to the date of redemption. The Bonds maturing on September 2, 2012 are subject to mandatory sinking fund redemption as described under "THE BONDS - Redemption of Term Bonds" herein.

Security for the Bonds

The Bonds are issued upon and secured by the unpaid assessments, together with interest thereon, on 115 parcels of land within the Assessment District (the "Bond Property"). See "THE BOND PROPERTY" herein. The Bonds are not issued upon nor secured by the unpaid assessments on any other parcels within the Assessment District. The assessed property in the Assessment District not included in the Bond Property and not securing the Bonds is the land owned by Pepsi, the land owned by Edgemont, the land subject to condemnation by Caltrans and certain parkland conveyed or to be conveyed to the City. All of the Bonds are secured by the moneys in the Redemption Fund (as hereinafter defined) and the Reserve Fund (as hereinafter defined) created pursuant to the assessment proceedings and by the unpaid assessments on the Bond Property levied to provide for payment of the Water Facility Fees. Principal and interest on the Bonds are payable exclusively out of the Redemption Fund. The unpaid assessments represent fixed liens on the parcels included in the Bond Property. They do not,

however, constitute a personal indebtedness of the owners of the Bond Property.

Pursuant to the Improvement Bond Act of 1915, as amended (the "1915 Act"), installments of principal and interest sufficient to meet annual debt service on the Bonds and administrative expenses of the City will be billed by the County to owners of parcels in the Bond Property against which there are unpaid assessments. Upon receipt by the City, these assessment installments are to be deposited into the Redemption Fund and the Administrative Expense Fund, which shall be held by the Fiscal Agent and used to pay principal and interest on the Bonds as they become due and to pay certain administrative expenses of the City. The assessment installments billed against each parcel included in the Bond Property each year represent pro rata shares of the total principal and interest on the Bonds coming due that year, based on the percentage which the unpaid assessment against that parcel bears to the total of unpaid assessments on the Bond Property.

A reserve fund (the "Reserve Fund") in an initial amount equal to \$353,355.77 will be established from Bond proceeds. The Reserve Fund will be a source of available funds to advance to the Redemption Fund in the event of delinquent assessment installments.

The City has covenanted that in the event of a delinquency in the payment of any assessment installment the City shall order and cause to be commenced, and thereafter diligently prosecute to completion, judicial foreclosure proceedings upon the lien of delinquent unpaid assessments.

If a delinquency occurs in the payment of any assessment installment, the Indenture requires the Fiscal Agent to transfer into the Redemption Fund the amount of the delinquency out of the Reserve Fund. This requirement continues during the period of delinquency until reinstatement of the delinquent property, including reinstatement from the proceeds of the sale on foreclosure of such property having a delinquent assessment installment or redemption following such foreclosure. There is no assurance that funds will be available in the Reserve Fund for this purpose and if, during the period of delinquency, there are insufficient moneys in the Reserve Fund, no funds of the City other than the Reserve Fund will be available for the payment of delinquent assessment installments. The City has determined and declared pursuant to Section 8769 of the California Streets and Highways Code that the City will not obligate itself to advance available funds from the treasury of the City to cure any deficiency which may occur in the Redemption Fund.

The City has no obligation to advance any of its own moneys toward payment of the Bonds.

The Bonds are not secured by the general taxing power of the City, the County, the State of California or any political subdivision thereof, and neither the faith and credit nor the taxing power of the City, the County, the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

For a more complete description of the security for the Bonds see "SECURITY FOR THE BONDS" herein.

Letter of Credit

As security for the payment of assessment installments on those parcels of the Bond Property owned by Spectrum that come due commencing on and after December 10, 1993 and continuing through April 10, 1996, Bank of California, N.A., will issue an irrevocable direct pay letter of credit in favor of the City in the initial amount of \$602,000. The amount available under the Letter of Credit will be reduced by draws thereunder and may be reduced by sales of the property subject to assessment installments secured thereby. Payments under the Letter of Credit may also be applied to make payments of assessment installments on land in the Assessment District purchased by Spectrum after the issuance of the Bonds. However, the amount available under the Letter of Credit will not be increased in respect of such purchase or for any other reason. If Spectrum purchases additional parcels of Bond Property, funds available under the Letter of Credit may not be sufficient to pay the assessment installments on all parcels of Bond Property owned by Spectrum for the entire period from December 10, 1993 through April 10, 1996. Accordingly, the amount available to be drawn under the Letter of Credit may be exhausted prior to April 10, 1996. **The Letter of Credit does not guarantee the payment of the principal of, or interest on, the Bonds.** See "THE BONDS - Estimated Sources and Uses of Funds" and "LETTER OF CREDIT" herein.

The Bond Property

Only the unpaid assessments on the Bond Property secure the Bonds. The Bond Property consists of 115 assessed parcels of land aggregating approximately 563.62 acres. None of the assessments levied against the Bond Property were paid prior to the issuance of the Bonds. Some assessments levied against property in the Assessment District not included in the Bond Property were paid prior to the issuance of the Bonds and such funds will be applied to payment of the Water Facility Fees. See "THE BOND PROPERTY" herein.

Property Ownership

The Bond Property is part of a commercial/industrial development known as the Sycamore Canyon Business Park.

Currently there are 11 owners of the parcels constituting the Bond Property. See "THE BOND PROPERTY" herein.

Estimated Property Values

An appraisal of the Bond Property dated September 25, 1992 (the "Appraisal") has been prepared by Chudleigh, Schuler and Associates of Medford, Oregon (the "Appraiser"). The valuation letter of the Appraisal which sets forth the final value conclusion and certain assumptions upon which it is based is contained in Appendix B hereto. According to the Appraisal, the estimated fair market value of the Bond Property is \$55,900,000 which is approximately 12.6 times the principal amount of the Bonds. See "SECURITY FOR THE BONDS - Property Values" herein. All parcels within the Bond Property are subject to overlapping bonded indebtedness. See "SPECIAL RISK FACTORS - Direct and Overlapping Indebtedness" herein.

Borrowers' Risks

For a discussion of certain matters which may affect the investment qualities of the Bonds, see "SPECIAL RISK FACTORS" herein.

\$4,416,947.15
CITY OF RIVERSIDE
SYCAMORE CANYON BUSINESS PARK ASSESSMENT DISTRICT NO. 1
1915 ACT LIMITED OBLIGATION IMPROVEMENT BONDS, 1992 SERIES B

INTRODUCTION

This Official Statement, including the front cover, the Summary Statement and the attached Appendices, is intended to provide information in connection with the sale by the City of Riverside, California (the "City"), its Sycamore Canyon Business Park Assessment District No. 1, 1915 Act Limited Obligation Improvement Bonds, 1992 Series B, in the aggregate principal amount of \$4,416,947.15 (the "Bonds").

This Official Statement makes reference to the Resolution of Intention, the Engineer's Report, the Appraisal, the Indenture, the Bonds, the Letter of Credit and certain other documents. Such references do not purport to be complete, comprehensive or definitive and are qualified in their entirety by reference to each such document.

THE BONDS

Authority for Issuance

The improvement proceedings for the City of Riverside Sycamore Canyon Business Park Assessment District No. 1 (the "Assessment District") were conducted pursuant to the Municipal Improvement Act of 1913, as amended (the "1913 Act"), and the resolution of intention (the "Resolution of Intention") adopted by the City Council of the City (the "Council") on May 2, 1989. The Bonds, which represent the unpaid assessments levied against certain parcels of property in the Assessment District, are issued pursuant to the provisions of the Improvement Bond Act of 1915, as amended (the "1915 Act"), and a Bond Indenture, dated as of September 1, 1992 (the "Indenture"), executed by the City and Bank of America National Trust and Savings Association as the fiscal agent, paying agent, registrar and transfer agent (the "Fiscal Agent").

Pursuant to the proceedings the total authorized indebtedness of the Assessment District is \$9,107,789, of which the Bonds represent \$4,416,947.15. Assessments in the amount of approximately \$108,242, representing liens on property in the Assessment District in the amount of \$114,224.34 were prepaid during the cash collection period. See "THE BOND PROPERTY" and "UNDERWRITING" herein. Prior to the issuance of the Bonds, the City, on behalf of the Assessment District, issued the \$4,268,565 Sycamore Canyon

Business Park Assessment District No. 1, 1915 Act Limited Obligation Improvement Bonds, 1991 Series A (the "1991 Series A Bonds"), which are payable from and secured by unpaid assessments on the property in the Assessment District currently owned by Pepsi. See "1991 SERIES A BONDS" herein. It is expected that the City, on behalf of the Assessment District, will issue approximately \$255,725.00 of Sycamore Canyon Business Park Assessment District No. 1, 1915 Act Limited Obligation Improvement Bonds, 1992 Series C (the "1992 Series C Bonds"), which will be payable solely from and secured solely by the unpaid assessments on the property in the Assessment District currently owned by Spectrum and subject to condemnation proceedings by Caltrans (the "Caltrans Property"). See "1992 SERIES C BONDS" herein. Upon the issuance of the Bonds and the 1992 Series C Bonds the total indebtedness of the Assessment District will be \$8,941,237.15. Although the Bonds, the 1991 Series A Bonds and the 1992 Series C Bonds account for the \$8,941,237.15 total indebtedness of the Assessment District, the three issues are independent of each other and are secured by assessments levied on different parcels of property.

The proceedings conducted by the City for the Assessment District are proceedings in which all costs are either estimated or ascertained prior to the construction or acquisition of the improvements, rights-of-way or property involved. Under such proceedings, the assessments are levied and then bonds are sold to represent unpaid assessments. The moneys obtained from cash collections and bond proceeds are used by the City in payment for the acquisition or construction of the improvements, for the acquisition of property or rights-of-way and for incidental expenses and expenses of issuing the bonds.

Proceedings can be initiated by either a petition or by the Council without a petition. The proceedings for the Assessment District were initiated by the Council. After the proceedings were initiated, Albert A. Webb Associates, Riverside, California, as Assessment Engineer (the "Assessment Engineer") prepared a written report (the "Engineer's Report") which contains, among other things, the list of costs for all of the work proposed to be done in the Assessment District and the amount of the assessment to be levied against each assessed parcel of property in the Assessment District. The assessments were levied against each parcel on the basis of the special benefit to be derived from the work proposed to be done. See "THE WATER FACILITY FEES" herein.

Under the proceedings, costs were estimated for construction and acquisition of improvements, rights-of-way and property in the entire Assessment District (the "Improvements") and assessments were levied against each parcel in the Assessment District. The work proposed to be

done for the Assessment District (together with the improvements to be constructed for a proposed community facilities district) represents a continuing public improvement plan designed to benefit all of the property in the Assessment District.

Only the land constituting the Bond Property, the Caltrans Property and the property in the Assessment District on which the assessments have been prepaid will derive a special benefit from the payment of the Water Facility Fees. The City will apply, from funds of Spectrum on deposit with the City, an amount equal to \$255,725.08 to the payment of the Water Facility Fees, and assessment installments paid on the Caltrans Property will be used to reimburse such amount. See "THE BONDS - Estimated Sources and Uses of Funds" herein. Accordingly, the Bonds represent unpaid assessments levied on the Bond Property only; the Bonds do not represent unpaid assessments on property in the Assessment District other than the Bond Property. Certain of the Improvements, other than payment of the Water Facility Fees, have been paid for through the issuance of the 1991 Series A Bonds. Certain other improvements are expected to be acquired and constructed by a community facilities district to include most of the property in the Assessment District. See "SPECIAL RISK FACTORS - Direct and Overlapping Indebtedness" herein.

The Engineer's Report was filed and confirmed by the Council in preliminary form on May 2, 1989. On June 13, 1989, a revised Engineer's Report was presented to the Council and a public hearing was held at which the 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. Two written protests from owners of land comprising 3.5% of the Bond Property were filed prior to the commencement of the public hearing and no protests were voiced at the public hearing. The written protests were filed by Kazuo A. Yamakawa and the Ray and Jo Robinson Trust. See "THE BOND PROPERTY - Property Owners" herein.

On June 13, 1989, the Council adopted its resolution confirming the assessments and ordering the acquisition and construction of the proposed Improvements, including the payment of the Water Facility Fees. The assessments confirmed by the City were based on the costs listed in the Engineer's Report, as revised. After confirmation, the assessments became a lien against the assessed parcels of property in the Assessment District. Assessments in the amount of approximately \$108,242, representing liens on property in the Assessment District in the amount of approximately \$114,244, have been prepaid. Prepayments of assessments and the funds referred to above will be applied toward payment of the Water

Facility Fees. None of the assessments levied against the Bond Property have been paid prior to issuance of the Bonds.

Description of the Bonds

The Bonds will be issued only as fully registered bonds in the denominations of \$5,000 each or any integral multiple thereof and one Bond in such denomination as is necessary to represent the remainder of the initial aggregate principal amount of the Bonds. The Bonds shall be dated as of and bear interest from September 1, 1992, at the rates set forth on the cover page hereof.

The principal of the Bonds and any premiums due upon the redemption thereof will be payable in lawful money of the United States of America at the principal corporate trust office of the Fiscal Agent in Los Angeles, California, upon presentation and surrender of such Bonds.

Interest on the Bonds will be paid in lawful money of the United States of America commencing March 2, 1993 and semiannually thereafter on March 2 and September 2 of each year (each, an "Interest Payment Date"). Interest on the Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months. Payment of interest on the Bonds shall be made to the registered owners thereof by check or draft of the Fiscal Agent mailed by first-class mail, postage prepaid, to each owner at his or her address as it appears on the registration books for the Bonds to be kept by the Fiscal Agent at its principal corporate trust office in Los Angeles, California, as of the close of business on the 15th day preceding any Interest Payment Date regardless of whether such day is a business day (the "Record Date"). Interest payments may be made by wire transfer to owners of \$1,000,000 or more in aggregate principal amount of the Bonds if such owners request wire transfer payment in a written notice delivered to the Fiscal Agent not later than the Record Date for an Interest Payment Date. Interest on any Bond shall be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) the date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from that Interest Payment Date, or (iii) the date of authentication is prior to the close of business on the first Record Date in which event interest shall be payable from September 1, 1992; provided, however, that if at the time of authentication of any Bond, interest is in default, interest on that Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or from September 1,

1992 if no interest has been paid or made available for payment.

The Bonds will mature on September 2 in the principal amounts and years as shown on the cover page hereof.

Optional Redemption

The Bonds are subject to redemption prior to their stated maturities at the option of the City on any Interest Payment Date, as a whole or in part, pro rata among maturities (and by lot within any one maturity), in integral multiples of \$5,000, at the following redemption prices (expressed as a percentage of the principal or portion thereof called for redemption), together with accrued interest to the date of redemption.

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 2, 1993 through September 2, 2001	103%
March 2, 2002 through September 2, 2002	102
March 2, 2003 through September 2, 2003	101
March 2, 2004 and thereafter	100

Redemption of Term Bonds

The outstanding Term Bonds maturing on September 2, 2012 shall be subject to mandatory sinking fund redemption in part, by lot, prior to their maturity date, on each September 2, commencing September 2, 2006, at a price equal to the principal amount thereof, without premium, together with accrued interest to the date of redemption, out of moneys available for such purpose in the Redemption Fund, on the dates as set forth in the following schedule:

<u>Sinking Fund Redemption Date (September 2)</u>	<u>Principal Amount</u>
2006	\$255,000.00
2007	280,000.00
2008	300,000.00
2009	330,000.00
2010	355,000.00
2011	385,000.00
2012 (Maturity)	420,000.00

In the event of a partial optional redemption of the Term Bonds, each of the mandatory sinking fund payments for the Term Bonds will be reduced, as nearly as practicable, on a pro rata basis.

Mandatory Redemption

The Bonds may be redeemed prior to maturity, in whole or in part on any Interest Payment Date, pro rata among maturities (and by lot within any maturity) from surplus moneys on deposit and available for such purpose in the Redemption Fund from prepaid assessments, to the extent of and in the manner set forth in the Indenture at a redemption price equal to 103% of the principal or portion thereof called for redemption, together with accrued interest to the date of redemption.

Property owners in the Assessment District may prepay assessments against their property in whole or in part at any time. Development of parcels within the Bond Property, transfers of property ownership and certain other circumstances could result in prepayment of assessments. Prepayment of assessments against the Bond Property would result in redemption of all or a portion of the Bonds prior to their stated maturities. It is not possible to estimate the rate at which such redemptions, if any, may occur.

Purchase of Bonds in Lieu of Redemption

In lieu of redemption as described above, at the City's request, the Fiscal Agent may use and withdraw moneys in the Redemption Fund for the purchase of outstanding Bonds at public or private sale at such prices as the City may determine; provided, however, that no Bond may be purchased at a price in excess of its redemption price as of the date of purchase.

Notice of Redemption

The City shall give the Fiscal Agent written notice of its intention to redeem Bonds (except for mandatory sinking fund redemptions) not less than 60 days prior to the applicable redemption date. Notice of redemption, containing the information required by the Indenture, will be mailed by the Fiscal Agent at least 30 days but not more than 45 days prior to the date fixed for redemption, to the registered owners of the Bonds called for redemption. In addition, notice of redemption will be given by the Fiscal Agent to each of certain specified securities depositories (The Depository Trust Company, Midwest Securities Trust Company and Philadelphia Depository Trust Company) and to one or more of the other specified services (Financial Information, Inc.'s Financial "Daily Called Bond Service", Interactive Data Corporation's Bond Service, Kenny Information Service's Called Bond Service, Moody's Municipal and Government News Reports and Standard and Poor's Called Bond Record). Notice of redemption also must be published once in *The Bond Buyer* at least 30 days prior to the date fixed for redemption of the Bonds. If notice of redemption has been given as required by the Indenture and if the amount necessary for the redemption of the Bonds is available on the date set for

redemption, then the Bonds or portions thereof designated for redemption shall no longer be deemed outstanding and shall cease to bear or accrue interest from and after such redemption date.

Selection of Bonds for Redemption

If less than all of the outstanding Bonds are to be redeemed, the Fiscal Agent will select the Bonds to be redeemed in such a way that the ratio of outstanding Bonds to issued Bonds shall be approximately the same within each maturity insofar as possible. Within each maturity, the Bonds shall be selected for redemption by lot; provided, however, that the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof, and that, in selecting portions of such Bonds for redemption, the Fiscal Agent shall treat each such Bond as representing that number of Bonds of a \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000.

Registration and Transfer

Any Bond may be transferred upon the books kept for registration by the owner in whose name it is registered, or by his duly authorized attorney or legal representative, upon surrender of the Bond for registration of such transfer, accompanied by delivery of a written instrument of transfer in a form approved by the Fiscal Agent.

The Fiscal Agent may require the payment of any tax or other governmental charge required to be paid with respect to such transfer and such charges as provided for in the system of registration for registered debt obligations.

The Fiscal Agent shall not be required to register the transfer of any Bonds during the fifteen days preceding the selection of any Bonds for redemption prior to the maturity thereof, or any Bond which has been selected for redemption prior to the maturity thereof.

Upon any registration of transfer, a new Bond or Bonds will be authenticated and delivered in exchange for such Bond, in the name of the transferee, in any denomination or denominations authorized by the Indenture, and in an aggregate principal amount equal to the principal amount of such Bond or principal amount of such Bond or Bonds so surrendered. All Bonds surrendered in exchange or registration transfer will be cancelled.

A Bond may be exchanged at the office of the Fiscal Agent for a like aggregate principal amount of Bonds of the same series, interest rate and maturity, subject to the payment of any tax or governmental charges, if any, upon surrender and

cancellation of the Bond. Upon transfer and exchange, a new registered Bond or Bonds of any authorized denomination or denominations of the same series and maturity for the same aggregate principal amount will be issued to the transferee in exchange therefor.

The City and the Fiscal Agent may treat the registered owner of a Bond whose name appears on the books kept for registration as the absolute owner of the Bond for any and all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of an owner of a Bond as it appears in the books kept for registration for all purposes and it shall be the duty of each owner of a Bond to give written notice to the Fiscal Agent of any change of address.

If any Bond is mutilated, lost, stolen or destroyed, the City will cause to be executed and authenticated a replacement Bond or Bonds in exchange and substitution thereof in like tenor and principal or maturity amount. In the case of a lost, stolen or destroyed Bond, the City and the Fiscal Agent may require satisfactory indemnification prior to executing or authenticating a new Bond. The City and the Fiscal Agent may charge the owners of the Bonds for reasonable fees and expenses in connection with replacing mutilated, lost, stolen or destroyed Bonds.

Estimated Sources and Uses of Funds

Sources of Funds

Principal Amount of Bonds	\$4,416,947.15
Prepaid Water Fees From City	255,725.08
Assessment Cash Collections	108,241.56
Accrued Interest	<u>61,320.96</u>
 Total Sources of Funds	 <u>\$4,842,234.75</u>

Uses of Funds

Deposit to Improvement Fund(1)	\$4,295,049.61
Redemption Fund(2)	61,320.96
Reserve Fund	353,355.77
Underwriter's Discount	<u>132,508.41</u>
 Total Uses of Funds	 <u>\$4,842,234.75</u>

(1) To be used for payment of the Water Facility Fees and costs of issuance as determined by the City.

(2) Represents accrued interest from September 1, 1992 to the date of delivery of the Bonds.

The sources of funds include a \$255,725.08 payment by the City to the Improvement Fund from a \$1,260,000 fund on deposit with the City. Spectrum previously deposited such funds with the City pursuant to a Funding and Acquisition Agreement (the "Funding Agreement") between Spectrum and the City. That sum was intended to be used toward the cost of acquisition of specific land for a wilderness park adjacent to the Assessment District. On October 20, 1992, the City Council voted to amend the Funding Agreement, and the Funding Agreement will be amended by the date of the issuance of the Bonds, to permit the City to apply \$255,725 to the Improvement Fund. The City believes that the remaining funds on deposit will be adequate to acquire all of the park land for the wilderness park. Nonetheless, acquisition of the wilderness park property is not necessary to develop the Bond Property. Payments of assessment installments on the Caltrans Property, as and when received, will be applied to reimburse the fund on deposit with the City for the \$255,725.08 payment, and it is expected that a bond secured by the assessment installments on the Caltrans Property will be issued. See "1992 SERIES C BOND" herein.

Debt Service Schedule

Set forth below is a schedule of annual debt service on the Bonds, assuming no redemptions other than mandatory sinking fund redemptions.

<u>Year Ending September 2</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
1993	\$111,947.15	\$345,888.53	\$457,835.68
1994	115,000.00	340,452.50	455,452.50
1995	120,000.00	334,702.50	454,702.50
1996	125,000.00	327,802.50	452,802.50
1997	135,000.00	319,990.00	454,990.00
1998	145,000.00	311,215.00	456,215.00
1999	150,000.00	301,427.50	451,427.50
2000	165,000.00	290,927.50	455,927.50
2001	175,000.00	278,965.00	453,965.00
2002	190,000.00	267,840.00	455,840.00
2003	205,000.00	251,115.00	456,115.00
2004	220,000.00	234,715.00	454,715.00
2005	235,000.00	216,895.00	451,895.00
2006*	255,000.00	197,625.00	452,625.00
2007*	280,000.00	175,950.00	455,950.00
2008*	300,000.00	152,150.00	452,150.00
2009*	330,000.00	126,650.00	456,650.00
2010*	355,000.00	98,600.00	453,600.00
2011*	385,000.00	68,425.00	453,425.00
2012*	<u>420,000.00</u>	<u>35,700.00</u>	<u>455,700.00</u>
Total	<u>\$4,416,947.15</u>	<u>\$4,675,036.03</u>	<u>\$9,091,983.18</u>

* Represents sinking fund installments.

SECURITY FOR THE BONDS

Assessments

The Bonds are secured by unpaid assessments which have been levied against the Bond Property, together with interest thereon, in accordance with proceedings conducted by the City under the 1913 Act. Payments of principal and interest on such outstanding assessments together with interest and penalties, if any, on delinquent assessment payments will be deposited in the Redemption Fund to be held by the Fiscal Agent. The Redemption Fund constitutes a trust fund for the payment of the principal of and interest on the Bonds, which are payable solely out of the Redemption Fund and the Reserve Fund referred to below.

The assessments are payable in annual installments over a period of years corresponding to the final term to maturity of the Bonds. The aggregate amount of assessment installments coming due in each year represents the aggregate principal amount of Bonds maturing or subject to mandatory sinking fund redemption in such year and administrative expenses of the City. Interest accrues on the outstanding principal balance of each

assessment at a rate equal to the interest rate on the Bonds, and is payable together with the principal installments of the assessments. The amount of each assessment was fixed at the time of levy thereof, and failure by any landowner to pay any assessment will not result in an increase in the assessment against any other parcel of land.

The assessment and each installment thereof and any interest and penalties thereon constitute liens against the parcels of land on which they were levied until paid. Such assessment liens have priority over all existing and future private liens and over fixed special assessment liens which may subsequently be levied against such parcel, are co-equal to and independent of the lien for general property taxes and are subordinate to all fixed special assessment liens previously levied against the same parcel.

Although the unpaid balance of each assessment constitutes a lien on the assessed parcel, it does not constitute a personal indebtedness of the owner of such parcel. The City cannot assure that the owners of the parcels included in the Bond Property will be financially able to pay the assessment installments when due, or that they will pay such assessment installments even if financially able to do so. See "SPECIAL RISK FACTORS" herein.

The Bonds are not secured by the general taxing power of the City, the County, the State of California or any political subdivision thereof, and neither the faith and credit nor the taxing power of the City, the County, the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

The unpaid assessment will be billed and collected in installments, together with interest on the declining balance, in the same manner and time as the County tax roll on which general taxes on real property are collected, and are payable and become delinquent at the same time and in the same proportionate amounts as do said general taxes, and the property upon which the assessment was levied is subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes. See "Foreclosure Proceedings and Sales of Tax-Defaulted Property" below. These installments are to be paid into the Redemption Fund and the Administrative Expense Fund which will be held by the Fiscal Agent and used to pay the principal of and interest on the Bonds as they become due and to pay certain administrative expenses of the City. The assessment installments billed against each parcel of property included in the Bond Property are based on the percentage which the unpaid assessment against the property bears to the total of unpaid assessment on the Bond Property.

Establishment of Special Funds

In accordance with the 1913 Act, the 1915 Act and pursuant to the Indenture, the City has established six special funds for the collection of assessments, payments of principal and interest on the Bonds and payments of administrative expenses of the City and related matters: the Improvement Fund, the Redemption Fund, the Reserve Fund, the Rebate Fund, the Administrative Expense Fund and the Spectrum Payment Fund, all of which will be administered by the Fiscal Agent as described below.

Improvement Fund. Except as otherwise provided in the Indenture, proceeds from the sale of the Bonds shall be deposited in the Improvement Fund. Disbursements from the Improvement Fund shall be made to pay the Water Facility Fees and certain related expenses, including costs of issuance of the Bonds. Any surplus in the Improvement Fund after payment of the Water Facility Fees and certain related expenses may be transferred to the Redemption Fund and used to call outstanding Bonds or may be applied to reduce future assessment installments.

Redemption Fund. All assessment installments other than assessments for administrative costs, together with redemption period interest and penalties, if any, shall be deposited in the Redemption Fund, which shall constitute a trust fund for the benefit of the owners of the Bonds. Payment of the Bonds at maturity, and upon redemption prior to maturity, premium, if any, and interest on the Bonds will be made from the Redemption Fund. No later than September 2 of each year, the Fiscal Agent will withdraw any amounts remaining unallocated in the Redemption Fund and transfer such amounts to the Reserve Fund, to the extent required to replenish the Reserve Fund to an amount equal to the Reserve Requirement (as defined below), and then to the Administrative Expense Fund or the Rebate Fund as determined by the City.

Reserve Fund. Pursuant to the 1915 Act, the Resolution of Intention and the Indenture, a Reserve Fund initially equal to the Reserve Requirement will be established from the proceeds of the sale of the Bonds. The Reserve Fund shall constitute a trust fund for the benefit of the owners of the Bonds. The Reserve Fund shall be maintained, used, transferred, reimbursed and liquidated as follows:

- (a) Amounts in the Reserve Fund shall be transferred to the Redemption Fund if, as a result of delinquencies in the payment of assessments, there are insufficient moneys in the Redemption Fund to pay principal of and interest on the Bonds when due.

Amounts so transferred will be repaid to the Reserve Fund from proceeds of redemption or foreclosure of the parcels for which payment of delinquent installments of assessments and interest thereon have been made from the Reserve Fund.

(b) Interest earned on the permitted investment of moneys on deposit in the Reserve Fund (less amounts, if any, required for rebate to the federal government in accordance with the federal tax law) will remain in the Reserve Fund.

(c) Prior to each Interest Payment Date, any interest earned on the investment of moneys on deposit in the Reserve Fund which would cause the amount on deposit therein to exceed the Reserve Requirement shall be transferred by the Fiscal Agent to the Redemption Fund and be credited towards unpaid assessments each year during which any of the Bonds remain outstanding.

(d) In the event an unpaid assessment is paid in cash in advance of the final Bond maturity date, such prepaid assessment will be credited with a proportionate share of the Reserve Fund, thus reducing the total amount of the Reserve Fund. The amount to be so credited is the pro-rata share of the original amount deposited in the Reserve Fund, less any amount previously transferred from the Reserve Fund to the Redemption Fund as a result of the delinquency in the payment of assessment installments for the parcel for which the assessment is being prepaid.

(e) Whenever moneys in the Reserve Fund are sufficient to retire all of the Bonds outstanding, plus accrued interest thereon, such money will be transferred to the Redemption Fund for the Bonds and collection of the remaining unpaid assessments will cease.

The City is under no obligation to restore the Reserve Fund to the Reserve Requirement in the case of any deficiency.

The "Reserve Requirement" is an amount equal to the lesser of (i) the Maximum Annual Debt Service (as defined below) on the Bonds, (ii) 125% of the Average Annual Debt Service (as defined below) on the Bonds, or (iii) 8% of the initial principal amount of the Bonds. "Annual Debt Service" on the Bonds for each year ending September 2 shall equal the sum of (a) the interest falling due on the outstanding Bonds in such 12-month period, assuming that the outstanding Bonds are retired as

scheduled, and (b) the principal amount of outstanding Bonds falling due during such 12-month period. "Average Annual Debt Service" shall mean the average Annual Debt Service during the term of the Bonds. "Maximum Annual Debt Service" shall mean, as computed from time to time, the largest Annual Debt Service during the period from the date of such computation through the final maturity of any outstanding Bonds.

Rebate Fund. In order to comply with the investment and rebate requirements of the Internal Revenue Code of 1986, as amended (the "Code"), a Rebate Fund has been created, to be held and administered by the Fiscal Agent in accordance with the Indenture. Amounts in the Rebate Fund, and all earnings thereon, shall only be applied to payments to the United States Government in accordance with the Tax and Nonarbitrage Certificate of the City. See "TAX EXEMPTION" herein.

Administrative Expense Fund. The Indenture creates and establishes the Administrative Expense Fund to be administered by the Fiscal Agent. All amounts collected as assessments for administrative costs of the Assessment District will be deposited in the Administrative Expense Fund and will be used to pay Administrative Expenses. The Indenture defines Administrative Expenses as the administrative costs with respect to the calculation and collection of the assessment installments, or costs otherwise incurred by the City or City staff on behalf of the Assessment District in order to carry out the purposes of the Assessment District, the fees and expenses of the financial advisor and the fees and expenses of the Fiscal Agent. No later than June 30 of each year, the Fiscal Agent will withdraw any amounts remaining unallocated in the Administrative Expense Fund and transfer such amounts to the Redemption Fund.

Spectrum Payment Fund. The Indenture provides that the Fiscal Agent shall create and maintain the Spectrum Payment Fund. All payments under the Letter of Credit received by the Fiscal Agent and any amounts received from Spectrum will be deposited therein. Amounts available in the Spectrum Payment Fund will be used to pay the entire annual tax bill with respect to all Bond Property owned by Spectrum, or, if insufficient for that purpose, amounts therein representing a draw on the Letter of Credit will be transferred to a segregated account within the Redemption Fund and used to pay principal of and interest on the Bonds. See "LETTER OF CREDIT" herein.

Foreclosure Proceedings and Sales of Tax-Defaulted Property

The 1915 Act provides that upon default in the payment of any assessment installment, the property securing such assessment shall be sold in the same manner in which real property is sold for the nonpayment of general County taxes, and shall be subject to redemption in the same manner and to the same extent that real property sold for nonpayment of general County taxes may be redeemed. The 1915 Act also provides that as a cumulative remedy, upon default in the payment of any assessment installment, an action may be brought to foreclose the lien of the assessment in accordance with the 1915 Act.

Such foreclosure sale procedure is not mandatory. However, in the Indenture, the City has covenanted that it will determine or cause to be determined, no later than February 15 and June 15 of each year in which the Bonds are outstanding, whether or not any owners of the real property included in the Bond Property are delinquent in the payment of assessments. If such delinquencies exist, the City will order and cause to be commenced an action in the Superior Court to foreclose the lien of any assessment not paid when due, no later than April 1, with respect to the February 15 determination date and no later than August 1, with respect to the June 15 determination date. The City has further covenanted to diligently prosecute such action, provided, however, that the City shall not be required to order the commencement of foreclosure proceedings if (i) the total assessment delinquency in the Bond Property for such fiscal year is less than 5% of the total assessment levied in that fiscal year, and (ii) the Reserve Fund remains at the Reserve Requirement. Notwithstanding the foregoing, the City has covenanted that if the City determines that any single property owner of property included in the Bond Property is delinquent in its assessment payments in an amount in excess of \$10,000, the City will diligently institute, prosecute and pursue foreclosure proceedings against such property owner. The Finance Director of the City will notify the Council and the City Attorney of any delinquency requiring the commencement of a foreclosure action pursuant to the Indenture and the City Attorney will commence, or cause to be commenced, such proceedings.

Judicial Foreclosure Proceedings. The 1915 Act provides that the court in a foreclosure proceeding has the power to order property securing delinquent assessment installments to be sold for an amount not less than all assessment installments, interest, penalties, costs, fees and other charges that are delinquent at the time the foreclosure action is ordered and certain other fees and amounts as provided in the 1915 Act. The court may also include subsequent delinquent assessment installments and all other delinquent amounts. No assurance can be given that in the event of a foreclosure proceeding a parcel could be sold for the amount of the delinquency or that any bid would be received for such property. See "SPECIAL RISK

FACTORS - Property Values" herein. The ability of the City to foreclose the lien of a delinquent unpaid assessment may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by California law relating to the judicial foreclosure. See "SPECIAL RISK FACTORS - Bankruptcy and Foreclosure" herein.

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.

Property Values

An appraisal of the Bond Property dated September 25, 1992 (the "Appraisal") has been prepared by Chudleigh, Schuler and Associates of Medford, Oregon. The appraised fair market value of the Bond Property is based on both land and improvements assuming conditions as of September 1, 1992. According to the Appraisal, the estimated fair market value of the assessed property is \$55,900,000, which is approximately 12.6 times the principal amount of the Bonds. The table headed "Ownership of Bond Property" that appears under the caption "THE BOND PROPERTY" below shows the ratio of the value of the Bond Property (of each owner) to the total assessments on that property.

A letter from the Appraiser to the City summarizing the Appraiser's valuation conclusions is included in Appendix B hereto. In addition, see "SPECIAL RISK FACTORS - Property Values" herein.

LETTER OF CREDIT

General

THE LETTER OF CREDIT DOES NOT GUARANTEE THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THE BONDS AND PROVIDES PAYMENT FOR THE ASSESSMENT INSTALLMENTS OF ONLY A SPECIFIED PORTION OF THE

BOND PROPERTY AND ONLY FOR A LIMITED TIME AND FOR A LIMITED AMOUNT. THERE ARE NO THIRD PARTY BENEFICIARIES OF THE LETTER OF CREDIT AND THE HOLDERS OF THE BONDS HAVE NO DIRECT RIGHT OF ACTION AGAINST THE BANK FOR PAYMENTS UNDER THE LETTER OF CREDIT.

As security for the payment of certain assessment installments on Bond Property owned by Spectrum Associates No. 1, a California general partnership ("Spectrum"), the major landowner in the Assessment District, Bank of California, N.A., a national banking association (the "Bank"), will issue its irrevocable direct pay letter of credit (the "Letter of Credit") in favor of the City in the initial amount of \$630,000. The Letter of Credit does not serve as security for the payment of assessment installments on the Caltrans Property.

Funds available under the Letter of Credit, will be used to pay the assessment installments (i) on the Bond Property that is owned by Spectrum and that serves as security for Spectrum's obligations under the Loan Agreement (as hereinafter defined), and (ii) that come due on December 10, 1993 through April 10, 1996, except as described herein (the "LC Installments"). The initial amount of the Letter of Credit (the "LC Amount") will be \$602,000 which represents the total amount of the LC Installments, assuming Spectrum does not sell or purchase any property in the Assessment District after the issuance of the Bonds. Upon the payment of an LC Installment, the LC Amount will be reduced by the amount of the LC Installment so paid. Such new LC Amount will be further reduced by the excess, if any, of such new LC Amount over the sum of the remaining LC Installments based upon the amount of Bond Property owned by Spectrum on the first day of the calendar month in which the payment of the LC Installment occurred. Such further reduction would result from the sale by Spectrum of land in the Assessment District.

Amounts available under the Letter of Credit will be used only for the payment of LC Installments (i.e. only those assessment installments on Bond Property owned by Spectrum that secures Spectrum's obligations under the Loan Agreement, and only such assessment installments that come due on December 10, 1993 through April 10, 1996) and may not be used to pay assessment installments on any other property included in the Bond Property, including property sold by Spectrum to third parties. Payments under the Letter of Credit will be sufficient to pay all LC Installments if Spectrum never purchases property after the issuance of the Bonds. However, if Spectrum purchases additional property, amounts available under the Letter of Credit may not be sufficient to pay all of the LC Installments over the three year period from December 10, 1993 to April 10, 1996. If during such period the amounts available under the Letter of Credit are not sufficient to pay the LC Installments, payment of the assessment installments must be made directly by Spectrum or such assessment installments will be delinquent and

the City could institute foreclosure proceedings. See "SECURITY FOR THE BONDS - Foreclosure Proceedings and Sales of Tax-Defaulted Property" herein.

Money drawn under the Letter of Credit will be paid to the Fiscal Agent and deposited in the Spectrum Payment Fund. The Tax Collector will not accept the payment of assessment installments without payment in full of all other general taxes then due on the property. See "SECURITY FOR THE BONDS - Assessments" herein. Spectrum has agreed to pay to the Fiscal Agent, at the time of collection of taxes by the Tax Collector, the amount of the general taxes on its property then due. The Fiscal Agent will pay such amounts together with the funds available in the Spectrum Payment Fund for payment of the LC Installments (provided sufficient funds are available) to the Tax Collector. If Spectrum does not deliver the amount of the general taxes on its property to the Fiscal Agent, the Tax Collector will not accept the LC Installment from the Fiscal Agent even though sufficient funds therefor may be available in the Spectrum Payment Fund, and the taxes will be delinquent. See "SECURITY FOR THE BONDS - Foreclosure Proceedings and Sales of Tax-Defaulted Property" herein. In such case, the Fiscal Agent will transfer the amount of the L/C Installment from the Spectrum Payment Fund to the Redemption Fund to be used for payment of principal and interest on the Bonds.

The Bank

The following information concerning the Bank has been provided by representatives of the Bank and has not been confirmed or verified by either the Underwriter or the City. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The Bank is a subsidiary of BanCal Tri-State Corporation. BanCal Tri-State Corporation is a wholly-owned subsidiary of The Mitsubishi Bank, Limited.

At December 31, 1991, the Bank had 51 banking offices located in California, Oregon and Washington, as well as an international network of 17 bank and representative offices. As of December 31, 1991, the Bank had total assets of \$8.5 billion and equity of \$576 million. As of March 31, 1992, the Bank had total assets of \$8.2 billion and equity of \$575 million. The 1991 Annual Report and the first quarter report for 1992 for the Bank were prepared in accordance with generally accepted accounting principles. Copies of the 1991 Annual Report and the first quarter 1992 Report may be obtained from Communication Services, The Bank of California, a 400 California Street, San Francisco, California 94104. Telephone 415/765-2777.

1991 SERIES A BONDS

The City, on behalf of the Assessment District, has previously issued the \$4,268,565 Sycamore Canyon Business Park Assessment District No. 1, 1915 Act Limited Obligation Improvement Bonds, 1991 Series A, under that certain Bond Indenture dated as of July 15, 1991, between the City and Bank of America National Trust and Savings Association, as fiscal agent, paying agent, registrar and transfer agent. The 1991 Series A Bonds were issued to finance certain Improvements other than the payment of the Water Facility Fees. The 1991 Series A Bonds were issued upon and are secured by the unpaid assessments on two parcels of land within the Assessment District (the "Pepsi Property") that are currently owned by the Pepsi-Cola Bottling Company of Los Angeles, Inc. ("Pepsi"). **The Pepsi Property is not included in the Bond Property. The Bonds are not issued upon nor secured by the unpaid assessments on any parcels other than those included in the Bond Property. No money from the payment of the assessments on the Pepsi Property will be used for payment of principal or interest on the Bonds and the Bonds are not secured by the unpaid assessments on the Pepsi Property.**

1992 SERIES C BONDS

It is expected that the City, on behalf of the Assessment District, will issue approximately \$255,725 of Sycamore Canyon Business Park Assessment District No. 1, 1915 Act Limited Obligation Improvement Bonds, 1992 Series C. It is contemplated that if the 1992 Series C Bonds are issued, such bonds will be sold to and held by the City and would not be resold. The 1992 Series C Bonds will be paid from the payment of assessment installments on the Caltrans Property. The 1992 Series C Bonds will be issued upon and will be secured by the unpaid assessments on the Caltrans Property only. **The Caltrans Property is not included in the Bond Property. The Bonds are not issued upon nor secured by the unpaid assessments on any parcels other than those included in the Bond Property. No money from the payment of the assessments on the Caltrans Property will be used for payment of principal or interest on the Bonds and the Bonds are not secured by the unpaid assessments on the Caltrans Property.**

CERTAIN PROVISIONS OF THE INDENTURE

Certain Covenants of the City

The City has covenanted to take such action as may be necessary to accept, maintain, draw upon, collect payment with respect to, deposit payments received from, and otherwise protect and use the security provided by the Letter of Credit.

The City has covenanted to comply with all applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. The City has also covenanted in the Indenture to transfer all Excess Investment Earnings (as such term is defined in the Indenture) to, and hold all amounts required to be rebated to the federal government in, the Rebate Fund. In the event that the amounts in the Rebate Fund are insufficient, however, there are no assurances that the City will have sufficient moneys to fulfill its obligation to rebate Excess Investment Earnings to the federal government. See "TAX EXEMPTION" herein.

Investment of Moneys

The Fiscal Agent will not be responsible for any loss from any investments pursuant to the Indenture, except for its own negligence or willful misconduct. Subject to the restrictions provided in the Indenture, monies in the funds and accounts under the Indenture may from time to time be invested by the Fiscal Agent at the written direction of the City, or if no written direction is given, in Authorized Investments. Authorized Investments are defined in the Indenture to include (i) United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States is pledged for the payment of principal and interest; (ii) certain time certificates of deposit or negotiable certificates of deposit issued by a state or nationally chartered bank or trust company or a state or federal savings and loan association possessing certain characteristics as provided in the Indenture; (iii) certain bills of exchange or time drafts drawn on and accepted by a commercial bank otherwise known as bankers' acceptances which are eligible for purchase by members of the Federal Reserve System; (iv) certain commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by certain nationally recognized rating agencies which is issued by corporations possessing characteristics described in the Indenture; (v) obligations issued by the Government National Mortgage Association, the Federal Farm Credit System, the Federal Home Loan Board, the Federal National Mortgage Association, the Student Loan Marketing Association, and the Federal Home Loan Mortgage Association; (vi) bonds, notes, warrants or other evidence of indebtedness of the State of California or of any political subdivision or public agency thereof which are rated in one of the two highest short-term or long-term rating categories of certain nationally recognized rating agencies; (vii) units of a taxable government money market portfolio restricted to obligations issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States of America or repurchase agreements collateralized by such obligations; and (viii) the Local Agency

Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California.

Modification of Indenture

The Indenture may be modified or amended at any time by a supplemental indenture pursuant to the affirmative vote of the owners of at least 60% in aggregate principal amount of the outstanding Bonds. No such modification or amendment may (i) extend the maturity of any Bond or the time for paying interest thereon or otherwise alter or impair the obligation of the City on behalf of the Assessment District to pay the principal of and the interest and any premium on any Bond without the express consent of the owner of such Bond, (ii) permit the creation of any pledge of or lien upon the assessments superior to or on a parity with the pledge and lien created for the benefit of the Bonds, (iii) reduce the percentage of Bonds required for an amendment to the Indenture, or (iv) reduce the principal amount of or redemption premium on any Bond or reduce the interest rate thereon. The Indenture may also be modified or amended at any time by a supplemental indenture without the consent of any owners of the Bonds for one or more of the following purposes: (i) to add to the covenants and agreements of the City in the Indenture other covenants and agreements thereafter to be observed, or to limit or surrender any right or power reserved to or conferred upon the City; (ii) to make modifications not adversely affecting any outstanding series of Bonds in any material respect; (iii) to make provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions of the Indenture; or (iv) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with certain provisions of the Code.

The Fiscal Agent

Bank of America National Trust and Savings Association has been appointed as the Fiscal Agent under the Indenture.

The Fiscal Agent, and any successor thereto, may be removed by the City and a successor or successors may be appointed; provided, however, that such successor or successors, if not the Treasurer of the City, shall be a commercial bank or trust company having an office in Los Angeles, California and having a combined capital surplus of not less than \$50,000,000. So long as any Bonds are outstanding and unpaid under the Indenture, no Fiscal Agent may be removed until a successor or successors has been designated. The Fiscal Agent may resign at any time upon 90 days' written notice and after appointment of a successor. Upon merger, consolidation or reorganization of the Fiscal Agent, the City will appoint a new Fiscal Agent, which may be the corporation resulting from such merger, consolidation or reorganization.

The Fiscal Agent assumes no responsibility for the correctness of the promises, covenants and agreements of the City and the Assessment District contained in the Indenture or the Bonds and makes no representations as to the validity or sufficiency of the Indenture or the Bonds and will incur no responsibility in respect thereof, other than in connection with its duties and obligations under the Indenture or the Bonds. The Fiscal Agent will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or misconduct.

THE BOND PROPERTY

Location and General Description

The Bond Property consists of 115 parcels of land aggregating approximately 563.62 acres and is part of the Assessment District located in the eastern portion of the City. See Appendix A hereto for a copy of the Assessment Diagram. The land in the Assessment District is zoned for a variety of commercial and industrial/business park uses including manufacturing, assembling, fabricating, warehousing, wholesale distribution, administrative or executive office use and accessory commercial use. Access to the Assessment District is via the Alessandro Boulevard and Eastridge Avenue exits off Interstate 215 and via the Fair Isle/Box Springs exit off State Route 60. The Atchison-Topeka and Santa Fe Railroad runs to the east of the Assessment District. No presently approved access to the Bond Property owned by Regency Outdoor Advertising, the Ray and Jo Robinson Trust, Kazuo Yamakawa or Mary Fowler exists. See Appendix A hereto.

In addition to the Bond Property, the Assessment District includes the Pepsi Property, land owned by Edgemont, land subject to condemnation proceedings by Caltrans and parkland conveyed or to be conveyed to the City. None of this property is included in the Bond Property. The land owned by Edgemont is presently exempt from taxation and therefore not assessable by the Assessment District. The property bears an "O" (official) zone designation. The City contemplates that at such time as Edgemont develops the property, the City would impose a fee for water service as a condition of development in an amount which represents the total assessments attributable to the Edgemont property had it been included in the original Assessment District. The City would then apply that amount to reduce the assessments against the remaining owners in the Assessment District on a pro rata basis. Most of the parkland in the Assessment District was not assessed and therefore is not included in the Bond Property. Approximately seven acres of parkland which was owned by Spectrum and that has been conveyed to the City was assessed. Spectrum has prepaid such assessments.

Currently there are condemnation proceedings by Caltrans on the Caltrans Property. Such property is not included in the Bond Property. Caltrans received use of the property under an Order for Possession and is currently constructing the relocated Interstate 215 freeway and a portion of the Alessandro interchange on the property. After the Final Order of Condemnation is recorded, Caltrans will be the title holder of the property. Proceeds from the sale of the 1992 Series C Bonds will be applied to the payment of the Water Facility Fees, and assessment installments paid on the Caltrans Property will be used to make payments on the 1992 Series C Bonds. See "THE BONDS - Estimated Sources and Uses of Funds" and "THE 1992 SERIES C BONDS" herein. Caltrans has previously prepaid assessments in the amount of \$79,003.61 on land in the Assessment District owned by Raymond Spehar that is subject to condemnation.

Property Owners

THE FOLLOWING INFORMATION REGARDING THE OWNERSHIP OF THE PROPERTY IS INCLUDED BECAUSE IT MAY BE RELEVANT TO AN INFORMED EVALUATION OF THE BONDS AND THE SECURITY FOR THE BONDS. THIS INFORMATION SHOULD NOT BE CONSTRUED TO SUGGEST THAT THE BONDS OR THE ANNUAL ASSESSMENT INSTALLMENTS WILL BE PERSONAL OBLIGATIONS OF THE CURRENT OR FUTURE PROPERTY OWNERS. THIS INFORMATION HAS BEEN PROVIDED BY THE PROPERTY OWNERS AND HAS NOT BEEN VERIFIED BY THE CITY. THE CITY ASSUMES NO RESPONSIBILITY FOR THE COMPLETENESS OR ACCURACY OF THE INFORMATION IN THIS SECTION.

Currently, there are 11 owners of parcels of property included in the Bond Property. The table below presents the owners and, for each such owner, the number of acres owned, the percentage of land included in the Bond Property, the total assessment on its property, the appraised value of its property, the lien to value ratio and the development status of such property.

OWNERSHIP OF BOND PROPERTY

<u>Owner</u>	<u>Number of Assessable Acres</u>	<u>Percent of Bond Property</u>	<u>Total Assessment</u>	<u>Value</u>	<u>Appraised Value to Lien Ratio</u>	<u>Development Status</u>
Spectrum Associates No. 1 ^{1, 2}	224.39	39.83%	\$1,860,101	\$22,951,424	12.34	Subdivided; partially graded; to be developed
Smith's Food & Drug Center, Inc. ³	80.18	14.21	588,336	8,609,356	14.63	In construction
The Lance Family Trust ^{1, 2}	127.51	22.62	957,166	10,072,454	10.52	Subdivided; no development plans
Aram Terlessian ⁴	9.12	1.62	67,525	980,098	14.51	No development plans
Austin, Singletary & Ware	17.83	3.16	146,192	3,885,000	26.57	Subdivided and graded; no development plans
Mary Fowler	10.00	1.77	74,778	614,148	8.21	No development plans
Modular Metal Fabrications ⁵	18.96	3.36	141,780	2,037,759	14.37	No development plans
Raymond Spehar	45.63	8.10	356,731	4,904,019	13.75	Processing subdivision; no development plans
Kazuo A. Yamakawa	10.00	1.77	74,778	614,148	8.21	No development plans
Ray and Jo Robinson Trust	10.00	1.77	74,778	614,148	8.21	No development plans
Regency Outdoor Advertising	<u>10.00</u>	<u>1.77</u>	<u>74,778</u>	<u>614,148</u>	<u>8.21</u>	No development plans
Total:	563.62	100.00% ⁶	\$4,416,943 ⁷	\$55,896,702 ⁸	12.66	

¹ Excludes parkland conveyed or to be conveyed to the City, land designated for roads and the Caltrans property.

² The sale of approximately 99 acres of land by The Lance Family Trust to Spectrum Associates No. 1 ("Spectrum") is currently in escrow. If such sale is completed, Spectrum would own approximately 323.4 acres comprising 57.4% of the Bond Property and The Lance Family Trust would own approximately 28.5 acres comprising 5.1% of the Bond Property.

³ The sale of approximately 80.18 acres by Spectrum to Smith's Food & Drug Center, Inc. was recently consummated. The transfer of the property has not yet been recorded on the tax rolls. Accordingly, the assessments on the property owned by Smith's Food & Drug Center, Inc. that come due December 10, 1992 and April 10, 1993 will be charged to Spectrum. Spectrum intends to forward the appropriate tax bills to Smith's Food & Drug Center, Inc. for payment pursuant to a reparation agreement between the parties.

⁴ Excludes approximately 21.8 acres of parkland to be conveyed to the City.

⁵ Excludes approximately 0.1 acres of parkland to be conveyed to the City.

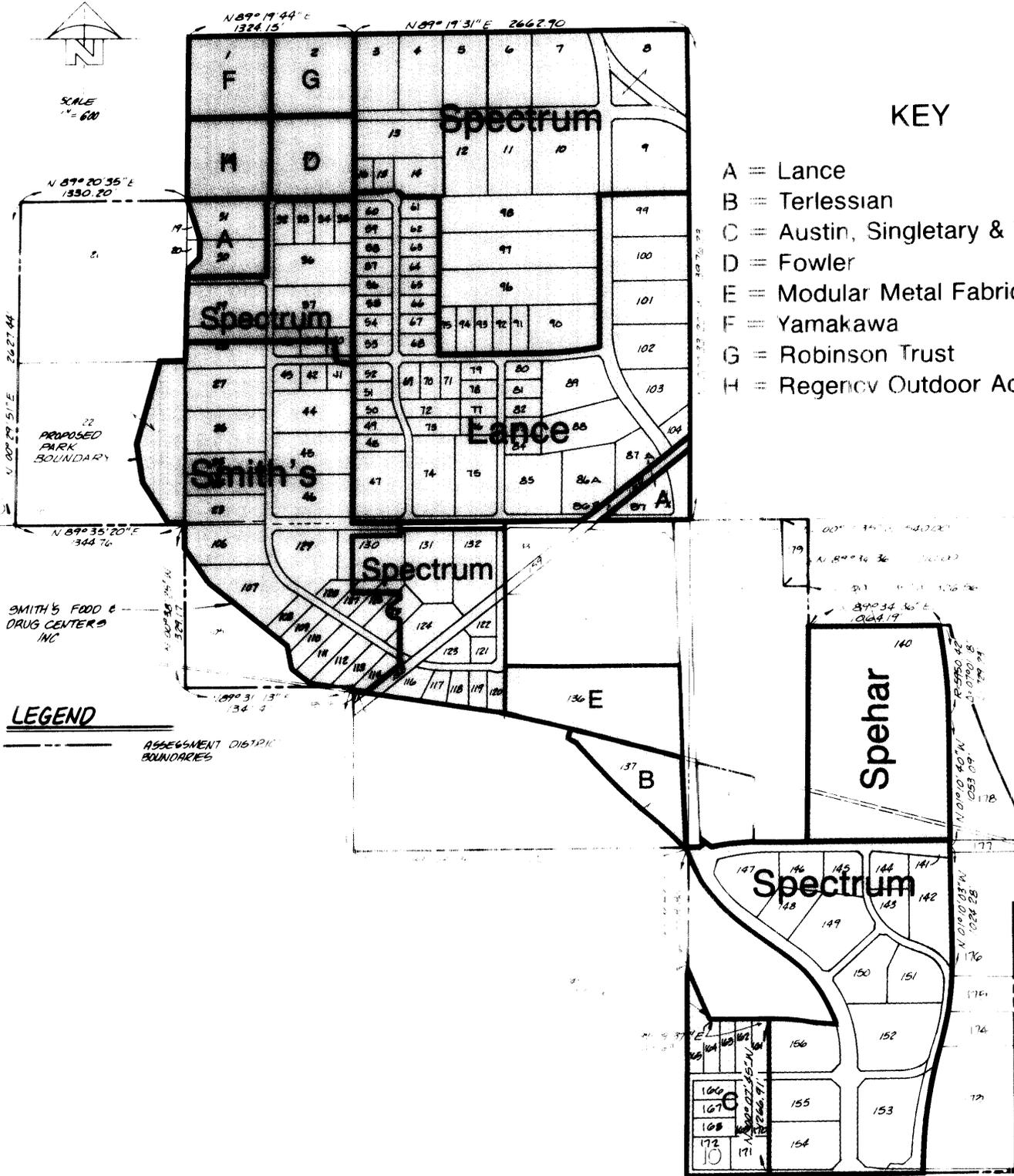
⁶ Does not equal 100% due to rounding.

⁷ Does not equal \$4,416,947.15, the amount of the Bonds, due to rounding.

⁸ Does not equal the Appraiser's fair market value of \$55,900,000 due to rounding.

SYCAMORE CANYON BUSINESS PARK ASSESSMENT DISTRICT NO. 1

BOND PROPERTY BY OWNER



Spectrum Associates No. I

Spectrum currently owns 224.4 assessable acres of land (excluding property subject to condemnation by Caltrans and parkland conveyed to the City), representing 39.83% of the Bond Property. Currently, the proposed purchase of approximately 99 acres from The Lance Family Trust by Spectrum is in escrow. The purchase of such land by Spectrum will need to be approved by Sycamore Title Holding Corporation No. P-1, the entity that provides financing to Spectrum. There is no indication whether the Sycamore Title Holding Corporation will or will not approve the purchase. If Spectrum completes the purchase of such land, Spectrum would own approximately 323.4 acres representing 57.4% of the land in the Bond Property.

Spectrum is a California general partnership. The controlling general partners of Spectrum are Jay Self (34.5%) and Mark A. Thompson (34.5%). The remaining general partners are Richard D. Rollnick (17.5%), Dennis E. Morgan (4.25%), Andrew R. Juster (4.25%), John S. Curts (3.0%) and P. James Barthe (2.0%). See the discussion regarding litigation involving Andrew Juster under "SPECIAL RISK FACTORS - Developers Considerations" herein. The controlling general partners of Spectrum have worked in real estate since 1975 during which time they have constructed approximately 2,000,000 square feet of real estate investment properties including commercial, office, multi-family residential and mixed use projects. Spectrum purchased, developed and sold an aggregate of 119 acres of land in the Assessment District to Pepsi and Smith's Food and Drug Centers, Inc. ("Smith's") for facilities which, if all are constructed as planned, will total approximately 1,200,000 additional square feet.

Spectrum has employed CB Commercial Real Estate Group, Inc. ("CB") as the listing agent for its land in the Assessment District which has been divided into saleable parcels. CB and Spectrum currently have active interest from six users, four of which are national in scope. The potential land sales these users represent exceeds 100 acres. Spectrum has launched a major marketing program and intends to proceed rapidly with development of the property.

All of Spectrum's mortgage financing for the acquisition and development of the property it owns in the Assessment District is provided by Sycamore Title Holding Corporation No. P-1, a wholly owned subsidiary, and sole beneficiary of a trust established by, the Public Employees Retirement System of Ohio ("OPERS"), pursuant to a loan agreement dated December 16, 1987, as amended (the "Loan Agreement"), evidenced by a \$31,700,000 note and an \$8,300,000 interest reserve note as well as a contingent interest note. The Loan Agreement provides for a bond reserve in the amount of \$6,000,000 for payment of special district or assessment district assessments

and for letters of credit or other credit enhancement devices required in connection with the issuance of bonds by such districts. As of September 1, 1992 there was \$15,343,460 and \$5,818,190, outstanding under the \$31,700,000 note and the \$8,300,000 note, respectively. The contingent interest note is secured by a first trust deed and the \$31,700,000 note and the \$8,300,000 note are secured by a second trust deed on the real property in the Assessment District owned by Spectrum. Under the terms of the Loan Agreement, the principal balance of the loan is due December 16, 2002. In addition, the lender has the right to give notice to Spectrum at any time after December 16, 1992 to call for early payment of all amounts due under the Loan Agreement and such amounts would be due and payable twelve months following the date of such notice.

Under the provisions of the Loan Agreement, Spectrum must comply with numerous requirements. Events of default include, among several other events, the insolvency of Spectrum or of any guarantors. While amounts remain outstanding on the loan Spectrum may not incur additional debt which is secured by Spectrum's assets, other than those funds disbursed under the Loan Agreement related to the acquisition of additional land. The loan may be deemed due and payable at the option of the lender immediately upon the occurrence of certain specified events of default. Currently there is no existing default under the Loan Agreement. The notes are partially guaranteed by Jay Self, Mark Thompson, Richard Rollnick, the Rollnick Family Trust and California Empire Capital, Inc. (formerly known as T&S Development, Inc.), a corporation the sole shareholders of which are Jay Self and Mark Thompson.

Spectrum is the maker of an unsecured note in the face amount of \$250,000 with interest at 10% per annum payable over a 12-month period beginning September 1989. The note is payable to Jay Self and Mark Thompson. See "SPECIAL RISK FACTORS - Developer Considerations" herein. The outstanding balance of this note was \$295,882 at September 1, 1992. Spectrum plans to repay this note as operating cash flows allow, subject to all applicable provisions of the Loan Agreement.

For a discussion of bankruptcy proceedings of entities affiliated with the controlling general partners of Spectrum and litigation involving Spectrum and its controlling general partners, see "SPECIAL RISK FACTORS - Developer Considerations" herein.

Smith's Food & Drug Center, Inc.

Smith's owns approximately 80.18 acres of land representing 14.2% of the Bond Property. Smith's operates 110 supermarket/drug stores in eight western states and two distribution facilities, one each in Layton (Salt Lake City,

Utah) and Tolleson (Phoenix, Arizona). Smith's plans to develop a similar distribution facility on its land in the Assessment District which, if constructed as presently contemplated, will include approximately an 879,068 square foot warehouse, a 114,500 square foot dairy facility, a 17,224 square foot vehicle maintenance facility and 6,523 square feet of related facilities. Construction has commenced and is expected to be completed in January of 1994.

Smith's is a reporting company under the Securities Exchange Act of 1934, as amended. Copies of the annual and quarterly reports of Smith's are on file with, and may be obtained from, the Securities and Exchange Commission.

The Lance Family Trust

The Lance Family Trust owns approximately 127.51 acres (excluding parkland to be conveyed to the City) representing 22.6% of the Bond Property but has agreed to sell approximately 99 acres to Spectrum. The Lance Family Trust does not have immediate plans to develop the approximately 28.5 acres of land of which it would retain ownership if the sale to Spectrum is consummated. The Lance Family Trust has declined to provide other information with respect to its development plans or financial condition.

Raymond Spehar

Raymond Spehar owns approximately 45.63 acres representing 8.1% of the Bond Property. Mr. Spehar has been involved in real estate development for over forty-five years and has developed and owned industrial, commercial and retail property throughout Southern California. His property in the Assessment District is being divided into saleable parcels and graded but there are no plans for further development. Mr. Spehar has declined to provide other information with respect to his development plans or financial condition.

Austin, Singletary & Ware

William Austin, Bart Singletary and Charles Ware in partnership own approximately 17.83 acres representing 3.2% of the Bond Property. They have been involved in real estate development for over 40 years and have developed and owned commercial and industrial, as well as single family and multi-unit residential properties in the "Inland Empire." This property has been subdivided into saleable parcels and is graded. Messrs. Austin, Singletary and Ware have declined to provide other information with respect to their development plans or financial condition.

Other Property Owners

The remaining property owners have declined to provide any information with respect to their financial condition or the property they own. The remaining property owners of the Bond Property have represented that they have no current plans to develop their property.

Availability of Public Utilities

Agencies supplying public utilities to the Assessment District are as follows:

Electricity:	City of Riverside
Natural Gas:	Southern California Gas Company
Telephone Service:	General Telephone and Electronics; Pacific Bell
Water:	Western Municipal Water District of Riverside County
Sewers:	City of Riverside

Some of the land in the Bond Property cannot receive service from the above utilities until necessary facilities are constructed at the property owner's expense.

Property Tax Status

The following property tax delinquency information for the Bond Property was compiled based on County public records as of September 1, 1992. While all efforts have been made to be as thorough as possible, no warranties are given concerning the accuracy or completeness of this information.

Except as discussed below, as of September 1, 1992 there are no current or prior year delinquencies on any of the parcels included in the Bond Property. Since April 10, 1991 Spectrum has not paid general property taxes on the portion of its land in the Assessment District which is subject to an Order for Possession giving Caltrans the use of the property. Upon the recordation of a Final Order of Condemnation the obligation to pay taxes on such land will be cancelled. The cancellation will be retroactive to the date of the taking of the land by Caltrans which is October 19, 1990. Spectrum has chosen not to pay the taxes on such property rather than to pay the taxes and receive a refund at the time of the Final Order of Condemnation.

THE WATER FACILITY FEES

Description of Water Facility Fees

A water system facility necessary for Western Municipal Water District of Riverside County ("Western") to provide water service to the Bond Property has been designed, constructed and installed in the Assessment District. Pursuant to an agreement between Western and the City, in order for the Bond Property to receive water services from Western's water system, a fee of approximately \$4,276,021 must be paid to Western (the "Water Facility Fees"). However, Western has agreed to accept the net proceeds of the sale of the Bonds and certain other funds as payment, which will entitle the Bond Property to receive water from Western's water system (such amount being the "New Water Facility Fee").

Upon payment of the New Water Facility Fee, all of the property in the Assessment District will have the right to receive water from Western's water system through the water system facility referred to above. Although a water system facility has been constructed which would permit Western to deliver water to the Assessment District and after payment of the New Water Facility Fee each property owner would have the right to access such system and receive water, additional facilities would need to be constructed to actually deliver the water to any particular parcel in the Bond Property. The cost of such construction would be borne by the property owner desiring water. Currently facilities are under construction for delivery of water to the property owned by Smith's.

The New Water Facility Fee and the Fee Difference

The Bonds are being issued for the purpose of paying the Water Facility Fees. However, the total sources of funds less the total uses of funds other than payment of the Water Facility Fees equals \$4,124,124.62. See "THE BONDS - Estimated Sources and Uses of Funds" herein. As discussed above, Western has agreed with the City to accept \$4,124,124.62 as the New Water Facility Fee. The difference (the "Fee Difference") between the New Water Facility Fee and the Water Facility Fee is \$151,896.38.

The City expects the fee difference to be made up by (i) crediting to Western amounts in respect of additional construction costs for water facilities providing a benefit to Western, in connection with the development of Bond Property, (ii) Western levying a water fee per acre on all of the Bond Property, or (iii) the City applying the proceeds from the sale of bonds of the proposed CFD to pay Western. See "SPECIAL RISK FACTORS - Property Values" herein.

Method of Assessment Spread

The 1915 Act requires that assessments, as levied pursuant to the provisions of the 1913 Act, must be based on the benefit that the subject properties receive from the improvement. The statute does not specify the method or formula that should be used in any particular special assessment district proceedings. That responsibility rests with the Assessment Engineer, who is retained by the City for the purpose of making an analysis of the facts and determining the correct apportionment of the assessment obligation. For these proceedings, the City appointed Albert A. Webb Associates to serve as Assessment Engineer. A copy of the Engineer's Report on the proposed improvements and assessment apportionment for the Assessment District prepared by the Assessment Engineer is available for inspection at the offices of the City.

The 1915 Act provides that the Assessment Engineer make recommendations as to the cost and method of apportionment of the assessments at the public hearing on the Assessment District. Final authority and action with respect to the levy of the assessments rests with the Council after hearing all testimony and evidence presented at the public hearing. Upon the conclusion of the public hearing, the Council must take final action in determining whether or not the assessment apportionment has been made in direct proportion to the benefits received by the properties assessed.

The Assessment Engineer, after first determining that the proposed improvements would in fact provide benefit to the properties located within the Assessment District, assessed the total cost of all improvements to be made in the Assessment District against all of the assessed parcels of land in the Assessment District. The payment of the Water Facility Fees represents only a portion of the proposed improvements in the Engineer's Report. The Engineer assessed the total cost of the payment of the Water Facility Fees only against the Bond Property and the property in the Assessment District on which the assessments have been prepaid.

The Water Facility Fees have been levied on behalf of the Western Municipal Water District. The Water Facility Fees have been spread on an area basis and represents the Assessment District's proportionate share of the costs for the construction of water facilities needed to serve the Assessment District and surrounding area.

SPECIAL RISK FACTORS

The following is a discussion of certain risk factors which should be considered, in addition to other matters set

forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the Assessment District to pay their assessment installments when due. Such failures to pay assessment installments could result in a rapid depletion of the Reserve Fund and/or a default in payments of the principal of, and interest 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. See "Appraised Value" below.

General

Under the provisions of the 1915 Act, assessment installments, from which funds for the payment of annual installments of principal of and interest on the Bonds are derived, will be billed to properties against which there are unpaid assessments on the regular property tax bills sent to owners of such properties. Such assessment installments are due and payable at the same time as are regular property tax installments. Assessment installment payments cannot be made separately from property tax payments. Payments of assessment installments made by the owners of parcels will be applied on a pro-rata basis to all Bonds and could result in a lesser amount being applied to the installment assessment due with respect to the Bonds if the amount unpaid by the property owner is less than the total assessment installment billed.

In order to pay debt service on the Bonds, it is necessary that unpaid installments of assessments on the Bond Property are paid in a timely manner. Should the installments not be paid on time, the City has established a Reserve Fund in the amount of the Reserve Requirement from the proceeds of the Bonds to help cover delinquencies. Amounts available under the Letter of Credit will be used to pay some of the assessment installments on the Bond Property owned by Spectrum. See "LETTER OF CREDIT" herein.

In all respects the Bonds shall be governed by the provisions of the 1915 Act except that the provisions of Parts 12 and 13 of the 1915 Act requiring the City to advance the amount of delinquent assessment installments shall apply to the extent of moneys available for such purpose in the Reserve Fund and to the duty of the City to undertake judicial foreclosure as covenanted in the Indenture. If there are additional delinquencies after exhaustion of funds in the Reserve Fund, the City has no direct or contingent liability to transfer into the Redemption Fund the amount of the delinquency out of any other available moneys of the City. The assessments are secured by liens on the 115 parcels of land that constitute the Bond Property. In the event of a

default in the payment of an assessment installment, the City has covenanted under certain circumstances to institute foreclosure proceedings to sell the parcel with delinquent installments for the amount of such delinquent installments in order to obtain funds to pay debt service on the Bonds. See "SECURITY FOR THE BONDS - Proceedings and Sales of Tax-Defaulted Property" herein.

The assessments are a lien on the parcels included within the Bond Property and the City has covenanted to institute foreclosure proceedings, in certain circumstances, to sell parcels with delinquent installments for amounts sufficient to cover such delinquent installments. The 1915 Act provides that under certain circumstances property may be sold upon foreclosure at a lesser Minimum Price or without a Minimum Price. "Minimum Price" as used in the 1915 Act is the amount equal to the delinquent installments of principal or interest of the reassessment, together with all interest penalties, costs, fees, charges and other amounts more fully detailed in the 1915 Act. The court may authorize a sale at less than the Minimum Price if the court determines that sale at less than the Minimum Price will not result in an ultimate loss to the owners of the Bonds or, under certain circumstances, if the holders of 75% or more of the outstanding Bonds consent to such sale. However, there can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid depletion of the Reserve Fund and delay in payments of debt service on the Bonds. See "Bankruptcy and Foreclosure" below.

Failure by current or subsequent owners of the parcels to pay installments of assessments when due, depletion of the Reserve Fund, exhaustion of the amount available to be drawn under the Letter of Credit, delay in foreclosure proceedings, or the inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of assessments levied against such parcels may result in the inability of the City to make full or punctual payments of debt service on the Bonds and owners of the Bonds would therefore be adversely affected.

Unpaid assessments do not constitute a personal indebtedness of the current or subsequent owners of the parcels included in the Bond Property. There is no assurance that any current or future subsequent owner of a parcel of land included in the Bond Property will be able to pay the assessment installments or that it will pay such installments even though financially able to do so.

Concentration of Ownership

Approximately 39.83% of the Bond Property is currently owned by Spectrum (and if the purchase of the property from

The Lance Family Trust is consummated, Spectrum will own approximately 57.4% of the Bond Property). Such property has an aggregate value which is approximately 12.12 times the aggregate principal amount of the Bonds. See "THE BOND PROPERTY - Property Owners" herein. Spectrum is a California general partnership. Certain events which may impact the business or financial condition of Spectrum or its partners may also affect its willingness or ability to pay its assessments when due. See "Developer Considerations" below.

Certain of the property owners in the Assessment District, representing approximately 48% of the Bond Property, have declined to provide information with respect to their business or financial condition. As a result, no assurance can be given that such property owners will continue to pay assessment installments in the future or that they will be able to pay such assessment installments on a timely basis. See "Bankruptcy and Foreclosure" below for a discussion of certain limitations on the City's ability to pursue judicial foreclosure proceedings with respect to delinquent parcels. Kazuo Yamakawa, an owner of property included in the Bond Property, protested the levy of the assessments at the time of the assessment and continues to protest the assessment of his property to date.

Developer Considerations

Jay Self and Mark Thompson, the controlling general partners of Spectrum, are limited partners of and stockholders of the general partner of Moreno Industrial Development, a real estate development partnership that voluntarily filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code ("Chapter 11") on May 8, 1991. The plan of reorganization (the "Plan of Reorganization") and disclosure statement for the Moreno Industrial Development Chapter 11 bankruptcy proceedings have been approved in form and content by the court, and have been forwarded to each creditor for a solicitation of acceptance. The confirmation hearing on the Plan of Reorganization is set for November 10, 1992. The proponent of the Plan of Reorganization, the Construction Laborers Pension Trust for Southern California, holds a second and third security position against the property owned by Moreno Industrial Development (the "Moreno Property"). The Plan of Reorganization provides for the debtor to continue marketing and selling parcels of the Moreno Property until all remaining property is sold, and until all creditors are paid in full. As sales occur during the time of the Plan of Reorganization, proceeds from such sales will be used first for the payment of all property taxes and bond assessments that have accrued against the Moreno Property, as well as to provide reserves for payment of future property taxes and bond assessments for up to twelve months following any given sale. In addition to the property tax and bond assessment reserves,

a reserve for the maintenance and marketing of the Moreno Property will also be provided through net sales proceeds. The Plan of Reorganization calls for the timely payment of all property taxes and bond assessments as they become due, and the tax and bond liens are in a senior position to any secured or unsecured claim against the debtor. In the event sales of the property are not adequate at any given time to timely pay the bond assessments and property taxes as they become due, the plan proponent has provided for the advance of said funds to ensure the timely payment of the property taxes and bond assessments. The property taxes and bond assessments on the Moreno Property accrued to date have been paid current.

Messrs. Self and Thompson are also general partners of and stockholders of a general partner of T&S Associates #1, a real estate development partnership that voluntarily filed for bankruptcy protection under Chapter 11 on July 8, 1991. T&S Associates #1 owns and continues to operate Canyon Crest Town Centre. All property taxes and assessments on the real property owned by T&S Associates #1 have been kept current. No plan of reorganization exists at this time.

Neither Moreno Industrial Development nor T&S Associates #1 hold title to or any interest in any of the Bond Property.

Two lawsuits against Jay Self and Mark Thompson and other parties, including Spectrum and Sycamore Title Holding Corporation have recently been filed in the Superior Court for the County of Orange: Andrew Juster v. Jay Self, Dorothy Self, Mark Thompson and Sue Thompson, Case # 674233, and Sid Lance and Cecilia Lance as trustees of The Lance Family Revocable Trust v. Jay C. Self and Mark A. Thompson, Case # 197537.

The Juster litigation involves a buyout agreement dated January 10, 1990 entered into by Andrew Juster, Jay Self and Mark Thompson in which, among other things, Andrew Juster's 4.25% partnership interest in Spectrum was transferred to, and divided equally between, Jay Self and Mark Thompson. A promissory note in the amount of \$1,000,000 was given to Mr. Juster by Messrs. Thompson and Self and secured by, among other things, a 4.25% interest in Spectrum. During 1991, Jay Self and Mark Thompson defaulted on the promissory note and Mr. Juster foreclosed on, among other things, a 4.25% partnership interest in Spectrum. Thereafter, litigation was filed by Messrs. Thompson and Self and continues in attempt to set aside the foreclosure sale. In a cross-complaint filed in such lawsuit, Mr. Juster is seeking confirmation of the validity of the foreclosure sale and, among other things, 1/3 of net cash proceeds distributed by Spectrum to Jay Self and Mark Thompson upon the sale of land by Spectrum. Spectrum has been named as a defendant in the lawsuit but representatives

of Spectrum have stated that Spectrum was never a party to the buyout agreement.

The Lance litigation involved a \$250,000 promissory note from Mark Thompson and Jay Self to the Lance Family Revocable Trust. Suit was filed for nonpayment on the note and a default judgment was entered against Messrs. Self and Thompson. Messrs. Self and Thompson have not satisfied the judgment and their representatives have reported that no efforts to enforce the judgment have been made. Spectrum has issued an unsecured note in the amount of \$250,000 to Messrs. Thompson and Self for the purpose of making payment on the original promissory note. See "THE BOND PROPERTY - Property Owners" herein.

All of Spectrum's financing for the development of its property in the Assessment District is provided under the Loan Agreement. See "THE BOND PROPERTY - Property Owners" herein. At any time after December 16, 1992 the lender under the Loan Agreement may require that all amounts thereunder be paid in full and such amounts would be due and payable twelve months following the date of such notice. If such an event were to occur, the inability of Spectrum to repay such amounts, or the inability of Spectrum to secure alternate financing may affect its ability to pay assessments installments on its property when due.

Bankruptcy and Foreclosure

The payment of assessments and the ability of the City to foreclose the lien of a delinquent unpaid assessment, as discussed in the section entitled "SECURITY FOR THE BONDS - Foreclosure Proceedings and Sales of Tax Defaulted Property" herein, may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by California law relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to lengthy local court calendars or procedural delays.

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

Although bankruptcy proceedings would not cause the assessments to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings and could result in delinquent assessment installments not being paid in full. Such delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

The ability of the City to foreclose the lien of a delinquent unpaid assessment is severely limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") or the Resolution Trust Company (the "RTC") has an interest. On June 10, 1991 an RTC Statement of Policy Regarding the Payment of State and Local Real Property Taxes (the "Policy Statement") was released to the public. The FDIC has adopted a substantially identical policy. The Policy Statement applies to the RTC when it is liquidating assets in its corporate and receivership capacities. The Policy Statement does not apply when the RTC is acting as conservator or with respect to a subsidiary of a receivership. The Policy Statement provides that real property owned by the RTC is subject to state and local real property taxes only if those taxes are assessed according to the property's value and that the RTC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the RTC will pay its proper tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the RTC's interest in the property is appropriate. The RTC will pay claims for interest on delinquent property taxes owed at the rate provided under state law. The RTC will not pay for any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on RTC owned property are secured by a valid lien (in effect before the property became owned by the RTC), the RTC will pay those claims. **The Policy Statement further provides that no property of the RTC is subject to levy, attachment, garnishment, foreclosure or sale without the RTC's consent. In addition, the RTC will not permit a lien or security interest held by the RTC to be eliminated by foreclosure without the RTC's consent.**

The Policy Statement is unclear as to whether the RTC considers assessments such as those levied by the City to be "real property taxes" which it intends to pay. The Policy Statement provides: "The [RTC] is only liable for state and local taxes which are based on the value of the property during the period for which the tax is imposed, notwithstanding the failure of any person, including prior record owners, to challenge an assessment under the procedures available under state law. In the exercise of its business judgment, the [RTC] may challenge assessments which do not conform with the statutory provisions, and during the challenge will generally pay tax claims based on the assessment level deemed appropriate. The [RTC] will generally limit challenges to the current and immediately preceding taxable years and to the pursuit of previously filed tax protests. However, the [RTC] may, in the exercise of its business judgment, challenge any prior taxes and assessments

provided that (1) the [RTC's] records (including appraisals, offers or bids received for the purchase of the property, etc.) indicate that the assessed value is clearly excessive, (2) a successful challenge will result in a substantial savings to the [RTC], (3) the challenge will not unduly delay the sale of the property, and (4) there is a reasonable likelihood of a successful challenge."

In a letter dated August 25, 1992 to the Treasurer of the State of California, the RTC stated that with respect to property owned by an institution under RTC receivership, the RTC will pay special taxes, special assessments and related interest if such taxes were imposed and valid liens secured prior to receivership. If any special tax, special assessment or any other non-ad valorem-based tax is assessed while the institution is in receivership the taxes will not be paid. In the letter the RTC further stated that "where an institution in receivership does not own the underlying real property but holds only a mortgage or other security interest in the property, . . . special taxes and special assessments and related interest, secured by a valid lien with priority over the receivership's institutions lien interest, eventually will be paid (e.g., at the time of foreclosure)." However, the RTC may elect not to pay such claims but instead abandon its security interest.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency on a parcel included in the Bond Property in which the FDIC or the RTC has an interest, although prohibiting the lien of the FDIC or the RTC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase a parcel at a foreclosure sale. Owners of the Bonds should assume that the City will be unable to foreclose on parcels of land in the Assessment District owned by the FDIC or RTC. Such an outcome would cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment of the Bonds.

At this time, the City is not aware of any interest by the RTC or the FDIC in any of the property in the Assessment District.

Availability of Funds to Pay Delinquent Assessment Installments

The City will establish a Reserve Fund out of Bond proceeds in an amount equal to the Reserve Requirement. If a delinquency occurs in the payment of any assessment installment, the Indenture requires the Fiscal Agent to transfer into the Redemption Fund the amount of the delinquency out of the Reserve Fund. This requirement is continuing during the period of delinquency, until

reinstatement, redemption or sale of the delinquent property. In the event a Superior Court foreclosure action is instituted pursuant to the City's covenant to enforce a delinquent assessment installment (or installments), and the City purchases the property in the absence of any other purchaser, the Reserve Fund will be used, to the extent of available funds, to make advances to the Redemption Fund for payment of the delinquent amount of the assessment on the property and future assessment installments, including interest thereon, until such property is resold by the City.

The City has determined that it shall not be obligated to use available funds (including any surplus funds), other than the Reserve Fund, to purchase such delinquent parcels of property or pay the delinquent installment and future installments of the assessments on such parcels. Owners of the Bonds must assume, therefore, that the sole source of funds for the purchase of such delinquent parcels and the payment of such delinquent assessments will be the Reserve Fund.

There is no assurance that the balance in the Reserve Fund will always be adequate to cover all delinquent installments and if, during the period of delinquency, there are insufficient funds in the Reserve Fund to cover all delinquent installments, a delay or default may occur in payments to the owners of the Bonds.

Taxes and Prior Assessments

The assessments and each installment thereof and any interest and penalties thereon constitute liens against the lots and parcels of land upon which they were imposed until they are paid. Such assessment liens are paramount to all other liens, except prior assessments and general property taxes. In addition, such assessment liens are subordinate to all fixed special assessment liens previously imposed upon the same property, but have priority over all fixed special assessment liens which may thereafter be created against the property. The City intends to form a community facilities district which will include most of the property contained in the Assessment District. It is anticipated that the Bond Property will be subject to special taxes to be levied by the City to finance improvements provided by the community facilities district which special taxes would be co-equal to the assessments described in this Official Statement. The City has no control over the ability of other entities and districts to issue indebtedness secured by special taxes payable from liens on all or a portion of the Bond Property.

Direct and Overlapping Indebtedness

The ability of an owner of land included in the Bond Property to pay the assessments could be affected by the existence of other taxes and assessments imposed upon the property. In addition, other public agencies whose boundaries overlap those of the Assessment District could, without the consent of the City, and in certain cases without the consent of the owners of the land included in the Bond Property, impose additional taxes or assessment liens on the Bond Property to finance public improvements to be located inside or outside of the Assessment District.

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. and dated September 24, 1992. **The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report and makes no representations as to its completeness or accuracy.**

The Debt Report is applicable to all land in the Assessment District, not only the Bond Property.

CITY OF RIVERSIDE ASSESSMENT DISTRICT NO. 1
(Sycamore Canyon Business Park)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable(1)</u>	<u>Debt 10/1/92</u>
Metropolitan Water District	0.0004%	\$ 2,730
Riverside County Flood Control and Water Conservation District, Zone #1	0.016	1,852
Moreno Valley Unified School District	0.072	1,631
City of Riverside	0.038	46
City of Riverside Assessment District #1	100	4,839,224 (2)
City of Riverside Assessment District #1	100.	<u>4,416,947 (3)</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$9,262,430
<u>OVERLAPPING LEASE OBLIGATION DEBT:</u>		
Riverside County Authorities	0.006%	\$ 31,715
Riverside County Board of Education Certificates of Participation	0.006	1,439
Riverside City Community College District Certificates of Participation	0.013	1,059
Moreno Valley Unified School District Certificates of Participation	0.072	24,059
City of Riverside Authorities	0.038	<u>16,422</u>
TOTAL OVERLAPPING LEASE OBLIGATION DEBT		\$ 74,694

- (1) Based on redevelopment adjusted assessed valuation of \$3,109,007
(2) 1991 Series A Bonds. The 1991 Series A Bonds are not debt on the Bond Property.
(3) The Bonds sold.

1991-92 Assessed Valuation: \$ 20,363,776

Ratios to Assessed Valuation:

Direct Debt	21.70%
Total Debt excluding 1991 Series A Bonds	22.09%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/92 \$0

Source: California Municipal Statistics, Inc.

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.

The City intends to initiate proceedings to form a community facilities district (the "CFD") which, as presently contemplated, will include most of the property contained in the Assessment District. The formation of the CFD is, however, subject to numerous factors including an affirmative vote of the requisite percentage of the property owners in

such CFD. It is anticipated that the Bond Property will be subject to special taxes to be levied by the City to finance improvements provided by the CFD. See "SPECIAL RISK FACTORS - Taxes and Prior Assessments" herein.

Although the improvements made by the proposed CFD may enhance the value of the Bond Property, it is likely that the ratio of the value of the Bond Property to the liens placed on the Bond Property in connection with the assessments of the Assessment District and proposed CFD (see "SECURITY FOR THE BONDS - Property Values" herein) will be adversely affected. It is the policy of the City not to issue bonds unless the value to lien ratio is at least 3 to 1. However, this is only a policy. The City does not represent that it will not issue bonds in connection with the CFD if the value to lien ratio would be less than 3 to 1 and the City acting in its capacity as the CFD is free to issue bonds in its sole discretion regardless of the value to lien ratio. There can be no assurances that the formation of the CFD and the issuance of bonds to finance improvements thereby will not result in severely diminishing the value to lien ratio on the Bond Property which currently exists.

Property Values

The value of the Bond Property is a critical factor in determining the investment quality of the Bonds. If an owner of property included in the Bond Property defaults in the payment of assessment installments, the City's only remedy is to commence foreclosure proceedings in an attempt to obtain funds to pay the delinquent assessment. See "Bankruptcy and Foreclosure" above.

The Appraisal prepared by the Appraiser, a summary of which is contained in Appendix B hereto, identifies that firm's opinion with respect to the estimated fair market value of the Bond Property based upon the current land use approvals and assuming that the improvements authorized in connection with the formation of the Assessment District and the issuance of the 1991 Series A Bonds and the Bonds have been completed. The Appraiser has determined that as of September 1, 1992, the value of the land and improvements constituting the Bond Property is \$55,900,000. See "SECURITY FOR THE BONDS - Property Values" herein. In the Appraisal the Appraiser assumed that any mitigation costs associated with Stephens' kangaroo rat were a separate issue and accordingly did not discount the value of the Bond Property on that basis. See "Presence of Endangered Species" below. There is no assurance that the value of the Bond Property will appreciate or remain at its current level.

Prospective purchasers of the Bonds should not assume that the Bond Property could be sold for the Appraisal value

or assessed valuation amount at a foreclosure sale for delinquent assessments. No assurance can be given that if an individual parcel in the Bond Property becomes delinquent due to unpaid assessments, the City could foreclose on such parcel and sell it for the amount of the delinquency or that any bid would be received for such property or, if a bid was received, that such bid would be sufficient to pay such delinquent installments. However, as the 1915 Act requires that such property be sold only for the amount delinquent and not for the entire outstanding assessment, it is anticipated by the City that the value of the land as estimated by the Appraisal should be sufficient to secure any delinquent installments. The actual value of the property is subject to future events such as a downturn in the economy, occurrences such as earthquakes or floods or other events, all of which will adversely impact the value of the security underlying the assessment.

As discussed above, the City intends to initiate proceedings to form a CFD in order to construct improvements which will benefit much of the land in the Assessment District. Without such improvements a portion of the Bond Property will not be developable and property values may be adversely affected. There is no assurance that the CFD will be formed or the contemplated improvements made.

As discussed under the caption "THE WATER FACILITY FEES - The New Water Facility Fee and the Fee Difference," the City expects the Fee Difference to be made up by (i) crediting to Western amounts in respect of additional construction costs for water facilities providing a benefit to Western, in connection with the development of Bond Property, (ii) Western levying a water fee per acre on all of the Bond Property, or (iii) the City applying the proceeds from the sale of bonds of the proposed CFD to pay Western. If the CFD is not formed in a timely manner or at all, the cost of developing the Bond Property will be borne solely by one or more of the owners of the Bond Property. Consequently, the amount of the Fee Difference will be paid by the owners of Bond Property on whose property the water facilities are to be constructed, either directly or through the CFD. If the Fee Difference is not paid to Western out of the proceeds of the sale of bonds by the CFD, the cost to any particular owner of the Bond Property of developing its property will be greater than that expected prior to the reduction of the Water Facilities Fees. Such increase cost may adversely impact the ability of an owner of Bond Property to develop its property in the Assessment District. In such case, property values may be adversely affected.

Presence of Endangered Species

Certain areas of the County of Riverside, including parts of the City, are home to the Stephens' kangaroo rat. Effective October 31, 1988, the U.S. Fish and Wildlife Service designated the Stephens' kangaroo rat as an endangered species subject to protection under the Federal Endangered Species Act of 1973, as amended (the "Endangered Species Act"). The Endangered Species Act makes it a felony to "take" a species designated as endangered and defines "take" very broadly to include any action which might harm the endangered species.

In October 1990, the U.S. Fish and Wildlife Service, in conjunction with the California Department of Fish and Game, approved a Habitat Conservation Plan (the "HCP"), prepared by the County with the participation of several other local agencies, for the affected portions of the County. The Riverside County Habitat Conservation Agency (the "Conservation Agency"), a joint powers authority composed of the City, the County and several other local agencies, was formed to govern the HCP. The Conservation Agency was granted a Section 10(a) permit, which allows the member agencies an annual incidental take of the Stephens' kangaroo rat in accordance with the requirements of the HCP.

The presence of the Stephens' kangaroo rat on certain portions of the Bond Property means that no development can take place there unless such development meets the guidelines of the HCP and any other guidelines imposed by the supervising member agency and all other development requirements. The City is attempting to acquire land to be used as replacement habitat for the Stephens' kangaroo rat. If an owner of property in the Assessment District desires to develop such property, it would be permitted to do so if sufficient replacement habitat were then available and such land is paid for by the property owner at a rate of \$1,950 per acre or as otherwise required in order to obtain such replacement habitat. The City estimates that approximately 360 acres of replacement habitat will be required to fully develop all land in the City currently planned to be developed, of which approximately 260 acres will be needed to develop the land in the Assessment District. On October 15, 1992 the Conservation Agency approved the City's request for an allocation of 360 acres of replacement habitat. The City believes that all measures necessary to mitigate the presence of the Stephens' kangaroo rat have been taken.

An environmental consideration that could have some impact on the development of the property in the Assessment District is the presence in the surrounding general area of certain vegetation, including Coastal Sage Scrub, which may serve as habitat for certain threatened animal species. One species of bird known as the California Gnatcatcher (the

"Gnatcatcher"), that the federal government is reviewing a proposal to list as an endangered species, is native to the Coastal Sage Scrub habitat that exists in the general area of the District. An additional species, the Coastal Cactus Wren (the "Cactus Wren"), occupies substantially the same habitat as the Gnatcatcher and is also being considered for listing as an endangered species by the Federal government.

On August 30, 1991, the State of California Fish and Game Commission (the "Commission") voted not to advance the Gnatcatcher to candidacy as an endangered species as was requested by a petition but instead to pursue the development of the Natural Community Conservation Plan (the "Conservation Plan") endorsed and initiated by the Governor of the State of California and enacted into law by Chapter 765 of California Statutes 1991, to protect the Coastal Sage Scrub, and the sensitive animal species the habitat supports. The Conservation Plan must identify and provide for regional or area-wide protection and perpetuation of natural wildlife diversity, while allowing compatible and appropriate development and growth. This may require permanent preserves of the Coastal Sage Scrub habitat. The Natural Resources Defense Council has sued the Commission to reverse its decision not to advance the Gnatcatcher to candidacy as an endangered species. The United States Fish and Wildlife Service (the "Service") announced on September 5, 1991 its decision to review a proposal to add the Gnatcatcher to the national endangered species list. The Service has entered into a memorandum of understanding with the State of California and will now review scientific data and obtain public comments on the listing. The Gnatcatcher will not be granted federal protection during the review process which, under federal law, can take up to one year.

The Service is in the process of reviewing a petition submitted to it on September 21, 1990 to add the Cactus Wren to the federal list of endangered and threatened wildlife and plants. In March 1991, the Service found that the petitioned action may be warranted. The Service is currently conducting a status review of the coastal population of the Cactus Wren. The Service's findings with respect to the Cactus Wren were expected on or about September 21, 1991 but have been indefinitely delayed because of work load constraints at the Service.

If the Gnatcatcher or the Cactus Wren is listed as an endangered species by the Service or the Commission, it would be illegal to harm or disturb such species or habitat. It is also possible that other plants or animals native to the Assessment District and its surrounding area may be considered for listing as endangered species by the Commission or the Service or otherwise protected by actions of the State of

California, the federal government or local government agencies.

At this point neither the possibility of the listing of the Gnatcatcher, the Cactus Wren or any other species of plant or animal as endangered by the State of California or the federal government (if any such listing should occur) nor the impact on development and construction in the Assessment District or the surrounding area of such a listing can be predicted. It is possible that if such a listing did occur, any further development of the Bond Property may be delayed, prohibited or subjected to restrictions or the value of such property may be reduced (perhaps substantially) from that estimated by the Appraiser.

It is likely that land that has been graded prior to a species of plant or animal being listed as endangered would not contain habitat of that species. In such an instance, the land could be developed even if the species is listed as endangered. Currently, approximately 43% of the Bond Property has been or is being graded. Pacific Southwest Biological Services, Inc. ("Pacific Southwest") performed services in connection with wetland delineation for the Assessment District. During the studies, no Gnatcatchers were observed in the Assessment District. Although Pacific Southwest did not do a formal study concerning the presence of the Gnatcatcher or its habitat in the Assessment District, Pacific Southwest has stated that it is unlikely that the Gnatcatcher inhabits the Assessment District.

The Bond Property contains approximately 6 acres of wetland, located in three different areas of the Bond Property, which will require approval from the California Department of Fish and Game and the United States Army Corps of Engineers prior to grading. If approval is not obtained, only that 6 acres must remain in a natural state. A mitigation plan involving 1.5 acres will be submitted for approval soon.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular bond 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.

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds and a certificate of the City to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds. The City is not aware of any litigation pending or threatened which questions the existence of the Assessment District or contests the authority of the City to levy the assessments in the Assessment District or which contests the authority to issue and retire 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 to the Bonds. No such rating should be assumed based upon on any other City obligations which have been rated. Prospective purchasers of the Bonds are required to make independent determinations as to the credit quality of the Bonds and their appropriateness as an investment. See "SPECIAL RISK FACTORS - Secondary Market" herein.

UNDERWRITING

The Bonds are being purchased by Stone & Youngberg (the Underwriter"). The Underwriter has agreed to purchase the Bonds at a discount of \$132,508.41 from the initial offering price set forth on the cover page hereof. The Purchase Contract provides that the Underwriter will purchase all of the Bonds if any are purchased. The initial public offering price as set forth on the cover page may be changed without notice from time to time by the Underwriter.

TAX EXEMPTION

In the opinion of Brown, Diven & Hentschke, Bond Counsel, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103(a) of the Code. In addition, Bond Counsel is of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code and, therefore, the interest on the Bonds is not a specific item of tax preference for purposes of the Code's alternative minimum tax provisions, except to the extent provided in the following sentence. Interest on the Bonds received by a corporation will be included in adjusted current earnings for purposes of computing its alternative minimum tax liability.

Bond Counsel is further of the opinion that the interests on the Bonds is exempt from personal income taxes of the State of California under present state law.

In rendering these opinions, Bond Counsel has relied upon representations and covenants of the City in the Indenture and in the City's Tax and Nonarbitrage Certificate concerning the investment and use of Bond proceeds, the rebate to the federal government of certain earnings thereon and the use of the facilities financed with the proceeds of the Bonds. In addition, Bond Counsel has assumed that all such representations are true and correct and that the City will comply with such covenants. Bond Counsel has expressed no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such City representations are untrue or the City fails to comply with such covenants.

Bond Counsel has expressed no opinion regarding any impact of ownership of, receipt of interest on or disposition of the Bonds other than as expressly described above. Prospective purchasers of the Bonds should be aware that, in addition to other possible tax consequences, ownership of, receipt of interest on, or disposition of, the Bonds may be affected by the following federal income tax provisions: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocable to interest on the Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) of the Code reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (iii) for taxable years beginning before January 1, 1992, interest on the Bonds earned by some corporations could be subject to the environmental tax imposed by Section 59A of the Code, (iv) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (v) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (vi) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds. The presence of any such effect, as well as the magnitude thereof, depends on the specific factual situation with respect to each particular Bondholder.

LEGAL MATTERS

The validity of the Bonds is subject to the approval of Brown, Diven & Hentschke acting as Bond Counsel. A complete copy of the proposed form of Bond Counsel's final opinion is attached hereto as Appendix D. Approval of other legal matters will be passed upon for the City by the City Attorney. Certain other matters will be passed upon for the Underwriter by its counsel O'Melveny & Myers.

MISCELLANEOUS

Appropriate City officials, acting in their official capacities, have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. An appropriate City official will execute a certificate to this effect upon delivery of the Bonds to the Underwriter. This Official Statement and its distribution have been duly authorized and approved by the Council.

The foregoing and subsequent summaries or descriptions of provisions of the Bonds, the Indenture, and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof and do not purport to summarize or to describe all of the provisions thereof. Reference is made to said documents for full and complete statements of their provisions. The Appendices attached hereto are part of this Official Statement which, together with the Indenture, may be obtained during the offering period upon requests directed to the Underwriter.

CITY OF RIVERSIDE

/s/Barbara J. Steckel
Finance Director/Treasurer of
the City of Riverside

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APPENDIX A
ASSESSMENT DIAGRAM

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ASSESSMENT DIAGRAM

SHEET 1 OF 1 SHEET

OF SYCAMORE CANYON BUSINESS PARK ASSESSMENT DISTRICT NO. 1 IN THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF
STRINGS OF THE CITY OF RIVERSIDE, 745 ___ DAY OF
_____, 1969.

FILED 745 ___ DAY OF _____, 1969, AT THE HOUR
OF ___ O'CLOCK ___ M., BOOK ___ PAGE ___ OF MAPS OF
ASSESSMENT AND COMMUNITY REGULATION DISTRICTS IN
THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY
OF RIVERSIDE, STATE OF CALIFORNIA.

SUPERINTENDENT OF STRINGS OF THE CITY OF RIVERSIDE

FILE # _____ NO. 1 _____

BY: _____ DEPUTY

AN ASSESSMENT WAS LEVIED BY THE CITY COUNCIL OF THE
CITY OF RIVERSIDE ON THE LOTS, PIECES, AND PARCELS
OF LAND SHOWN ON THE ASSESSMENT DIAGRAM, SAID
ASSESSMENT WAS LEVIED ON THE ___ DAY OF _____,
1967. SAID ASSESSMENT DIAGRAM AND THE ASSESSMENT
ROLL WERE RECORDED IN THE OFFICE OF THE SUPERINTENDENT
OF STRINGS OF SAID CITY ON THE ___ DAY OF 1967. REFERENCE
IS MADE TO THE ASSESSMENT ROLL RECORDED IN THE
OFFICE OF THE SUPERINTENDENT OF STRINGS FOR THE EXACT
AMOUNT OF EACH ASSESSMENT LEVIED AGAINST EACH
PARCEL OF LAND SHOWN ON THE ASSESSMENT DIAGRAM.

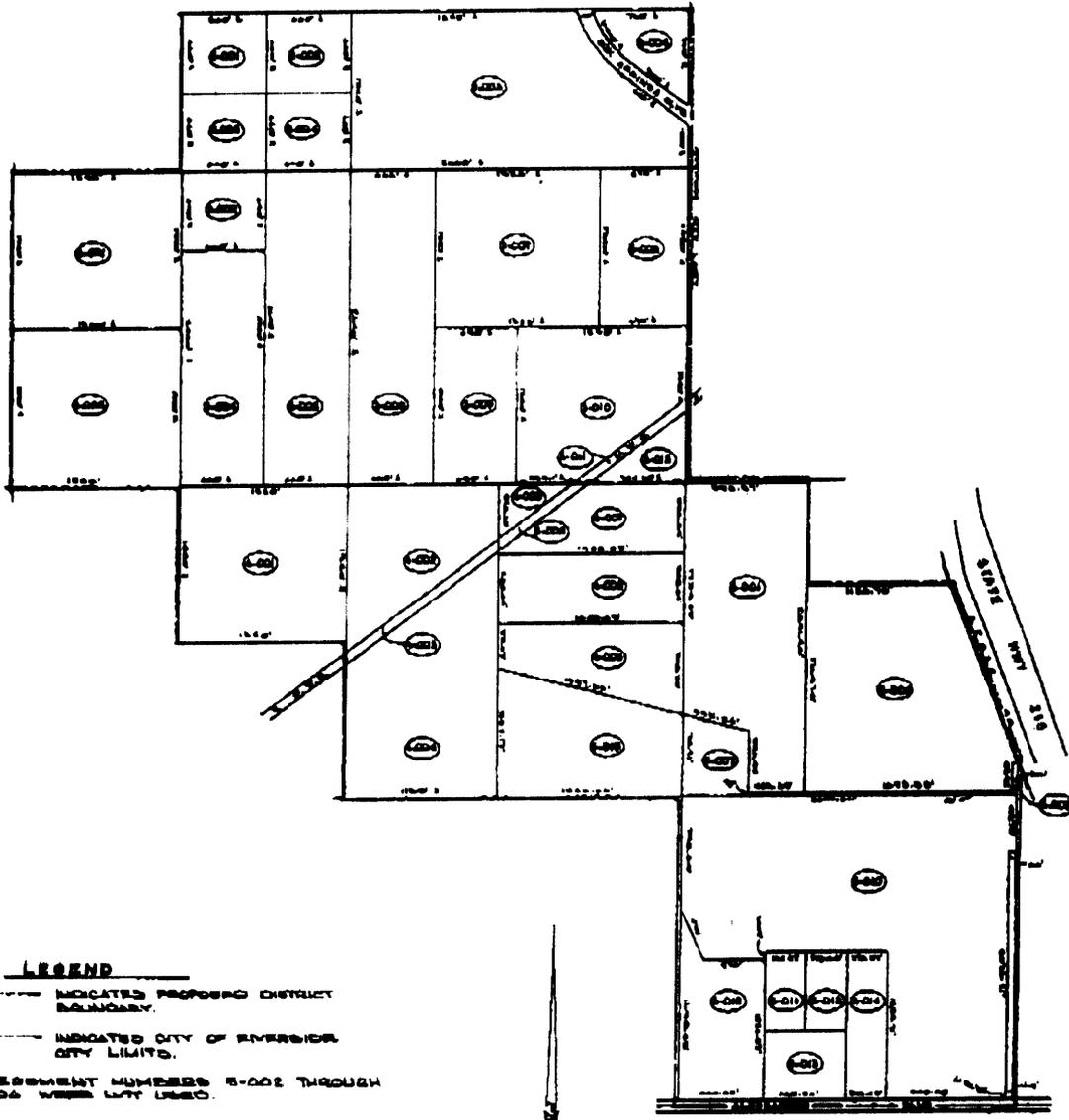
THIS ASSESSMENT DIAGRAM CORRECTLY SHOWS EACH
SEPARATE LOT, PORTION OF LOT, AND PARCEL OF LAND
INCLUDED WITHIN THE BOUNDARIES OF THE
ASSESSMENT DISTRICT.

CITY CLERK OF THE CITY OF RIVERSIDE

CITY RECORDER OF THE CITY OF RIVERSIDE

FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY
OF RIVERSIDE, 745 ___ DAY OF _____, 1969.

CITY CLERK OF THE CITY OF RIVERSIDE



12-13-67

AMENDED ASSESSMENT DIAGRAM

OF
SYCAMORE CANYON BUSINESS PARK ASSESSMENT DISTRICT NO. 1
IN THE
CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

(AMENDING ASSESSMENT NUMBERS 4-007 & 4-008)

THIS AMENDS THE ASSESSMENT DIAGRAM FOR SYCAMORE CANYON BUSINESS PARK ASSESSMENT DISTRICT NO. 1, CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, FIRST RECORDED IN BOOK 26, PAGE 102, OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER, OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

FILED THIS _____ DAY OF _____ 1991 AT THE HOUR OF _____ O'CLOCK _____ A.M. BOOK _____ PAGE _____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

FILED _____ NO. _____
WILLIAM E. GONZALEZ, COUNTY RECORDER

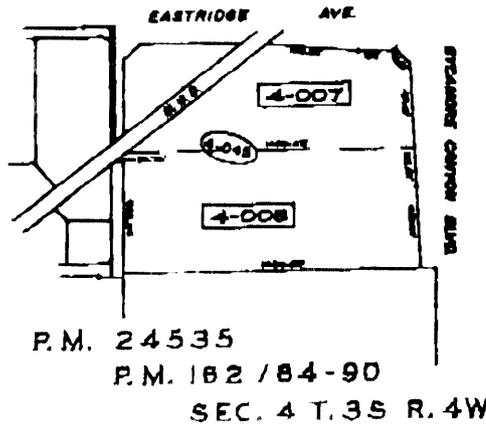
BY: _____ DEPUTY

LEGEND

-  INDICATES ASSESSMENT NUMBER
-  INDICATES OLD ASSESSMENT NUMBER

RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS OF THE CITY OF RIVERSIDE, THE _____ DAY OF _____ 1991.

SUPERINTENDENT OF STREETS OF THE CITY OF RIVERSIDE.



NO. 80-107

AMENDED ASSESSMENT DIAGRAM

OF
SYCAMORE CANYON BUSINESS PARK ASSESSMENT DISTRICT NO. 1
IN THE

CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

(AMENDING ASSESSMENT NUMBERS 2-003, 2-004, 3-004, 3-005, 3-007, 4-002, 4-004, 5-002, 5-010, 5-011, 5-02, 5-03, & 5-04)

TWO AMENDED THE ASSESSMENT DIAGRAM FOR SYCAMORE CANYON BUSINESS PARK ASSESSMENT DISTRICT NO. 1, CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, PRIOR RECORDED IN BOOK 84 PAGE 102, OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER, OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

FILED THIS _____ DAY OF _____, 1991 AT THE HOUR OF _____ O'CLOCK _____ P.M. BOOK _____ PAGE _____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

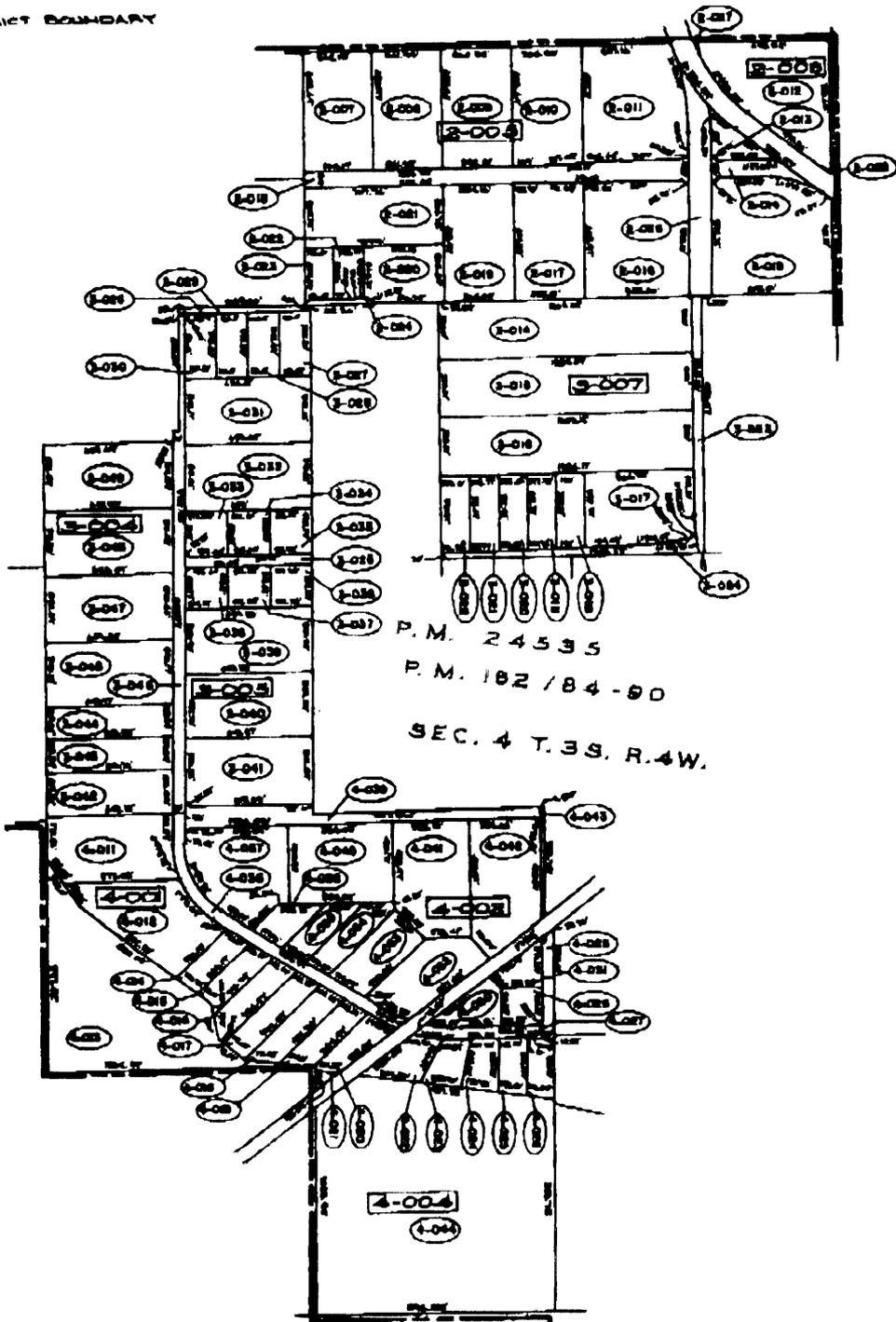
WILLIAM E. COUNTY COUNTY RECORDER

RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS OF THE CITY OF RIVERSIDE, THE _____ DAY OF _____, 1991.

SUPERINTENDENT OF STREETS OF THE CITY OF RIVERSIDE.

LEGEND

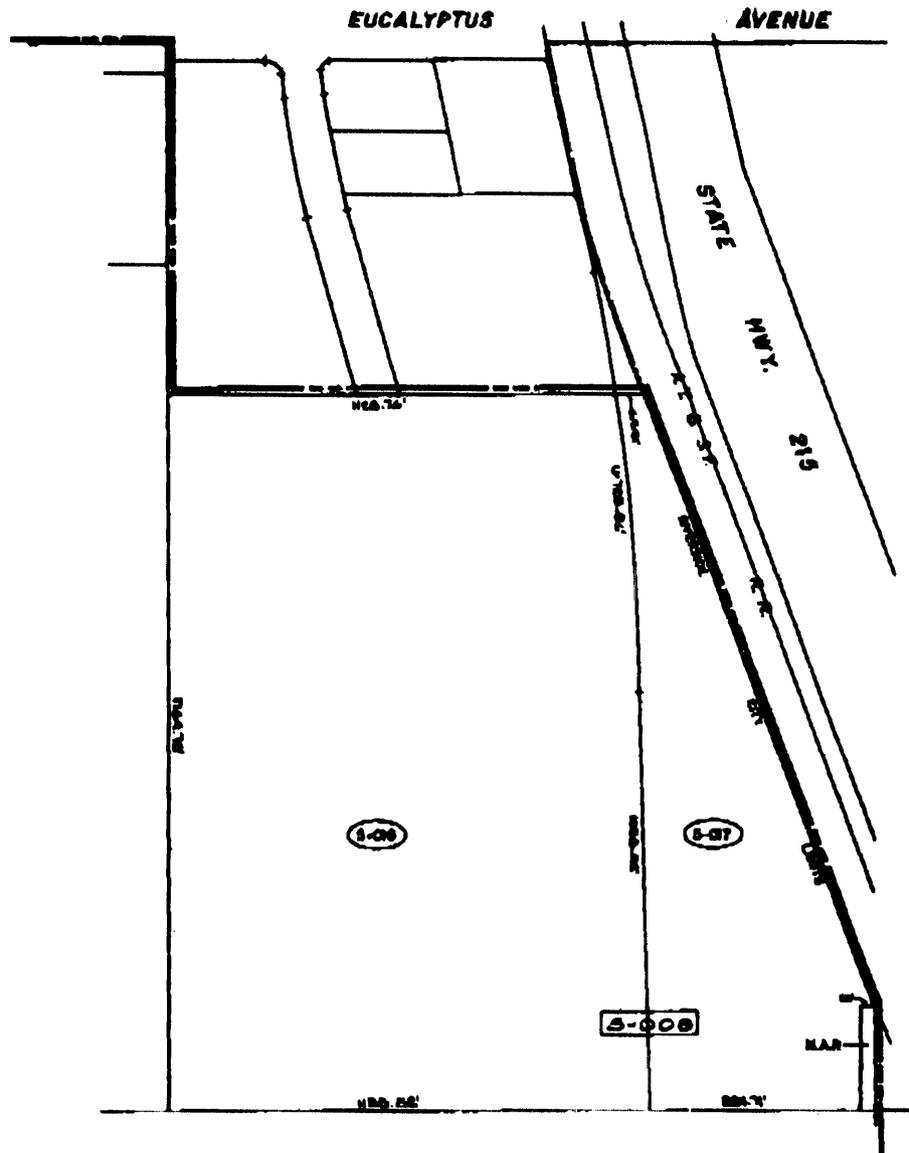
- INDICATES ASSESSMENT NUMBER
- INDICATES OLD ASSESSMENT NUMBER
- ASSESSMENT DISTRICT BOUNDARY



WA 60-107

AMENDED ASSESSMENT DIAGRAM OF SYCAMORE CANYON BUSINESS PARK ASSESSMENT DISTRICT NO. 1 IN THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

(AMENDING ASSESSMENT NUMBERS 2-008, 2-009, 3-004, 3-006, 3-007, 4-001, 4-002, 4-004, 5-008, 5-009, 5-011, 5-012, 5-013, & 5-014)



SEE SHEET 3

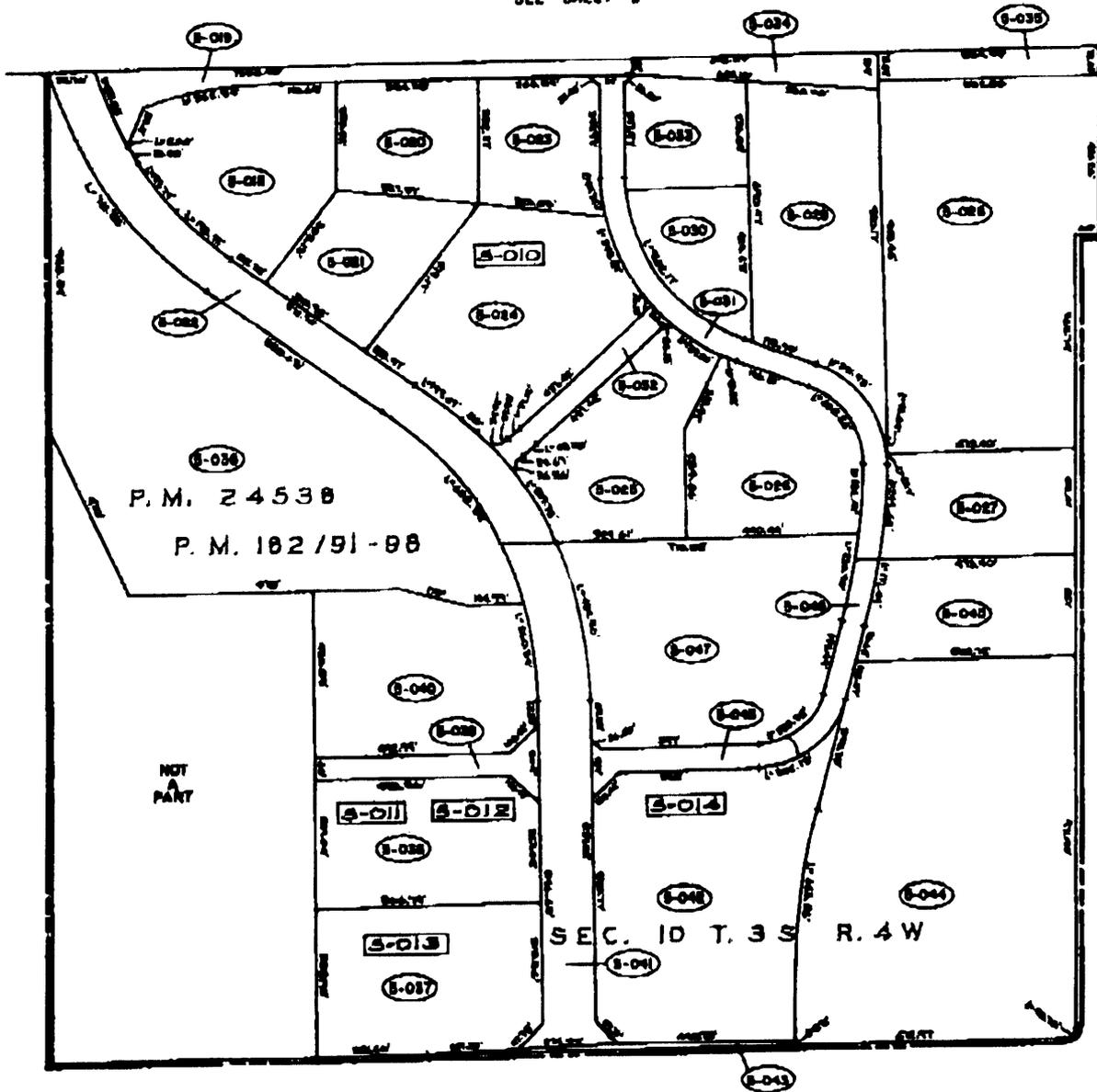
LA 80-107

AMENDED ASSESSMENT DIAGRAM

OF
SYCAMORE CANYON BUSINESS PARK ASSESSMENT DISTRICT NO. 1
IN THE
CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

(AMENDING ASSESSMENT NUMBERS 3-003, 3-008, 3-004, 3-005, 3-007, 4-001, 4-002, 4-004, 5-002, 5-010, 5-011, 5-02, 5-015, & 5-014)

SEE SHEET 2



P. M. 24538
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APPENDIX B
APPRAISAL SUMMARY

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BROWN, CHUDLEIGH, SCHULER, AND ASSOCIATES
REAL ESTATE APPRAISALS — MARKET STUDIES

LAWRENCE E. BROWN, MAI, CRE (1942-1990)
WALTER H. CHUDLEIGH III, MAI
GREGORY S. SCHULER
CHRISTOPHER T. DONALDSON, MAI
MARK B. DIMARCO
DEAN A. MYERS
COLETTE J. JONES
GARY M. EDWARDS
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September 30, 1992

Mr. M. William Holsinger
Real Property Services Manager
CITY OF RIVERSIDE
Administrative Services Department
3900 Main Street
Riverside, California 92522

Reference: Summary of Findings Regarding the Appraisal of
the Sycamore Canyon Business Park Assessment
District No. 1, Riverside, California. Our
File No. 1569

Dear Mr. Holsinger:

In response to your request, we are pleased to submit a summary of our findings regarding the appraisal of the Assessed Property comprising the portion of the City of Riverside Sycamore Canyon Business Park securing the Assessment District No. 1, 1992 Series B bonds. The Assessed Property excludes certain parcels owned by the Pepsi-Cola Company and the Edgemont Community Services District. The Assessed Property also excludes land to be acquired pursuant to eminent domain action by Cal-Trans as well as certain land dedicated for parkland use. The purpose of this appraisal is to report to you our opinion of the market value of the fee simple interest in the properties comprising the district as of September 1, 1992.

By reference, the full narrative appraisal dated September 25, 1992, is hereby made a part of this letter. This letter authorizes disclosure of the appraisal document to appropriate parties involved in the bond financing project. Reproduction of all portions of the appraisal in various underwriting documents is also authorized.

It is our understanding this appraisal will provide a basis of market value for the underwriting of the Assessment District No. 1, 1992 Series B bond issue. The bond issue will provide financing for the payment of the water facility fee to Western Municipal Water District of Riverside County in order for the Assessed Properties within

the district to have the right to receive water from Western's water system.

The opinion of market value formulated in this analysis is predicated upon the following assumptions:

1. Once the required water system fee of approximately \$4,100,000 has been paid, all of the Assessed Properties within the district have the right to receive water from Western's water system.
2. The Assessment District ownership boundaries and areas as indicated on the maps and documents provided by the Assessment Engineer are assumed to be correct. As requested, the ownership acreages utilized in this appraisal are based upon the County of Riverside Assessor's maps as provided by the Assessment Engineer.
3. The properties comprising the various ownerships within the Assessment District have been valued on an "as-is" basis assuming a bulk sale, with consideration given to the enhancement associated with payment of the water facility fee from the bond issue.
4. As requested, the initial grading phase of the district which encompasses approximately 175 acres is assumed to be completed as of the date of this valuation. The completion of this grading phase is in addition to the grading of the Smith's site, which is also assumed to be essentially complete.
5. The valuation date is September 1, 1992.

The Land

Location

Southwesterly quadrant of State Highway 60 and Interstate 215 in the city of Riverside, Riverside County, California.

Size and Shape

The total gross area for the various properties comprising the subject Assessment District is 563.623 acres, or 24,551,418 square feet. The gross acreage by ownership within the district is presented in the following chart.

Sycamore Canyon Business Park
Assessment District No. 1
Property Ownership

<u>Owner</u>	<u>Gross Acreage</u>
Spectrum (commercial)	66.200
Spehar	45.630
Spectrum (industrial)	158.300
Smith's Food & Drug	80.073
Terlessian	9.120
Modular	18.960
Lance	9.190
Lance	118.320
Regency	10.000
Yamakawa	10.000
Robinson	10.000
Fowler	10.000
Austin, Singletary & Ware	<u>17.830</u>
Total	<u>563.623</u>

The gross acreages outlined previously are based upon the information as detailed on County of Riverside Assessor's parcel maps as provided by the Assessment Engineer. The total gross acreage excludes the properties

which will not be considered as representative of Assessed Property for the Assessment District No. 1, 1992 Series B bond issue. As requested, the valuation of the subject property is based upon these gross acreage figures, which are assumed to be correct.

As indicated by the chart, Spectrum is the largest percentage property owner within the district. Spectrum is currently in escrow to acquire an additional 99 acres which are presently under the ownership of Lance. Escrow is tentatively scheduled to close in October/November 1992.

Zoning

The majority of the properties within the subject district are zoned MP, with the Sycamore Canyon Specific Plan overlay. The MP zone allows for a variety of industrial/business park uses at the site. Primary uses within this zone include the following:

- Manufacturing
- Assembly
- Fabricating/Warehousing
- Wholesale Distribution
- Administrative or Executive Office Uses
- Scientific Research
- Laboratories
- Accessory Commercial Uses

The southerly portion of the district is zoned C3, Commercial, as administered by the City of Riverside. This portion of the subject property is generally known as Spectrum South, which extends northward from Alessandro Boulevard to Cottonwood Avenue. An additional commercial property ownership within the district (Austin, Singletary, & Ware) is located adjacent to the westerly portion of the Spectrum South property. Legal conforming uses for this portion of the district could include the following:

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Neighborhood or Community Shopping Center
Mall/Power Center
Restaurants
Service Stations
Offices/Insurance Facilities
Theater Complex
Health Care Facilities

Topography and Soil

An analysis of the topography and soil composition of the subject site is summarized as follows:

1. The majority of the subject parcels feature level to rolling topography.
2. The Smith's site within Sycamore Canyon Business Park had undergone a significant degree of site grading at the time of inspection. Our analysis of this property assumes completion of the grading effort, with subsequent value enhancement accounted for in the valuation of this property. Also, as requested, the initial grading phase of the district, which encompasses approximately 175 acres, is assumed to be complete as of the date of this valuation. The completion of this grading phase is in addition to the grading of the Smith's site which, as mentioned previously, is also assumed to be essentially complete.
3. This analysis assumes the subject soil is free of contaminants and no hazardous materials are present on-site which would negatively affect the value of the land in question. Identification of any existing or potential soils problems is best determined by soils experts, and is not considered to be within the scope of this appraisal assignment. It is further assumed the subject soil is of sufficient load-bearing capacity for future development.

Utilities

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

Electricity	City of Riverside
Water	Western Municipal Water District
Natural Gas	Southern California Gas
Telephone	General Telephone & Electronics
Sewer	City of Riverside

Hazard Zones

Conversations with representatives of the Riverside Public Works Department revealed no known major fault lines are located within the vicinity of the subject property. In addition, the subject is designated as being located within flood area "C," which denotes an area exhibiting minimal flood hazard potential. This flood hazard information is documented on the Federal Emergency Management Agency Flood Map - Panel Numbers 060260-0035A, 0020A.

Easements and Rights-of-Way

An analysis of the subject property reveals that various utility rights-of-way, primarily in the form of water district and natural gas rights-of-way, are located throughout Sycamore Canyon Business Park. The Metropolitan Water District right-of-way traverses a major portion of the Sycamore Canyon Business Park, generally in a southwest to northeast direction. Circular concrete surface openings are present on site along the right-of-way. These rights-of-way are not considered to seriously or adversely affect the subject parcels in terms of existing or future use potential.

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Stephens' Kangaroo Rat

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

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

The cost and impact of the mitigation process associated with the procurement of suitable alternative sites which provide rat habitat have yet to be determined. Our analysis assumes any mitigation costs which may be ultimately applied to the subject will be addressed as a separate issue, and no discounting of the land value of the subject in its "as-is" condition is appropriate. Based on information provided by representatives of the City of Riverside, virtually all properties to be graded for development are required to pay a fee of \$1,950 per acre to provide for future Kangaroo Rat habitat. It is also our understanding that several of the larger landowners in the Sycamore Canyon Business Park have or will be donating land for the wilderness park. Upon acquisition of the required replacement habitat, the presence of the Stephens' Kangaroo Rat on the Assessed Property will not prohibit development of the property.

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Access

Primary access to the various properties within the Sycamore Canyon Business Park is presently via Alessandro Boulevard to the south and Eastridge Avenue to the east off of Interstate 215. Full infrastructure improvements within the Sycamore Canyon Business Park are planned to be implemented through a proposed Community Facilities District. These improvements are to include a full complement of interior streets and roadways within the park.

Sycamore Canyon Business Park Assessment District No. 1

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

Description of Water Facility Fees

A water system facility necessary for Western Municipal Water District of Riverside County to provide water service to the Assessed Property has been designed, constructed, and installed in the Assessment District. In order for the Assessed Property to receive water services from Western's water system, a fee of approximately \$4,100,000 must be paid to Western Municipal Water District. Upon payment of the water facility fee, all of the Assessed Properties within the Assessment District will have the right to receive water from Western's water system. Our analysis of the subject property assumes the required water

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system fee has been paid and the various properties within the district have the right to receive water from Western's system.

The water facility fee of approximately \$4,100,000 has been levied on behalf of the Western Municipal Water District. This fee has been allocated on an area-wide basis and represents the Assessed Property's proportionate share of the costs for the construction of water facilities needed to serve the Assessment District and the surrounding area.

Highest and Best Use

When considering each of the highest and best use elements examined in our appraisal, the opinion has been formed that industrial/business park and commercial development of the subject property represents the highest and best use of this land. The property appears to be in general conformity with current governmental constraints; the property is considered physically suitable for future improvements; these improvements would complement other projects in the surrounding environment; and sufficient demand appears evident.

Land Value by Comparison

Primary valuation of the subject property has been accomplished through the direct sales comparison approach. This approach is the most common method utilized to determine land value. This method generally expresses land value on the basis of price per square foot relative to purchase price.

The sales comparison approach involves an examination of comparable industrial/business park and commercial sites which have been purchased in the subject region. A field investigation and a search of public records were conducted in order to obtain sales data on these comparable sites. A thorough and extensive search identified numerous land transactions considered helpful in forming an opinion of value for the various property ownerships within the subject district.

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The subject property has been valued based upon property ownership, assuming "as-is" condition of the property prior to any form of future improvement at the site. The valuation also accounts for the following factors:

1. Where applicable, the valuation is reflective of the assumption that a portion of the property within the district has undergone grading, with enhancement associated with the completion of this process.
2. The valuation takes into account any material differences which may exist among the various property ownerships within the district. These differences are reflected in the per square foot pricing applied in the valuation of these properties in this report.
3. The valuation accounts for the enhancement associated with the payment of the water facility fee proposed to be financed by the bond issue.

The subject district has been valued based upon the proposed use as a mixed use industrial/business park and commercial development. Comparable land sales data have been assembled for each of these land use components. In this summary of findings letter, the land sales have been presented in summary format. Reference is made to the full narrative appraisal report for additional details pertaining to each specific sale utilized in the analysis.

Industrial/Business Park Land Valuation

Numerous industrial/business park land transactions of widely varying sizes were identified throughout the subject region. In order to accurately assess the value of the industrial/business park properties

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within the subject district, the comparable sales have been assembled and categorized primarily on the basis of size. These categories are as follows:

- o Comparable sales of ten to 20 acres
- o Comparable sales of 30 to 100 acres
- o Comparable sales over 100 acres

Land value conclusions have been formulated for each of the subject property ownerships based upon a comparison with the land sales data examined. Following are the various industrial/business park properties by ownership within the subject district which have been valued upon comparison to the land sales data categories established previously.

Ten to 20 Acres

	<u>Acres</u>
Regency	10.000
Yamakawa	10.000
Robinson	10.000
Fowler	10.000
Terlessian	9.120
Modular	18.960
Lance	9.190

30 to 100 Acres

	<u>Acres</u>
Spehar	45.630
Smith's Food and Drugs	80.073

Over 100 Acres

Spectrum North	158.300
Lance	118.320

Industrial/Business Park
Land Sales Summary

Sale No.	Location/Zoning	Size		Sale Date	Sale Price	Price/Sg. Ft.	Price/Acre
		Acres	Sq. Ft.				
<u>10 to 20 Acres</u>							
1	W/S of Milliken Avenue, S. of Jurupa Street Ontario M2	19.89	866,408	12/91	\$ 3,500,000	\$4.04	\$175,967
2	NWC of Etiwanda Avenue & Galena Street Mira Loma MSC	13.97	608,533	7/91	2,663,000	4.38	190,622
3	N/S of 4th Street, S. of Highway 60 Beaumont ML	13.68	595,901	1/91	595,500	1.00	43,530
4	W/S of Redwood Avenue, S. of Randall Avenue Fontana I	19.97	870,105	12/90	2,475,500	2.85	123,929
5	S/S of Galena Street, N. of Van Buren Boulevard Glen Avon A2	10.93	476,111	9/90	1,500,000	3.15	137,237
6	E. of Heacock Street, N. of Mariposa Avenue Moreno Valley R5	19.64	855,518	2/90	1,250,000	1.46	63,646

Sale No.	Location/Zoning	Size		Sale Date	Sale Price	Price/Sg. Ft.	Price/Acre
		Acres	Sq. Ft.				
7	S. of Foothill Boulevard, W. of Etiwanda Avenue Etiwanda FSP	20.00	871,200	2/90	\$ 3,000,000	\$ 3.44	\$150,000
8	E/S of Indian Street, N. of Mariposa Avenue Moreno Valley IP	16.11	701,752	1/90	960,000	1.37	59,590
9	S/S of Rider Street, W. of Redlands Avenue Perris M1-P	13.14	572,378	1/90	1,150,000	2.01	87,519
10	N/S of Columbia Avenue, W. of Michigan Avenue Riverside MP	14.10	614,196	12/89	1,347,000	2.19	95,532
11	NWC of Krameria Avenue & Indian Street Moreno Valley SP208	18.10	788,436	12/89	1,900,000	2.41	104,972
12	S/S of Ellis Avenue, W. of Goete Avenue Perris M2	16.61	723,532	12/89	850,000	1.17	51,174
13	NEC of Heacock Street & Mariposa Avenue Perris SP208	14.86	647,302	12/89	950,000	1.47	63,930
14	SWC of Mariposa Avenue & Indian Street Moreno Valley M2	18.41	801,940	11/89	1,197,000	1.49	65,019

Sale No.	Location/Zoning	Size		Sale Date	Sale Price	Price/Sg. Ft.	Price/Acre
		Acres	Sq. Ft.				
15	NEC of Nance Street & Seaton Avenue Perris MSC	11.19	487,436	5/89	\$ 840,000	\$1.72	\$ 75,067
<u>30 to 100 Acres</u>							
16	Subject Smith's Site Sycamore Canyon Bus. Park Riverside MP	80.07	3,487,980	7/92	12,251,250 (graded site)	3.51	153,000
17	SWC of Ellis Avenue & Goetz Road Perris M2	29.89	1,302,169	5/92	1,718,091	1.32	57,472
18	N/S of Philadelphia Street, E. of Vintage Avenue Ontario M2	41.58	1,811,377	11/91	8,600,000	4.74	206,815
19	W/S of Promenade Avenue, N. of 6th Street Corona M3	36.17	1,575,732	4/91	3,850,000	2.44	106,430
20	NEC of Euclid & Kimball Avenues Chino I	45.50	1,981,980	11/90	5,700,000	2.88	125,274
21	NEC of Philadelphia Street & Vintage Avenue Ontario M2	31.00	1,350,360	9/90	7,156,908	5.30	230,868

Sale No.	Location/Zoning	Size		Sale Date	Sale Price	Price/Sg. Ft.	Price/Acre
		Acres	Sq. Ft.				
22	SW of Riverside Avenue & Wineville Road Mira Loma M4	35.40	1,542,024	4/90	\$ 3,550,000	\$2.30	\$100,282
23	SEC of Lilac & Santa Ana Avenues Rialto HIND	32.59	1,419,620	3/90	4,579,000	3.23	140,503
24	W/S of Kirby Street, S. of Acacia Avenue Hemet M2	43.56	1,897,474	2/90	3,300,000	1.74	75,758
25	SEC of Winchester & Benton Roads Murrieta Hot Springs RR	36.79	1,602,572	1/90	5,000,000	3.12	135,906
26	N. of Nuevo Road, W. of Proposition "A" Street Perris IP	54.90	2,391,444	12/89	4,690,000	1.96	85,428
27	W. of I-215, N. of Nuevo Road Perris IP	29.00	1,263,240	12/89	1,810,000	1.43	62,414
28	NEC of Riverside Avenue & Agua Mansa Road Rialto H-IND	74.23	3,233,459	11/89	4,000,000	1.24	53,887
29	NEC of Patterson Avenue & Placentia Street Perris IP-MS	32.00	1,393,920	10/89	1,850,000	1.33	57,813

Sale No.	Location/Zoning	Size		Sale Date	Sale Price	Price/Sg. Ft.	Price/Acre
		Acres	Sq. Ft.				
30	S/S of Slover Avenue, E. of Etiwanda Avenue Fontana M2	48.56	2,115,274	10/89	\$ 5,064,000	\$2.39	\$104,283
31	NE of intersection of Beck & Markham Streets Perris MSC	39.13	1,704,503	6/89	2,150,000	1.26	54,945
32	N/S of Merrill Avenue, E. of Cedar Avenue Rialto M2	43.61	1,899,652	6/89	5,000,000	2.63	114,653
33	SWC of Eastridge Avenue, & Sycamore Canyon Blvd. Riverside MP	38.36	1,671,067	3/89	3,942,500	2.36	102,776
34	E/S of Perris Boulevard, N. of Grove View Road Moreno Valley MSC	59.16	2,577,010	1/89	3,650,000	1.42	61,697
<u>Over 100 Acres</u>							
35	SWC of Airport Boulevard & Polk Street Coachella IP/MSC	143.62	6,256,087	6/91	5,743,500	0.92	39,990
36	N. of Highway 60, E. of Etiwanda Avenue Mira Loma IP/M	297.00	12,937,320	5/90	31,700,000	2.45	106,734

Sale No.	Location/Zoning	Size		Sale Date	Sale Price	Price/ Sq. Ft.	Price/ ACRE
		Acres	Sq. Ft.				
37	SEC of Etiwanda Avenue & Van Buren Boulevard, S. of Highway 60 Mira Loma I	183.00	7,971,480	12/89	\$16,041,168	\$2.01	\$87,657
38	W/S of Doubleday Avenue, S. of Airport Drive Ontario SP	388.43	16,919,793	11/89	24,259,500	1.43	62,455
39	SE quad. of I-215 & Alessandro Boulevard Moreno Valley MM, CPS, IP	226.29	9,857,192	6/89	27,000,000	2.74	119,316

Ten to 20 Acres

The comparable land sales data for this category indicate per square foot pricing ranging from \$1.00 to \$4.38 per square foot. This range of pricing is considered to accurately reflect the market value of the subject parcels which are within this size range. In addition to these transactions, two other specific transactions involving properties within the subject vicinity warrant discussion. These transactions are as follows:

1. In May 1989, Santa Clarita Associates purchased a multi-tenant industrial building site located along the north side of Eastridge Avenue, west of Box Springs Boulevard. This location is just to the east of the Lance property within the subject Sycamore Canyon Business Park. This sale involved a 4.76-acre parcel purchased for \$850,000, or \$4.10 per square foot. Although this parcel is smaller in size than the subject parcels, the variance in per square foot pricing was not noted as being substantially significant.
2. An approximate 10.565-acre site formerly under the ownership of Spehar was purchased by Cal-Trans as part of the taking for the Interstate 215 widening project. Under the threat of eminent domain, this site was reportedly purchased in March 1990 for \$2,278,500, or \$4.95 per square foot. This transaction sets the upper limit of pricing identified among the comparable sales examined.

In addition to the comparable data reviewed, a major consideration involving the Regency, Yamakawa, Robinson, and Fowler parcels pertains to existing access. When valuing the subject parcels on the basis of "as-is" condition, this factor warrants particular attention. No

approved access to these parcels presently exists, which, as a result, has a negative impact on the value of these particular ownerships. All other property ownerships within the district are afforded some form of right-of-way access whereby land value is not negatively impacted. Although formal access to all properties within the park is anticipated through the implementation of a proposed Community Facilities District, this access has yet to be installed. A current purchaser of these four particular parcels would be buying based on speculation, with the expectation that future access to these parcels will eventually be provided. As a result, there is value presently associated with these properties; however, this value is not as significant as it would be if in fact these parcels were presently afforded some form of right-of-way access. Based upon these and other factors, the following conclusions have been formulated in valuing the various properties within this size category at the subject.

1. Location and development potential play a major role in influencing land pricing within the subject district. In many cases, large parcels possessing superior locational and developmental characteristics have sold for higher per square foot prices when compared to smaller properties. This is primarily the case when large acreage sites are required in order to accommodate large-scale developments, such as warehouse/distribution facilities. The general trend within the subject park has been toward the acquisition of large acreage sites by companies such as Pepsi-Cola and Smith's for the development of large-scale projects. In these instances, a large developable parcel, or an assemblage of many smaller parcels, is required in order to accommodate this type of development. As a general rule, however, with all factors being equal, smaller parcels are generally noted as selling for higher per square foot prices than large acreage sites.

2. When compared to the majority of the sales examined, it is our opinion that an additional premium for the subject property is appropriate based upon the location of the parcels within a business park environment. Although full infrastructure has yet to be installed within the subject park, the degree of synergism created within mixed-use business park developments normally enhances the overall desirability of the individual properties within these projects. In the future, a level of price appreciation is also anticipated as additional development is realized within the park. The precedent has been established whereby major firms, such as Pepsi-Cola and Smith's, have considered the subject area a desirable location in which to establish operations. This factor tends to positively impact the land value of surrounding properties within the district.
3. Among the sales examined, it was found that sites having a degree of roadway frontage normally command higher prices than properties exhibiting interior locations. Among the subject parcels which generally fall within the ten to 20-acre size category, none presently exhibit immediate formal roadway frontage. However, right-of-way access is afforded the Lance, Terlessian, and Modular properties; whereas the Regency, Yamakawa, Robinson, and Fowler properties are basically landlocked at the present time. These conditions also influence land value.
4. Based primarily upon factors such as general overall location, and location within an area of business park development, Land Sale No.'s 1, 2, 4, and

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5 were given most consideration in valuing the subject parcels in this particular category. These sales form a tighter range of pricing between \$2.85 and \$4.38 per square foot.

Based upon the factors discussed previously, the conclusion is formed that the subject parcels that are generally within the ten to 20-acre size category exhibit overall land pricing as follows:

Terlessian			
9.12 Acres, or			
397,267 Sq. Ft. @ \$3.50/Sq. Ft.	say,		<u>\$1,390,000</u>
Modular			
18.960 Acres, or			
825,898 Sq. Ft. @ \$3.50/Sq. Ft.	say,		<u>\$2,890,000</u>
Regency			
10.000 Acres, or			
435,600 Sq. Ft. @ \$2.00/Sq. Ft.	say,		<u>\$ 871,000</u>
Yamakawa			
10.000 Acres, or			
435,600 Sq. Ft. @ \$2.00/Sq. Ft.	say,		<u>\$ 871,000</u>
Robinson			
10.000 Acres, or			
435,600 Sq. Ft. @ \$2.00/Sq. Ft.	say,		<u>\$ 871,000</u>
Fowler			
10.000 Acres, or			
435,600 Sq. Ft. @ \$2.00/Sq. Ft.	say,		<u>\$ 871,000</u>
Lance			
9.190 Acres, or			
400,316 Sq. Ft. @ \$3.50/Sq. Ft.	say,		<u>\$1,400,000</u>

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As stated previously, the lack of approved access for the Regency, Yamakawa, Robinson, and Fowler parcels has a negative impact on the value of these particular properties. It is our opinion that, if sufficient approved access or right-of-way existed for these four properties, the indicated per square foot pricing for these parcels would be in line with the pricing indicated for the Lance, Terlessian, and Modular sites. The discounted price for the four small parcels reflects the fact that a buyer would probably have to hold the property for three to five years prior to development. This would presumably be sufficient time for roads and utilities to be extended to these parcels, based upon the level of development taking place within the subject business park.

30 to 100 Acres

The comparable land sales data for this category indicate per square foot pricing ranging from \$1.24 to \$5.30 per square foot. The majority of the transactions exhibit pricing in the \$1.00 to \$3.00 per square foot range. The land sales data assembled for this particular category were considered most useful in valuing the following property ownerships within the subject district:

	<u>Acres</u>
Spehar	45.630
Smith's Food and Drugs	80.073

Between these two ownerships, it should be noted that the Smith's site represents a fully graded property, with enhancement associated with the present condition of property. The Smith's property was recently purchased based upon a sale price which was reflective of a graded site. The sale of the Smith's property is documented in Land Sale No. 16. The expenditure for grading was reported to be \$1,632,000. This would indicate pricing for an ungraded site of approximately \$3.04 per square foot.

In valuing the property ownerships within this size range category, the following conclusions were formulated.

1. As sites have absorbed in other portions of the Inland Empire region, particularly in the Ontario/Rancho Cucamonga market, emphasis has shifted to the communities of Riverside and Moreno Valley. This shift has increased the demand for well-located, buildable sites such as those which exist within the subject Sycamore Canyon Business Park. The large acreage parcels within this environment afford potential users the opportunity to develop large-scale projects. As is often the case, large acreage sites may be preferred by potential users who require a substantial amount of land in which to conduct operations. In instances such as these, the large developable parcels may command higher pricing than less usable, smaller sites.
2. In terms of size and configuration, the larger ownerships generally allow a degree of flexibility in regard to future development plans. These sites may be suitable for a single user, or may possibly be further parcelized in order to accommodate lot sale programs.
3. As stated previously, the location within a business park environment tends to enhance the overall desirability of each of the individual properties contained within the park.
4. Among the sales presented within the 30 to 100-acre size range, Sale No.'s 16, 20, 24, 26, 30, and 32 through 34 were given most consideration from a comparison standpoint in valuing the subject

properties. These sales form a tighter range of pricing from \$1.42 to \$3.50 per square foot. It is our opinion that the most appropriate level of pricing for the subject parcels within this size range category is well bracketed by this indicated pricing.

5. Land Sale No. 33 pertains to an additional transaction which has taken place within the subject Sycamore Canyon Business Park. This sale refers to the Pepsi-Cola purchase of 38.36 acres in March 1989 for \$2.36 per square foot. Although since 1989 land values have exhibited minimal increases, substantial enhancement within the subject district itself has taken place since the time of this transaction. Additional major firms have established operations in the subject vicinity, thus increasing the level of interest and focus on properties located along the State Highway 60/Interstate 215 corridor. This condition positively influences land values in the area. As a result, upward adjustment to the Pepsi-Cola sale is considered warranted based upon the factors mentioned previously.
6. The recent purchase of the Smith's site is considered reflective of current market trends in regard to the acquisition of fully-graded, large acreage properties within this segment of the market. As a result, we have adopted the approximate level of per square foot pricing indicated by the Smith's transaction as an appropriate indicator of value for this property in its present condition.
7. The location of the Spehar site in relation to the existing and proposed freeway improvements tends to enhance the overall value of this property. Ease of

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access to this site is an additional factor exerting positive influence on the achievable pricing for this property.

Based upon the factors discussed previously, the conclusion is formed that the subject parcels which are generally within the 30 to 100-acre size category exhibit overall land pricing as follows:

Smith's Food and Drugs
80.073 Acres, or
3,487,980 Sq. Ft. @ \$3.50/Sq. Ft. say, \$12,210,000

Spehar
45.630 Acres, or
1,987,643 Sq. Ft. @ \$3.50/Sq. Ft. say, \$ 6,955,000

Over 100 Acres

Sales data were obtained pertaining to the bulk purchase of large acreage sites over 100 acres in size. These sales were compiled for use in the valuation of the Spectrum North and Lance properties within the subject district. Based upon the substantially larger sizes of the comparable sales, sales data from the 30 to 100-acre category were also reviewed. The comparable sales of greater than 100 acres indicate pricing ranging from \$0.92 to \$2.74 per square foot. Among these transactions, most consideration was given to Land Sale No.'s 36, 37, and 39, which exhibit pricing generally in the range of \$2.00 to \$2.75 per square foot.

Conclusions formulated in our analysis of the property ownerships within this size range category are as follows:

1. As outlined in the assumptions stated in this report, approximately 175 acres in addition to the Smith's site are assumed to be graded as of the date of this valuation. Approximately 92.15 acres of

the Spectrum North property fall into this category. As a result, additional enhancement from completion of the grading process is subsequently applied to the value concluded for the 92.15-acre portion of the Spectrum North property.

2. A significant portion of the Lance property is afforded immediate frontage along Eastridge Avenue. In regards to development potential, this property could be considered among the most desirable in terms of providing the potential for large-scale industrial/business park development.
3. The Smith's purchase within the subject business park was also given particular consideration when valuing these large ownership properties. Based upon the Smith's sale and the large acreage land sales compiled, it is our opinion that the most appropriate level of pricing for the Lance and Spectrum North properties is between \$2.00 to \$3.00 per square foot.

After review of the land sales data assembled, and in particular consideration of the various features of the properties in question, it is our opinion that the market values of the Spectrum North and Lance properties are as follows:

Spectrum North	
158.300 Acres, or	
6,895,548 Sq. Ft. @ \$2.00/Sq. Ft.	\$13,791,096
Grading Expenditure	
(92.15 Acres, or	
4,014,054 Sq. Ft. @ \$0.17/Sq. Ft.)	<u>682,390</u>
Total	<u>\$14,473,486</u>
	say, <u>\$14,475,000</u>
Lance	
118.320 Acres, or	
5,154,019 Sq. Ft. @ \$2.50/Sq. Ft.	say, <u>\$12,885,000</u>

Commercial Land Valuation

Several commercial land transactions of widely varying sizes were identified throughout the subject region. Land value conclusions have been formulated for each of the commercial property ownerships within the subject district, based upon a comparison with the land sales data examined. Presented below are the commercial property ownerships within the subject district.

Austin, Singletary & Ware	17.830 Acres
Spectrum South	66.200 Acres

Among these two ownerships, it should be noted that the Spectrum South property is considered a portion of the initial grading phase within the subject district, which is assumed to be complete as of the date of this valuation. As a result, the land value conclusion for this particular ownership is reflective of the enhancement associated with the completion of the proposed grading. Additional enhancement has also been factored into our analysis of the Austin, Singletary & Ware property based upon the current rough-graded status of this site.

Presented on the following pages is a chart summarizing the commercial land transactions considered helpful in formulating value opinions for the commercial property ownerships within the subject district. Following these comparable land sales transactions are the discussion and value conclusions for the commercial components.

Commercial Land Sales Summary

Sale No.	Location/Zoning	Size		Sale Date	Sale Price	Price/Sg. Ft.	Price/Acre
		Acres	Sg. Ft.				
1	SWC of Canyon Springs Pkwy. & Corporate Centre Place Riverside C2	13.03	567,587	5/92	\$ 3,963,960	\$6.98	\$304,218
2	NW Quad. of Valley Springs Parkway & Eucalyptus Avenue Riverside C2	15.50	675,180	3/92	5,402,000	8.00	348,516
3	NE quad. of Inland Empire St., E. of Archibald Ave. Ontario SP	11.97	521,413	9/91	3,000,000	5.75	250,626
4	NWC of Orange Avenue & Perris Boulevard Perris C2	56.82	2,475,079	4/91	10,185,000	4.12	179,250
5	SWC of Old Lake Drive & Sunnymead Ranch Parkway Moreno Valley CPS	14.17	617,245	1/91	5,277,500	8.55	372,441
6	SEC of Mt. Vernon Road & San Antonio Avenue Colton GC	24.78	1,079,417	8/90	8,985,500	8.32	362,610
7	SEC of Baxter Road & Central Avenue Murrieta SC	24.40	1,062,864	8/90	4,600,000	4.33	188,525

Sale No.	Location/Zoning	Size		Sale Date	Sale Price	Price/Sq. Ft.	Price/Acre
		Acres	Sq. Ft.				
8	SWC of Monte Vista Avenue & Huntington Drive Montclair C3	35.39	1,541,501	4/90	\$ 8,150,000	\$5.29	\$230,291
9	NEC of Madison Avenue & Murrieta Hot Springs Murrieta CPS	19.88	865,973	6/89	6,498,500	7.50	326,886
10	W/S of Margarita Road, S. of Solana Way Temecula C1	22.66	987,070	4/89	6,232,000	6.31	275,022

Discussion

The comparable land sales data for the commercial property category indicate per square foot pricing ranging from \$4.12 to \$8.55. The comparable properties range in size from 11.97 to 56.82 acres.

In addition to these transactions, the Cal-Trans taking of 36 acres of the Spectrum South commercial property for the freeway realignment project deserves mention. Based upon conversations with the owner, it was indicated that approximately 36 acres of the Spectrum South commercial property is being acquired by Cal-Trans under the threat of eminent domain for approximately \$4.00 per square foot. It is significant to note that litigation is pending in regard to the question of adequate compensation by Cal-Trans to the owner. The ultimate price paid may be above or below this level of pricing.

Conclusions formulated in our analysis of the commercial property ownerships within the subject district are as follows:

1. As outlined in the assumptions stated in this report, approximately 175 acres in addition to the Smith's site are assumed to be graded as of the date of this valuation. The Spectrum South commercial property, consisting of 66.20 acres, is contained within this total. As a result, additional enhancement from completion of the grading process is subsequently applied to the value concluded for the Spectrum South commercial ownership. Conversations with the property owner indicate the figure for grading the 175 acres to be approximately \$0.17 per square foot. The Austin, Singletary, & Ware property was previously rough graded.
2. The locational advantages of the commercial property ownerships in regard to roadway frontage and proximity to the

freeway were taken into account in this land valuation. The exposure and visibility, particularly along Alessandro Boulevard, are considered significant factors when valuing commercial sites as opposed to industrial/business park properties.

3. Recent interest has been generated in regard to well-located commercial sites along the State Highway 60/Interstate 215 corridor. This interest in particular, is exemplified by Land Sale No.'s 1 and 2. These transactions represent the purchase of property by Wal-Mart for the purpose of constructing a Wal-Mart store and a Sam's Club outlet. These sites are located within the immediate vicinity of Interstate 215, in general proximity of the subject property.
4. The surrounding development taking place in the subject area tends to have a positive effect on the value of area properties, particularly those of a commercial nature. As is often the case, the development of residential projects tends to increase the demand for support facilities in the form of commercial/retail establishments. This need for additional support facilities generates interest in well-located, developable commercial sites exhibiting the potential for improvement with these types of support projects. The new residential development which has occurred, particularly to the west of the subject, provides the residential base necessary for the success of commercial developments in the area.
5. In addition to the Wal-Mart project along Interstate 215, new development has taken place in the form of a community shopping

center at the southeast corner of Alessandro Boulevard and Trautwein Avenue. New commercial projects have also been developed east of the subject, within the community of Moreno Valley. In addition, the immediate northwest corner of Alessandro Boulevard and Interstate 215 is planned for development with a service station/mixed-use project. This immediate corner, totaling 4.06 acres, was purchased in September 1991 for \$16.96 per square foot.

6. The continued influx of major corporate users to the Sycamore Canyon Business Park likewise increases the demand for area support facilities. The commercial properties located within this vicinity benefit from the location of these major firms, which in turn tends to generate the need for development of these commercial properties. This factor was given particular consideration in valuing the commercial ownerships within the subject district.

Based upon these and other factors, the conclusion is formed that the commercial properties within the subject district exhibit overall land pricing as follows:

Spectrum South	
66.20 Acres, or	
2,883,672 Sq. Ft. @ \$4.25/Sq. Ft.	\$12,255,606
Grading Expenditure	
66.20 Acres, or	
2,883,672 Sq. Ft. @	
\$0.17/Sq. Ft.	say, <u>490,200</u>
Total	<u>\$12,745,806</u>
	say, <u>\$12,745,000</u>

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Austin, Singletary & Ware
17.830 Acres, or
776,675 Sq. Ft. @ \$5.00/Sq. Ft. say, \$ 3,885,000

Aggregate Land Value

As detailed previously, the value conclusions formulated for each of the individual property ownerships within the subject district have been established based upon the direct sales comparison approach. The undiscounted aggregate land value of the subject district is derived from the addition of each of the individual ownership land values. The undiscounted aggregate land value of the subject district is detailed below.

Terlessian		
9.12 Acres, or		
397,267 Sq. Ft. @ \$3.50/Sq. Ft.		\$1,390,000
Modular		
18.960 Acres, or		
825,898 Sq. Ft. @ \$3.50/Sq. Ft.		2,890,000
Regency		
10.000 Acres, or		
435,600 Sq. Ft. @ \$2.00/Sq. Ft.		871,000
Yamakawa		
10.000 Acres, or		
435,600 Sq. Ft. @ \$2.00/Sq. Ft.		871,000
Robinson		
10.000 Acres, or		
435,600 Sq. Ft. @ \$2.00/Sq. Ft.		871,000
Fowler		
10.000 Acres, or		
435,600 Sq. Ft. @ \$2.00/Sq. Ft.		871,000
Lance		
9.190 Acres, or		
400,316 Sq. Ft. @ \$3.50/Sq. Ft.		1,400,000

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Smith's Food and Drugs 80.073 Acres, or 3,487,980 Sq. Ft. @ \$3.50/Sq. Ft.	\$12,210,000
Spehar 45.630 Acres, or 1,987,643 Sq. Ft. @ \$3.50/Sq. Ft.	6,955,000
Spectrum North 158.30 Acres, or 6,895,548 Sq. Ft. @ \$2.00/Sq. Ft.	\$13,791,096
Grading Expenditure (92.15 Acres, or 4,014,054 Sq. Ft. @ \$0.17/Sq. Ft.)	<u>682,390</u>
Total	\$14,473,486
	say, 14,475,000
Lance 118.320 Acres, or 5,154,019 Sq. Ft. @ \$2.50/Sq. Ft.	12,885,000
Spectrum South 66.20 Acres, or 2,883,672 Sq. Ft. @ \$4.25/Sq. Ft.	\$12,255,606
Grading Expenditure (66.20 Acres, or 2,883,672 Sq. Ft. @ \$0.17/Sq. Ft.)	<u>490,200</u>
Total	\$12,745,806
	say, 12,745,000
Austin, Singletary & Ware 17.830 Acres, or 776,675 Sq. Ft. @ \$5.00/Sq. Ft.	<u>3,885,000</u>
Total Undiscounted Aggregate Land Value	<u>\$72,319,000</u>
	say, <u>\$72,300,000</u>

Bulk Value of District

Due to the size of the district, it is our opinion that additional discounting is required when valuing the parcels simultaneously. This reflects the fact that the parcels would compete with each other to some extent, and an extended period of time would be anticipated in order to absorb all of the properties. Based on our research, a five-year development scenario is probable. This suggests an average holding period of 2.5 years. The application of a 15 percent discount for 2.5 years results in the following discounted land values for each of the Assessed Properties.

Terlessian - 9.12 Acres, or 397,267 Sq. Ft.

Aggregate Land Value	\$ 1,390,000
Discount Factor	X <u>0.705107</u>
Discounted Land Value (\$2.47/Sq. Ft.)	<u>\$ 980,098</u>

Modular - 18.960 Acres, or 828,898 Sq. Ft.

Aggregate Land Value	\$ 2,890,000
Discount Factor	X <u>0.705107</u>
Discounted Land Value (\$2.47/Sq. Ft.)	<u>\$ 2,037,759</u>

Regency - 10.000 Acres, or 435,600 Sq. Ft.

Aggregate Land Value	\$ 871,000
Discount Factor	X <u>0.705107</u>
Discounted Land Value (\$1.41/Sq. Ft.)	<u>\$ 614,148</u>

Yamakawa - 10.000 Acres, or 435,600 Sq. Ft.

Aggregate Land Value	\$ 871,000
Discount Factor	X <u>0.705107</u>
Discounted Land Value (\$1.41/Sq. Ft.)	<u>\$ 614,148</u>

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Robinson - 10.000 Acres, or 435,600 Sq. Ft.

Aggregate Land Value	\$ 871,000
Discount Factor	X <u>0.705107</u>
Discounted Land Value (\$1.41/Sq. Ft.)	<u>\$ 614,148</u>

Fowler - 10.000 Acres, or 435,600 Sq. Ft.

Aggregate Land Value	\$ 871,000
Discount Factor	X <u>0.705107</u>
Discounted Land Value (\$1.41/Sq. Ft.)	<u>\$ 614,148</u>

Lance - 9.190 Acres, or 400,316 Sq. Ft.

Aggregate Land Value	\$ 1,400,000
Discount Factor	X <u>0.705107</u>
Discounted Land Value (\$2.47/Sq. Ft.)	<u>\$ 987,150</u>

Smith's - 80.073 Acres, or 3,487,980 Sq. Ft.

Aggregate Land Value	\$12,210,000
Discount Factor	X <u>0.705107</u>
Discounted Land Value (\$2.47/Sq. Ft.)	<u>\$ 8,609,356</u>

Spehar - 45.630 Acres, or 1,987,643 Sq. Ft.

Aggregate Land Value	\$ 6,955,000
Discount Factor	X <u>0.705107</u>
Discounted Land Value (\$2.47/Sq. Ft.)	<u>\$ 4,904,019</u>

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Spectrum North - 158.30 Acres, or 6,895,548 Sq. Ft.

Aggregate Land Value	\$14,475,000
Discount Factor	X <u>0.705107</u>
Discounted Land Value (\$1.47/Sq. Ft.)	<u>\$10,206,424</u>

Lance - 118.320 Acres, or 5,154,019 Sq. Ft.

Aggregate Land Value	\$12,885,000
Discount Factor	X <u>0.705107</u>
Discounted Land Value (\$1.76/Sq. Ft.)	<u>\$ 9,085,304</u>

Spectrum South - 66.20 Acres, or 2,883,672 Sq. Ft.

Aggregate Land Value	\$12,745,000
Discount Factor (None Applicable)	
Discounted Land Value (\$4.42/Sq. Ft.)	<u>\$12,745,000</u>

Austin, Singletary & Ware - 17.830 Acres,
or 776,675 Sq. Ft.

Aggregate Land Value	\$ 3,885,000
Discount Factor (None Applicable)	
Discounted Land Value (\$5.00/Sq. Ft.)	<u>\$ 3,885,000</u>

No discounting is considered to be warranted for the commercial components, based primarily upon the lack of competing commercial properties within the subject district. The industrial/business park properties, however, are comprised of numerous ownerships which, based upon the bulk sales analysis, could be considered to be in direct competition with one another.

Recapitulation

Addition of the discounted land values for each of the individual Assessed Properties results in the total overall bulk land value indication for the District. The determination of this value conclusion follows.

<u>Ownership</u>	<u>Discounted Land Value</u>
Terlessian	\$ 980,098
Modular	2,037,759
Regency	614,148
Yamakawa	614,148
Robinson	614,148
Fowler	614,148
Lance	987,150
Smith's	8,609,356
Spehar	4,904,019
Spectrum North	10,206,424
Lance	9,085,304
Spectrum South	12,745,000
Austin, Singletary & Ware	<u>3,885,000</u>
Total Bulk Land Value	<u>\$55,896,702</u>
	say, <u>\$55,900,000</u>

Correlation of Value Conclusions

The direct sales comparison approach was utilized in formulating an opinion of value for the various Assessed Properties comprising the subject Sycamore Canyon Business Park Assessment District No. 1. The application of the direct sales comparison approach resulted in the establishment of appropriate pricing levels for each of the individual property ownerships comprising the district. The value conclusions formulated for the district by this approach are summarized below:

Aggregate Land Value	\$72,300,000
Discounted Bulk Value	\$55,900,000

In reconciling the final land value conclusion for the subject, most consideration is given to the discounted bulk land value indication. The bulk land value conclusion is reflective of the discounting employed based upon the potential competition among the individual ownerships in regard to property sales within the district. The aggregate land value indication, on the other hand, merely represents the total of the individual ownership land values, with no discounting applied. As a result, the discounted bulk land value is considered to be most representative of the true value of the subject district on an "as-is" basis.

Valuation

Based upon the examinations and studies made, and as a result of our experience as real estate appraisers, a market value opinion has been formulated for the subject property. This market value opinion is subject to the following assumptions:

1. Once the required water system fee of approximately \$4,100,000 has been paid, all of the Assessed Properties within the district have the right to receive water from Western's water system.
2. The Assessment District ownership boundaries and areas as indicated on the maps and documents provided by the Assessment Engineer are assumed to be correct. As requested, the ownership acreages utilized in this appraisal are based upon the County of Riverside Assessor's maps as provided by the Assessment Engineer.
3. The properties comprising the various ownerships within the Assessment District have been valued on an "as-is" basis assuming a bulk sale, with consideration given to the enhancement associated with payment of the water facility fee from the bond issue.
4. As requested, the initial grading phase of the district which encompasses approximately 175 acres is assumed to be completed as of the date of this valuation. The completion of this grading phase is in addition to the grading of the Smith's site, which is also assumed to be essentially complete.
5. The valuation date is September 1, 1992.

As a result of the appraisal and analyses made, and based upon the certification, limiting conditions, and assumptions stated herein, the opinion has been formed that the market value of the fee simple interest in the subject property, as of September 1, 1992, is the following sum:

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Total Bulk Land Value

FIFTY-FIVE MILLION NINE HUNDRED THOUSAND DOLLARS

(\$55,900,000)

Respectfully submitted,

BROWN, CHUDLEIGH, SCHULER,
AND ASSOCIATES


GREGORY S. SCHULER


WALTER H. CHUDLEIGH, III, MAI

GSS:WHC:dc

ASSUMPTIONS AND LIMITING CONDITIONS

This report is made expressly subject to the following assumptions and limiting conditions:

1. No responsibility is assumed by the appraisers for matters which are legal in nature.
2. No opinion of title is rendered, and the property is appraised as though free of all encumbrances and the title marketable.
3. The appraisal covers the property described only, and the legal description is assumed to be correct.
4. No survey of the boundaries of the property has been made. All areas and dimensions furnished to the appraisers are assumed to be correct.
5. Information concerning market and operating data, as well as data pertaining to the property appraised, was obtained from others and/or based on observation. This information has been verified and checked, where feasible, and is used in this appraisal only if it is believed to be reasonably accurate and correct. However, such information is not guaranteed, and no liability is assumed resulting from possible inaccuracies or errors regarding such information or estimates.
6. The data contained herein comprises the pertinent data considered necessary to support the value estimate. We have not knowingly withheld any pertinent facts, but we do not guarantee that we have knowledge of all factors which might influence the value of the subject property. Due to rapid changes in the external factors, the value estimate is considered reliable only as of the effective date of the appraisal.

7. The appraisers assume there are no hidden or unapparent conditions of the property, subsoil, or structures, that would render it more or less valuable. The appraisers assume no responsibility for such conditions, or for engineering required to discover such factors. It is assumed no soil contamination exists as a result of chemical drainage or leakage in connection with any production operations on or near the property. In addition, the existence (if any) of potentially hazardous materials, such as asbestos, used in the construction or maintenance of the improvements or disposed of on site, has not been considered.

The undersigned appraisers acknowledge they are not qualified to render an opinion with regard to the presence of toxic materials, and recommend an environmental scientist be retained to determine the exact status of the property. No environmental impact studies were requested nor performed with regard to this appraisal, and the appraisers hereby reserve the right to alter, amend, revise, or rescind any portion of the value or opinions expressed herein based on any subsequent data discovered which could significantly impact the market value of the property.

8. The distribution of total valuation estimate in this report between land and improvements (if any) applies only under the existing or reported program of utilization. The separate valuation for land and improvements (if present) must not be used in conjunction with any other appraisal and is invalid if so used.
9. The assumption has been made that all required licenses, consents, permits or other legislative or administrative authority, local, state, federal, and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.
10. The property is appraised as though operated under competent and responsible ownership and management.

11. Opinions of value contained herein are estimates. There is no guarantee, written or implied, that the subject property will sell for such amounts. It assumes there is full compliance with all applicable federal, state, local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
12. It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless a nonconformity has been stated, defined, and considered in the appraisal report.
13. The appraisers are not required to give testimony or to be in attendance in court or before other legal authority by reason of this appraisal without prior agreement and arrangement between the client and appraisers.
14. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.
15. 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 to the MAI or RM designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, prospectus for securities, or any other public means of communication without prior written consent and approval of the appraisers.
16. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. Separate valuations for land and building must not be used in conjunction with any other appraisal, and are invalid if so used.

17. The appraisers assume no responsibility for any costs or consequences arising due to the need or the lack of need for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for flood hazard insurance.
18. The liability of the appraisers' company, its owner and staff, is limited to the Client only, and to the amount of the fee actually paid for the appraisal services rendered, as liquidated damages, if any cause of action should arise. Further, there is no accountability, obligation, or liability to any third party. The appraisers are in no way to be responsible for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, and/or legally.
19. Once the required water system fee of approximately \$4,100,000 has been paid, and all of the Assessed Properties within the district have the right to receive water from Western's water system.
20. The Assessment District ownership boundaries and areas as indicated on the maps and documents provided by the Assessment Engineer are assumed to be correct. As requested, the ownership acreages utilized in this appraisal are based upon the County of Riverside Assessor's maps as provided by the Assessment Engineer.
21. The properties comprising the various ownerships within the Assessment District have been valued on an "as-is" basis assuming a bulk sale, with consideration given to the enhancement associated with payment of the water facility fee from the bond issue.
22. As requested, the initial grading phase of the district which encompasses approximately 175 acres is assumed to be completed as of the date of this valuation. The completion of this grading phase is in addition to the grading of the Smith's site, which is also assumed to be essentially complete.
23. The valuation date is September 1, 1992.

CERTIFICATION

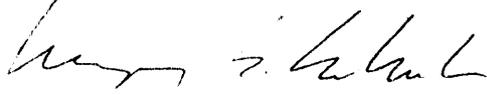
The undersigned appraisers certify that they have personally analyzed the property herein known as the Sycamore Canyon Business Park Assessment District No. 1 located in Riverside, California; and to the best of their knowledge and belief,

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal unbiased professional analyses, opinions, and conclusions.
3. We have no past, present, or prospective direct or indirect interest in the property that is the subject of this report and we have no personal interest or bias with respect to the parties involved.
4. Our 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 required minimum valuation, a specific valuation, or the approval of a loan.
5. We are competent to appraise the property that is the subject of this report based on our previous experience appraising similar type properties.
6. Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
7. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

8. The Appraisal Institute has a policy of continuing education. This policy includes a program of voluntary recertification. "As of the date of this report, I, Christopher T. Donaldson, MAI, have completed the requirements under the continuing education program of the Appraisal Institute."
9. Walter H. Chudleigh, III, MAI, finds the content and conclusions of the appraisal and the report were performed in accordance with the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Institute. Walter H. Chudleigh, III, MAI, and Dean A. Myers have personally inspected the subject property. Gregory S. Schuler has made a personal inspection of the subject property and comparable properties.
10. Dean A. Myers provided significant professional assistance to the persons signing this report.

Respectfully submitted,

BROWN, CHUDLEIGH, SCHULER,
AND ASSOCIATES



GREGORY S. SCHULER



WALTER H. CHUDLEIGH, III, MAI

GSS:WHC:dc

QUALIFICATIONS
WALTER H. CHUDLEIGH III, MAI

EDUCATION

B.A. in Economics, Brigham Young University, 1971.

MBA with specialization in Real Estate and Finance,
Indiana University, 1973.

EMPLOYMENT

Brown, Chudleigh, Schuler, and Associates, Principal,
Wallingford, Connecticut. Independent real estate
appraisers and consultants providing appraisal,
feasibility, and consulting services throughout the
country.

Chudleigh & Company, Principal, New Haven, Connecticut.
1977 to 1984.

Landauer Associates/Shattuck Company, Associate, Los
Angeles, California. 1973 to 1976.

COMPUTER APPLICATIONS

Designed and implemented discounted cash flow, equity
yield, and land development computer models applicable
to real estate investment analysis.

TEACHING AND LECTURING

Instructor in Advanced Real Estate Valuation, Finance
Department, University of Southern California, 1974 to
1976.

CONTRIBUTING AUTHOR

"Real Estate Investment Yield as Correlated to the Rate Shown in Money and Capital Markets," The Real Estate Appraiser and Analyst.

"The Application of Correlation Matrix Analysis to Real Estate Appraisal," The Appraisal Journal.

"Computer Aided Graphics for the Appraiser," The Appraisal Journal.

"The Impact of the Installation of Public Sewers on Commercial Property Values," The Appraisal Journal.

PROFESSIONAL MEMBERSHIPS

Member, Appraisal Institute, (MAI Designation),
Certified through December 1992.

Member, Financial Management Association

Member, Urban Land Institute

Licensed Real Estate Appraiser, State of Connecticut,
#A01383

Licensed Certified General Appraiser, State of Utah,
#38645

ACADEMIC AFFILIATIONS

Omicron Delta Epsilon, National Economics Honorary Society, Brigham Young University, 1969.

Beta Gamma Sigma, National Business Honorary Society, Indiana University, 1973.

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APPENDIX C

DESCRIPTION OF THE CITY

The following information concerning the City of Riverside (the "City") is included only for the purpose of supplying general information regarding the City. Neither the faith and credit nor the taxing power of the City or the State of California or any of its political subdivisions have been pledged to the payment of the City of Riverside Sycamore Canyon Business Park Assessment District No. 1, 1915 Act Limited Obligation Improvement Bonds (the "Bonds") and the Bonds will not be payable from any of the City's revenues or assets except as described in this Official Statement.

General

The City is the county seat of Riverside County (the "County") and is located in the western portion of the County about 60 miles east of downtown Los Angeles and approximately 90 miles northeast of San Diego. Some of the cities within 10 miles of the City are San Bernardino, Loma Linda, Corona, Norco, Fontana, Ontario, Rialto, Colton, Moreno Valley and Redlands. These cities and the City are located in the Counties of Riverside and San Bernardino and comprise the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the "MSA"). The MSA represents an important economic area of the State and of Southern California. It lies to the west and south, respectively, of the strategic San Geronimo and Cajon Passes, from which three transcontinental railroads and interstate highways converge to connect the Los Angeles area with the other areas of the nation. The City is situated in close proximity to the metropolitan centers of Los Angeles and Orange Counties.

Riverside and San Bernardino Counties cover 27,400 square miles, a land area larger than the State of Virginia. Riverside County alone is larger than the State of New Jersey. The MSA, though small geographically in relation to the bi-county area, contains most of the two counties' population.

Municipal Government

The City was incorporated in 1883. The City is a charter city and has a council-manager form of government with a seven-member City Council which is elected by ward for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the City Council, but does not have a vote except in case of a tie. The position of City Manager is filled by appointment of the City Council to serve as administrator of the staff and to carry out the policies of the City Council. Functions of the City government are carried out by approximately 2,386 full

and part-time personnel. Water is supplied by the City system and Western Municipal Water District of Riverside County. The City operates and maintains a sewer system. Electricity is provided by the City-owned electric utility. Other City services include a diversified recreation program and park department and museum and library services.

Employee Relations

City employees are covered by memoranda of understanding with four employee organizations. The three largest units, Public Employee's Association of Riverside County, Police Officers' Association and Fire Fighters' Association, represent 1,449 employees, or 91% of the total organized employees. The memoranda of understanding with the Public Employee's Association of Riverside County, representing 71% of the organized employees, will expire June 30, 1993. The Police Officers' Association and Fire Fighters' Association memoranda of understanding expired June 30, 1992 and are currently being negotiated.

Population

As of January 1, 1990, the population of the City was 218,499, an increase of 32% over the census population of the City in 1980. The following table presents population data for both the City and the County:

POPULATION		
<u>Year</u>	<u>City of Riverside</u>	<u>Riverside County</u>
1940	34,696	105,524
1950	46,764	170,046
1960	84,332	306,191
1970	140,089	459,074
1980	165,087	663,923
1990	226,505	1,170,413

Source: U.S. Census.

Personal Income

The following table is based on effective buying income, as reported in the annual publication "Survey of Buying Power" published by Sales and Marketing Management. Effective buying income is defined as personal income less personal taxes and nontax payments. Personal income includes wages and salaries, other labor-related income, proprietor's income, rental income, dividends, personal interest income and transfer payments. Deductions are then made for federal, state and local taxes, nontax payments (such as fines and penalties) and personal contributions for social insurance.

In 1988, Sales and Marketing Management revised its definition of effective buying income to more accurately reflect actual cash income available to consumers. The following items are no longer included in the definition of effective buying income: (1) employer contributions to private pension funds, supplemental unemployment insurance funds and privately administered workers' compensation programs, (2) imputed personal interest income, which includes the imputed value of services provided by depository institutions and income earned by life insurance carriers and private noninsured pension funds on the principal amounts contributed by policy holders and pension beneficiaries, and (3) imputed rental income of owner-occupied nonfamily dwellings. These revisions reduced total income at the national level by approximately 11% and affect median household data for 1988 and 1989 as shown in the following table:

PERSONAL INCOME
For Calendar Years 1986 Through 1990

<u>Year and Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
1986		
City of Riverside.....	\$ 2,516,967	\$26,569
California.....	380,811,129	28,227
United States.....	2,981,720,801	24,632
1987		
City of Riverside.....	\$ 2,925,578	\$29,645
California.....	426,008,347	30,537
United States.....	3,202,847,131	25,888
1988		
City of Riverside.....	\$ 2,934,574	\$29,157
California.....	426,174,001	30,088
United States.....	3,064,005,977	24,488
1989		
City of Riverside.....	\$ 3,070,634	\$29,583
California.....	444,988,647	30,713
United States.....	3,287,489,252	25,976
1990		
City of Riverside.....	\$ 3,396,641	\$32,722
California.....	477,784,771	33,342
United States.....	3,499,365,237	27,912

Source: Survey of Buying Power, Sales and Marketing Management.

Between 1986 and 1990 the City's median household effective buying income grew 23.2%, compared to 18.1% growth for the State and 13.3% for the United States. The table above summarizes the total effective buying income and the median household effective buying income for the City, the State of California and the United States over the five-year period from 1986 to 1990.

Education

The City is included within the boundaries of the Riverside Unified School District and the Alvord Unified School District (which also serves the County area southwest of the City). These two districts include 44 elementary and

middle schools and eight high schools. There are also approximately 85 private or parochial schools for kindergarten through twelfth grade. Enrollment for the two public school districts is given below.

**CITY OF RIVERSIDE
PUBLIC SCHOOL ENROLLMENT
Fiscal Years 1986/87 Through 1990/91**

<u>Grades</u>	<u>1986/87</u>	<u>1987/88</u>	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>
K-8.....	26,650	30,006	29,973	32,010	35,596
9-12.....	<u>11,249</u>	<u>10,939</u>	<u>10,456</u>	<u>10,873</u>	<u>12,694</u>
Total.....	<u>37,899</u>	<u>40,945</u>	<u>40,429</u>	<u>42,883</u>	<u>48,290</u>

Source: Riverside Unified School District and Alvard Unified School District

Locally, higher education is available at four institutions: Riverside Community College, which served an enrollment of 20,191 in Fiscal Year 1990/91; University of California at Riverside, which had an enrollment of 8,458 in Fiscal Year 1990/91; California Baptist College, which had an enrollment of 621 in Fiscal Year 1990/91; and Loma Linda University at Riverside, which had an enrollment averaging 1,362 in Fiscal Year 1990/91. Also located in the City are the California School for the Deaf, which had an enrollment of 487 during the Fiscal Year 1990/91 and the Sherman Indian High School, a federally-run school, which had an enrollment of 450 during Fiscal Year 1990/91.

Employment

Annual employment information is unavailable separately for the City. The City is part of the MSA. The MSA's civilian labor force increased to an annual average of 1,059,400 in 1991 from the 1,018,500 average of 1990. The following table summarizes the labor force employment and unemployment figures over the past five years for the MSA, the State and the United States.

LABOR FORCE EMPLOYMENT AND UNEMPLOYMENT
Yearly Average for Calendar Years 1987 through 1991

<u>Year and Area</u>	<u>Civilian Labor force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
1987				
Riverside MSA	905,200	854,100	51,100	5.6%
California	13,747,000	12,955,000	792,000	5.8
United States	119,865,000	112,440,000	7,425,000	6.2
1988				
Riverside MSA	956,800	901,300	55,500	5.8
California	14,133,000	13,385,000	748,000	5.3
United States	121,669,000	114,968,000	6,701,000	5.5
1989				
Riverside MSA	1,018,500	960,100	58,500	5.7
California	14,520,500	13,780,000	737,000	5.1
United States	123,869,000	117,342,000	6,528,000	5.3
1990				
Riverside MSA	1,059,400	993,300	60,100	6.2
California	14,670,000	13,846,000	783,000	5.6
United States	124,787,000	117,914,000	6,874,000	5.5
1991 (September)				
Riverside MSA	1,106,400	1,005,800	100,600	9.1
California	15,006,000	13,853,000	1,153,000	7.7
United States	125,607,000	117,165,000	8,442,000	6.7

Source: California Employment Development Department.

The following table presents the distribution of persons in various wage and salary employment categories in the MSA as of June 1990 and June 1991.

**MONTHLY EMPLOYMENT COMPARISON
RIVERSIDE MSA
(In Thousands)**

<u>Industry</u>	<u>June 1990</u>	<u>June 1991</u>
Agriculture, Forestry, Fisheries.....	30.6	21.7
Mining.....	1.4	1.4
Construction.....	69.5	67.5
Manufacturing -- Durables.....	61.5	61.0
Manufacturing -- Nondurables.....	28.3	28.7
Transportation and Public Utilities.....	34.0	35.4
Trade -- Wholesale.....	28.8	32.4
Trade -- Retail.....	146.8	151.8
Finance, Insurance, Real Estate.....	30.2	32.6
Services.....	167.3	179.5
Government.....	<u>152.6</u>	<u>149.5</u>
Total.....	751.0	761.5

Source: California Employment Development Department.

Industry

There are more than 250 manufacturing firms in the City area. These diversified firms manufacture an array of products, including mobile homes and recreational vehicles, electronic components, aircraft and rocket motor assemblies. The table below lists the major manufacturing and nonmanufacturing employers in the City area, some of which are not located within the City itself but draw employees from among City residents.

**CITY OF RIVERSIDE AREA
MAJOR EMPLOYERS
As of 1990**

<u>Company Name</u>	<u>Business Type</u>	<u>No. of Employees</u>
Private Sector (250+ Employees)		
Alumax Mill Products Co.	Aluminum Sheet & Plate	340
Bear Medical Systems	Respirator Systems	470
Blue Banner Company	Citrus Packing	300
Bourns Companies	Instrument Products	720
Caddock Electronics, Inc.	Fixed Film Resistors	300
E.R. Carpenter Company, Inc.	Comfort Cushioning	500
Consolidated Freightways	Freight Shipping	600
Fleetwood Enterprises, Inc.	Mobile Homes/RV	1,900
Fort Howard Corp. (Lily Tulip)	Paper & Plastic Containers	370
Fred's Centre Brands, Inc.	Frozen Foods	900
Gordon's Cabinets	Wood Cabinets	500
Johnson Machinery Company	Caterpillar Products	310
Laidlaw Transit Inc.	Transportation	345
Luxfer, U.S.A. LTD	Aluminum Cylinders	250
Pacific Bell	Communications	850
Parkview Community Hospital	Health Care	900
Pepsi-Cola Co./West	Bottling	300
Press-Enterprise	Newspaper Publishing	925
Progressive Custom Wheels	Custom Wheel Mfg.	300
Riverside Community Hospital	Health Care	1,500
Riverside Medical Clinic	Health Care	530
Robertson's Ready Mix	Concrete/Sand/Gravel	320
Rohr Industries, Inc.	Aerospace Components	2,955
Royal Citrus Company	Citrus Packing (Seasonal)	800

Sweetheart Cup Co. Inc.	Paper/Plastic Containers	400
The Toro Company	Irrigation Products	830
Trailer Train, Calpro Division	Rail Car Repair	290
E.L. Yeager Construction Company	Heavy Eng. Contractor	650

Public Sector (250 + Employees)

Riverside County	County Government	11,840
University of Calif. Riverside	Higher Education	4,065
Riverside Unified School District	Public Schools	2,795
City of Riverside	City Government	2,400
Riverside General Hospital	Health Care	1,600
March Air Force Base	Civilian Employees	1,060
Alvord Unified School District	Public Schools	1,150
Loma Linda University	Higher Education	260
Riverside Community College	Higher Education	1,010
California School for the Deaf	Special Education	295

Source: The Economic Development Partnership, Inc.

Housing

As of January 1991 there were 80,893 housing units in the City, an increase of 27% since 1970. In 1970, about 79% of the City's total housing stock consisted of single family units, and approximately 60% of all housing units were owner-occupied. By 1991, about 66% of all dwelling units were single family, as the number of apartment units increased. The following table summarizes the changes in the City's housing stock since 1970.

**CITY OF RIVERSIDE
CHANGE IN HOUSING STOCK**

<u>Type</u>	April 1970	April 1980	January 1990	January 1991
Single family.....	36,277	45,770	52,523	54,255
2-4 Units.....	3,624	4,822	5,165	5,270
5 or more units.....	5,395	11,788	18,985	18,453
Mobile Homes.....	<u>632</u>	<u>1,348</u>	<u>1,894</u>	<u>2,915</u>
Total Units.....	<u>45,928</u>	<u>63,728</u>	<u>78,567</u>	<u>80,893</u>

Source: California State Department of Finance.

Construction Activity

The following table provides a summary of building permit valuations and the number of new dwelling units authorized in the City during the past five years.

**CITY OF RIVERSIDE
BUILDING PERMIT VALUATIONS
For Calendar Years 1987 through 1991**

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Valuation (in thousands)					
Residential.....	\$154,682	\$189,034	\$170,326	\$124,052	\$122,534
Nonresidential.....	<u>107,969</u>	<u>94,737</u>	<u>117,501</u>	<u>132,057</u>	<u>70,823</u>
Total.....	<u>\$262,651</u>	<u>\$283,771</u>	<u>\$287,827</u>	<u>\$256,109</u>	<u>\$193,357</u>
New Dwelling Units					
Single Family.....	1,130	1,438	1,827	647	683
Multiple Family.....	<u>395</u>	<u>148</u>	<u>408</u>	<u>575</u>	<u>57</u>
Total.....	<u>1,525</u>	<u>1,586</u>	<u>2,235</u>	<u>1,222</u>	<u>740</u>

Source: City of Riverside Planning Department, Building Division.

Retail Sales

The following table indicates growth of taxable transactions for the period 1986 through 1990 in the City by type of business.

**CITY OF RIVERSIDE
TAXABLE TRANSACTIONS
For Calendar Years 1986 through 1990
(In Thousands)**

	1986	1987	1988	1989	1990
Apparel stores.....	\$ 55,530	\$ 68,015	\$ 70,081	\$ 76,279	74,336
General merchandise stores.....	211,982	253,613	267,970	285,780	290,799
Drug stores.....	18,534	19,696	22,957	24,006	23,961
Food stores.....	121,013	102,840	102,332	111,129	118,372
Package liquor stores.....	13,296	17,297	15,823	15,821	15,115
Eating and drinking places.....	130,548	138,193	150,902	160,300	168,597
Home furnishings and appliances.....	71,570	82,436	96,753	99,425	100,821
Building materials and farm implements.....	169,871	192,092	226,289	262,315	227,512
Service stations.....	86,290	94,035	108,059	118,038	127,718
Other retail outlets.....	130,668	157,623	174,591	207,835	220,736
Automobile dealers and supplies.....	354,892	362,476	394,453	423,088	398,183
Total retail outlets.....	<u>\$1,364,194</u>	<u>\$1,488,310</u>	<u>\$1,630,210</u>	<u>\$1,784,016</u>	<u>\$1,776,150</u>
All other outlets.....	335,110	367,764	406,567	439,247	458,337
Total all outlets.....	<u>\$1,699,304</u>	<u>\$1,856,074</u>	<u>\$2,036,777</u>	<u>\$2,223,263</u>	<u>\$2,224,487</u>

Source: California State Board of Equalization.

Community Facility

Among the City's cultural institutions and activities are a convention center, a municipal art center, a museum, a library, an auditorium, the opera society and the symphony society. There are four major hospitals in the City - Parkview Community, Riverside Community, Kaiser Permanente and Riverside General - with a total bed capacity of 1,159.

Transportation

The City is served by or adjacent to a variety of land and air transportation facilities. Interstate bus service is available via Greyhound and Continental Trailways. Local bus service is provided by the Southern California Rapid Transit District and Riverside Transit Agency. Most major trucking firms serve the City in addition to numerous local carriers. Overnight delivery can be scheduled to San Francisco, Los Angeles, San Diego and Sacramento.

Freight rail service to the City is provided by three major transcontinental railroads: The Santa Fe, Southern Pacific and Union Pacific. Amtrak-operated passenger train service is available at San Bernardino, approximately 15 miles north of the City.

Scheduled air transportation is available from the Ontario International Airport, approximately 18 miles to the west. The City-operated Riverside Municipal Airport is a general aviation facility.

The City is served by the Riverside Freeway (State Route 91), which provides access to Orange County; Interstate 215 which connects the City to San Diego, San Bernardino and points beyond; and the Pomona Freeway (U.S. Highway 60), an east-west route.

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

Upon the issuance and sale of the Bonds, Brown, Diven & Hentschke, Bond Counsel, proposes to render its approving opinion with respect to the Bonds in substantially the following form.

City Council
City of Riverside

Re: \$4,416,947.15 City of Riverside, Sycamore
Canyon Business Park Assessment District
No. 1, 1915 Act Limited Obligation
Improvement Bonds, 1992 Series B

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the City of Riverside (the "City") of \$4,416,947.15 aggregate principal amount of its Sycamore Canyon Business Park Assessment District No. 1, 1915 Act Limited Obligation Improvement Bonds, 1992 Series B (the "Bonds"). The Bonds are issued pursuant to The Municipal Improvement Act of 1913, as amended, codified as Division 12 of the Streets and Highways Code of the State of California, and The Improvement Bond Act of 1915, as amended, codified as Division 10 of the Streets and Highways Code of the State of California (collectively, the "Acts"); the resolution adopted by the City on September 22, 1992 and a bond indenture, dated as of September 1, 1992 (the "Indenture"), between the City and Bank of America National Trust and Savings Association, as fiscal agent.

As Bond Counsel we have examined copies certified to us as being true and complete copies of the proceedings of the City for the authorization and issuance of the Bonds. Our services as Bond Counsel were limited to an examination of the transcript of such proceedings and to rendering the opinions set forth below. In this connection, we have also examined such certificates of public officials and officers of the City as we have considered necessary for the purposes of this opinion.

On the basis of the foregoing examination, and in reliance thereon, and of our consideration of such matters

of fact and questions of law as we deem relevant under the circumstances, we are of the opinion that:

1. The Bonds have been duly authorized and issued under the Resolution and the Indenture pursuant to the Acts and constitute legally valid and binding obligations of the City, payable from the payments of presently outstanding assessments levied upon those parcels of land within the Assessment District and other funds as set forth in the Indenture and pursuant to the Acts.

2. The Bonds are secured by valid and enforceable liens created pursuant to the Acts upon those parcels of land within the Assessment District.

3. The Indenture has been duly and validly authorized, executed and delivered by the City and the obligations of the City thereunder constitute legally valid and binding obligations enforceable against the City in accordance with their respective terms.

4. Under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, we are of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code and, therefore, interest on the Bonds is not a specific item of tax preference for purposes of the Code's alternative minimum tax provisions, except to the extent provided in the following sentence. Interest on the Bonds received by a corporation will be included in adjusted current earnings for purposes of computing its alternative minimum tax liability.

5. The interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

The opinions expressed in paragraphs 1, 2 and 3 above are qualified to the extent that enforcement of the obligations referred to in such paragraphs may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally. We express no opinion as to the availability of equitable remedies, and advise you that a California court may not strictly enforce certain covenants if it concludes that enforcement would be unreasonable under the circumstances.

In rendering the opinions in paragraphs 4 and 5, we are relying upon representations and covenants of the City in the Indenture and in the City's Tax and Nonarbitrage Certificate of even date herewith concerning the investment and use of Bond proceeds, the rebate to the federal government of certain earnings thereon and the use of the facilities financed with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the City will comply with such covenants. We express no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such City representations are untrue or the City fails to comply with such covenants. Further, we express no opinion as to, the tax-exempt status of interest on the Bonds in the event the City secures an opinion of nationally recognized bond counsel other than ourselves that the representations and covenants contained in the City's Tax and Nonarbitrage Certificate may be modified, that any action required thereunder is no longer required or that some further action is required. Except as stated above, we express no opinion as to any federal tax consequences of the ownership of, receipt of interest on, or disposition of, the Bonds.

No opinion is expressed herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds.

Respectfully submitted,

