

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

\$4,805,000

**COMMUNITY FACILITIES DISTRICT NO. 2015-2 (POMELO)
OF THE CITY OF RIVERSIDE
SPECIAL TAX BONDS, SERIES 2022A**

Dated: Delivery Date

Due: September 1, as shown on inside cover page

The Community Facilities District No. 2015-2 (Pomelo) of the City of Riverside, Special Tax Bonds, Series 2022A (the "Bonds") are being issued by Community Facilities District No. 2015-2 (Pomelo) of the City of Riverside (the "District") to: (i) finance certain public improvements needed with respect to the development of property located within the District, (ii) fund a reserve account for the Bonds; (iii) fund capitalized interest on a portion of the Bonds through September 1, 2022 and (iv) pay costs of issuance for the Bonds. The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the "Act"), and pursuant to a Bond Indenture, dated as of May 1, 2022 (the "Indenture"), by and between the District and U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

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

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described herein. Interest on the Bonds will be payable on each March 1 and September 1, commencing September 1, 2022. Principal of and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the Beneficial Owners of the Bonds.

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

The Bonds are subject to optional redemption, special mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth herein. See the caption "THE BONDS — Redemption."

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

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

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

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the City and the District by the City Attorney, and for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Disclosure Counsel, for the Underwriter by Kutak Rock LLP, Irvine, California, and for the Trustee by its counsel. It is anticipated that the Bonds in book-entry form will be available for delivery on or about May 26, 2022.

RAYMOND JAMES®

MATURITY SCHEDULE

\$4,805,000

**COMMUNITY FACILITIES DISTRICT NO. 2015-2 (POMELO)
OF THE CITY OF RIVERSIDE
SPECIAL TAX BONDS, SERIES 2022A**

BASE CUSIP® 769053

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.†</i>
2023	\$ 85,000	3.000%	2.500%	100.615	HE2
2024	90,000	3.000	2.850	100.323	HF9
2031	115,000	4.000	4.200	98.472	HN2
2032	115,000	4.125	4.350	98.147	HP7

\$185,000 3.250% Term Bonds due September 1, 2026 Yield: 3.500% Price: 99.014 CUSIP No.† HH5
\$195,000 3.500% Term Bonds due September 1, 2028 Yield: 3.800% Price: 98.337 CUSIP No.† HK8
\$215,000 4.000% Term Bonds due September 1, 2030 Yield: 4.100% Price: 99.299 CUSIP No.† HM4
\$245,000 4.250% Term Bonds due September 1, 2034 Yield: 4.450% Price: 98.119 CUSIP No.† HQ5
\$270,000 4.375% Term Bonds due September 1, 2036 Yield: 4.530% Price: 98.378 CUSIP No.† HR3
\$295,000 4.375% Term Bonds due September 1, 2038 Yield: 4.620% Price: 97.213 CUSIP No.† HL6
\$320,000 4.500% Term Bonds due September 1, 2040 Yield: 4.680% Price: 97.799 CUSIP No.† HS1
\$350,000 4.625% Term Bonds due September 1, 2042 Yield: 4.730% Price: 98.634 CUSIP No.† HU6
\$1,030,000 4.625% Term Bonds due September 1, 2047 Yield: 4.810% Price: 97.304 CUSIP No.† HV4
\$1,295,000 4.750% Term Bonds due September 1, 2052 Yield: 4.900% Price: 97.638 CUSIP No.† HT9

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriter or the District or their agents or counsel assume responsibility for the accuracy of such numbers.

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

CITY COUNCIL

Lock Dawson, *Mayor*
Erin Edwards, *Councilmember, Ward 1*
Clarissa Cervantes, *Councilmember, Ward 2*
Ronald Fierro, *Councilmember, Ward 3*
Chuck Conder, *Councilmember, Ward 4*
Gaby Plascencia, *Councilmember, Ward 5*
Jim Perry, *Councilmember, Ward 6*
Steve Hemenway, *Councilmember, Ward 7*

CITY STAFF

Al Zelinka, *City Manager*¹
Lea Deesing, *Assistant City Manager*²
Rafael Guzman, *Assistant City Manager*
Donesia Gause, *City Clerk*
Edward Enriquez, *Interim Assistant City Manager*²/*Chief Financial Officer/Treasurer*
Phaedra Norton, *City Attorney*

BOND AND DISCLOSURE COUNSEL

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

MUNICIPAL ADVISOR

CSG Advisors Incorporated
San Francisco, California

SPECIAL TAX CONSULTANT

Webb Municipal Finance, LLC
Riverside, California

APPRAISER

Kitty Siino & Associates, Inc.
Tustin, California

TRUSTEE

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

¹ On May 3, 2022, Al Zelinka was hired as the City Manager of the City of Huntington Beach. Mr. Zelinka will continue to serve as the City Manager of the City of Riverside until June 3, 2022.

² On April 29, 2022, Edward Enriquez was named an Interim Assistant City Manager and will assume the duties of Lea Deesing when she retires in late May 2022. Mr. Enriquez will retain the titles of Chief Financial Officer and Treasurer concurrent with his interim assignment.

Except where otherwise indicated, all information contained in this Official Statement has been provided by the City and the District. No dealer, broker, salesperson or other person has been authorized by the City, the District, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the District, the Trustee or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, the District or any other parties described herein since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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

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

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

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City of Riverside
Community Facilities District No. 2015-2
Pomelo by Meritage



Boundaries Approximate
Aerial flown by AirViews 12/17/21



\$4,805,000
COMMUNITY FACILITIES DISTRICT NO. 2015-2 (POMELO)
OF THE CITY OF RIVERSIDE
SPECIAL TAX BONDS, SERIES 2022A

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the table of contents and the attached appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by Community Facilities District No. 2015-2 (Pomelo) of the City of Riverside (the “District”) of its Special Tax Bonds, Series 2022A in the aggregate principal amount of \$4,805,000 (the “Bonds”). The proceeds of the Bonds will be used to: (i) finance certain public improvements needed with respect to the development of property located within the District; (ii) fund a reserve account for the Bonds; (iii) fund capitalized interest on a portion of the Bonds through September 1, 2022; and (iv) pay costs of issuance for the Bonds.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and a Bond Indenture, dated as of May 1, 2022 (the “Indenture”), by and between the District and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The Bonds are secured under the Indenture by a pledge of and lien upon Net Taxes (as such term is defined herein) and all moneys in the Special Tax Fund (other than the Administrative Expense Account therein) as described in the Indenture.

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

The District

General. The City of Riverside (the “City”) is located in the northwestern portion of the County of Riverside (the “County”), California (the “State”), four miles south of the 60 freeway and midway between the 91 freeway and Interstate 15. The District contains approximately 47.54 gross acres and is located in the northwestern portion of the City, along the south side of the Santa Ana River at Jurupa and Biscayne Avenues. The District consists of Tract Map No. 28987 and includes 108 single family detached homes in a project that has been marketed by Meritage Homes of California, Inc., a California corporation (“Meritage”) as “Pomelo.” As of December 15, 2021, as described in the Appraisal Report (defined below), within the District, there were 69 completed homes owned by individual homeowners. As of such date, Meritage owned 2 completed model homes, 14 completed homes (all of which were in escrow), 15 homes under construction (8 of which were in escrow) and 8 finished lots. As of April 1, 2022, there were 91 completed homes owned by individual homeowners and Meritage owned 2 completed model homes, 12 completed homes (11 of which were in escrow), and 3 finished lots.

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

Formation Proceedings. The District was formed on December 1, 2020 pursuant to the Act. The Act was enacted to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as defined in the Act) may establish a community facilities district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a community facilities district acts on behalf of

such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, on October 27, 2020, the City Council adopted Resolution No. 23635 (the “Resolution of Intention”), stating its intention to form the District and to authorize the levy of a special tax on the taxable property within the District, and Resolution No. 23636, stating its intention to incur bonded indebtedness in an aggregate principal amount not to exceed \$7,000,000 for the purpose of financing the design, construction and acquisition of certain public facilities to serve the area within the District.

Subsequent to a noticed public hearing on December 1, 2020, the City Council adopted Resolution Nos. 23650 and 23651 on December 1, 2020 (collectively the “Resolution of Formation”). The Resolution of Formation: (i) established the District; (ii) authorized the levy of a special tax (the “Special Tax”) within the District; (iii) determined the necessity to incur bonded indebtedness in an amount not to exceed \$7,000,000 within the District; and (iv) called an election within the District on the proposition of incurring bonded indebtedness, levying the Special Tax and setting an appropriations limit.

On December 1, 2020, an election was held within the District in which the property owners within the District approved the proposition authorizing the issuance of bonds in an amount not to exceed \$7,000,000 to finance the Facilities. A Notice of Special Tax Lien for the District was recorded in the office of the County Recorder on December 23, 2020, as Document No. 2020-0655435. On December 1, 2020, the City Council adopted Ordinance No. 7539 (the “Ordinance”) which authorizes the levy of a special tax pursuant to the Rate and Method of Apportionment approved at the December 1, 2020, election (the “Rate and Method”), a copy of which is attached hereto as Appendix A.

Sources of Payment for the Bonds

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

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

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

Foreclosure Proceeds. The District will covenant in the Indenture for the benefit of the owners of the Bonds and Parity Bonds that it will: (i) commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives

Special Taxes in an amount which is less than 95% of the total Special Tax levied; and (iii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement. See the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — Proceeds of Foreclosure Sales.” There is no assurance that the property within the District can be sold for the appraised or assessed values described herein, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current or future landowners within the District. See the caption “SPECIAL RISK FACTORS—Property Values.”

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

Appraisal Report

Kitty Siino & Associates, Inc. (the “Appraiser”) has conducted an Appraisal dated March 10, 2022 (the “Appraisal Report”) of certain land and existing improvements within the District to provide an estimate of the market value of the fee simple interest of such land and improvements. The Appraisal Report provides an estimate of the approximate market value of the “as-is” condition of the property in the District subject to the levy of Special Taxes, assuming that development of the property as currently planned will consist of 108 single-family detached residential units. Based on the assumptions and limiting conditions in the Appraisal Report, the Appraiser concluded that the minimum market value of all of the parcels within the District subject to the Special Tax was \$56,230,150 as of December 15, 2021 (the “Date of Value”). See Appendix D-1—“APPRAISAL REPORT.” Additionally, in a Supplement to Appraisal Report dated April 14, 2022, the value of the taxable property within the District is not less than the value concluded in the Appraisal Report. See Appendix D-2 — “SUPPLEMENT TO APPRAISAL REPORT.”

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

Description of the Bonds

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

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

The Bonds are subject to optional redemption, special mandatory redemption and mandatory sinking fund redemption prior to maturity as set forth herein. See the caption “THE BONDS — Redemption.” For a

more complete description of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see the caption “THE BONDS” and Appendix E — “SUMMARY OF THE INDENTURE.”

Tax Matters

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

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

Professionals Involved in the Offering

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

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

Continuing Disclosure

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

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

Parity Bonds for Refunding Purposes Only

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

affect the willingness of the landowners to pay the Special Taxes when due. See the captions “THE DISTRICT — Direct and Overlapping Debt” and “SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness.”

Bond Owners’ Risks

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

Other Information

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

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

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	Bonds
Principal Amount of Bonds	\$ 4,805,000.00
Less Original Issue Discount	(97,039.20)
Plus Funds on Hand	<u>68,062.68</u>
Total Sources	<u>\$ 4,776,023.48</u>
Uses of Funds:	
Acquisition and Construction Fund	\$ 4,125,756.81
Costs of Issuance Account ⁽¹⁾	170,000.00
Capitalized Interest Fund	68,929.64
Additional Special Tax Reserve Account	68,062.68
Reserve Account of the Special Tax Fund	299,212.50
Underwriter's Discount	<u>44,061.85</u>
Total Uses	<u>\$ 4,776,023.48</u>

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

THE BONDS

General Provisions

The Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing September 1, 2022 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof.

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

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

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

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

Debt Service Schedule

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

<i>Year Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Annual Debt Service</i>
2022	\$ --	\$ 55,654.17	\$ 55,654.17
2023	85,000	210,900.00	295,900.00
2024	90,000	208,350.00	298,350.00
2025	90,000	205,650.00	295,650.00
2026	95,000	202,725.00	297,725.00
2027	95,000	199,637.50	294,637.50
2028	100,000	196,312.50	296,312.50
2029	105,000	192,812.50	297,812.50
2030	110,000	188,612.50	298,612.50
2031	115,000	184,212.50	299,212.50
2032	115,000	179,612.50	294,612.50
2033	120,000	174,868.76	294,868.76
2034	125,000	169,768.76	294,768.76
2035	130,000	164,456.26	294,456.26
2036	140,000	158,768.76	298,768.76
2037	145,000	152,643.76	297,643.76
2038	150,000	146,300.00	296,300.00
2039	155,000	139,737.50	294,737.50
2040	165,000	132,762.50	297,762.50
2041	170,000	125,337.50	295,337.50
2042	180,000	117,475.00	297,475.00
2043	190,000	109,150.00	299,150.00
2044	195,000	100,362.50	295,362.50
2045	205,000	91,343.76	296,343.76
2046	215,000	81,862.50	296,862.50
2047	225,000	71,918.76	296,918.76
2048	235,000	61,512.50	296,512.50
2049	245,000	50,350.00	295,350.00
2050	260,000	38,712.50	298,712.50
2051	270,000	26,362.50	296,362.50
2052	<u>285,000</u>	<u>13,537.50</u>	<u>298,537.50</u>
Total	\$ 4,805,000	\$4,151,710.49	\$8,956,710.49

Source: Underwriter.

Redemption

Optional Redemption of the Bonds. The Bonds may be redeemed at the option of the District from any source of funds on any Interest Payment Date on or after September 1, 2029, in whole or in part, from such maturities as are selected by the District and by lot within a maturity, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

<i>Redemption Date</i>	<i>Redemption Price</i>
September 1, 2029 and March 1, 2030	103%
September 1, 2030 and March 1, 2031	102
September 1, 2031 and March 1, 2032	101
September 1, 2032 and any Interest Payment Date Thereafter	100

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

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2026 (the “2026 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 2025, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2026 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2026 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2026

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2025	\$ 90,000
2026 [†]	95,000

[†] Maturity.

The Bonds maturing on September 1, 2028 (the “2028 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 2027, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2028 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2028 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2028

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2027	\$ 95,000
2028 [†]	100,000

[†] Maturity.

The Bonds maturing on September 1, 2030 (the “2030 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 2029, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2030 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2030 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2030

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2029	\$ 105,000
2030 [†]	110,000

[†] Maturity.

The Bonds maturing on September 1, 2034 (the “2034 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 2033, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2034 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2034 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2034

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2033	\$ 120,000
2034 [†]	125,000

[†] Maturity.

The Bonds maturing on September 1, 2036 (the “2036 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 2035, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2036 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2036 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2036

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2035	\$ 130,000
2036 [†]	140,000

[†] Maturity.

The Bonds maturing on September 1, 2038 (the “2038 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 2037, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2038 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2038 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2038

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2037	\$ 145,000
2038 [†]	150,000

[†] Maturity.

The Bonds maturing on September 1, 2040 (the “2040 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 2039, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2040 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2040 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2040

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2039	\$ 155,000
2040 [†]	165,000

[†] Maturity.

The Bonds maturing on September 1, 2042 (the “2042 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 2041, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2042 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2042 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2042

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2041	\$ 170,000
2042 [†]	180,000

[†] Maturity.

The Bonds maturing on September 1, 2047 (the “2047 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 2043, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2047 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2047 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2047

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2043	\$ 190,000
2044	195,000
2045	205,000
2046	215,000
2047 [†]	225,000

[†] Maturity.

The Bonds maturing on September 1, 2052 (the “2052 Term Bonds”) will be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account established by the Indenture, on September 1, 2048, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 2052 Term Bonds so called for redemption will be selected by the Trustee by lot and will be redeemed at a redemption price for each redeemed 2052 Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Term Bonds Maturing September 1, 2052

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Sinking Payments</i>
2048	\$ 235,000
2049	245,000
2050	260,000
2051	270,000
2052 [†]	285,000

[†] Maturity.

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

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

Special Mandatory Redemption from Special Tax Prepayments. The Bonds are subject to special mandatory redemption as a whole or in part on a pro rata basis among maturities and by lot within a maturity, on any Interest Payment Date, and will be redeemed by the Trustee, from any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the

District made in accordance with the Rate and Method (the “Prepayments”) deposited to the Redemption Account pursuant to the Indenture, plus amounts transferred from the Reserve Account pursuant to the Indenture, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

<i>Redemption Date</i>	<i>Redemption Price</i>
Any Interest Payment Date from September 1, 2022 through March 1, 2030	103%
September 1, 2030 and March 1, 2031	102
September 1, 2031 and March 1, 2032	101
September 1, 2032 and any Interest Payment Date thereafter	100

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

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

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

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

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

that the Trustee determines are in the business of disseminating notice of redemption of obligations such as the Bonds.

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

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

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

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

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

Registration, Transfer and Exchange

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

Transfer or Exchange. Subject to the limitations set forth in the following paragraph, the registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for

cancellation at the Principal Office of the Trustee, accompanied by delivery of written instrument of transfer in a form acceptable to the Trustee and duly executed by the Owner or his or her duly authorized attorney.

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

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

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

The Special Taxes are the primary source of security for the repayment of the Bonds. Under the Indenture, the District has pledged to repay the Bonds from the Net Taxes (which are Special Tax revenues remaining after the payment of the annual Administrative Expenses in an amount not to exceed the Administrative Expenses Cap (as defined in the Indenture)) and from amounts held in the Special Tax Fund (other than amounts held in the Administrative Expense Account therein). Special Tax revenues include the proceeds of the annual Special Tax levy received by the District, including any scheduled payments and Prepayments thereof, and the net proceeds of the redemption of delinquent Special Taxes or sale of property sold as a result of foreclosure of the lien of delinquent Special Taxes to the amount of said lien, and penalties and interest thereon; provided that any delinquent Special Tax sold to an independent third-party or to the City for 100% of the delinquent amount shall no longer be pledged under the Indenture to the payment of the Bonds or Parity Bonds.

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

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

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the City established the District on December 1, 2020 for the purpose of financing of various public improvements required in connection with the proposed development within the District. At a special election held on December 1, 2020, the qualified electors within the District authorized the District to incur indebtedness in an amount not to exceed \$7,000,000 for the District and the levy of the Special Taxes on property within the District to repay such bonds and to finance the Facilities (as defined below). The qualified electors within the District also

voted to approve the Rate and Method which authorized the Special Tax to be levied to repay indebtedness of the District, including the Bonds.

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

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

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

Under the Rate and Method, commencing with Fiscal Year 2021-22, all Taxable Property in the District has and will continue to be classified as Developed Property (Residential, Multifamily Residential, or Non-Residential), Approved Property, Undeveloped Property, or Provisional Undeveloped Property and has and will continue to be subject to a Special Tax levy at the maximum rates described in Section C of the Rate and Method.

For purposes of the levy of Special Taxes to satisfy the Special Tax Requirement, a parcel will be classified as Developed Property if it is Taxable Property for which a building permit for residential dwelling units or non-residential construction was issued prior to March 1 of the Fiscal Year preceding the Special Tax levy. The Maximum Special Tax for each parcel of Developed Property will be the greater of (a) the applicable amount set forth in Table 1 of the Rate and Method (ranging from \$3,109 per parcel to \$3,504 per parcel for parcels classified as Residential Property, \$17,372 per acre for parcels classified as Multifamily Residential Property and \$17,372 per acre for parcels classified as Non- Residential Property), and (b) the applicable amount of "Backup Annual Special Tax."

The total amount of the Backup Annual Special Tax for all Assessor's Parcels classified or reasonably expected to be classified as Residential Property, in a Final Subdivision will be determined by multiplying the Maximum Special Tax A rate for Undeveloped Property by the total Acreage of Taxable Property, excluding the Provisional Undeveloped Property Acreage, Multifamily Residential Property, and/or Non-Residential Property Acreage if any, in such Final Subdivision and any Acreage reasonably expected to be classified as Exempt Property, and dividing such amount by the total number of such Assessor's Parcels of Residential Property.

The Backup Annual Special Tax A for Multifamily Residential Property and Non-Residential Property will be its Annual Assigned Special Tax A rate.

Notwithstanding the foregoing, if Assessor's Parcels which are classified or to be classified as Residential Property, Non-Residential, or Multifamily Property are subsequently changed by recordation of a lot line adjustment, Final Map amendment, new Final Map or similar instrument, then the Backup Annual Special Tax A will be recalculated within the area that has been changed to equal the amount of Backup Annual Special Tax A that would have been generated if such change did not take place.

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

Requirement” means, subject to the Maximum Special Tax A, the amount required in any Fiscal Year to pay: (1) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (2) Administrative Expenses (apportioned between Special Tax A and Special Tax B), (3) the costs associated with the release of funds from an escrow account, (4) any amount required to establish or replenish any reserve funds established in association with the Bonds, and (5) the collection or accumulation of funds for the acquisition or construction of facilities or payment of fees authorized by the District by the levy on Developed Property of the Assigned Annual Special Tax A, as required by the Acquisition Agreement provided that the inclusion of such amount does not cause an increase in the levy of Special Tax A on Approved Property or Undeveloped Property as set forth in Step Two and Three of Section F of the Rate and Method, less (6) any amount available to pay debt service or other periodic costs on the Bonds pursuant to any applicable fiscal agent agreement, or trust agreement.

The Special Tax will be levied first Proportionately on each Assessor’s Parcel of Developed Property at up to 100% of the applicable Assigned Annual Special Tax A in Table 1 of the Rate and Method to satisfy the Special Tax A Requirement. If additional moneys are needed to satisfy the Special Tax A Requirement after the first step has been completed, the Annual Special Tax A will be levied Proportionately on each Assessor’s Parcel of Approved Property at up to 100% of the applicable Assigned Annual Special Tax A to satisfy the Special Tax A Requirement. If additional moneys are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, the Annual Special Tax A will be levied Proportionately on each Assessor’s Parcel of Undeveloped Property up to 100% of the Assigned Annual Special Tax A for Undeveloped Property applicable to each such Assessor’s Parcel as needed to satisfy the Special Tax A Requirement. If additional moneys are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, then the Annual Special Tax A on each Assessor’s Parcel of Developed Property for which the Maximum Special Tax A is the Backup Annual Special Tax A will be increased Proportionately from the Assigned Annual Special Tax A up to 100% of the Backup Annual Special Tax A as needed to satisfy the Special Tax A Requirement. If additional moneys are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Annual Special Tax A will be levied Proportionately on each Assessor’s Parcel of Provisional Undeveloped Property up to 100% of the Assigned Annual Special Tax A applicable to each such Assessor’s Parcel as needed to satisfy the Special Tax A Requirement

Within the District, 108 parcels will be classified as Developed Property for the Fiscal Year 2022-23 Special Tax levy.

For Fiscal Year 2022-23, the Assigned Special Tax for Developed Property within the District that is classified as Residential Property will range from \$3,087 per taxable unit with a Residential Floor Area of less than 2,000 square feet to \$3,482 per taxable unit with a Residential Floor Area of greater than 2,900. For Fiscal Year 2022-23, the Assigned Special Tax for Non Residential Property will be \$17,258 per acre.

Annual Debt Service for the Bonds has been structured so that Developed Property levied at the Assigned Special Tax rate based on the development status within the District as of March 1, 2022 (which consisted of 108 parcels of Developed Property for the Fiscal Year 2022-23 Special Tax levy), assuming no delinquencies, will generate in each Fiscal Year not less than the Administrative Expenses Cap plus 110% of debt service payable with respect to the Bonds in the calendar year that begins in that Fiscal Year, assuming that Special Taxes are levied and collected on such Developed Property pursuant to the Rate and Method.

Table 1 below sets forth the Assigned Special Tax per unit of Developed Property, the projected Fiscal Year 2022-23 Special Tax levy and the percent of such levy based on land use type.

TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 2015-2 (POMELO)
OF THE CITY OF RIVERSIDE
ASSIGNED SPECIAL TAXES

<i>Land Use</i>	<i>Tax Class</i>	<i>Residential Floor Area</i>	<i>No. of Units</i>	<i>Assigned Special Tax Per Unit or Acre⁽¹⁾</i>	<i>Projected Fiscal Year 2022-23 Special Tax Per Unit</i>	<i>Total Projected Fiscal Year 2022-23 Special Tax Levy⁽²⁾</i>	<i>Percent of Total</i>
Residential Property	RES1	Less than 2,000 sq. ft.	23	\$ 3,087	\$2,876	\$ 66,152	20.30%
Residential Property	RES2	2,000 sq. ft. to 2,300 sq. ft.	0	3,182	0	0	0.00
Residential Property	RES3	2,301 sq. ft. to 2,600 sq. ft.	25	3,282	2,990	74,755	22.94
Residential Property	RES4	2,601 sq. ft. to 2,900 sq. ft.	29	3,382	3,023	87,672	26.90
Residential Property	RES5	Greater than 2,900 sq. ft.	31	3,482	3,139	97,322	29.86
Non Residential Property	NONRES	N/A	N/A	17,258	0	0	0.00
Total			108			\$ 325,900	100.00%

⁽¹⁾ Reflects the assigned Special Tax per acre for Non Residential Property.

⁽²⁾ Based upon the debt service requirement of the Bonds and includes the estimated Fiscal Year 2022-23 Administrative Expenses of \$30,000.
Source: Webb Municipal Finance, LLC.

The annual Special Tax obligation for an Assessor's Parcel may be prepaid in full, or in part, provided that the terms set forth under the Rate and Method are satisfied. The Prepayment Amount is calculated based on the sum of the Bond Redemption Amount, Redemption Premium, Future Facilities Amount, Defeasance Amount, Administrative Fees and Expenses, less the Reserve Fund Credit, all as specified in Section G of the Rate and Method attached as Appendix A. Prepayments of Special Taxes will be applied to effect an extraordinary redemption of Bonds and Parity Bonds. See "THE BONDS — Redemption — *Special Mandatory Redemption from Special Tax Prepayments.*"

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

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

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

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

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

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

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

Third, the District will covenant in the Indenture that, in the event that any initiative is adopted by the qualified electors within the District which purports to reduce the maximum Special Tax below the levels specified in the preceding paragraph or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, it will commence and pursue legal action in order to preserve its ability to comply with such covenants. The District can provide no assurance that any such legal action will be successful. See the caption "SPECIAL RISK FACTORS — Proposition 218."

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

See Appendix E under the caption "COVENANTS AND WARRANTY."

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

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

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Taxes levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a Superior Court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District will covenant

in the Indenture for the benefit of the owners of the Bonds and any Parity Bonds that it will: (i) commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied; and (iii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement.

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

If foreclosure is necessary and other funds (including amounts in the Reserve Account) have been exhausted, debt service payments on the Bonds could be delayed unless the foreclosure proceedings produce sufficient net foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the City and the District. See the caption “SPECIAL RISK FACTORS — Enforcement Delays – Bankruptcy.” Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the net proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See the caption “SPECIAL RISK FACTORS — Property Values.” Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the District or the City any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

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

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

- First: To the Administrative Expense Account in an amount up to the Administrative Expenses Cap.
- Second: To the Interest Account, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date is equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date. Moneys in the Interest Account will be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.
- Third: To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year, commencing September 1, 2022, is

equal the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.

- Fourth: To the Redemption Account, the amount needed to make the balance in the Redemption Account one Business Day prior to each September 1 on which a Sinking Fund Payment is due equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1 and thereafter, to pay the principal and premium, if any, due in connection with an optional redemption of Bonds or Parity Bonds.
- Fifth: To the Reserve Account of the Special Tax Fund to the extent necessary to replenish the Reserve Account to the Reserve Requirement.
- Sixth: To the Additional Special Tax Reserve Account of the Special Tax Fund to the extent necessary to replenish the Additional Special Tax Reserve Account to the Additional Special Tax Reserve Requirement
- Seventh: To the Administrative Expense Account of the Special Tax Fund the amount of any Administrative Expenses for the current Bond Year in excess of the Administrative Expenses Cap as directed by the City.
- Eighth: To the Rebate Fund established by the Indenture to the extent directed by the City pursuant to the Indenture.
- Ninth: To the Surplus Fund established by the Indenture such remaining amounts in the Special Tax Fund after making the foregoing transfers on September 1.

Reserve Account of the Special Tax Fund

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Account and thereafter to maintain in the Reserve Account an amount equal to the Reserve Requirement. "Reserve Requirement" is defined in the Indenture to mean, as of any date of calculation, the lesser of: (i) 10% of the initial principal amount of the Bonds and any Parity Bonds; (ii) the Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds; or (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds; provided, however, that the Reserve Requirement shall not exceed the initial Reserve Requirement except in connection with the issuance of Parity Bonds.

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

Additional Special Tax Reserve Account

On the Delivery Date of the Bonds, the District will deposit into the Additional Special Tax Reserve Account, from available Special Taxes, an amount equal to \$68,062.68. After the September 1, 2022 Interest Payment Date, the District will deposit into the Additional Special Tax Reserve Account any available Special Taxes to increase the amount therein to the Additional Special Tax Reserve Requirement. “Additional Special Tax Reserve Requirement” is defined in the Indenture to mean an amount equal to the lesser of (i) 50% of Maximum Annual Debt Service, or (ii) \$149,606.25. Subject to the Act and the Rates and Method, the District has covenanted to include in each annual Special Tax levy, any amount necessary to increase the amount on deposit in the Additional Special Tax Reserve Account to the Additional Special Tax Reserve Requirement.

The District expects approximately 90 percent of the Additional Special Tax Reserve Account to be funded at the time the Bonds are issued from collected special taxes. The remainder is expected to be funded from the first installment of collected Fiscal Year 2022-23 Special Taxes.

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

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

No Teeter Plan

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

Parity Bonds for Refunding Purposes Only

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

THE DISTRICT

General Description of the District

The District contains approximately 47.54 gross acres and is located in the northwestern portion of the City, along the south side of the Santa Ana River at Jurupa and Biscayne Avenues. The District consists of Tract Map No. 28987 and includes 108 single family detached homes in a project that has been marketed by Meritage as “Pomelo.” As of December 15, 2021, within the District, there were 69 completed homes owned

by individual homeowners. As of such date, Meritage owned 2 completed model homes, 14 completed homes (all of which were in escrow), 15 homes under construction (8 of which were in escrow) and 8 finished lots. As of April 1, 2022, there were 91 completed homes owned by individual homeowners and Meritage owned 2 completed model homes, 12 completed homes (11 of which were in escrow), and 3 finished lots.

All backbone and in-tract infrastructure relating to the development within the District is complete and all fees relating to such development have been paid.

Based on the number of building permits obtained for lots within the District as of March 1, 2022, 108 lots will be classified as Developed Property under the Rate and Method for the Fiscal Year 2022-23 Special Tax levy. See APPENDIX A — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

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

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

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

The Project

The Project includes the financing of the costs of construction of City facilities.

Assessed Value

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

Table 2 below sets forth historic assessed values within the District from Fiscal Years 2017-18 through 2021-22.

**TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 2015-2 (POMELO)
OF THE CITY OF RIVERSIDE
ASSESSED VALUATION HISTORY**

<i>Fiscal Year</i>	<i>Total Parcels</i>	<i>Parcels with Improvement Assessed Value</i>	<i>Land Assessed Value</i>	<i>Improvement Assessed Value</i>	<i>Total Assessed Valuation⁽¹⁾</i>	<i>Annual Percent Change</i>
2017-18	108	0	\$ 2,001,456	\$ 0	\$ 2,001,456	N/A
2018-19	108	0	2,041,416	0	2,041,416	2.00%
2019-20	108	0	2,082,240	0	2,082,240	2.00
2020-21	108	0	2,123,820	0	2,123,820	2.00
2021-22 ⁽²⁾	108	26	7,684,224	9,631,961	17,316,185	715.33

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

⁽²⁾ Fiscal Year 2021-22 is the first special tax levy for the District.

Sources: Webb Municipal Finance, LLC; County Assessor.

Appraisal Report

The estimated assessed value of the property within the District, as shown on the County's assessment roll for Fiscal Year 2021-22, is approximately \$17,316,185. However, as a result of the requirements of Article XIII A of the California Constitution, a property's assessed value is not necessarily indicative of its market value. In order to provide information with respect to the value of the property within the District subject to the levy of Special Taxes, the City engaged the Appraiser to prepare the Appraisal Report. The Appraiser has an "MAI" designation from the Appraisal Institute and has prepared numerous appraisals for the sale of land-secured municipal bonds. The Appraiser was selected by the City and has no material relationships with the City or the owners of the land within the District other than the relationship represented by the engagement to prepare the Appraisal Report. The City instructed the Appraiser to prepare its analysis and report in conformity with City-approved guidelines and the Appraisal Standards for Land Secured Financings published in 1994 and revised in 2004 by the California Debt and Investment Advisory Commission. A copy of the Appraisal Report is included as Appendix D-1— "APPRAISAL REPORT" to this Official Statement.

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

Additionally, in the Supplement to Appraisal Report, the Appraiser has concluded that, as of April 1, 2022, the value of the taxable property within the District is not less than the value concluded in the Appraisal Report. See Appendix D-2 — "SUPPLEMENT TO APPRAISAL REPORT."

Subject to the assumptions and limiting conditions set forth in the Appraisal Report, the Appraiser concluded that, as of the Date of Value (December 15, 2021), the minimum market value of the Taxable Property within the District was \$56,230,150.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in Appendix D-1. The City, the District and the Underwriter make no representation as to the accuracy of the Appraisal Report. See Appendix D-1 — "APPRAISAL REPORT." There is no assurance that the property within the District can be sold for the prices set forth in the Appraisal Report or that any parcel

can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by the landowner. See “SPECIAL RISK FACTORS — Property Values” and Appendix D-1 — “APPRAISAL REPORT.”

Estimated Value-to-Lien Ratio

The aggregate appraised value of property within the District \$56,230,150. Dividing the aggregate estimate of value by the principal amount of the Bonds results in value to lien ratio of 11.70-to-1 for the District. See “SPECIAL RISK FACTORS — Direct and Overlapping Indebtedness.” The assessed value of the property within the District is \$17,316,185 for Fiscal Year 2021-22. Dividing the assessed value by the principal amount of the Bonds results in an estimated assessed value-to-lien ratio of 3.60-to-1 for the District.

Table 3 below sets forth the appraised value-to-lien ratio of the 108 parcels of the Taxable Property within the District as of the Date of Value (December 15, 2021) based on the appraised values set forth in the Appraisal Report and the principal amount of the Bonds. As of April 1, 2022, Meritage had completed and conveyed 91 planned homes within the District to individual homeowners. Based on such ownership status, individual homeowners are expected to be responsible for approximately 84.26% of the projected Fiscal Year 2022-23 Special Tax levy.

TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 2015-2 (POMELO)
OF THE CITY OF RIVERSIDE
APPRAISED VALUE-TO-LIEN RATIOS BY PROPERTY OWNER

<i>Property Owner⁽¹⁾</i>	<i>Parcels</i>	<i>Assigned Special Tax</i>	<i>Percent of Assigned Special Tax</i>	<i>Projected Fiscal Year 2022-23 Special Tax Levy⁽²⁾</i>	<i>Percent of Projected Fiscal Year 2022-23 Special Tax Levy</i>	<i>Appraised Value</i>	<i>Allocation of Bonds⁽³⁾</i>	<i>Aggregate Value-to- Lien⁽⁴⁾</i>
Individual Homeowners	83	\$ 277,086	77.08%	\$ 251,209	77.08%	\$ 50,182,830	\$ 3,703,771	13.55:1
Meritage	<u>25</u>	<u>82,385</u>	<u>22.92</u>	<u>74,691</u>	<u>22.92</u>	<u>6,047,320</u>	<u>1,101,229</u>	<u>5.49:1</u>
Total	108	\$ 359,471	100.00%	\$ 325,900	100.00%	\$ 56,230,150	\$ 4,805,000	11.70:1

(1) Ownership status is based on information from the Developer as of February 23, 2022.

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

(3) Based on projected Fiscal Year 2022-23 Special Tax levy.

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

Source: Webb Municipal Finance, LLC.

TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 2015-2 (POMELO)
OF THE CITY OF RIVERSIDE
APPRAISED VALUE-TO-LIEN STRATIFICATION

<i>Appraised Value-to-Lien</i>	<i>No. of Parcels</i>	<i>Percent of Total Parcels</i>	<i>Projected Fiscal Year 2022-23 Special Tax Levy⁽⁴⁾</i>	<i>Percent of Fiscal Year 2022-23 Levy</i>	<i>Fiscal Year 2022-23 Assigned Special Tax</i>	<i>Percent of Total Assigned Special Tax</i>	<i>Appraised Value</i>	<i>Percent of Appraised Value</i>	<i>Allocation of Bonds⁽⁵⁾</i>	<i>Aggregate Value-to- Lien</i>
Less than 5.00:1 ⁽²⁾	16	14.81%	\$ 48,968	15.03%	\$ 54,012	15.03%	\$ 3,473,658	6.18%	\$ 721,971	4.81:1
5.00:1 to 9.99:1	7	6.48	19,591	6.01	21,609	6.01	1,519,725	2.70	288,845	5.26:1
Greater than 9.99:1 ⁽³⁾	<u>85</u>	<u>78.70</u>	<u>257,341</u>	<u>78.96</u>	<u>283,850</u>	<u>78.96</u>	<u>51,236,767</u>	<u>91.12</u>	<u>3,794,184</u>	<u>13.50:1</u>
Total	108	100.00%	\$ 325,900	100.00%	\$ 359,471	100.00%	\$ 56,230,150	100.00%	\$ 4,805,000	11.70:1

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

⁽²⁾ Minimum estimated appraised value-to-lien is 4.66:1.

⁽³⁾ Highest estimated appraised value-to-lien is 14.35:1

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

⁽⁵⁾ Based on projected Fiscal Year 2022-23 Special Tax levy.

Source: Webb Municipal Finance, LLC.

Direct and Overlapping Debt

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

TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 2015-2 (POMELO)
OF THE CITY OF RIVERSIDE
DIRECT AND OVERLAPPING DEBT

I. Appraised Value

Appraised Valuation ⁽¹⁾	\$56,230,150
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II. Land Secured Bond Indebtedness

<i>Outstanding Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable</i>	<i>Parcels</i>	<i>Amount Applicable</i>
CFD NO. 2015-2 POMELO	CFD	\$ 4,805,000	\$ 4,805,000 ⁽²⁾	100.00%	108	<u>\$ 4,805,000</u>
TOTAL OUTSTANDING LAND SECURED BONDED DEBT⁽³⁾						\$ 4,805,000

<i>Authorized and Unissued Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Authorized</i>	<i>Unissued</i>	<i>% Applicable</i>	<i>Parcels</i>	<i>Amount Applicable</i>
CFD NO. 2015-2 POMELO	CFD	\$ 7,000,000	\$ 0 ⁽⁴⁾	100.00%	108	<u>\$ 0</u>
TOTAL UNISSUED LAND SECURED INDEBTEDNESS⁽³⁾						\$ 0

TOTAL OUTSTANDING AND UNISSUED LAND SECURED INDEBTEDNESS	\$ 4,805,000
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III. General Obligation Bond Indebtedness

<i>Outstanding Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable⁽⁵⁾</i>	<i>Parcels</i>	<i>Amount Applicable</i>
City of Riverside (0.005430%)	GO	\$ 20,000,000	\$ 4,940,000	0.05%	108	\$ 2,555
Riverside Unified School B & I (0.095170%)	GO	241,327,031	150,178,756	0.18	108	269,440
Riverside Community College B & I (0.014760%)	GO	349,998,424	309,658,026	0.01	108	44,308
MWD West (0.00350%)	GO	850,000,000	26,830,000	0.00	108	<u>150</u>
TOTAL OUTSTANDING GENERAL OBLIGATION BONDED DEBT⁽³⁾						\$ 316,454

<i>Authorized and Unissued Direct and Overlapping Indebtedness</i>	<i>Type</i>	<i>Authorized</i>	<i>Unissued</i>	<i>% Applicable⁽⁵⁾</i>	<i>Parcels</i>	<i>Amount Applicable</i>
City of Riverside (0.005430%)	GO	\$ 20,000,000	\$ 0	0.05%	108	\$ 0
Riverside Unified School B & I (0.095170%)	GO	326,000,000	84,672,969	0.18	108	151,914
Riverside Community College B & I (0.014760%)	GO	350,000,000	1,576	0.01	108	0
MWD West (0.00350%)	GO	850,000,000	0	0.00	108	<u>0</u>
TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS⁽³⁾						\$ 151,915

TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS	\$ 468,368
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TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT	\$ 5,115,599
TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS	\$ 5,267,514

IV. Ratios to Appraised Valuation

Outstanding Land Secured Bonded Debt	11.70:1
Total Outstanding Bonded Debt	10.99:1

⁽¹⁾ Appraised value is per the Appraisal dated as of March 10, 2022.

⁽²⁾ Amount outstanding is equal to the initial principal amount of the Bonds.

⁽³⁾ Additional bonded debt or available bond authorization may exist but is not shown because a tax was not levied for Fiscal Year 2021-22.

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

⁽⁵⁾ Percentage applicable determined by Fiscal Year 2021-22 equalized roll assessed value information.

Source: Webb Municipal Finance, LLC.

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

Based on the appraised value of the property within the District set forth in the Appraisal Report, the projected debt service on the Bonds, and Administrative Expenses Cap of \$30,000, the City expects that, in Fiscal Year 2022-23, the projected effective tax rate levied on taxable property in the District, will be approximately 1.71% of average appraised value of the property within the District within each Land Use Type (as defined in the Rate and Method).

Table 6 below describes the estimated Fiscal Year 2022-23 effective tax burden for an average unit of property within the District based on the estimated Special Taxes levy and Fiscal Year 2021-22 actual levies for all other overlapping taxing jurisdictions.

TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 2015-2 (POMELO)
OF THE CITY OF RIVERSIDE
PROJECTED TAX OBLIGATION⁽¹⁾
FOR INDIVIDUALLY OWNED SAMPLE DEVELOPED PROPERTY

Average Home Value ⁽²⁾	\$ 629,571
<i>Ad Valorem</i> Property Taxes:	
Basic Levy (1.00000%)	\$ 6,295.71
City of Riverside (0.005070%)	31.92
Alvord Unified School District (0.144510%)	909.79
Riverside Community College B & I (0.014700%)	92.55
Metropolitan Water West (0.00350%)	<u>22.03</u>
Total General Property Taxes	\$ 7,352.00
Assessment, Special Taxes & Parcel Charges:	
District Facilities ⁽³⁾	\$ 3,028.00
District Services	312.00
Flood Control Stormwater/Cleanwater	3.74
CSA 152 - Riverside Stormwater	10.00
Riverside Lighting District	31.44
Riverside City Library Services	19.00
MWD Standby West	<u>9.22</u>
Total Assessment Charges	\$ 3,413.40
Average Total Property Tax	\$ 10,765.40
Average Effective Tax Rate	1.71%

⁽¹⁾ Average Fiscal Year 2022-23 tax rates based upon Fiscal Year 2021-22 overlapping taxes and assessment rates.

⁽²⁾ Average home value is based upon average appraised values for Developed Property conveyed to individual homeowners.

⁽³⁾ Reflects District average projected Fiscal Year 2022-23 Special Tax levy for parcels of Developed Property.

Source: Webb Municipal Finance, LLC.

Delinquency History

Fiscal Year 2021-22 was the first year in which Special Taxes were levied in the District. Table 7 sets forth the Special Tax for Fiscal Year 2021-22 within the District and delinquencies as of April 10, 2022.

TABLE 7
COMMUNITY FACILITIES DISTRICT NO. 2015-2 (POMELO)
OF THE CITY OF RIVERSIDE
SPECIAL TAX LEVIES, DELINQUENCIES, AND DELINQUENCY RATES
FISCAL YEAR 2021-22

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies Following Fiscal Year End</i>			<i>Delinquencies as of April 10, 2022</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2021-22 ⁽¹⁾	\$71,883.00	43	N/A	N/A	N/A	0	\$0.00	0.00%

⁽¹⁾ First year of District Special Tax levy.
Source: Webb Municipal Finance, LLC.

PROPERTY OWNERSHIP AND THE DEVELOPMENT

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

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

The Development

The District contains approximately 47.54 gross acres and is located in the northwestern portion of the City, along the south side of the Santa Ana River at Jurupa and Biscayne Avenues, approximately four miles south of the 60 freeway and midway between the 91 freeway and Interstate 15. The District consists of Tract Map No. 28987 and includes 108 single family detached homes in a project that has been marketed by Meritage as "Pomelo."

As of April 1, 2022, there were 91 completed homes owned by individual homeowners and Meritage owned 2 completed model homes, 12 completed homes (11 of which were in escrow), and 3 finished lots. A

summary of the product mix of the homes within the Pomelo project that were completed by Meritage, including square footage and average sales prices for each floor plan is set forth below:

<i>Plan</i>	<i>Number of Homes</i>	<i>Base Square Footage⁽¹⁾</i>	<i>Number of Bedrooms/Bathrooms</i>	<i>Base Sales Price⁽²⁾</i>
1	23	1,910	4/2	\$625,000
2	23	2,320	4/3	648,000
3	29	2,771	4/3	668,000
4	<u>33</u>	2,948	5/3	692,000
TOTAL:	108			

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

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

Source: Meritage.

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

All backbone and in-tract infrastructure relating to the development within the District is complete and all fees relating to such development have been paid.

Meritage

General. Meritage Homes of California, Inc., a California corporation (previously defined as “Meritage”) is a subsidiary of Meritage Homes Corporation (“Meritage Homes Corporation”), a Maryland corporation. Meritage Homes Corporation is a homebuilder focused primarily on high-growth regions of the western and southern United States. Meritage Homes Corporation operates as a holding company, has no independent assets or operations, and is traded on the New York Stock Exchange (“NYSE”) under the ticker symbol “MTH.” Homebuilding, construction, development and sales activities are conducted through subsidiaries. As of December 15, 2021, Meritage Homes Corporation was actively selling homes in three geographic regions: West (Arizona, California and Colorado), Central (Texas) and East (Florida, Georgia, North Carolina, South Carolina and Tennessee), with average home closing prices ranging from approximately \$326,900 (South Carolina) to \$609,800 (California).

Meritage Homes Corporation is subject to the informational reporting requirements of the Exchange Act, and in accordance therewith is obligated to file reports, proxy statements and other information with the SEC. Such filings set forth, among other things, certain data relative to the consolidated results of operations and financial position of Meritage Homes Corporation and its subsidiaries (e.g., see Meritage Homes Corporation’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021, as filed with the SEC on February 16, 2022 and Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021, as filed with the SEC on October 29, 2021) as of the dates described therein. The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including Meritage Homes Corporation. The address of such Internet website is www.sec.gov. All documents subsequently filed by Meritage Homes Corporation pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes. Copies of Meritage Homes Corporation’s annual report, quarterly reports and current reports, including any amendments, will be available from Meritage Homes Corporation’s website at www.meritagehomes.com.

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

Financing Plan. Through April 1, 2022, Meritage had spent approximately \$16,834,973 in acquiring its land in the District and approximately \$19,228,200 in site development costs, permits and impact fees, home construction costs, and other development, marketing and sales costs (exclusive of internal financing repayment, corporate overhead and other carry costs) related to its development within the District. Meritage expects to spend approximately \$838,267 in additional site development costs, permit and impact fees, home construction costs, and other development, marketing and sales costs (exclusive of corporate overhead and other carry costs) between April 1, 2022 and full build-out of the homes proposed to be constructed in the District.

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

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

If and to the extent that internal funding, including but not limited to home sales revenues are inadequate to pay the costs to complete the planned development by Meritage within the District and other financing by Meritage is not put into place, there could be a shortfall in the funds required to complete the planned development by Meritage or to pay ad valorem property taxes or Special Taxes related to Meritage's property in the District, and the remaining portions of Meritage's project in the District may not be completed. Many factors beyond Meritage's control, or a decision by Meritage to alter its current plans, may cause the actual sources and uses to differ from the projections. See "SPECIAL RISK FACTORS" herein for a discussion of risk factors.

Impacts of COVID-19 Pandemic

The development of Meritage's project in the District is subject to disruption due to the COVID-19 pandemic and related public health and governmental authorities' orders and actions. Public agencies serving the property and residents within the District have undergone varying degrees of closing and reopening of certain non-essential functions in response to COVID-19 concerns. Such public agencies may take additional precautionary measures or institute additional restrictions intended to limit the spread of COVID-19. Such actions may limit Meritage's ability to complete their planned development in the time period, within the cost estimates and at the sales prices described in this Official Statement.

As of April 1, 2022, Meritage has experienced increases in certain construction costs, supply chain delays, labor shortages, and increased cycle time for home deliveries. However, Meritage has not experienced any significant development delays resulting from work stoppages, reduced attendance of workers, or the ability to obtain necessary inspections and approvals for homes, which may be attributed, directly or indirectly, to the COVID-19 pandemic. While the cost increases and delays may have been and may continue to be intermittently affected by COVID-19, the majority of cost increases and delays can be attributable to production backlogs due to prior shutdowns or shelter in place orders, the strength of the housing market and the result of vendors not anticipating the scale of the demand for housing materials.

Although the recent cost increases and construction delays are not currently having a significant impact on the overall development of Meritage's project within the District, the impacts caused by the outbreak are evolving and no prediction can be made with respect to the ultimate effects of the COVID-19 outbreak and related public health and governmental authorities' orders and actions (including, without limitation, the scope of restrictions under any current or amended County or State of California orders), on Meritage's ability to continue to sell and close homes in the District.

SPECIAL RISK FACTORS

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

Risks of Real Estate Secured Investments Generally

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

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

Insufficiency of Special Tax Revenues

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

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

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

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

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Owners of the Bonds (if the Reserve Account and the Additional Special Tax Reserve Account have been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City on behalf of the District of the proceeds of sale. The District may adjust the future Special Tax levied on taxable parcels in the District, subject to limitations described above under the caption “THE DISTRICT—Rate and Method of Apportionment,” to provide an amount required to pay interest on and principal of the Bonds, and the amount, if any, necessary to replenish the Reserve Account to an amount equal to the Reserve Requirement and to replenish the Additional Special Tax Reserve Account to an amount equal to the Additional Special Tax Reserve Requirement, and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in the District will be at all times

sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the Maximum Special Tax rates. See “— Enforcement Delays – Bankruptcy.”

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

Prior to July 1, 1983, the right of redemption from foreclosure sales was limited to a period of one year from the date of sale. Under legislation effective July 1, 1983, the statutory right of redemption from such foreclosure sales has been repealed. However, a period of 20 days must elapse after the date on which the notice of levy of the interest in real property was served on the judgment debtor before the sale of such lot or parcel can be made. Furthermore, if the purchaser at the sale is the judgment creditor (e.g., the District), an action may be commenced by the delinquent property owner within 90 days after the date of sale to set aside such sale. The constitutionality of the aforementioned legislation, which repeals the one year redemption period, has not been tested and there can be no assurance that, if tested, such legislation will be upheld. (Section 701.680 of the Code of Civil Procedure of the State.)

Property Values

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

The Appraiser has estimated, on the basis of certain assumptions and limiting conditions contained in the Appraisal Report, that as of the Date of Value, the aggregate estimate of value of the property within the District was \$56,230,150. See “THE DISTRICT — Appraisal Report.” The Appraisal Report indicates the Appraiser’s opinion as to the market value of the properties referred to therein as of the date and under the conditions specified therein. The Appraiser’s opinion reflects conditions prevailing in the applicable market as of the Date of Value. The Appraiser’s opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

Prospective purchasers of the Bonds should not assume that the taxable land within the District could be sold for the appraised amount or for the assessed values at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value of the property within the District subject to the levy of Special Taxes, the Appraiser assumes that any sale will be unaffected by undue stimulus and will occur following a reasonable marketing period, which is not always present in a foreclosure sale. See Appendix D-1 for a description of other assumptions made by the Appraiser and for the definitions and limiting conditions used by the Appraiser. Any event which causes one of the Appraiser’s assumptions to be untrue could result in a reduction of the value of the taxable land and improvements within the District from the market value estimated by the Appraiser.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent

Special Taxes. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*”

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, flood, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, bridges and property within the District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. The property within the District is not located in an Alquist Priolo Earthquake Study Zone and is not located within one-half mile of an active earthquake fault. Additionally, the District is not located in a flood plain area.

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

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

Hazardous Substances

While government taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may also be relevant. One of the most serious in terms of the potential reduction in the value of a parcel is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Super Fund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of a parcel whether or not the owner (or operator) had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the District be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition.

Phase I, Phase II and Phase III Response Plan Implementation Reports were prepared by TRC of Irvine, California date June 2010, May 2014 and May 2018, respectively (the “Implementation Reports”). The Implementation Reports were in response to the need to remove and dispose of soils which contained primarily polychlorinated biphenyls (“PCBs”) that were a result of property within the District being used as a sewage treatment Plant from 1947 until 1965. The Implementation Reports state what activities (generally soil removals) were completed on the site in order to remove the PCBs over the three-phase process over the eight-year period. The Phase III Report recommends no further investigation or clean-up be required on the site.

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

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

Enforcement Delays – Bankruptcy

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

Furthermore, such legal proceedings could be further delayed by the impacts of COVID-19. See the caption “— COVID-19 (Coronavirus) Pandemic.”

FDIC/Federal Government Interests in Parcels

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

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

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the Ninth Circuit Court of Appeals issued a ruling

favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to parcels in which the FDIC has or obtains an interest, although prohibiting the lien of the FDIC to be foreclosed out at a judicial foreclosure sale would prevent or delay the foreclosure sale.

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

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

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

Direct and Overlapping Indebtedness

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

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

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

An owner of a taxable parcel is not personally obligated to pay Special Taxes. Rather, Special Taxes are an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is

not sufficient, taking into account other liens imposed by public agencies, to secure fully Special Taxes, the District has no recourse against the property owner.

No Acceleration Provision

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

Limited Obligations

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

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

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

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

Ballot Initiatives

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

Proposition 218

An initiative measure entitled "The Right to Vote on Taxes Act" ("Proposition 218") was approved by the voters at the November 5, 1996 statewide general election. Among other things, Proposition 218 added a new Article XIII C to the California Constitution which states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge."

The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. While the application of Proposition 218 in this context has not yet been interpreted by the courts and the matter is not completely free from doubt, it is not likely that Proposition 218 has conferred on the voters the power to effect a repeal or reduction of the Special Tax if the result thereof would be to impair the security of the Bonds.

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

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

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

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

the issuance of bonds on December 1, 2020. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, Bond Counsel is of the opinion that no successful challenge to the Special Tax being levied in accordance with the Rate and Method of Apportionment may now be brought.

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

Loss of Tax Exemption

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

No Ratings – Limited Secondary Market

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

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

Limitations on Remedies

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

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of creditor’s rights, by equitable principles and by the exercise of judicial discretion and by limitations on remedies against public agencies in the State of California. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Potential Early Redemption of Bonds from Prepayments or Other Sources

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

Indenture following the receipt of the Prepayment. The resulting special mandatory redemption of Bonds that were purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See the caption “THE BONDS—Redemption— Special Mandatory Redemption from Special Tax Prepayments.”

Cybersecurity

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

COVID-19 (Coronavirus) Pandemic

The spread of the novel strain of coronavirus called COVID-19 (“COVID-19”) is having significant negative impacts throughout the world, including in the City. Since mid-March 2020, based on guidance and directives from the State and public health agencies, the City and the State have undergone varying degrees of closure and limited reopening of public buildings and businesses. There have been confirmed cases of COVID-19 in the City, and confirmed cases of COVID-19 are growing throughout the State and health officials are expecting the number of confirmed cases to continue to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools. The U.S. is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to COVID-19 concerns.

In December 2020, two vaccines were approved for emergency use in the United States and vaccinations began in California. A third vaccine was approved for emergency use in February 2021. On June 15, 2021, California fully reopened its economy ending capacity limits, physical distancing and certain mask requirements for individuals who are fully vaccinated in accordance with guidance from the Centers for Disease Control and Prevention (the “CDC”). Masks are still required on public transportation, in hospitals and jails, in schools and in other child care centers pending updated guidance from the CDC. Public health measures currently remain for events with 5,000 or more people indoors or 10,000 attendees or more outdoors, with vaccine verification recommended. Certain public health measures, including but not limited to mask, testing and/or vaccination requirements, remain in certain business settings and for certain industries.

The City initially closed certain non-essential functions of the City, while City Hall remained opened, by appointment only, and the City’s Utilities Service Center remained open to the public to service City residents and businesses. The City’s Building Department remained opened and continued to issue building permits and inspect unoccupied dwellings for the lots within the City. Other City Departments that serve businesses and residents within the District telecommuted and/or continued in-person work schedules to meet the needs of the community. City offices have reopened in accordance with County Public Health Guidelines. Other public agencies serving the property and residents within the District may have taken similar actions in response to the COVID-19 pandemic, though the District and the City can provide no assurance regarding the actions of any other public agencies. Such actions may affect the Developer’s ability to complete its planned development within the District in the time periods and within cost estimates described in this Official Statement under “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

The COVID-19 pandemic is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impacts are uncertain. However, the impact of the COVID-19 outbreak could adversely impact development within the District, including, but not limited to, one or more of the following ways: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation, and other services and activities associated with real estate development; (iii) delays in construction where one or more members of the workforce becomes infected with COVID-19; (iv) continued extreme fluctuations in financial markets and contraction in available liquidity; (v) extensive job losses and declines in business activity across important sectors of the economy; (vi) declines in business and consumer confidence that negatively impact economic conditions or cause an economic recession; (vii) the failure of government measures to stabilize the financial sector and introduce fiscal stimulus to counteract the economic impact of the pandemic; (viii) delays in sales or fewer sales due to lower traffic at model home complexes and real estate offices; and (ix) delays in sales, or cancellations, due to mortgage lending issues. The ultimate adverse impact of COVID-19 on the District, the Developer's operations, finances and ability to complete their developments within the District as planned, homebuyers' willingness and ability to pay Special Taxes when due, and the real estate market in general is unknown. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT —Impact of COVID-19 Pandemic."

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate (the "Disclosure Agreement"), to be executed and delivered by the District at the time of issuance of the Bonds, the District will covenant for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District by April 1 following the end of the District's Fiscal Year (currently its Fiscal Year ends on June 30) (the "Annual Report"), commencing with the report for the Fiscal Year ended June 30, 2021, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with EMMA. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in Appendix F—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12.

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

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

its continuing disclosure filings and identify any deficiencies, whether material or otherwise, so that any required corrective action can be taken.

TAX MATTERS

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

The difference between the issue price of a 2022A Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the 2022A Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to an Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by an Owner will increase the Owner's basis in the applicable 2022A Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of the 2022A Bond is excluded from gross income of such Owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of the Bonds is exempt from State of California personal income tax.

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

The amount by which an Owner's original basis for determining loss on sale or exchange in the applicable 2022A Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Owner's basis in the applicable 2022A Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in an Owner realizing a taxable gain when a 2022A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2022A Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any 2022A Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply

with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

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

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

LEGAL OPINION

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

ABSENCE OF LITIGATION

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

NO RATING

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

UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$4,663,898.95 (being the aggregate principal amount thereof, less original issue discount of \$97,039.20, less an Underwriter's discount of \$44,061.85). The Bond Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter's compensation is contingent upon the successful issuance of the Bonds.

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

FINANCIAL INTERESTS

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

MUNICIPAL ADVISOR

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

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

MISCELLANEOUS

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

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

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

COMMUNITY FACILITIES DISTRICT NO. 2015-2
(POMELO) OF THE CITY OF RIVERSIDE

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

APPENDIX A

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2015-2 (POMELO) OF THE CITY OF RIVERSIDE

The following sets forth the Rate and Method of Apportionment for the levy and collection of Annual Special Tax A and Annual Special Tax B of Community Facilities District No. 2015-2 (Pomelo) of the City of Riverside ("CFD No. 2015-2"). An Annual Special Tax A and Annual Special Tax B shall be levied on and collected in CFD No. 2015-2 each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment described below. All real property within CFD No. 2015-2, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acquisition Agreement" means the Acquisition Agreement by and between the City and Friends of Riverside Airport, LLC, or such successor, as it may be amended.

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on the Assessor's Parcel Map, the land area as shown on the applicable Final Map, or if the land area is not shown on the applicable Final Map, the land area shall be calculated by the Administrator or City Engineer.

"Act" means the Mello-Roos Community Facilities Act of 1982 as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means any ordinary and necessary expenses allocable to the Special Tax A Requirement and to the Special Tax B Requirement which are incurred by the City on behalf of CFD No. 2015-2 related to the determination of the amount of the levy of Special Tax A and Special Tax B, the collection of Special Tax A and Special Tax B including the expenses of collecting delinquencies, the administration of Bonds, the payment of that portion of salaries and benefits of any City employees attributable to the administration of CFD No. 2015-2, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2015-2.

"Administrator" means an official of the City, or designee thereof, responsible for, among other things, determining the annual amount of the levy and collection of the Special Tax A and Special Tax B.

"Annual Special Tax A" means for each Assessor's Parcel, the Special Tax A actually levied in a given Fiscal Year on any Assessor's Parcel.

"Annual Special Tax B" means for each Assessor's Parcel, the Special Tax B actually levied in a given Fiscal Year on any Assessor's Parcel.

"Approved Property" means all Assessor's Parcels of Taxable Property other than Provisional Undeveloped Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax A is being levied, and (ii) that have not been issued a building permit on or before March 1st preceding the Fiscal Year in which the Special Tax A is being levied.

“Assessor’s Parcel” means a lot or parcel of land designated on an Assessor’s Parcel Map with an assigned Assessor’s Parcel Number within the boundaries of CFD No. 2015-2.

“Assessor’s Parcel Map” means an official map of the Assessor of the County designating parcels by Assessor’s Parcel Number.

“Assessor’s Parcel Number” means that number assigned to a lot or parcel of land by the County Assessor for purposes of identification.

“Assigned Annual Special Tax A” means the Special Tax A of that name described in Section D below.

“Backup Annual Special Tax A” means the Special Tax A of that name described in Section E below.

“Bonds” means those bonds or any other debt issued by or on behalf of CFD No. 2015-2, or any refunding thereof, to which Special Tax A within CFD No. 2015-2 has been pledged.

“Boundary Map” means a recorded map of the CFD No. 2015-2 which indicates the boundaries of CFD No. 2015-2.

“Building Square Footage” or **“BSF”** means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Assessor’s Parcel and subject to verification by the City.

“Calendar Year” means the period commencing January 1 of any year and ending the following December 31.

“CFD No. 2015-2” means Community Facilities District No. 2015-2 of the City of Riverside established by the City under the Act.

“City” means the City of Riverside, or its designee.

“City Council” means the City Council of the City of Riverside, acting as the legislative body of CFD No. 2015-2.

“Consumer Price Index” or **“CPI”** means the index published monthly by the U.S. Department of Labor, Bureau of Labor Statistics for all urban consumers in the Riverside-San Bernardino-Ontario area. In the event this index ceases to be published, the Consumer Price Index shall be another index as determined by the Administrator that is reasonably comparable to the Consumer Price Index for the Riverside-San Bernardino-Ontario area.

“County” means the County of Riverside.

“Developed Property” means all Assessor’s Parcels of Taxable Property other than Provisional Undeveloped Property that: (i) are included in a Final Map that was recorded prior to January 1st preceding the Fiscal Year in which Special Tax A or Special Tax B is being levied, and (ii) a building permit was issued on or before March 1st preceding the Fiscal Year in which the Special Tax A or Special Tax B is being levied.

“Exempt Property” means all Assessor’s Parcels designated as being exempt from both Special Tax A and Special Tax B as provided for in Section K.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) or

recordation of a condominium plan pursuant to California Civil Code 4285 that creates individual lots for which building permits may be issued without further subdivision.

“Fiscal Year” means the period commencing July 1 of any year and ending the following June 30.

“Land Use Type” means Residential Property, Multifamily Residential Property, or Non-Residential Property.

“Maximum Special Tax A” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax A, determined in accordance with Section C that can be levied in any given Fiscal Year on such Assessor’s Parcel.

“Maximum Special Tax B” means for each Assessor’s Parcel of Developed Property, the maximum amount of Special Tax B, determined in accordance with Section H that can be levied in any given Fiscal Year on such Assessor’s Parcel.

“Multifamily Residential Property” means all Assessor’s Parcels of Developed Property for which a Building Permit has been issued for the purpose of constructing a building or buildings comprised of attached dwelling units available for rental by the general public, not for sale to an end user, and under common management, as determined by the Administrator.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit was issued for any type of non-residential use.

“Partial Prepayment Amount” means the amount required to prepay a portion of the Special Tax A obligation for an Assessor’s Parcel, as described in Section G.

“Prepayment Amount” means the amount required to prepay the Special Tax A obligation in full for an Assessor’s Parcel, as described in Section G.

“Proportionately” means for Special Tax A that the ratio of the Annual Special Tax A levy to the applicable Assigned Annual Special Tax A is equal for all applicable Assessor’s Parcels. In the case of Special Tax B, means that the ratio of the Annual Special Tax B levy to the applicable Maximum Special Tax B is equal for all applicable Assessor’s Parcels. In case of Developed Property subject to the apportionment of the Annual Special Tax A under Step Four of Section F, “Proportionately” means that the quotient of (a) Annual Special Tax A less the Assigned Annual Special Tax A divided by (b) the Backup Annual Special Tax A less the Assigned Annual Special Tax A, is equal for all applicable Assessor’s Parcels.

“Provisional Undeveloped Property” means all Assessor’s Parcels of Taxable Property subject to Special Tax A that would otherwise be classified as Exempt Property pursuant to the provisions of Section K, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage set forth in Section K.

“Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units, which is not Multifamily Residential Property.

“Services” means services authorized to be funded by CFD No. 2015-2.

“Special Tax A” means any of the special taxes authorized to be levied on Taxable Property within CFD No. 2015-2 pursuant to the Act to fund the Special Tax A Requirement.

“Special Tax B” means the special tax authorized to be levied in each Fiscal Year on each Assessor’s Parcel of Developed Property to fund the Special Tax B Requirement.

“Special Tax A Requirement” means, subject to the Maximum Special Tax A, the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses (apportioned between Special Tax A and Special Tax B), (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, and (v) the collection or accumulation of funds for the acquisition or construction of facilities or payment of fees authorized by CFD No. 2015-2 by the levy on Developed Property of the Assigned Annual Special Tax A, as required by the Acquisition Agreement provided that the inclusion of such amount does not cause an increase in the levy of Special Tax A on Approved Property or Undeveloped Property as set forth in Step Two and Three of Section F, less (vi) any amount available to pay debt service or other periodic costs on the Bonds pursuant to any applicable fiscal agent agreement, or trust agreement.

“Special Tax B Requirement” means, subject to the Maximum Special Tax B, that amount to be collected in any Fiscal Year to pay for certain services as required to meet the needs of CFD No. 2015-2 in both the current Fiscal Year and the next Fiscal Year. The costs of services to be covered shall be the direct costs for (i) Services, and (ii) Administrative Expenses (apportioned between Special Tax A and Special Tax B); less (iii) a credit for funds available to reduce the Annual Special Tax B levy, if any, as determined by the Administrator. Under no circumstances shall the Special Tax B Requirement include funds for Bonds.

“Taxable Property” means all Assessor’s Parcels within CFD No. 2015-2, which are not Exempt Property.

“Undeveloped Property” means all Assessor’s Parcels of Taxable Property which are not Developed Property, Approved Property or Provisional Undeveloped Property.

“Unit” means any residential structure.

SECTION B CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2021-2022, each Assessor’s Parcel within CFD No. 2015-2 shall be classified as Taxable Property or Exempt Property. In addition, each Assessor’s Parcel of Taxable Property shall be further classified as Developed Property, Approved Property, Undeveloped Property, or Provisional Undeveloped Property. In addition, each Assessor’s Parcel of Developed Property shall further be classified as Residential Property, Multifamily Residential Property or Non-Residential Property.

SECTION C MAXIMUM SPECIAL TAX A

1. Developed Property

The Maximum Special Tax A for each Assessor’s Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property in any Fiscal Year shall be the greater of (i) the Assigned Annual Special Tax A or (ii) the Backup Annual Special Tax A.

2. Approved Property, Undeveloped Property, and Provisional Undeveloped Property

The Maximum Special Tax A for each Assessor’s Parcel classified as Approved Property, Undeveloped Property, or Provisional Undeveloped Property in any Fiscal Year shall be the Assigned Annual Special Tax A.

SECTION D
ASSIGNED ANNUAL SPECIAL TAX A

1. Developed Property

Each Fiscal Year, each Assessor's Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property shall be subject to an Assigned Annual Special Tax A.

The Assigned Annual Special Tax A applicable to an Assessor's Parcel of Developed Property shall be determined using the Tables below.

TABLE 1
ASSIGNED ANNUAL SPECIAL TAX A
FOR DEVELOPED PROPERTY

Land Use Type	Building Square Footage	Rate
Residential Property	Less than 2,000	\$3,109 per Unit
Residential Property	2,000 – 2,300	\$3,204 per Unit
Residential Property	2,301 – 2,600	\$3,304 per Unit
Residential Property	2,601 – 2,900	\$3,404 per Unit
Residential Property	Greater than 2,900	\$3,504 per Unit
Multifamily Residential Property	N/A	\$17,372 per Acre
Non-Residential Property	N/A	\$17,372 per Acre

2. Approved Property, Undeveloped Property and Provisional Undeveloped Property

Each Fiscal Year, each Assessor's Parcel of Approved Property, Undeveloped Property and Provisional Undeveloped Property shall be subject to an Assigned Annual Special Tax A. The Assigned Annual Special Tax A rate for an Assessor's Parcel classified as Approved Property, Undeveloped Property or Provisional Undeveloped Property shall be determined pursuant to Table 2 below:

TABLE 2
ASSIGNED ANNUAL SPECIAL TAX A
FOR APPROVED PROPERTY, UNDEVELOPED PROPERTY,
AND PROVISIONAL UNDEVELOPED PROPERTY

Rate
\$17,372 per Acre

SECTION E
BACKUP ANNUAL SPECIAL TAX A

At the time a Final Map is recorded, the Backup Annual Special Tax A for all Assessor's Parcels classified or reasonably expected to be classified as Residential Property within such Final Map area shall be determined by multiplying the Maximum Special Tax A rate for Undeveloped Property by the total Acreage of Taxable Property in such Final Map, excluding the Provisional Undeveloped Property Acreage, Multifamily Residential Property, and/or Non-Residential Property Acreage if any, in such Final Map and any Acreage reasonably expected to be classified as Exempt Property, and dividing such amount by the total number of such Assessor's Parcels of Residential Property.

The Backup Annual Special Tax A for Multifamily Residential Property and Non-Residential Property shall be its Annual Assigned Special Tax A rate.

Notwithstanding the foregoing, if Assessor's Parcels which are classified or to be classified as Residential Property, Non-Residential, or Multifamily Property are subsequently changed by recordation of a lot line adjustment, Final Map amendment, new Final Map or similar instrument, then the Backup Annual Special Tax A shall be recalculated within the area that has been changed to equal the amount of Backup Annual Special Tax A that would have been generated if such change did not take place.

SECTION F METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX A

Commencing Fiscal Year 2021-2022 and for each subsequent Fiscal Year, the City Council shall levy Annual Special Tax A in accordance with the following steps:

- Step One: The Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Annual Special Tax A in Table 1 to satisfy the Special Tax A Requirement.
- Step Two: If additional moneys are needed to satisfy the Special Tax A Requirement after the first step has been completed, the Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the applicable Assigned Annual Special Tax A to satisfy the Special Tax A Requirement.
- Step Three: If additional moneys are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, the Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Assigned Annual Special Tax A for Undeveloped Property applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.
- Step Four: If additional moneys are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, then the Annual Special Tax A on each Assessor's Parcel of Developed Property for which the Maximum Special Tax A is the Backup Annual Special Tax A shall be increased Proportionately from the Assigned Annual Special Tax A up to 100% of the Backup Annual Special Tax A as needed to satisfy the Special Tax A Requirement.
- Step Five: If additional moneys are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property up to 100% of the Assigned Annual Special Tax A applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.

SECTION G PREPAYMENT OF ANNUAL SPECIAL TAX A

The following definition applies to this Section G:

"CFD Public Facilities" means \$4,402,000, expressed in 2020 dollars, which shall increase by the Construction Inflation Index on July 1, 2021, and on each July 1 thereafter, or such lower number as (i) shall be determined by the Administrator as sufficient to provide the public facilities under the authorized bonding program, or (ii) shall be determined by the Board concurrently with a covenant that the CFD will not issue any more Bonds.

“Construction Fund” means, collectively, all accounts specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act and any accounts established prior to the issuance of Bonds for such purpose.

“Construction Inflation Index” means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

“Future Facilities Costs” means the CFD Public Facilities minus (i) Bond proceeds deposited in the Construction Fund and (ii) other amounts (special taxes, interest earnings, etc.) allocated to the Construction Fund that were available to fund such CFD Public Facilities prior to the date of prepayment.

“Outstanding Bonds” means all previously issued Bonds, which will remain outstanding after the payment of principal from the amount of Special Taxes that have been levied, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Taxes.

1. Prepayment in Full

The Special Tax obligation may be prepaid and permanently satisfied for (i) Parcels of Developed Property, (ii) Parcels of Approved Property, Undeveloped Property or Provisional Undeveloped Property for which a Building Permit has been issued, (iii) Parcels of Approved Property, Undeveloped Property or Provisional Undeveloped Property for which a Building Permit has not been issued, and (iv) Parcels of Public Property or Property Owners’ Association Property that are not Exempt Property pursuant to Section K. The Special Tax obligation applicable to a Parcel may be fully prepaid and the obligation to pay the Special Tax for such Parcel permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Special Tax obligation for such Parcel shall provide the Administrator with written notice of intent to prepay, and within 5 business days of receipt of such notice, the Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the Prepayment Amount (as defined below) for the Parcel. Within 15 days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Prepayment Amount for the Parcel. Prepayment must be made not less than 60 days prior to the redemption date for any Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount shall be calculated as follows (capitalized terms are defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
Equals:	Prepayment Amount

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

1. Confirm that no Special Tax delinquencies apply to such Parcel.
2. For a Parcel of Developed Property, compute the Maximum Special Tax for the Parcel. For a Parcel of Approved Property or Undeveloped Property for which a Building Permit has been issued, compute the

Maximum Special Tax for the Parcel as though it was already designated as Developed Property, based upon the Building Permit which has been issued for the Parcel. For a Parcel of Approved Property or Undeveloped Property for which a Building Permit has not been issued, Public Property or Property Owners' Association Property to be prepaid, compute the Maximum Special Tax for the Parcel.

3. Divide the Maximum Special Tax derived pursuant to paragraph 2 by the total amount of Special Taxes that could be levied at build out of all Parcels of Taxable Property based on the applicable Maximum Special Tax for all such Parcels of Taxable Property not including any Parcels for which the Special Tax obligation has been previously prepaid.

4. Multiply the quotient derived pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to determine the amount of Outstanding Bonds to be redeemed with the Prepayment Amount (the "Bond Redemption Amount").

5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").

6. Determine the Future Facilities Costs.

7. Multiply the quotient derived pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the portion of the Future Facilities Costs applicable to the Parcel (the "Future Facilities Amount").

8. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds on which Bonds can be redeemed from Special Tax prepayments.

9. Determine the Special Taxes levied on the Parcel in the current Fiscal Year which have not yet been paid.

10. Determine the amount the Administrator reasonably expects to derive from the investment of the Bond Redemption Amount and the Redemption Premium from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.

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

12. Verify the administrative fees and expenses of the CFD, including the cost of computation of the Prepayment Amount, the cost to invest the Prepayment Amount, the cost of redeeming the Outstanding Bonds, and the cost of recording notices to evidence the prepayment of the Special Tax obligation for the Parcel and the redemption of Outstanding Bonds (the "Administrative Fees and Expenses").

13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.

14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit.

15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Construction Fund. The Administrative Fees and Expenses shall be retained by the CFD.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such event, the increment above \$5,000, or an integral multiple thereof, will be retained in the appropriate fund established under the Indenture to be used with the next redemption from other Special Tax prepayments of Outstanding Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined pursuant to paragraph 9 above, the Administrator shall remove the current Fiscal Year's Special Tax levy for the Parcel from the County tax roll. With respect to any Parcel for which the Special Tax obligation is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax obligation and the release of the Special Tax lien for the Parcel, and the obligation to pay the Special Tax for such Parcel shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on all Parcels of Taxable Property after the proposed prepayment will be at least 1.1 times maximum annual debt service on the Bonds that will remain outstanding after the prepayment plus the estimated annual Administrative Expenses.

Tenders of Bonds in prepayment of the Special Tax obligation may be accepted upon the terms and conditions established by the Board pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Board.

2. Prepayment in Part

The Special Tax obligation for a Parcel of Developed Property, Approved Property or Undeveloped Property may be partially prepaid. For purposes of determining the partial prepayment amount, the provisions of Section G.1 shall be modified as provided by the following formula:

$$PP = ((P_E - A) \times F) + A$$

These terms have the following meaning:

PP = Partial Prepayment

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

F = the percent by which the owner of the Parcel(s) is partially prepaying the Special Tax obligation

A = the Administrative Fees and Expenses determined pursuant to Section G.1

The owner of a Parcel who desires to partially prepay the Special Tax obligation for the Parcel shall notify the Administrator of (i) such owner's intent to partially prepay the Special Tax obligation, (ii) the percentage of the Special Tax obligation such owner wishes to prepay, and (iii) the company or agency that will be acting as the escrow agent, if any. Within 5 days of receipt of such notice, the Administrator shall notify such property owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the amount of a partial prepayment. Within 15 business days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the amount of the Partial Prepayment for the Parcel. A Partial Prepayment must be made not less than 60 days prior to the redemption date for the Outstanding Bonds to be redeemed with the proceeds of the Partial Prepayment.

With respect to any Parcel for which the Special Tax obligation is partially prepaid, the Administrator shall (i) distribute the Partial Prepayment as provided in Paragraph 15 of Section G.1, and (ii) indicate in the records of the CFD that there has been a Partial Prepayment for the Parcel and that a portion of the Special Tax obligation equal to the remaining percentage (1.00 - F) of the Special Tax obligation will continue on the Parcel pursuant to Section F.

SECTION H MAXIMUM SPECIAL TAX B

1. Developed Property

Maximum Special Tax B

The Maximum Special Tax B for each Assessor's Parcel of Developed Property for each Land Use Type is shown in the Table below.

TABLE 3
MAXIMUM SPECIAL TAX B
FOR DEVELOPED PROPERTY

Land Use Type	Rate
Residential Property	\$290 per Unit
Multifamily Residential Property	\$1,468 per Acre
Non-Residential Property	\$1,468 per Acre

On each July 1, commencing July 1, 2021, the Maximum Special Tax B for Developed Property for the prior Fiscal Year shall be increased by the greater of (i) an amount equal to the percentage change increase in the Consumer Price Index for the twelve month period ending in March of the prior Fiscal Year or (ii) three percent (3%).

2. Approved Property, Undeveloped Property and Provisional Undeveloped Property

No Special Tax B shall be levied on Approved Property, Undeveloped Property and Provisional Undeveloped Property.

3. Method of Apportionment of the Maximum Special Tax B

Commencing with Fiscal Year 2021-2022 and for each following Fiscal Year, the City shall levy the Special Tax B at up to 100% of the applicable Maximum Special Tax B, Proportionately on each Assessor's Parcel of Developed Property until the amount of Special Tax B equals the Special Tax B Requirement.

SECTION I PREPAYMENT OF ANNUAL SPECIAL TAX B

Special Tax B cannot be prepaid.

SECTION J TERM OF SPECIAL TAX A AND SPECIAL TAX B

Special Tax A shall be levied pursuant to this Rate and Method of Apportionment not later than the 2064-2065 Fiscal Year.

Special Tax B shall be levied as long as it is needed to meet the Special Tax B Requirement, as determined at the sole discretion of the City Council.

SECTION K EXEMPT PROPERTY

The City shall classify as Exempt Property (i) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by the State of California, Federal or other local governments, including school districts, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, or (vi) other types of public uses determined by the City Council.

Notwithstanding the foregoing, the City Council for purposes of levying the Special Tax A shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than the Acreage amounts listed in Table 4 below. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than the Acreage amounts listed in Table 4 will be classified as Provisional Undeveloped Property, and will be subject to the levy of Special Tax A pursuant to Step Five in Section F.

TABLE 4
MINIMUM TAXABLE ACRES

Acres
21.34

SECTION L APPEALS AND INTERPRETATIONS

Any property owner claiming that the amount or application of the Special Tax A or Special Tax B is not correct may file a written notice of appeal with the City Council not later than twelve months after having paid the first installment of the Special Tax A or Special Tax B that is disputed. A representative(s) of CFD No. 2015-2 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax A or Special Tax B, and rule on the appeal. If the representative's decision requires that the Special Tax A or Special Tax B for an Assessor's Parcel be modified or changed in favor of the property owner, the representative shall take any of the following actions, in order of priority, to correct the error:

- (i) if possible, amend the Special Tax levy on the property owner's Assessor's Parcel(s) for the current Fiscal Year prior to the payment date;
- (ii) require CFD No. 2015-2 to reimburse the property owner for the amount of the overpayment to the extent of available CFD No. 2015-2 funds; or
- (iii) grant a credit against, eliminate or reduce the future Special Taxes on the property owner's Assessor's Parcel(s) in the amount of the overpayment.

The City Council may interpret this Rate and Method of Apportionment of Special Tax for purposes of clarifying any ambiguity and make determinations relative to the amount of Administrative Expenses.

SECTION M
MANNER OF COLLECTION

The Annual Special Tax A or Annual Special Tax B shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2015-2 may collect Annual Special Tax A and Annual Special Tax B at a different time or in a different manner if necessary to meet its financial obligations.

APPENDIX B

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION

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

General

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

Population

The following table offers population figures for the City, the County and the State for 2017 through 2021.

<i>Area</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
City of Riverside	323,934	326,270	328,101	328,766	324,302
County of Riverside	2,384,660	2,412,536	2,440,124	2,440,719	2,454,453
State of California	39,504,609	39,740,508	39,927,315	39,648,938	39,466,855

Source: California State Department of Finance, Demographic Research Unit. 2020 Census Benchmark.

Building Activity

The following tables provide summaries of the building permit valuations and the number of new dwelling units authorized in the City and County from 2016 through 2020.

BUILDING PERMIT VALUATIONS

City of Riverside 2016-2020

	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
Valuation (\$000):					
Residential	\$80,222	\$120,080	\$109,885	\$105,264	\$102,988
Non-residential	<u>148,267</u>	<u>162,195</u>	<u>173,305</u>	<u>131,813</u>	<u>72,251</u>
Total*	\$228,489	\$282,275	\$283,190	\$237,077	\$175,239
Residential Units:					
Single family	219	172	171	163	271
Multiple family	<u>254</u>	<u>535</u>	<u>504</u>	<u>328</u>	<u>214</u>
Total	473	707	675	491	675

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

BUILDING PERMIT VALUATIONS
County of Riverside
2016-2020

	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
Valuation (\$000):					
Residential	\$1,759,535	\$1,794,108	\$2,558,081	\$2,275,405	\$2,519,303
Non-residential	<u>1,346,019</u>	<u>1,093,090</u>	<u>1,959,680</u>	<u>1,285,856</u>	<u>1,153,778</u>
Total*	<u>\$1,433,691</u>	<u>\$1,903,417</u>	<u>\$4,517,761</u>	<u>\$3,561,261</u>	<u>\$3,673,081</u>
Residential Units:					
Single family	5,662	6,265	7,540	6,563	8,443
Multiple family	<u>1,039</u>	<u>1,070</u>	<u>1,628</u>	<u>1,798</u>	<u>723</u>
Total	<u>6,701</u>	<u>7,335</u>	<u>9,168</u>	<u>8,361</u>	<u>9,166</u>

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

Employment

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

LARGEST EMPLOYERS
City of Riverside
(As of June 30, 2021)

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	County of Riverside	22,000	Government
2.	University of California	8,735	Education
3.	March Air Force Reserve	7,000	Government
4.	Kaiser	4,346	Medical and Health
5.	Riverside Unified School District	4,313	Education
6.	City of Riverside	2,485	Government
7.	Riverside Community Hospital	2,200	Medical Center
8.	Riverside Community College District	2,100	Education
9.	Alvord Unified School District	1,898	Education
10.	California Baptist University	1,442	Education

Source: City of Riverside Annual Comprehensive Financial Report for the year ending June 30, 2021.

LARGEST EMPLOYERS
County of Riverside
(As of June 30, 2021)

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	County of Riverside	22,952	County Government
2.	Amazon	10,500	Online Retailer
3.	March Air Reserve Base	9,600	Military Reserve Base
4.	University of California-Riverside	8,909	University
5.	Stater Brothers Markets	8,304	Grocery Store
6.	Moreno Valley Unified School District	6,250	School District
7.	Kaiser Permanente Riverside Medical Center	5,780	Medical Center
8.	Corona-Norco Unified School District	5,478	School District
9.	Hemet Unified School District	4,460	School District
10.	Ross Dress for Less	4,313	Retail

Source: County of Riverside Comprehensive Annual Financial Report for the year ending June 30, 2021.

Employment and Industry

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

The following table represents the Annual Average Labor Force and Industry Employment for the County for the period from 2017 through 2021.

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

	2017	2018	2019	2020	2021
Civilian Labor Force	2,012,900	2,045,000	2,074,500	2,088,600	2,118,200
Civilian Employment	1,909,500	1,956,800	1,989,700	1,880,500	1,961,800
Civilian Unemployment	103,400	88,200	84,800	208,100	156,400
Civilian Unemployment Rate	5.1%	4.3%	4.1%	10.0%	7.4%
 Total Farm	14,500	14,500	15,400	14,100	13,900
Total Nonfarm	1,453,300	1,506,600	1,552,800	1,495,200	1,569,100
Total Private	1,202,300	1,249,400	1,291,600	1,247,200	1,325,400
Goods Producing	196,400	206,100	208,900	201,300	205,400
Mining & Logging	1,000	1,200	1,200	1,300	1,400
Construction	97,400	105,200	107,200	104,900	109,200
Manufacturing	98,000	99,800	100,600	95,100	94,800
Service Providing	1,256,900	1,300,500	1,343,800	1,293,900	1,363,700
Trade, Transportation & Utilities	363,900	379,400	395,100	406,900	443,100
Wholesale Trade	63,100	66,100	67,700	65,600	67,000
Retail Trade	180,900	181,200	180,700	168,800	177,600
Transportation, Warehousing & Utilities	119,900	132,100	146,600	172,500	198,600
Information	11,600	11,400	11,500	9,400	9,600
Financial Activities	44,700	44,600	45,000	44,100	44,900
Professional & Business Services	147,300	152,000	158,700	155,400	167,300
Educational & Health Services	226,700	239,500	250,300	248,700	253,300
Leisure & Hospitality	166,300	170,600	175,900	141,300	158,900
Other Services	45,400	45,800	46,200	40,200	43,000
Government	<u>251,000</u>	<u>257,200</u>	<u>261,200</u>	<u>248,000</u>	<u>243,600</u>
Total, All Industries	1,467,800	1,521,100	1,568,100	1,509,300	1,583,000

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

Source: State of California, Employment Development Department, March 2021 Benchmark.

The following table summarizes the labor force, employment and unemployment figures for the period from 2017 through 2021 for the City, the County, the State and the nation as a whole.

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

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment⁽²⁾</i>	<i>Unemployment⁽³⁾</i>	<i>Unemployment Rate (%)</i>
2017				
City of Riverside	151,300	144,200	7,100	4.7%
County of Riverside	1,073,400	1,017,100	56,300	5.2
State of California	19,205,300	18,285,500	919,800	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
2018				
City of Riverside	154,000	148,100	5,900	3.8%
County of Riverside	1,092,400	1,044,600	47,800	4.4
State of California	19,398,200	18,582,800	815,400	4.2
United States	162,075,000	155,761,000	6,314,000	3.9
2019				
City of Riverside	151,300	144,200	7,100	4.7%
County of Riverside	1,104,000	1,057,900	46,100	4.2
State of California	19,353,700	18,550,500	803,200	4.2
United States	163,539,000	157,538,000	6,001,000	3.7
2020				
City of Riverside	154,200	140,300	13,900	9.0%
County of Riverside	1,107,700	997,700	110,000	9.9
State of California	18,821,200	16,913,100	1,908,100	10.1
United States	160,472,000	147,795,000	12,947,000	8.1
2021				
City of Riverside	156,300	145,800	10,500	6.7%
County of Riverside	1,129,600	1,046,700	82,800	7.3
State of California	18,923,200	17,541,900	1,381,200	7.3
United States	161,204,000	152,581,000	8,623,000	5.3

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

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

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

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. 2021 Benchmark.

Personal Income

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

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

Total personal income in Riverside County increased by 71.0% between 2008 and 2020. The following tables summarize personal income for Riverside County for 2008 through 2020.

PERSONAL INCOME
Riverside County
2008-2020
(Dollars in Thousands)

<i>Year</i>	<i>Riverside County</i>	<i>Annual Percent Change</i>
2008	\$66,718,107	--%
2009	65,363,159	(2.0)
2010	67,585,240	3.4
2011	71,936,625	6.4
2012	74,050,799	2.9
2013	76,519,738	3.3
2014	80,776,153	5.6
2015	86,196,663	6.7
2016	90,713,807	5.2
2017	94,542,096	4.2
2018	99,266,122	5.0
2019	104,794,676	5.6
2020	114,090,413	8.8

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

The following table summarizes per capita personal income for Riverside County, California and the United States for 2008-2020. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME
Riverside County, State of California and the United States
2008-2020

<i>Year</i>	<i>Riverside County</i>	<i>California</i>	<i>United States</i>
2008	\$31,624	\$43,890	\$40,904
2009	30,448	42,044	39,284
2010	30,699	43,636	40,547
2011	32,200	46,175	42,739
2012	32,748	48,813	44,605
2013	33,462	49,303	44,860
2014	34,875	52,363	47,071
2015	36,745	55,833	49,019
2016	38,114	58,048	50,015
2017	39,148	60,549	52,118
2018	40,587	63,720	54,606
2019	42,418	66,619	56,490
2020	45,834	70,192	59,510

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

Taxable Sales

The table below presents taxable sales for the years 2017 through 2021 for the City.

TAXABLE SALES
City of Riverside
2017-2021
(Dollars in Thousands)

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2017	9,737	5,534,192
2018	10,021	5,783,569
2019	10,257	5,811,062
2020	11,073	5,606,823
2021	10,232	7,082,431

Source: "Taxable Sales in California, California Department of Tax and Fee Administration for 2017-2021.

The table below presents taxable sales for the years 2017 through 2021 for the County.

TAXABLE SALES
County of Riverside
2017-2021
(Dollars in Thousands)

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2017	58,969	34,132,814
2018	61,433	38,919,497
2019	64,063	40,557,844
2020	69,284	42,313,474
2021	64,335	43,414,533

Source: Taxable Sales in California, California Department of Tax and Fee Administration for 2017-2021

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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

[Closing Date]

Community Facilities District No. 2015-2 (Pomelo)
of the City of Riverside
Riverside, California

Re: *\$4,805,000 Community Facilities District No. 2015-2 (Pomelo) of the City of Riverside,
Special Tax Bonds, Series 2022A*

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City of Riverside (the “City”) taken in connection with the formation of Community Facilities District No. 2015-2 (Pomelo) of the City of Riverside (the “District”) and the authorization and issuance of the District’s Special Tax Bonds, Series 2022A in the aggregate principal amount of \$4,805,000 (the “Bonds”) and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the City, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California), a resolution adopted by the City Council of the City, acting in its capacity as the legislative body of the District (the “City Council”) on April 26, 2022 (the “Resolution”), and a Bond Indenture (the “Indenture”) dated as of May 1, 2022, by and between the District and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). All capitalized terms not defined herein shall have the meaning set forth in the Indenture.

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

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

(2) The execution and delivery of the Indenture has been duly authorized by the District, and the Indenture is valid and binding upon the District and is enforceable in accordance with its terms; provided, however, we express no opinion as to the enforceability of the covenant of the District contained in the Indenture to levy Special Taxes for the payment of Administrative Expenses or as to any provisions therein relating to indemnification, contribution, penalty, waiver, choice of law or choice of forum provisions therein. The Indenture creates a valid pledge of, and the Bonds are secured by, the Net Special Taxes and the amounts

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

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

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

(5) The amount by which a Bond Owner's original basis for determining loss on sale or exchange of a Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code") by Owners of the Bonds. Such amortizable bond premium reduces the Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

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

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

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). The Indenture and the Tax Certificate executed by the District with respect to the Bonds as of the date hereof permit certain actions to be taken or omitted if a favorable opinion of Bond Counsel is provided with respect thereto. We express no opinion as to the effect on the exclusion from gross income of interest on the Bonds for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

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

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

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

Respectfully submitted,

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APPENDIX D-1
APPRAISAL REPORT

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APPRAISAL REPORT

CITY OF RIVERSIDE COMMUNITY FACILITIES DISTRICT NO. 2015-2 (Pomelo)

City of Riverside, Riverside County, California
(Appraisers' File No. 2022-1250)



Prepared For

City of Riverside
3900 Main Street, 6th Floor
Riverside, CA 92522

Prepared By

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

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

March 10, 2022

Heidi Schrader, Debt Manager
City of Riverside
3900 Main Street, 6th Floor
Riverside, CA 92522

Reference: Appraisal Report
City of Riverside Community Facilities District No. 2015-2 (Pomelo)
East side of Crest Avenue along both sides of Jurupa Avenue, Riverside

Dear Ms. Schrader:

At the request and authorization of the City of Riverside, we have completed an Appraisal Report for The City of Riverside Community Facilities District No. 2015-2 (Pomelo) ("Riverside CFD No. 2015-2") which consists of the residential neighborhood known as Pomelo in the City of Riverside. Pomelo consists of 108 proposed single-family detached homes with 69 closed to individual homeowners to date. The remaining 39 lots are builder-owned and range from completed model homes to homes under construction to generally finished lots/pads.

The valuation methods used in this report are the Sales Comparison Approach, a Discounted Cash Flow Analysis along with a Mass Appraisal Technique as defined within this report. The fee simple estate of the subject property has been valued subject to the Riverside CFD No. 2015-2 special tax lien. This report is written with the special assumption that the subject property is enhanced by the improvements and/or fee credits to be funded by the special tax bonds of Riverside CFD No. 2015-2. As a result of our investigation, the concluded minimum market value for the subject property is:

Pomelo:

Meritage Homes Ownership Value	\$ 12,789,749
Individually Owned Homes Minimum Market Value	<u>\$ 43,440,401</u>

Aggregate Value for Riverside CFD No. 2015-2	<u>\$ 56,230,150</u>
-----------------------------------------------------	-----------------------------

The values are stated subject to the Assumptions and Limiting Conditions of this report, the Appraiser's Certification and as of December 15, 2021.

Ms. Schrader
City of Riverside
March 10, 2022
Page Two

Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. This Appraisal Report is intended to comply with both the Uniform Standards of Professional Appraisal Practice ("USPAP" January 2020) and with the Appraisal Standards of the California Debt and Investment Advisory Commission ("CDIAC"). The appraiser is not responsible for unauthorized use of this report.

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

Respectfully submitted,

KITTY SIINO & ASSOCIATES, INC.

A handwritten signature in black ink, reading "K. Siino". The signature is written in a cursive style. A yellow rectangular box is drawn around the signature.

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

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ADDENDA

Riverside CFD No. 2015-2 Boundary Map
Tract Map No. 28987
Department of Toxic Substances Control Completion Certificate
Airport Land Use Commission Documentation
Discounted Cash Flow Analysis
Finished Lot Land Sales Map and Summary Chart
Improved Residential Sales Map and Summary Chart
Appraiser's Qualifications

ASSUMPTIONS AND LIMITING CONDITIONS

1. This report might not include full discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. It is assumed that the subject property is subject to the special tax lien of Riverside CFD No. 2015-2.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable; however, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material used in this report are included only to assist the reader in visualizing the property and may not be to scale.
7. It is assumed that there are no hidden or unapparent conditions of either property, subsoil or structures that would render them more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch or photograph included in this report may show approximate dimensions and is included only to assist the reader in visualizing the properties. Maps, photographs and exhibits found in this report are provided for reader reference

purposes only. No guarantee regarding accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements (if any) are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert relating to asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials that may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Proposed improvements, if any, are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings, if any, must not be used in conjunction with any other appraisal and are invalid if so used.
16. The Americans with Disabilities Act ("ADA") became effective on January 26, 1992 and have been updated several times since then. The appraiser has made no specific compliance survey and analysis of the property to determine whether they conform to the various detailed requirements of the ADA, nor is the appraiser a qualified expert regarding the requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, a possible noncompliance with requirements of the ADA in estimating the value has not been considered.
17. It is assumed there are no environmental concerns that would slow or thwart development of the subject properties and that the soils are adequate to support the highest and best use conclusions.

18. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper qualification and only in its entirety. Permission is given for this appraisal to be published as a part of the Official Statement or similar document for the Riverside CFD No. 2015-2 special tax bonds.

HYPOTHETICAL CONDITION

1. It is assumed that all improvements and benefits to the subject properties, which are to be funded by the City of Riverside CFD No. 2015-2 Special Tax Bond proceeds are completed and in place.

EXTRAORDINARY ASSUMPTION

1. It is assumed that the sales information and remaining development costs as reported by the builder as discussed in the report are correct. While we have reviewed the costs and they appear reasonable, we are not experts in the field of construction estimation and are relying on the costs received in the valuation analysis.

City of Riverside
Community Facilities District No. 2015-2
Pomelo by Meritage



PURPOSE OF THE APPRAISAL

The purpose of this appraisal report is to estimate the value of the fee simple interest of the subject property, subject to the lien of the City of Riverside CFD No. 2015-2 Special Tax Bonds.

THE SUBJECT PROPERTY

The subject property consists of 108 proposed single-family homes being developed into the community known as Pomelo by Meritage Homes, in the northwestern portion of the City of Riverside ("City"). Pomelo is located along both the north and south side of Jurupa Avenue, west of Biscayne Avenue. Pomelo is currently being marketed with home sizes ranging from 1,910 to 2,948 square feet on minimum 7,200 square foot lots. The community is encompassed by Tract Map 28987 which divides the subject property into 108 single family detached lots. The ownership and condition of the lands are detailed below.

Description	No. Lots	Ownership	Condition/Status
Pomelo – Tract 28987			
Lots 32 – 43; 51 - 77; and 80-109	69	Individuals	Completed Houses / Closed
Lots 1-2	2	Meritage	Model Homes (not released)
Lots 11, 13-19; 28-31 and 44-45	14	Meritage	95%+ complete (all in escrow)
Lots 7-10; 20-27 and 46-48	15	Meritage	Homes under const (8 in escrow)
Lots 3-6; 49-50 and 78-79	8	Meritage	Finished lots (Not released)
Total Pomelo	108		

INTENDED USE OF THE REPORT

It is the appraiser's understanding that the client, the City of Riverside, will utilize this report in disclosure documents related to the sale of the special tax bonds of City of Riverside CFD No. 2015-2. This report may be included in the Official Statement or similar document to be distributed in connection with the marketing and offering of the bonds. It is the appraiser's understanding that there are no other intended uses of this report.

DEFINITIONS

Market Value

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

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

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

Inherent in the Market Value definition is exposure time or the time the subject property would have been exposed on the open market prior to the appraisal in order to sell at the concluded values. In the case at hand and considering current market conditions, the exposure time for each individually owned property or the entire developer owned property in a bulk sale, is less than six months.

Finished Lot

The term "Finished Lot" is defined as:

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

¹ The Appraisal of Real Estate, 13th Edition

Minimum Market Value

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

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

Mass Appraisal Technique

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

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

In the case at hand, the statistical testing included reviewing all original builder sales and reviewing the Multiple Listing Service (“MLS”) for any re-sales and/or current listings of each plan type. In addition, we have determined the actual range of sales prices for each plan type which will be utilized in the valuation process. The search of the MLS resulted in one re-sale and one current re-sale listing within the subject property.

Hypothetical Condition

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

“A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis”

The Hypothetical Condition within this report is that the subject property is enhanced by the improvements and/or fee credits to be funded by bonds issued by Riverside CFD No. 2015-2.

² USPAP 2018-2019 Edition

Extraordinary Assumptions

The term “Extraordinary Assumption” is defined by USPAP as:

“An assignment specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions”

There is one Extraordinary Assumption within this report which is that the sales information and the cost information as received from Meritage Homes are true and accurate. We have reviewed the sales information and the costs and they appear reasonable; however, we are not experts in the field of cost estimating. It should be noted that these costs were relied upon for the value conclusion and, if the remaining costs differ, it may change the value conclusion.

PROPERTY RIGHTS APPRAISED

The property rights being appraised are of a fee simple estate interest, subject to easements of record and subject to Riverside CFD No. 2015-2. The definition of “fee simple estate” is defined as:

“absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”³

EFFECTIVE DATE OF VALUE

The subject property is valued as of December 15, 2021.

DATE OF REPORT

The date of this report is January 31, 2022.

³ The Appraisal of Real Estate, 13th Edition

SCOPE OF APPRAISAL

As previously stated, the purpose of this appraisal is to report the appraiser's best estimate of the market value for the subject property, Riverside CFD No. 2015-2, which encompasses the community known as Pomelo by Meritage Homes located in the City of Riverside. Pomelo totals 108 proposed single-family detached homes which are in various stages of construction. This appraisal will be presented in the following format:

- County of Riverside Description
- City of Riverside Description
- Immediate Surroundings Description
- Brief Description of Riverside CFD No. 2015-2
- Subject Property Description
- Inland Empire Residential Market Analysis
- Highest and Best Use Analysis
- Valuation Procedure, Analysis and Conclusion
- Appraisal Report Summary

In valuing the subject property, the value estimates will be based upon the highest and best use conclusion using the Sales Comparison Approach. The Sales Comparison Approach to value is defined as:

*"...a set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sales prices of the comparables based on the elements of comparison. The Sales Comparison Approach may be used to value improved properties, vacant land or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparables is available."*⁴

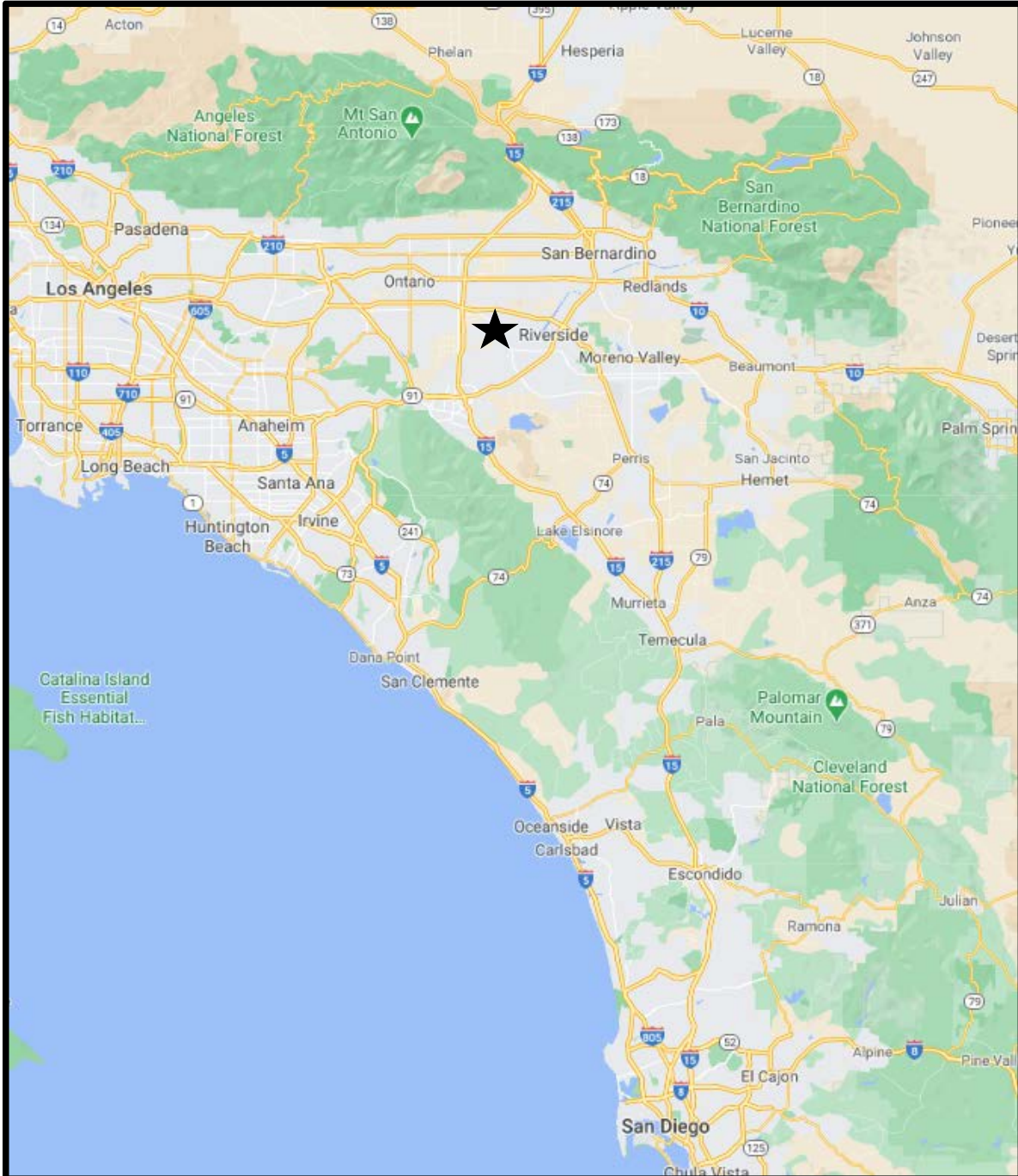
In the Sales Comparison Approach, market value is estimated by comparing properties similar to the subject that have recently been sold, are listed for sale or are under contract. Neither a cost or income approach was utilized as they were not considered necessary to arrive at credible results. In addition, we have utilized a mass appraisal technique which included reviewing all builder sales and searching the MLS for any re-sales and/or listings.

⁴ Dictionary of Real Estate Appraisal, Fourth Edition, 2002

The due diligence of this appraisal report included the following:

1. Compiled demographic information and related that data to the subject property to perform a feasibility/demand analysis.
2. Gathered and analyzed information on the subject marketplace, reviewed several real estate brokerage publications on historical and projected growth in the subject market and researched the micro- and macro-economic outlook within Riverside County and the City of Riverside/Jurupa Valley area.
3. Inspected the subject property between November 20, 2021 and December 15, 2021.
4. Had the site flown by an aerial photographer on December 17, 2021.
5. Interviewed representatives from Meritage Homes in order to obtain project information.
6. Reviewed the Exchange Agreement from 2003 on the subject property.
7. Reviewed a preliminary title report on the subject property.
8. Reviewed soils and environmental reports prepared on the subject property.
9. Searched the area for relevant comparable residential land sales, inspected and verified each sale with a buyer or seller or broker familiar with the transaction.
10. Searched the area for relevant comparable new home residential projects, including sales prices and concessions and interviewed representatives from each comparable project.
11. Reviewed the sales brochure and website for Pomelo.
12. Reviewed developer sales information on each home.
13. Reviewed Multiple Listing Service information to determine if there are any re-sales, pending sales or re-listings of existing homes.

REGIONAL AREA MAP



COUNTY OF RIVERSIDE AREA DESCRIPTION

Location

The subject property is located in the northwestern portion of Riverside County (the "County") four miles south of the 60 Freeway and mid-way between the 91 Freeway and Interstate 15 ("I-15") in the City of Riverside ("City").

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

Transportation

The subject property is situated just south of the Santa Ana River, midway between the 91 Freeway and I-15 along both sides of Jurupa Avenue, about one-half mile west of Van Buren Boulevard in Riverside. I-15 travels in a northerly/southerly direction about 4.5 miles west of the subject and provides access to Barstow and Nevada to the north and San Diego to the south. The 91 Freeway is generally in a southwest to northeast direction about 4.5 miles east of the subject and provides access into Los Angeles to the west and to the San Bernardino mountains to the north when it merges with Interstate 215 ("I-215") I-215. The 60 Freeway runs in an east-west direction approximately four miles north of the subject providing access into Los Angeles County to the west and merges with Interstate 10 to the east which provides access across California and into Arizona.

The County is served by Amtrak and Metrolink as well as several rail/freight lines. The Ontario International Airport provides regional air service and is located approximately 10

miles northwest of the subject property while the Orange County Airport is located approximately 25 miles southwest and the Los Angeles International Airport is located about 55 miles west. In addition, the County has extensive trucking corridors along the previously referred to interstates, highways and state freeways.

Population

The County has experienced population growth for several decades and is anticipated to continue to do so in the foreseeable future. Per the California Department of Finance, the January 1, 2021 County population (latest available information) was 2.454 million. This represents a one-year increase of 0.6 percent. This compares to an average annual growth rate over the past ten years of about 1.0 percent and an average annual growth rate of approximately 2.5 percent for the previous eighteen-year period. Current State projections for Riverside County suggest the population is anticipated to reach approximately 2.821 million by 2030, indicating an average annual increase of approximately 1.45 percent over the next ten years. The current growth of 0.6 percent is lower than the previous ten-year annual average of about 1.0 percent likely due to the COVID pandemic, and significantly lower than the previous 18-year average (2.5 percent) likely due to the Great Recession. The future growth is predicted assuming a more stable market than was seen prior to the Great Recession.

Economy

Beginning February 20, 2020, the U.S. began experiencing an unprecedented economic disruption due to the COVID pandemic. Original predictions were for deaths due to the virus overwhelming hospitals and staff. While the U.S. has lost over 700,000 lives due to COVID, except for a few exceptions, hospitals have, thus far, had the capacity to treat the patients. January 2021 was the deadliest month in the U.S.; however, cases then declined rapidly as vaccination rates rose. Unfortunately, new variants have emerged which have increased rates once again; however, thus far not to the extent of last winter with hospitalizations of vaccinated people significantly lower. The Federal, State, County and City Governments ("Governments") originally shut down non-essential businesses and areas where social gatherings occur in March 2020 in order to slow the spread of the

virus. This created a strain on small and large businesses alike. Restaurants and hotels were hit hard and travel reduced drastically as citizens were urged to stay home. Layoffs occurred with reports of 40 million people filing for unemployment the first few months of the pandemic. This disruption originally caused extreme volatility in the stock market with an overall drop of 34.8 percent in March 2020 (based on the Dow Jones Industrial Average, "DJIA"); however, as of December 17, 2021, the DJIA has shown an increase of 20.3 percent over the previous high in February 2020. The Federal Government attempted to curtail the job losses and hardships with the approval of the Coronavirus Aid, Relief and Economic Security (CARES) Act which was signed into law on March 27, 2020. The CARES Act appropriated over two-trillion dollars to people and businesses that were financially stunted by the COVID-19 pandemic. On April 9, 2020 the Federal Reserve took additional action to provide up to \$2.3 trillion in loans to support the economy. Additionally, on April 23, 2020, Congress passed an additional \$484 billion in relief for small businesses and hospitals. Over the summer of 2020 some business openings occurred. However, in the fall and winter of 2020 the pandemic surged and businesses shut down once again. In December 2020, the Federal Government passed an additional \$900 billion in stimulus that included jobless benefits and additional dollars for vaccine distribution. In March 2021 the new National Administration approved the American Rescue Plan Act which appropriated an additional \$1.9 trillion in help to our nation for vaccine distribution and more economic relief for the pandemic. It appears these stimuli totaling \$5.6 trillion in COVID relief to date have helped shore up the U.S. economy; however, due to the significant amount of new money, inflation is occurring.

While some jobs have come back, job losses were huge with the Nation's unemployment rate going from 3.5 percent in February 2020 to 14.4 percent in April 2020 with the November 2021 National unemployment rate at 3.9 percent (California Department of Finance). At the beginning of 2021, California was a hot spot with COVID cases surging and Southern California was put under another stay-at-home order. However, since then the vaccine roll-out was quicker than anticipated and cases had declined substantially. California "reopened" June 15, 2021. However, since then variants have caused concern with hospital cases increasing for unvaccinated people and mandates once again

occurring. While the news in mid-2021 had been positive with the vaccination roll-out, the new variants and the winter surge have caused the State of California to institute a new indoor mask mandate for the next month, signaling the end of COVID is not yet here.

At the most recent forecast from the Congressional Budget Office (July 1, 2021) they doubled their forecast for fiscal 2021 from 3.7 percent (projected in February 2021) to 7.4 percent economic growth. This was after the International Monetary Fund raised its projection for the GDP to grow 7 percent, up from their previous estimate of 6.4 percent. The most recent forecast by the CBO includes a GDP growth projection of 3.1 percent in 2022 and 1.1 percent in 2023. It should be noted that these projections were as of the beginning of July, prior to the introductions of new variants of COVID.

Prior to the COVID-19 pandemic, the nation was experiencing a strong economy. As with the rest of the nation, the Inland Empire experienced a strong multi-year recession, now referred to as the Great Recession, between 2006 and 2012. The MSA, which had strong employment over the ten previous years saw unemployment rates increase significantly between December 2006 and early 2010, at which time a leveling off occurred followed by continued employment growth (generally since July 2011) until the pandemic hit.

The unemployment rate for the MSA was estimated at 5.4 percent (as of November 2021 per the Employment Development Department). This reflects a decrease from the peak during the Great Recession of 15.1 percent in 2010 and a decrease from the peak during the COVID pandemic of 14.9 percent; however, this represents an increase from February 2020's 4.0 percent, prior to the pandemic outbreak. As of November 2021, Riverside's unemployment rate was 5.4 percent and San Bernardino's unemployment rate was 5.5 percent. The current unemployment rate for the MSA of 5.4 percent is the same as the California rate at 5.4 percent and significantly higher than the November 2021 National rate of 3.9 percent. Below is a table comparing Riverside County's unemployment rate to the unemployment rates of the surrounding counties as of November 2021.

Jurisdiction	As of	Unemployment Rate*
Los Angeles County	11/21	7.1%
Riverside County	11/21	5.4%
San Bernardino County	11/21	5.5%
Orange County	11/21	4.1%
San Diego County	11/21	4.6%

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

Over the past 25 years, the Riverside County economy has had significant cycles with home prices almost doubling from 1995 to 2005, then falling by over 50 percent during the Great Recession, taking prices back to 2002 levels. Home values appeared to hit bottom in 2009 then remained essentially flat for two to three years with the majority of the Riverside County housing market seeing an improvement beginning in mid-2012. While coastal Southern California housing enjoyed significant increases between 2012 and 2015, the Inland Empire bounced back slower with overall Riverside County finally passing the previous median home price peak in early 2020 (prior to the pandemic). Contrary to homebuilder's original thoughts of a slowdown due to the pandemic, new home buyers stepped up in the spring of 2020 and new home sales were significantly higher during the second half of 2020 versus the previous year. In addition, since May 2020 there has been a significant increase in residential builder land purchases in the Inland Empire. While land purchases essentially stopped in February, March and April, beginning in May 2020 builders began looking for land and entering escrow on land purchases with residential land currently moving at a brisk pace. The exceptional activity in new home sales is thought to be due to several factors, including a tight re-sale supply of homes; historically low interest rates; millennials finally buying homes; and, the work from home factor during the pandemic which is allowing residents to live in more suburban areas without long commutes. Along with dropping the interest rate to 0 - 0.25 percent at the beginning of the pandemic, the Federal Reserve Board ("Board") began quantitative easing by buying 80 billion in Treasury Bonds and 40 billion in Mortgage-backed Securities each month. This has also helped shore up the national economy. At the latest board meeting at the beginning of November, the Board decided that the quantitative easing will begin to slowly taper beginning in mid-November. However, in December the

Chairman of the Board stated due to the high rate of inflation, the tapering may be quicker than originally planned.

During the Great Recession, the Federal Government attempted to correct the struggling economy by implementing several economic stimulus packages. The Board kept interest rates below historical averages, dropping rates to near zero in December 2008 until December 2015, when the Board began raising interest rates until December 2018 when the ninth increase appeared to affect the economy with home sales slowing and stock market volatility. Since then, interest rates dropped three times until the COVID pandemic when the Board dropped the rate 50 basis points due to the stock market reaction to the COVID pandemic and then again on March 16, 2020 when they dropped the rate another 100 basis points to the historically low level of 0 - 0.25 percent. Since the March decreases, the Board has left rates unchanged. The Board had previously mentioned that rates could stay low until 2023, however, once inflation began, it is thought that interest rates would begin to increase in 2022. The Federal Interest Rate ("Rate") in the US averaged 5.69 percent from 1971 to 2019 reaching an all-time high of 20 percent in March 1980 and the previous low of .25 percent in December 2008. The current historically low rates have spurred home sales with the Inland Empire, which was identified as one of the tightest housing markets in the nation in October 2020. At the last meeting of the Federal Reserve Board on November 3, 2021, they elected to keep the rate at the 0-0.25 percent level. On December 15, 2021 the Federal Reserve chairman met with the Senate Banking Committee and due, to the inflation that is occurring, an accelerated timetable for Rate hikes is anticipated to occur with three Rate hikes now projected in 2022. This has caused some economists to warn of a possible recession by 2023.

The latest UCLA Anderson Forecast ("Forecast") was issued September 29, 2021 and is less optimistic than the last two quarterly reports which projected robust growth. However, the Forecast acknowledges the historical reality that economic recoveries are never smooth. The September Forecast states the belief that previously projected blockbuster growth for both the U.S. and California has been tempered by the new COVID variants, slowing vaccination rates, consumer caution and supply constraints. The National Forecast states that the recovery heading into the final quarter of the year should be good

and solid rather than the previous blockbuster and spectacular growth predictions. Since June, vaccination rates have plateaued and the variants spread quickly in both the U.S. and around the world. As a result, global supply chains continue to battle disruptions. Per the Forecast, the U.S. economy is down 5.3 million payroll jobs from its pre-COVID peak. The current forecast is less optimistic with a 5.6 percent growth in 2021 (down from predicted 7.1 growth rate in June), followed by GDP growth of 4.1 percent in 2022 and 3.1 in 2023. This represents a shifting of growth into the future rather than in the next year or two.

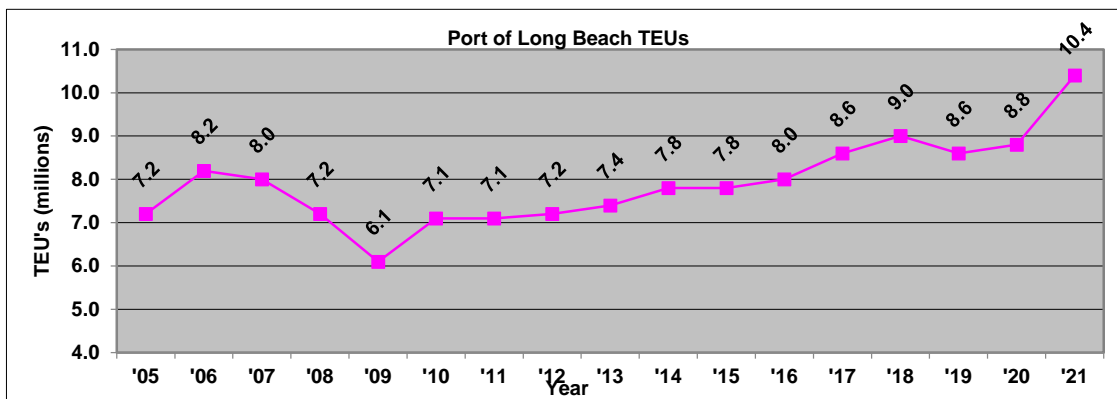
The Forecast for California is still under the shadow of the COVID pandemic. While the Forecast assumes COVID variants will create less serious economic impact, the memory of the variants are spooking consumers creating a slower return of consumption behavior that previously predicted. In California the COVID recession and recovery has hit lower income Californians disproportionately exacerbating inequality in the State. The California Forecast still predicts the state recovery to eventually outpace the U.S. recovery; however, due to the stricter public health interventions, the State's recovery has been delayed. The Forecast predicts the transition to new ways of work and new ways of social interaction will disproportionately benefit California through its technology sectors. The leisure and hospitality sector (generally lower income workers) will be the last to recover due to the depth of its decline. The Forecast predicts the recovery will occur considerably faster in high-income technical services and faster in residential construction due to the State's shortage of housing relative to demand.

Per the California Forecast, California's unemployment rate for the third quarter of this year is expected to average 7.2 percent (currently 5.4 percent), with the anticipated average for 2021, 2022 and 2023 being 7.6 percent, 5.6 percent and 4.4 percent, respectively. In spite of the pandemic, the continued demand for a limited housing stock, coupled with low interest rates, has led to a relatively rapid return of home building. They are forecasting 123,000 new housing units in California in 2021, growing to 139,000 new units in 2023.

According to John Husing's most recent Inland Empire Economic Report dated October 2021, the Inland Empire, along with the State and the Nation, is going through a most unusual year. The pandemic downturn was severe and second only to the Great Depression. However, Husing states that the combination of Federal and state legislation efforts combined with the impact of vaccinations has created the opportunity for most of what was lost to be regained. Within the Inland Empire at the end of 2020, Husing notes that the economy was down an average of 65,600 jobs, but his 2021 forecast sees the Inland Empire recovering the majority of these jobs. Affecting the growth is the unexpected occurrence of the disruption of the supply chain as families used the funds allocated for COVID by the government to buy goods, which increased demand. This has even impacted the Inland Empire due to its concentration of trucking firms, e-commerce operations, warehouses, distribution and wholesale trade firms in the area. One benefit of this disruption is the logistics employment statistics which have soared in the Inland Empire, adding 21,100 jobs in 2020 and an estimated additional 25,300 jobs in 2021.

As mentioned in the UCLA California Forecast, one bright spot in the COVID economy has been sales of new homes. While existing homeowners were reluctant to put their houses on the market during COVID, new home sales in the Inland Empire soared. Among other factors, historically low interest rates appear to have finally brought the millennial generation to the new home market. In addition, the new work-from-home factor has made non-homeowners realize they can afford a house further outside of the economic areas while they work and buying a home in a more affordable, suburban area makes sense if they don't have to drive to the office each day. The need for home offices combined with the overall stress on social distancing has incentivized city dwellers to move out of denser urban areas into more suburban neighborhoods with more space. The minimal existing home inventory, coupled with these factors has put pressure on pricing with new homes prices in the Inland Empire increasing well over 10 percent year-over-year. This will be discussed further in the Inland Empire Housing Market section later within this report.

As a final indicator of overall economic activity for the region we have reviewed the rise or fall of TEUs (Twenty-foot Equivalent Units – i.e., containers) being processed in the local ports. This is especially important for the Inland communities as it represents much of the growth in development of West Coast distribution centers and warehouses linked to supply-chain nodes in the Pacific Rim. The chart below shows TEU activity at the Ports of Los Angeles and Long Beach. Generally, there has been increases since 2009 with the exception of a slight dip in 2016 and again in 2019 which ended with a 5.6 percent downturn. As of November 2021, year to date TEU's were running over 18 percent above the previous year. The ports are a big part of the recovery with both the Port of Long Beach and the Port of Los Angeles backed up significantly due to the economic disruption of COVID which has created supply-chain issues.



Government

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

Education

The Alvord Unified School District ("AUSD") serves the subject area. AUSD operates 13 elementary schools, four middle schools, three high schools and two continuation High

Schools. The subject is served by Terrace Elementary School (0.5 mile south), Loma Vista Middle School (1.75 miles southwest and Norte Vista High School (0.5 miles southwest). Higher education is available within an hour's drive at the University of California campuses at Riverside and Irvine or California State University campuses in San Bernardino, San Marcos, Fullerton and Pomona along with several additional private colleges. The closest community college is Riverside City College about five miles east of the subject, near the 91 Freeway.

Conclusion

Population in the County has increased over the past 30 years with predictions for continued population growth. The nation's economy stalled during the Great Recession due to the housing downturn, unemployment and the credit crisis. The housing market saw a resurgence beginning the second half of 2012 with sales and prices rising since then. While the economy was slowing slightly in late 2019, the COVID pandemic brought the economy to a halt in March 2020. The one bright spot over the past 20 months has been the new home market, which has been extremely strong in the Inland Empire. The region's affordability coupled with the rising prices in the coastal market and the need for new housing set up a potential boom in the Inland Empire. This appears to be occurring in part due to residents leaving urban areas for more suburban areas due to COVID factors, coupled with low interest rates. Current concerns in the Inland Empire Housing Market include the duration of the pandemic along with supply chain disruption. In conclusion, the County is expected to continue to grow in population due to its Southern California location, the availability of land and the relatively lower land and housing prices in comparison to adjacent Orange, Los Angeles and San Diego Counties.

[illegible]

CITY OF RIVERSIDE DESCRIPTION

The subject property is located in the northwestern portion of the City of Riverside ("City"), 4.5 miles west of the 91 freeway; 4.75 miles east of I-15 and 4.0 miles south of the 60 Freeway. The City incorporated on October 11, 1883 and is located 50 miles east of Los Angeles and 100 miles north of San Diego. Riverside is the 12th largest city in California by population, 6th in Southern California and the largest geographical city in Riverside County with a present land area of approximately 81 square miles. Originally an agricultural (citrus) center, the City has evolved into a commercial and governmental center as the City is the County seat. Riverside is surrounded by the cities of Norco and Corona to the west, Jurupa Valley and unincorporated Riverside County to the north, the City of Moreno Valley and unincorporated areas of Riverside County to the east and unincorporated areas to the south. The City is made up of several neighborhoods with the subject being located in the neighborhood of Arlanza, which is bounded by the Santa Ana River Wildlife area to the north, La Sierra Acres to the west, La Sierra to the southwest, Arlington and Ramona to the southeast and the Airport neighborhood to the east.

Population

The City has an estimated population of 324,302 per the California Department of Finance as of January 1, 2021 which is a decrease of 1.4 percent from the previous year's estimate of 328,766. The decrease is thought to be partially due to irregularities affecting the population count during the COVID pandemic. The following chart depicts population growth in the City.

Year	Population	Avg. Annual % Increase
1960	84,332	---
1970	140,089	5.2%
1980	170,876	2.0%
1990	209,700	2.1%
2000	262,744	2.3%
2010	303,871	1.5%
2020	328,766	0.8%
2021	324,302	-1.4%

The slowdown in the past twenty years is due to the essential build-out of the City coupled with the Great Recession. When averaging the past 11 years, the average growth rate of 0.6 percent compares to the of County average annual growth rate over the past ten years of 1.0 percent. The higher County rate is due to the better availability of land for development outside of the City limits.

Housing

Per John Husing's Third Quarter 2021 Economic Report, the City has an existing home median price of \$567,688 which represents an increase of 9.7 percent year-over-year and a new home median price of \$694,055 which represents an increase of 11.0 percent year-over-year. This compares to third quarter 2021 County median pricing of \$540,750 for an existing home and \$529,250 for a new home. The higher existing median home price in the County is due to smaller and attached homes being built and sold in 2021 as compared to larger homes on larger lots in the existing home category. The City of Riverside is generally built-out with limited open spaces to be developed. New homes will be on in-fill lots (such as the subject) or in redevelopment areas.

Economy

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

The labor force is divided generally between the manufacturing, retail, services, and construction trades; however, the construction trade slowed considerably along with the housing market slowdown during the Great Recession. There are abundant skilled and semi-skilled workers in the local labor pool with a variety of skills. The past two years has seen a resurgence of the construction trade due to new homebuyers taking advantage of the low interest rates while wanting to get out of the more urban areas. The City houses the County seat which creates a financial and professional center offering the support of

numerous legal, accounting, brokerage, architectural, engineering and technology firms as well as banking institutions. Businesses in the City also benefit from the exceptional freeway system, rail access, high-speed fiberoptic telecommunications, city-owned electrical and water systems, and a corporate jet and general aviation airport.

The 2021 estimated average median household income is \$73,552 as compared to \$73,260 for the County, \$75,235 for the State and \$79,900 for the U.S. The City of Riverside's major employers include the County of Riverside, University of California Riverside, March Air Force Reserve, Kaiser Permanente, Riverside Unified School District, the City of Riverside.

Transportation

Riverside is well served by the California freeway system, being bisected by the 91 Freeway and 60 Freeways and by Interstates 10 and 15. The 91 Freeway connects Riverside to Orange County on the southwest and to San Bernardino County on the northeast. The SR-91 is one of the area's busiest freeways with a substantial amount of congestion in the westbound direction during the morning hours and in the eastbound direction during the evening hours. This is due to the number of commuters living in Riverside County and employed in Orange and Los Angeles Counties. Two toll roads (the SR-91 express lane and SR-241) opened during the latter half of the 1990s that help alleviate the traffic congestion. I-15 connects Riverside to San Diego County to the south and San Bernardino County to the north. I-10 connects Riverside to Los Angeles County to the west, while I-215 skirts the eastern edge of the City and generally parallels I-15 to the east.

The City is served by the Metrolink Rail with northwest routes to Los Angeles Union Station, passing through Riverside County, Orange County and into Los Angeles, along with southern routes to Oceanside which pass through Riverside County, Orange County and into San Diego County. At both Union Station and Oceanside, you can transfer to Amtrak which has routes throughout the United States. The Burlington-Santa Fe and the Union Pacific Railroads along with over 20 daily truck carriers serve Riverside. Ontario

International Airport is 19 miles to the northwest and is served by most major airlines. The Riverside Municipal Airport serves general aviation and is located eight miles from the subject.

Conclusion

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

IMMEDIATE SURROUNDINGS

The subject property is located along both sides of Jurupa Avenue at the northern most portion of the Arlanza neighborhood of Riverside. Arlanza is generally bounded by the Airport and Ramona neighborhoods and generally Van Buren Boulevard on the east; the La Sierra and Arlington neighborhoods to the south; the La Sierra Acres neighborhood and generally Tyler Street to the west and the Santa Ana River (also the City limits) to the north. Arlanza contains a mix of nearly every type of land use found in the City from semi-rural homesites to high density apartments, industrial development along Arlington Avenue and commercial uses along Van Buren Boulevard.

The subject property is bounded by the Santa Ana River to the north and existing residential land use to the east, south and west. The site was originally a sewage treatment plan for a U.S. Army camp. The treatment plant was decommissioned in 1965 and the site was slated for an agricultural park in 1980 when it was owned by the City. However, as development of surrounding lands occurred, Rutland Park was built diagonally southeast of the subject across Jurupa Avenue and the Agricultural Park was no longer needed.

We have reviewed the Exchange, Disposition and Development Agreement ("Agreement") between the City of Riverside, Friends of the Riverside Airport LLC (previous owners of the subject property), the Van Buren Golf Center LLC and Riverside Gateway Plaza dated May 23, 2003. The Agreement allows for residential development on the subject site which is known in the Agreement as the Ag Parcel. At that time the City also approved Tentative Tract Map No. 28987 on the site which allowed for 113 single family detached lots.

The Riverside Airport is one mile southeast of the subject site. It is the appraiser's understanding that the Airport Land Use Commission has approved the subject development. The subject property is on a knoll above the Santa Ana River with a wash along with west side, allowing for views from some of the homes.

Access from the 91 Freeway is via either Central Avenue or Arlington Avenue or Tyler Street. Schools are close by with Terrace Elementary School and Norte Vista High School within 0.5 miles of the subject property and Loma vista Middle School within about two miles.

Shopping is available within 1.5 miles at Arlington Plaza and Van Buren Plaza, both at the intersection of Cypress and Van Buren Boulevard located 1.25 miles southeast of the subject and at a Stater Bros anchored center at Arlington and Tyler Street, located 0.75 miles southwest of the subject site.

RIVERSIDE COMMUNITY FACILITIES DISTRICT NO. 2015-2 (POMELO)

We have reviewed the Community Facilities District Report for the City of Riverside CFD No. 2015-2 (Pomelo) prepared by Webb Municipal Finance dated December 2020 ("CFD Report"). The CFD Report provides a description of the Proposed Development, a brief description of the Facilities/Improvements and Services for CFD No. 2015-2, a brief description of the facilities to be funded, a brief description of the boundaries and an estimate of the cost of financing the bonds used to pay for the facilities. The CFD Report refers to Resolution Number 23635 which was adopted October 27, 2020 by the City of Riverside which ordered the CFD Report.

The proposed development per the CFD Report is 108 units within Tract 28987 ranging from 1,910 to 2,948 square feet and containing approximately 31.45 gross acres located in the City of Riverside, west of Van Buren Boulevard, between Crest Avenue and Rutland Avenue.

The Facilities include the construction, purchase, modification, expansion, rehabilitation and /or improvement of water and wastewater, drainage, flood and storm protection facilities, signage, streets and roadways, traffic signals, street lighting, and parks and recreation facilities (the "Facilities") and all appurtenances and appurtenant work in connection with the foregoing Facilities, and incidental expenses to be incurred in connection with the Facilities. The Services which may be funded with proceeds of the special tax include: Maintenance of parks, parkways, park lighting, sidewalks, signage, landscaping in public areas, easements or right of way and open space; flood and storm protection services; the operation of storm drainage systems; maintenance of streets and roadways and traffic signals; graffiti and debris removal from public improvements; public safety services including police, fire protection and fire suppression; and, maintenance and operation of any real property or other tangible property with an estimated useful life of five or more years that is owned by the City of Riverside. In addition to payment of the cost and expense of the foregoing services, proceeds of the Special Tax B may be expended to pay "Administrative Expenses" as said term is defined in the Rate and

Method of Apportionment and to establish an operating reserve for costs of services as determined by the Administrator.

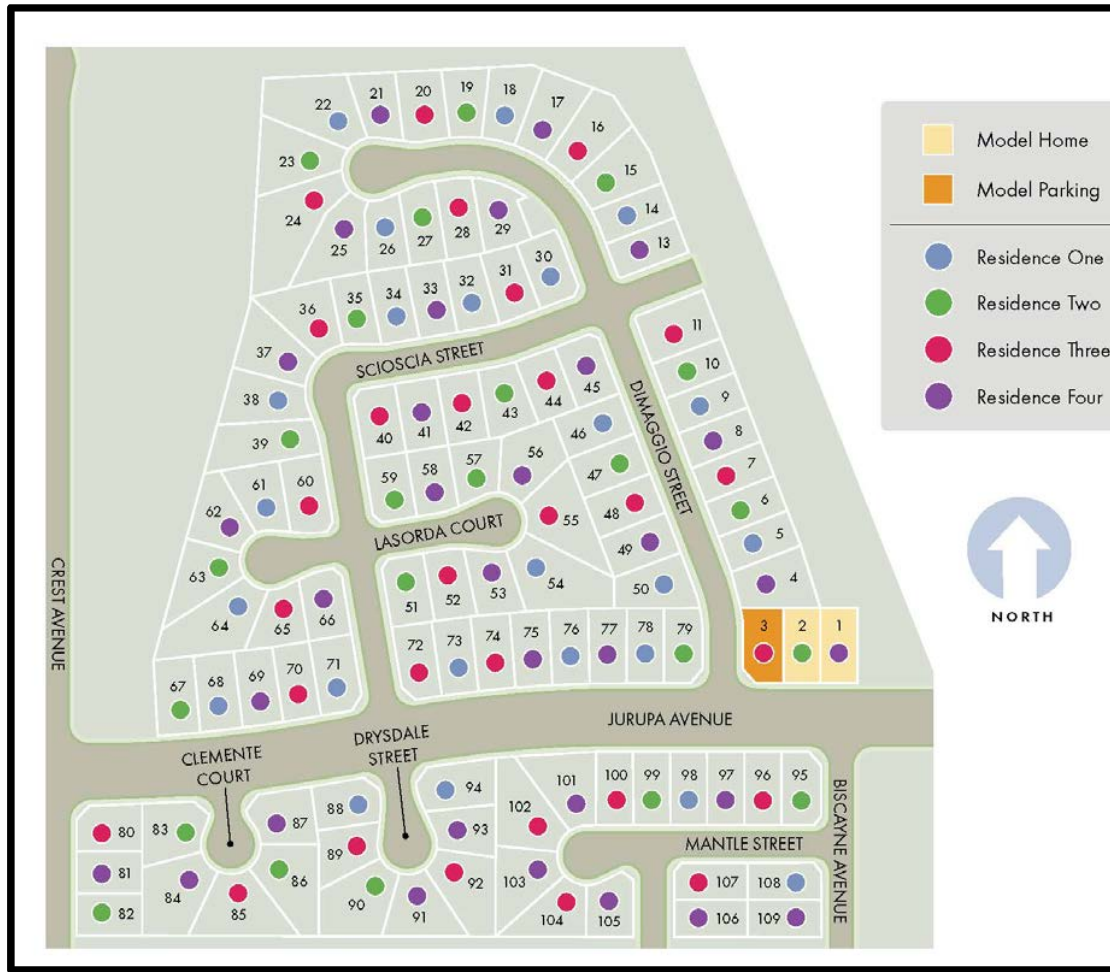
Incidental Expenses to be paid from bond proceeds and/or Special Taxes include: all costs associated with the creation of CFD No. 2015-2, the issuance of bonds, the determination of the amount of Special Taxes to be levied, costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2015-2, including legal fees, fees of consultants, engineering, planning, designing and the annual administration cost of CFD 2015-2.

Per the CFD Report, the cost estimate including incidental expenses to be financed through the issuance of CFD No. 2015-2 Bonds is estimated to be approximately \$4,290,000 (fiscal year 2020/21 dollars) with a project fund of \$3,535,056.

Per the latest Sources and Uses (dated February 24, 2022) the current estimated bond par amount is \$5,125,000 with a premium of \$259,363. The project fund deposit is \$4,725,021 with capitalized interest of \$84,146 and the debt service reserve fund of \$328,200. The underwriter's discount and cost of issuance is \$246,996 for a total bond uses amount of \$5,384,363 (all amounts subject to change).

SUBJECT PROPERTY DESCRIPTION

The subject property consists of the community known as Pomelo by Meritage Homes. The properties are shown on the below site plans and described in detail below.



Location: Both sides of Jurupa Avenue, generally west of Biscayne Avenue, Riverside, California

Legal Property Description: Lots 1 thru 11 and 13 thru 109 of Tract Map No. 28987, City of Riverside, County of Riverside, State of California.

Property Owner: Lots 32-43, 51-77 and 80-109 of Tract Map No. 28987 are owned by individual homeowners. Lots 1-11, 13-31, 44-50 and 78-79 of Tract Map No. 28987 are owned by Meritage Homes of California Inc.

Assessors

Parcel Nos.: 155-470-01 thru 11 and 13 thru 39; 155-471-01 thru 18; 155-480-01 thru 10; 155-481-01 thru 12; 155-482-01 thru 26; and, 155-483-01 thru 04.

Property Taxes: We have reviewed the property tax bill for APN 155-470-02 which houses one of the model homes. Per the tax invoice, the house is assessed for fiscal year 2021-22 at \$443,517 and has an overall property tax bill of \$8,846.70 which includes \$4,435.16 for the general purpose, \$744.14 for Debt (\$15.52 for MWD West, \$640.93 for Alvord Unified School, \$65.20 for Riverside City Community College and \$22.49 for City of Riverside. The invoice has \$3,667.40 for Special Assessments including \$3,282.00 for Riverside CFD No. 2015-2 (subject CFD), \$9.22 for MWD Standby West, \$3.74 for stormwater/clean water, \$10 for Riverside Stormwater, \$31.44 for Riverside Lighting District, \$19.00 for Riverside Library and \$312 for the Riverside CFD 2015-2 services component. The overall effective tax rate equates to approximately 1.99 percent based on the fiscal year 2021-22 assessed value. This is a typical effective tax rate for new homes within a Community Facilities District.

**Three-Year
Sales History:**

Meritage Homes of California, Inc. purchased the 108 subject lots in four take-downs. The first occurred on June 29, 2020 and was for 35 lots; the second was September 30, 2020 and included eleven lots; the third was April 23, 2021 and included 42 lots and the fourth and final takedown was October 5, 2021 and included 20 lots. The purchase amount on each transaction has been retained in our files for confidentiality purposes. Homeowners have closed escrow on 69 of the completed homes between December 18, 2020 and December 15, 2021. As of December 15, 2021, there are an additional 22 homes in escrow which are due to close upon home completion.

Size and Shape: The subject parcel is irregular in shape and contains an estimated 47.54 gross acres per the dimensions on Tract Map No. 28987.

Zoning: On July 8, 2003, the City Council approved a General Plan Amendment (Planning Case P030086) to apply Medium Density Residential General Plan land use on the subject site as well as a Rezoning (Planning Case P03-0042) to establish R-1-7000 zoning on the subject site.

Entitlements: Tentative Tract Map 28987 was approved via Planning Case P03-0041, also on July 8, 2003. The map was caught up in litigation and environmental issues which appeared to be resolved in 2014 (City Council Memorandum June 24, 2014) and was recorded July 8, 2014. Tract Map 28987 subdivided approximately 47.54 vacant

gross acres into 113 single-family residential lots. However, Lot 12 was vacated for a future internal street and lots 110-113 have been annexed into a future tract, leaving 108 lots within the subject property.

Topography: The site is generally level at Jurupa Avenue; however, the site sits on a knoll above the Santa Ana River. In addition, there is a wash along the west side of the subject site creating a ravine between the homes and Crest Avenue. There is an engineered drainage system within the subject property with drainage going into an underground street system with curbs and gutters.

Soils Condition: We have received a geotechnical report to review prepared by SID Geotechnical of Riverside, dated December 4, 2002. The report is a Preliminary Soils Investigation Report for Tentative Tract Map 28987. The report concluded that the proposed development was feasible if their recommendations were adhered to during construction. In addition, we have received an Update Letter prepared by Exploration Company, Inc. dated October 3, 2013 which updated several soils reports (2002 SID Report; Soils Exploration 2006 Reports, and 2013 Adkan Rough Grading Report) which states in general, the conclusions and recommendations stated in the 2002 Report remain pertinent in 2013.

It is an assumption of this report that the soils are adequate to support the highest and best use conclusion. This is evidenced by construction of homes on the site and City inspectors on site during construction.

Seismic Information: The subject property is not located in a designated Earthquake Study Zone (Alquist-Priolo Earthquake Fault Zone) as determined by the State of California and there are no known active faults crossing the site.

Environmental Concerns: We have reviewed Phase I, Phase II and Phase III Response Plan Implementation Reports prepared by TRC of Irvine, California, dated June 2010, March 2014 and May 2018 respectively. The reports are in response to the need to remove and dispose of soils which contained primarily polychlorinated biphenyls (PCBs) that were a result of the site being a sewage treatment Plant from 1947 until 1965. The three reports state what activities (generally soil removals) were completed on the site in order to remove the PCBs over the three-phase process over the eight-year period. The Phase III Report states, based on their finding, TRC recommends no further investigation or clean-up be required on the site.

We have also reviewed a Certificate of Completion, California Land Reuse and Revitalization Act Agreement for the site prepared by the California Department of Toxic Substances Control (DTSC). This letter states the DTSC found all response actions were satisfactorily completed as of April 1, 2014.

It is an assumption of this report that there are no environmental issues which would slow or thwart development of the subject property. This is evidenced by construction of homes on the site and City inspectors on site during construction.

Flood Information: Per FEMA Map No. 06065C0705G dated August 28, 2008, the property is shown as in Zone X, areas determined to be outside of the 0.2 percent annual chance floodplain.

Easements and
Encumbrances:

We have reviewed two title reports which were received on a portion of the subject property. The first is Order Number 5860939-3 dated March 26, 2021 and covers Lots 11, 13, 13-19, 28-45 and 51-66 of Tract Map 28987. The exceptions are as follows:

Item Nos. 11, 1A, 2, 2A and 3 all refer to property taxes and special assessments including the subject Riverside CFD No. 2015-2. Item Nos. 4, 5 and 6 refer to easements for avigation (air – right of flight), construction and maintenance of electric energy and for a sewer. Item No. 7 refers to the Subdivision Improvement Agreement recorded on the site. Item No. 8 pertains to an option in favor of Meritage Homes (at time of report the property was owned by the seller) and Item No. 9 refers to any statutory lien for labor or materials arising by reason of work of improvement now in progress or recently completed as disclosed by an inspection.

The second report is Order No. 5860939-4 and is dated July 25, 2021 and covers Lots 4-10, 20-27 and 46-50 of Tract No. 28987. The exceptions are as follows:

Item Nos. 1-4 refer to property taxes and special assessments including the subject Riverside CFD No. 2015-2. Item 5, 6 and 7 refer to easements for a storm drain, construction and maintenance of electric energy and avigation (right of flight). Item No. 8 pertains to the Subdivision Improvement Agreement recorded on the property. Item No. 9 refers to the option in favor of Meritage Homes (at time of report the property was owned by the seller) and Item No. 10 to any statutory lien for labor or materials arising by reason of work of improvement now in progress or recently completed as disclosed by an inspection.

While the exceptions appear typical, it is an assumption of this appraisal report that the subject lands are free and clear of any liens and/or encumbrances other than Riverside CFD No. 2015-2. The appraisers are not title experts and it is recommended that any concerns relating to title should be addressed to the appropriate experts.

Other Hazards: The subject property is located about one mile northwest of the Riverside Municipal Airport, a city owned airport that is the 24th busiest airport (out of 224 airports) in the country with FAA contract towers. The Airport is an education hub providing the Inland Empire and surrounding counties with the largest selection of educational programs in flight, mechanical and aviation degree programs. The airport/City leases 140 hangars to pilots in the area. According to the current Riverside Municipal Airport Compatibility Factors Map, the subject property is located within Zone C which allows for residential densities ranging from 0.4 to 2.0 dwelling units per acre. The subject has a slightly higher density of 2.27 dwelling units per acre. According to the previous property owner, the project was approved prior to the current Compatibility Factors Map and was consistent with the 1998 Compatibility Plan which was the controlling document at time of the project approval in 2003. In 2007 the Airport Land Use Commission ("ALUC") was asked to reconsider the inconsistency determination on the adjacent tract map (Tract 31541) and did give notice that the prior inconsistency determination to the adjacent project should be treated as withdrawn due to the existence of a previous development agreement. The letter from the ALUC to the City Planning Director dated July 12, 2007, states that the ALUC has significant concerns regarding the density of the adjacent project in light of its location relative to aircraft traffic patterns of the Riverside Municipal Airport and states the project will expose its residents to an unacceptable level of safety hazards and noise. A notice is required to be given to each homebuyer in the adjacent Tract Map 31541. The appraiser is not an expert in such matters and refers the reader to the Addenda of this report for copies of the staff report, notice given to homebuyers of adjacent property and Airport Land Use Commission Riverside County letter. It is an assumption of this appraisal that the location of the airport does not harm the subject site. This is evidenced by the sales and closings of homes within the subject and suggested by the existence of residences surrounding the subject site.

Per the California Fire Hazard Safety Zone Map, the subject property is located within a Local Responsibility Area (LRA) and is not designated in a Fire Hazard Safety Zone.

Utilities: All normal utilities are available to serve the subject site by the following companies:

Electrical:	City of Riverside Public Utilities
Natural Gas:	So. Cal Gas Company
Sewer:	City of Riverside Public Works
Water:	City of Riverside Public Utilities
Cable/Internet:	A T & T
Schools:	Alvord Unified School District

Streets/Access: Access to the subject property is via the 91 Freeway to Central or Arlington Avenues, exit west four miles on Central to Van Buren, north about 0.25 miles to Jurupa and west about 0.5 miles to the subject property. From Arlington Avenue exit west to Tyler Street, north to Jurupa Avenue and east 0.25 miles to the subject property.

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

Central Avenue has on/off ramps at the 91 Freeway and provides east west access through the subject area of the City of Riverside. Central is a commercial corridor and terminates at Van Buren Boulevard about 0.5 miles south of the subject.

Arlington Avenue in Riverside is a main east/west arterial with on/off ramps from the 91 Freeway. East of the 91 Freeway Arlington provides access into the Victoria area of Riverside. Arlington Avenue also is the main access to the Riverside Airport.

Jurupa Avenue is an east/west access street through commercial, industrial and residential areas. To the west Jurupa begins at Tyler Street (about 0.5 miles west of the subject) while to the east it merges into Olivewood about five miles east of the subject.

Internal streets within the subject property have a Dodger Baseball theme with Clemente Court, Drysdale Street, Mantle Street, Lasorda Court and DiMaggio Street.

Current Condition: The subject property has been graded and developed into 108 single-family lots. Streets are all completed with utilities stubbed to each lot. There are 85 lots with homes over 95 percent complete including 69 individual owned homes, two models (not yet released) and 14 production homes (all in escrow). There are 15 additional homes under construction (under 95 percent complete with eight in escrow) and eight remaining finished lots (not yet released).

Cost to Complete: Residential lands in the area are typically sold on a “finished lot” basis. That is, builders pay a finished lot price less the remaining development costs that will need to be expended to arrive at a “finished lot”. Per Meritage Homes, the remaining land development costs and fees for Pomelo are \$1,087,960. These include remaining land development fees and hard costs. The remaining land development costs are associated with all of the builder-owned properties or with 39 lots (two models, 14 homes over 95 percent complete, 15 homes under construction and eight remaining lots) resulting in an average amount per lot of \$27,896.41 (\$1,087,960 / 39). The costs as reported by the builder appear to be reasonable; however, we are not experts in the field of cost estimating. It is an Extraordinary Assumption of this report that the remaining costs are true and accurate.

**Improvement
Description:**

Riverside CFD No. 2015-2, known as Pomelo, is proposed for a total of 108 single-family detached homes being built out by Meritage Homes. Meritage Homes opened Pomelo for sale in August 2020 and has sold 91 homes to date. The sales rate suggests an average rate of 5.7 homes per month. The homes have Spanish and California Cottage influenced architectural styles. Home exteriors include concrete tile roofs, attached two-car garages, sectional roll-up garage doors and exterior lighting. Interiors include indoor laundry rooms, walk in closets, tankless water heaters, raised panel doors and LED downlights. Gourmet kitchens with islands include solid stone countertops and backsplashes, stainless steel appliances and maple cabinetry. Meritage Homes also advertises their homes as Energy Star Certified which delivers significant savings on utility bills compared to older homes and the Meritage Connected Home Automation Suite which includes an advanced thermostat, smart door locks, smart garage door openers and USB outlets. Pomelo has four plans, one single-story and three two-story.

We have reviewed sales information from the builder which included 91 homes sales between September 4, 2020 and December 15, 2021. Per Meritage Homes, actual sales prices ranged from \$507,715 to \$697,140. These prices include upgrades, options and premiums along with concessions offered by the builder. At grand opening in August 2020, base pricing for Pomelo was \$475,000 to \$535,000 while current base pricing ranges from \$594,000 to \$650,000. Per our review of the Multiple Listing Service there has been one re-sale of a home in Pomelo and there is one current listing of a re-sale. Out of the total 108 proposed houses, 69 have closed escrow to individuals, there are two model homes owned by the builder (not yet released), 14 production homes over 95 percent complete (all in escrow), 15 houses under construction which are

under 95 percent complete (eight in escrow) and eight remaining finished lots.

Plan	Room Count	Floors/ Parking	Sq. Ft.	Completed Ind. Owned	95% Complete Bldr. Owned
1	4 / 2	1 / 2	1,910	13	3
2	4 / 3	2 / 2	2,320	14	3*
3	4 / 3	2 / 2	2,771	19	5
4	5 / 3	2 / 2	2,948	23	5*
Total				69	16

*One of each of these plans is a model home. In addition to the above shown houses, there are 15 homes under construction and 8 finished lots.

RIVERSIDE COUNTY HOUSING MARKET

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

Population

The County population grew at a 0.6 percent increase over the past year and an average of 1.0 percent the previous ten years. This compares to an approximate 2.5 percent average annual increase prior to the Great Recession. The slowdown in population growth this past year is partially due to the COVID pandemic while the slowdown over the past ten years is primarily due to the sluggish national economy after the Great Recession; however, this slowdown is similar to other Southern California counties during this time period. County predictions are for the County to grow at an average annual rate of 1.4 percent over the next ten years. This equates to an increase of approximately 35,000 residents per year, suggesting the need for about 10,000 homes per year within the County. The large scale COVID-19 influence is still unknown on the County's population growth. New home sales in the County are recently higher than the coastal communities due to affordability, the work from home factor and millennials finally entering the housing market which may increase County population growth.

Economic Conditions

Over the past twenty-five years the Inland Empire has seen various cycles in the housing market. The Great Recession impacted the Inland Empire significantly and resulted in a longer recovery period than in other areas of Southern California. The rise and then fall of housing prices in the Inland Empire between 2004 and 2009 was considerably steeper than almost anywhere in the State. Unfortunately, this meant that the people who bought near the peak of the market likely faced significant negative equity. After essentially remaining flat for a few years, housing prices began to increase in late 2012 through January 2020. Once the COVID pandemic hit in March 2020, the housing market seemed to slow down significantly in March but by May 2020 new homes were once again going

under contract with new homes selling at above average absorption rates from May 2020 into December 2021 in the region.

Economic growth in the Inland Empire was strong between 2002 and 2007. Job losses occurred between 2007 and 2009, with a leveling out in 2010, a slight upturn in 2011, and general increases since that time until the economic shutdown due to COVID which created a new recession. The unemployment rate for the County was 5.4 percent (per the November 2021 Employment Development Department “EDD” report), lower than the high of 15.1 percent in July 2010. The November 2021 County rate was the same as the California unemployment rate, but was higher than the November 2021 National rate of 3.9 percent. The pre-COVID unemployment rate in February 2020 for the County was 4.1 percent. According to CNN Business, as of the beginning of November 2021 the U.S. economy is operating at 91 percent of where it was in early March 2020, prior to the pandemic. While it was thought once the COVID pandemic ends, the Nation will get back to the previous highs, it is now looking like there may be some changes in the post-COVID economy. These changes include many companies switching to work-from-home for their employees whenever possible, on-line shopping will be a larger factor in retail, people moving out of urban areas to suburban areas, on-line academia rising and many now believing that the travel and leisure industry may never get back to the old “normal” as restaurants closed, hotels are currently at less than 75 percent capacity and airline revenues are down significantly. The closing of businesses appears to have had a ripple effect on trade as materials and consumer goods are hard to obtain which is creating long lead times for many orders.

The housing market has played a large role in the past two recessions. The housing market was a significant factor in strengthening the impact of the Great Recession. Due to increased interest rates and rising home prices between June 2004 and mid-2006, the market reaction was to create non-conventional financing alternatives such as sub-prime and non-conventional mortgages to artificially maintain the boom housing market of 2004 and 2005. By 2007, the housing market saw a shake-up due to the problems in the sub-prime and non-conventional mortgage markets. In March 2007, the Federal Government

initiated efforts to stop or limit sub-prime mortgages. Unfortunately, the damage had already been done with sub-prime mortgages playing a role in the 2008 shake out of Wall Street and contributing significantly to the U.S. economic downturn. Due to stricter income verification on new loans and the lack of available credit, coupled with job losses and declining home prices, sales of new homes slowed for the next few years and essentially remained flat until mid-2012 when home prices began a steady climb.

Thus far into the COVID recession, new home sales have been one of the brightest spots in the local and National economies. While new home sales slowed in March and April 2020 due to the COVID pandemic, prices did not appear to change in the County. Some builders increased concessions in March 2020, but by May they were back to where they were prior to COVID, and prices have increased significantly since. The Inland Empire was documented as the tightest housing market in the Nation (OC Register October 10, 2020) based on the supply. The supply of homes in the Inland Empire is still constrained and as of the end of March 2021 was 40 percent below one year-ago levels. This has put pressure on prices to rise. As of mid-November, over 91 percent of new home builders in the Nation were stating pricing has increased over the past month. However, there are signs that a price ceiling may be being reached. Per Metrostudy's survey of homebuilders, their largest concerns relate to (1) availability of materials; (2) cost of materials and land increasing; (3) affordability for buyers; (4) labor shortages; and, (5) delay on government services.

Home loan mortgage rates have been and are still playing a large part in the robust housing market. The Board held mortgage rates at all-time lows after the Great Recession in an attempt to assist the housing market. Low rates appeared to help for quite a while. However, first-time buyers are now having a hard time entering the housing market due to rising prices, despite historically low mortgage rates. The Board had kept interest rates below historical averages, dropping rates to zero in December 2008. Subsequently, there had been eight subsequent one-quarter point increases with the December 2018 increase bringing the Federal Rate to 2.25-2.5 percent which appeared to have a negative impact on home sales. In 2019 the Board reduced the rate one-quarter

percent three times in an effort to spur the economy. This appeared to help as housing sales began to increase in early 2020, prior to COVID. On March 3, 2020, due to the COVID pandemic economic disruption, the Board reduced the Federal Rate one-half percent. Then on March 16, 2020 they reduced the rate an additional one percent to the current Federal Rate of 0.00 – 0.25 percent, the lowest rate in history. The quoted average U.S. rate for a 30-year fixed mortgage per FRED (Federal Reserve Economic Data) as of December 30, 2021 was 3.11 percent, which is below the previous low of 3.3 percent which occurred in January 2013, however higher than the most recent low of 2.65 percent on January 7, 2021. Mortgage applications have been spiking due to these low rates. Most economists are predicting that, once the economy gets back to full speed, the lower interest rates will help the housing market bounce back with some now stating that the housing market has more of a V-shaped recovery while the overall economy which is following more of a U-shape or swoosh-shape. With the variants of COVID surging again, it looks like this pandemic economic disruption will be longer than originally forecast, however this does not seem to be affecting the new home market in the Inland Empire. While existing home listings slowed during the pandemic in California, new home sales have been substantially increasing.

The fall out of the shut-downs from the COVID pandemic are still affecting the economy. As previously discussed, the Federal Government approved \$5.6 trillion in COVID relief in order to keep the economy stable. This amount of money entering the system appears to be fueling inflation with the May through November 2021 National inflation rates all above 5.0 percent compared to a 1.2 percent average in 2020. High inflation is one of the factors that the Federal Reserve Board watches in order to determine both bond purchases and fluctuations in the interest rate. Due to the recent inflation, the Board has begun tapering off their purchase of bonds. Since June 2020, in order to help stabilize the economy, the Board has purchased \$80 billion in Treasury Bonds and \$40 billion in Mortgage Securities each month. At the November Board meeting, the decision was to reduce the bond purchases to \$70 billion in Treasury Bonds and \$35 billion in Mortgage securities per month. The monthly purchase of \$40 billion in mortgage-backed securities since June 2020 has fueled the already active home buying and refinancing markets.

While there hasn't been another Federal Reserve Board Meeting, at the Senate Banking Committee meeting December 15, 2021, the Federal Reserve Chairman stated that, due to inflation, they may have to taper off the bond buying more quickly than anticipated and may accelerate the timetable for interest rate increases. Board increases in interest rates could affect mortgage rates, thereby affecting new homebuyers' willingness and/or ability to pay the current high prices for new homes in the Inland Empire.

Residential Land Development

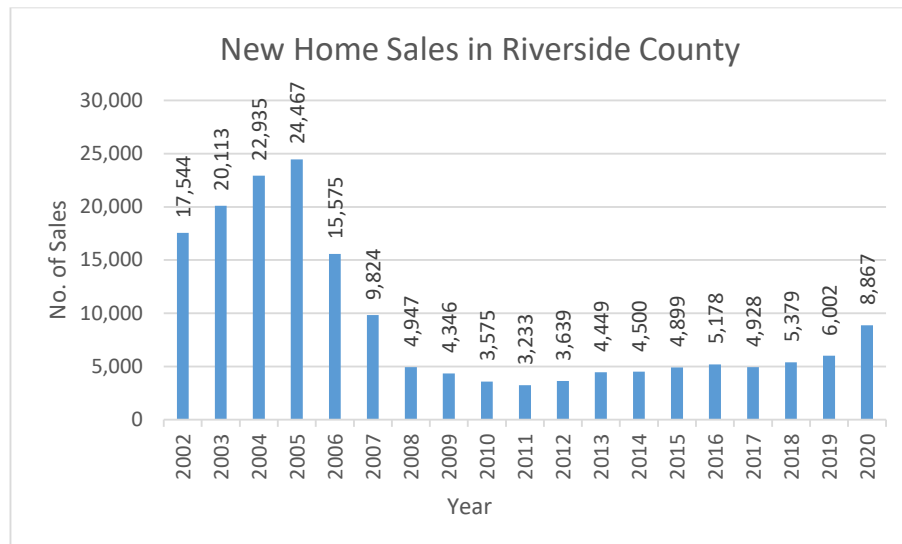
While there had been little land development going on in most of the Inland Empire during the years 2008-2011, the second half of 2012 saw a resurgence in the more coveted areas such as Ontario, Eastvale, Jurupa Valley, Corona and Riverside in the subject's area. The increase in housing prices since 2012 coupled with the limited availability of supply made land development feasible once again for homebuilders. It is thought that the increase in regulations, which has significantly increased the time of processing entitlements, has limited the master developers' further entitlement of developable land in California. While prior to the recession it was not unusual to see numerous large master-planned communities selling lots to builders, there are few currently available in the subject area. The majority of land sales over the past few years include single tracts of land with maps ready to record (such as the subject property) or a public builder buying a larger piece of land but develops the land for its own use. Land sales slowly grew from 2012 up to a peak in 2017 with 2018 and 2019 showing lower land transactions. Since then, residential land sales have eclipsed the 2017 peak as builders are trying to keep up with the demand for new homes. With new housing appearing to be one of the strongest sectors in the COVID economy, there appears to be a rebound in new-home starts. It is possible that the rush to build by the new-home builders in the Inland Empire may create a slower 2022/2023 in residential land sales. That is, residential land is selling exceptionally well thus far into 2021 but that may be pulling future demand forward creating a softening in the land market in the future.

New Home Sales and Pricing

We have researched new single-family homes within the subject real estate market in order to reflect residential trends. It should be noted these sales numbers and prices pertain to new home sales while later in this section we discuss existing home sales. In reviewing new home sales in the Inland Empire market area, per the December 12, 2021 Ryness Report (a real-estate reporting company), the average year to date sales are five percent higher than the previous year however, when reviewing December 2019 to December 2021 (prior to pandemic and since the pandemic), sales increased 37 percent. This increase is partially slowed due to the limited available supply which was not meeting demand, thus put pressure on pricing along with historically low interest rates. As rates go down, purchasing power becomes larger, which gives new-home buying a boost. At the beginning of the fall season, it appeared sales were seeing a slight slow-down with some builders dropping pricing in order to keep absorption up. The slowdown in September suggested that a peak in pricing may have been reached. However, it is still too early to tell, as sales typically slow down in the fall after the spring/summer home selling season. November reports have been strong, possibly from predictions of rates rising in 2022 meaning homebuyers are entering the market now. Along with home sales comes a demand for appliances, furniture, building materials and services such as insurance, mortgage services, inspections, interior designers and landscapers, all contributing to the area economy.

The years 2018, 2019 and early 2020, saw a significant increase in new homes projects in the Inland Empire. Due to the high number of land sales in 2017, new homes projects increased 84 percent in the Inland Empire from 131 new home projects in January 2018 to 242 new home projects in February 2020. However, new home projects have decreased since that time to 192 new home projects per the December 12, 2021 Ryness Report. While this is a significant increase in number of new home projects since 2018, the number of new home sales is still running over 50 percent below the average of 2002 through 2006. Below is a graph showing Riverside County new home sales (both attached and detached SFR) between 2002 and 2020. This compares with Riverside County's population growth suggesting the need for about 10,000 new residential units per year

while 2020 reflects 8,867 new home sales in the County. This suggests that supply of new homes is still not meeting demand.



Source: John Husing Quarterly Reports / Zonda

New single-family home prices (combines both attached and detached) in the Inland Empire have also seen changes. The median new home price in the Inland Empire changed from the peak value of \$437,200 in the third quarter of 2006 to \$268,155 in early 2009 (decrease of 39 percent) while the current new home median price is a record high of \$535,419 per John Husing's Third Quarter 2021 (latest available) information. This reflects an increase of over 99 percent from the bottom of the cycle and an increase of 22.5 percent over its previous peak. New home sale prices fluctuate based on the land value more than the cost of building the home. While finishes and sizes of homes can change, the basic costs on a per square foot basis do not fluctuate as much as land values. However, there have been inflationary increases in construction costs adding to the increased cost of building a home.

Within our search for the most comparable actively selling new home communities, we searched the subject's city of Riverside as well as neighboring city of Jurupa Valley. Our search for comparable new home projects within the competitive market area resulted in six new home projects including the subject, with overall base pricing ranging from

\$572,350 to \$860,000. The subject's current base pricing ranges from \$594,000 to \$650,000 with all plans within the range of the competition.

Existing Homes Sales and Pricing

While the previous section looked at new home sales and pricing, this section refers to existing homes in the Inland Empire. According to the California Association of Realtors' most recent data, within overall Southern California, the median price paid for an existing single-family home in November 2021 (\$750,000) is the same as the previous month, however up 14.0 percent year-over-year from \$657,820 in November 2020. Existing home sales in Southern California overall were down 3.8% percent year-over-year as of November 2021. While it looks like a decrease, sales are substantially up from 2019 sales. Low interest rates have been allowing existing home owners to move up. The overall Southern California numbers compare to Riverside County with \$586,900 as the median price paid for an existing home in the County in November 2021, up 1.2 percent since October 2021, and up 19.8 percent on a year-over-year basis (\$490,000). Sales of existing homes in the County were down 6.8 percent year-over-year. The decrease in sales is mainly due to less inventory of existing homes. Below is a table showing the sales and prices for the Southern California area by County per the California Association of Realtors.

Southern California Existing Home Sales						
County	Nov. 2021	Oct. 2021	Nov. 2020	Price MTM % Change	Price YTY % Change	Sales YTY % Change
Los Angeles	\$769,500	\$848,970	\$673,310	-9.4%	14.3%	1.8%
Orange	\$1,150,000	\$1,120,000	\$930,000	2.7%	23.7%	-12.7%
Riverside	\$586,900	\$580,000	\$490,000	1.2%	19.8%	-6.8%
San Bernardino	\$440,000	\$445,000	\$380,250	-1.1%	15.7%	0.5%
San Diego	\$847,750	\$850,000	\$740,000	-0.3%	14.6%	-6.6%
Ventura	\$858,500	\$830,000	\$760,000	3.4%	13.0%	-1.0%
Southern Calif.	\$750,000	\$750,000	\$657,820	0.0%	14.0%	-3.8%

Source: California Association of Realtors

Based on November 2021 median existing homes prices, in comparison to the majority of the surrounding counties, Riverside County has a definite price advantage. The "Riverside County Advantage" (price difference between Riverside and surrounding counties) is \$182,600 as compared to Los Angeles County, \$260,850 as compared to San Diego County, \$271,600 as compared to Ventura County and \$563,100 as compared

to Orange County. That is, in November 2021, the median priced home in Riverside County was \$563,100 less (49 percent less) than the median priced home in Orange County (\$1,150,000). However, San Bernardino County has a \$146,900 price advantage over Riverside County. Typically, as the price advantage widens, homebuyers are more open to commuting to further out areas. With the current work-from-home concept, the Inland Empire is enjoying this growth as a suburban bedroom community for the employment areas of Orange and Los Angeles Counties.

In a separate attempt to capture the amount of increase in home prices, the resale activity of existing homes in the subject's immediate area (per Redfin.com) has been reviewed. The number of sales and sale prices of existing homes within market areas of the subject are shown in the table below.

Community Name	Location To Subject	No. Home Sold	Nov. 2021 Price Median	Price % Change from Nov. 2020
Riverside	Subject	346	\$580,000	20.8%
Norco	West	36	\$751,000	25.2%
Jurupa Valley	Northwest	84	\$580,000	9.4%
Grand Terrace9	North	13	\$501,000	8.9%
Highgrove	North	9	\$640,000	26.7%
Moreno Valley	East	202	\$509,000	25.7%
Woodcrest	South	16	\$742,000	20.7%
Corona	Southwest	239	\$740,000	26.5%

Source: Redfin Housing Market Trends November 2021

The median home price of a detached resale home in the City of Riverside in November 2021 was \$580,000, which is in the mid to low-end range of the resale detached home prices (generally from \$500,000 to \$750,000) in the subject area. The above price fluctuations from year-to-year relate to the California Department of Real Estate's overall Riverside County detached home resale price increase of 19.8 percent year over year from November 2020 to November 2021. The subject base pricing of \$594,000 to \$650,000 is within the range of the surrounding homes in the market area, but higher than the median price of the resale homes in the market area. This is typical as new homes typically sell at a premium over existing homes.

According to the Ryness Report dated December 12, 2021, there are currently 16 new home projects in the subject's immediate market area (northwest Riverside submarket), which includes the cities of Riverside, Corona and Jurupa Valley, with Riverside having six of the new communities (including three in Spring Mountain Ranch which have recently sold out and the subject), Corona having five of the new communities (one nearing sell-out) and Jurupa Valley having four new communities selling homes.

Pomelo - Sales and Pricing

The subject property consists of Riverside CFD No. 2015-2 which includes 108 homes being marketed as Pomelo. Pomelo opened in August 2020 and has sold 91 homes through December 15, 2021 suggesting an overall average sales rate of 5.7 sales per month. This sales rate is considered to be excellent. Per the December 12, 2021 Ryness Report the average sales rate in the Inland Empire year to date is 4.63 homes per month while the average sales rate for the same period of 2020 was 4.42 homes per month. Since June, 2020 the new home market has seen renewed optimism in the Inland Empire as more recent sales rates have increased, but supply is slowing absorption as new home neighborhoods sell-out or have temporary sold out because construction can't keep up with demand. While the COVID-19 pandemic has caused a significant disruption to the U.S. economy and the existing home market, it does not seem to have affected the new home housing market in the same way. Furthermore, according to the Inland Empire sales rates, the subject property has been performing well above the averages for the region.

Within Pomelo, pricing has substantially increased since opening. Base prices increased from \$115,000 to \$137,000 per plan since opening prices, representing an increase of 21.5 to 27.9 percent in the past 16 months. While these are considered to be very significant increases in pricing, such increases correspond with Riverside County's overall price increases over the last year.

Summary

The Inland Empire as a whole as well as Riverside County specifically have seen a substantial increase in pricing since 2012 with most areas, including the subject, in the past 20 months showing astronomical increases. While existing home sales were originally down when COVID began in spring and early summer 2020, new home sales subsequently shot up due to the existing home market supply being constrained and interest rates hitting all-time lows. In the past 20 months the Inland Empire market has seen new home sales rates much stronger than the previous several years. The subject community is performing well above the Inland Empire average, resulting in strong sales rates. This is due to limited new homes offered in the area along with the subject's pricing and average absorptions being in-line with the actively selling projects and the comparable communities.

The year 2020 began poised for huge growth, but the COVID pandemic temporarily shook the existing home market. The COVID pandemic actually had a positive impact on the new home market, which became a preferred option with new home sales growing over the past 20 months. Sales rates in the immediate vicinity of the subject are generally at or above the overall average in the subject market area. Prices of new homes in the area have had significant increases of over 20 percent in some communities. Despite uncertainty hitting the market at the beginning of the COVID outbreak, most observers agree that the Inland Empire housing market is positive and healthy population growth is occurring in the County. It is believed that as population continues to increase, housing growth will also continue.

HIGHEST AND BEST USE ANALYSIS

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

"the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value"⁵

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

"As If Vacant"

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

Physically Possible Uses

The subject property consists of 47.54 gross acres that are irregular in shape and located in the northwestern portion of the City of Riverside along the south side of the Santa Ana River at Jurupa and Biscayne Avenues. The site was originally expected to be an agricultural park. However, after a land exchange between the City, the Friends of Riverside Airport LLC (previous owners of subject property), Van Buren Golf Center and Riverside Gateway Plaza in 2003, the site was approved for residential development. The site sits on a knoll above the Santa Ana River. Surrounding land uses include residential

⁵ The Appraisal of Real Estate, 11th Edition

to the east, south and west and the Santa Ana River to the north. Van Buren Boulevard, a main commercial arterial, is located about 0.25 miles to the east beyond which is an industrial area and the Riverside Municipal Airport.

The subject site was graded for development into 108 residential lots. We have reviewed several environmental and soils reports on the subject site. All reports conclude that the site was feasible from a geotechnical standpoint if all mitigation measures recommended within all reports are adhered to during construction. The site is being developed with new homes. There were previous environmental issues with the subject site which have been mitigated with a certificate of completion being issued by the Department of Toxic Substances Control. It is an assumption of this report that the soils are adequate to support the highest and best use, that there are no remaining environmental issues which would slow or thwart development of the property. This is evidenced by existing homes on the site which were recently built with City inspectors on site during construction.

An engineered drainage system appears to have been designed into a street drainage system for the tract. All standard utilities are available to serve the subject property. The site has average access via the 91 Freeway with on/off ramps at Central Avenue or Arlington Avenue about five miles east of the subject site or via Tyler Street about four miles south.

Based on our physical analysis of the subject site, the size and access make the subject property physically suited for numerous types of development; however, the grading that has occurred on the site suggests residential development.

Legality of Use

The subject property is located within the City of Riverside in the County of Riverside. Per the City approvals the subject property has a General Plan designation of Medium Density Residential land use and a zoning designation of R-1-7000 which allows for 7,200 square foot minimum lots. The subject property is also covered by Tract Map No. 28987 which subdivided the site into 113 residential lots. However five of such lots have been vacated, one for a future street into a new phase off-site of the subject property, and four

which are being incorporated into the adjacent tract map which is in the process of being finalized, leaving 108 single family detached residential lots.

Based on the legality of use analysis, the type of development for which the subject properties can be utilized is narrowed to residential use. This is consistent with the findings of the physically possible uses.

Feasibility of Development

The third and fourth considerations in the highest and best use analysis are economic in nature, i.e., the use that can be expected to be most profitable. The most profitable use of subject site would possibly be residential per the above analyses. As discussed under the Inland Empire Housing Market section earlier within this report, the market has been on an upswing for almost a decade with strong increases in sales and pricing, with the past 20 months showing exceptional pricing increases. The fact that the subject property is located in the City of Riverside, which is essentially built-out with little residential land available for development and the excellent sales rates of new-home projects in the area, suggest that residential lands in the immediate area are feasible to develop. The past year has seen very strong absorption of new homes in the Inland Empire. The COVID pandemic does not appear to have negatively affected new home sales in the Inland Empire, but rather appears to have increased absorption and pricing of new homes in the area.

Based on the above analysis, the highest and best use for the subject property appears to be for single-family residential development with homes at the correct price points. This coincides with the previous conclusions.

Based on the above analysis, in our opinion, the highest and best use for the subject property appears to be for residential land use consistent with the builder's current plans.

Maximum Productivity

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

Highest and Best Use Conclusion – “As If Vacant”

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

Highest and Best Use – “As Improved”

The subject property consists of Pomelo, proposed for 108 homes within Riverside CFD 2015-2. Pomelo is being developed by Meritage Homes and consists of 108 proposed homes ranging from 1,910 to 2,948 square feet with current base pricing from \$594,000 to \$650,000. The current base prices reflect increases from approximately 21.5 to 27.9 percent from the base prices at project opening in August 2020. The sales rate within Pomelo has averaged 5.7 sales per month since opening. The sales rate within Pomelo is considered to be excellent. All of the homes are well designed and appear to be of good quality workmanship. It appears that the homes within Pomelo have been well received and the neighborhood is selling at the correct price points for the area. Based on the above information, it is concluded that the highest and best use for the subject property, is for the continued use, as improved.

VALUATION ANALYSIS AND CONCLUSIONS

The Sales Comparison Approach will be used to value the subject property. This approach compares similar properties that have recently sold or are in escrow. In determining the value for the property, a unit of comparison needs to be addressed. For single-family lots, the lots are typically sold on a finished lot basis. That is, the sales price is determined by a finished lot value and then the remaining costs to develop the property to a finished lot condition are taken into account in the sales price. Therefore, in determining a current market value for the lands, the current condition of the lots will be considered. In the case of the existing home valuations, a single new-home sale is the unit of comparison. Our search will include all new home projects within the subject's immediate and surrounding market area to find comparable new homes for sale. In determining the value for each house, a base value will be concluded for each plan which will be considered a minimum market value as most buyers typically purchase some premiums, upgrades or options which increase the price of the home.

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

of the individually owned homes, the concluded base value will be used for each plan and a mass appraisal technique will be addressed. In determining the concluded base value, new home sales in the area will be reviewed and compared with sales of the subject completed homes using standard methodology and statistical testing. In addition, the local MLS was searched for any re-sales within the subject property. All of the value conclusions will take into consideration improvements funded by the City of Riverside CFD No. 2015-2 special tax bonds and their lien. A summary of the final value conclusions will be reported at the end of this valuation section.

Market Data Discussion – Detached Residential Lots

Within Pomelo there are 15 lots with houses under construction (under 95 percent complete) and eight remaining finished lots. In this appraisal, we will consider a house under construction (under 95 percent complete) as a finished lot rather than attribute value to a partially complete improvement; therefore, we will value 23 remaining lots. Our analysis will conclude on a finished lot value, taking into consideration the remaining costs to develop the lots to a true, finished lot condition.

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

Land Sale Nos. 1 and 7 refer to two adjacent sales to KB Home for their Madeira and Madiera II projects located in the Woodcrest Area of Riverside at the southwest corner of Lurin Avenue and Wood Road, about ten miles southeast of the subject property. KB Home purchased the first site (Land Sale No. 7) in November 2019 from the Lee Family Trust for \$4,750,000 based on a reported finished lot of \$186,000. The lands closed in an

unimproved condition with an approved tentative tract map. The second sale (Land Sale No. 1) is adjacent to the west of Land Sale No. 7 and was purchased in October 2021 for \$3,174,500 which equates to \$77,427 per unimproved lot based on a reported finished lot price of \$199,000. Both transactions closed in an unimproved condition with an approved tentative tract map. Both maps have 5,000 square foot minimum lots. KB Home is currently marketing their Madeira community with home sizes from 1,627 to 2,882 square feet and base pricing from \$607,990 to \$697,990. In comparison to the subject property this location is considered to be slightly superior (in the Woodcrest community in Riverside), but the lot sizes are inferior (5,000 square feet compared to the subject's 7,200 minimum square feet). In addition, when comparing Data No. 7 to the subject property's current value, the date of sale lags considerable price appreciation (sold in November 2019). When pairing the two sales, a seven percent increase is suggested for date of sale between November 2019 and October 2021.

Land Sale No. 2 regards Century Communities' purchase in July 2021 of 215 lots located northwest of State Route 60 and Rubidoux Road in Jurupa Valley, about four miles north of the subject site. The property is known as "Emerald Ridge South". The property includes 118 townhomes (12 du/acre) and 97 small lots with a minimum lot size of 3,500 square feet. The lands were sold in an unimproved condition with final engineering in process and maps ready to record. The 215 lots/pads sold for the total price of \$13,920,000 or \$64,744 per unimproved unit based on a reported blended finished lot/unit price of \$165,000. In comparison to the subject property these lots are significantly smaller and the transaction includes some townhome units which are also considered significantly inferior to the subject 7,200 minimum square foot lots.

Land Sale No. 3 refers to a sale adjacent to the master plan of Spring Mountain Ranch, located in unincorporated Riverside County about 10 miles northeast of the subject site. Spring Mountain Ranch had been supplying lots to builders over the past few years. The subject purchase refers to Pulte Homes purchasing 138 single family detached lots from Shopoff Realty Investments in February 2021 for \$5,932,500, or \$42,989 per unimproved lot based on a reported finished lot price of \$167,500. The lands were purchased in an

unimproved condition with final engineering in process and a tentative map approved. In comparison to the subject property this site is considered to be slightly inferior in location (further out for commuters to Orange and Los Angeles Counties or downtown Riverside) and slightly inferior due to the 5,000 square foot minimum lot size compared to the subject's 7,200 square foot minimum lots.

Land Sale No. 4 refers to the purchase of a portion of Spring Mountain Ranch, known as Springbrook Estates, located at the west end of the large master planned community, about nine miles from the subject site. The lands were sold by Equity Residential which appears to be an off-balance sheet investor for KB Home. Due to the investment aspect of Equity Residential, this transaction was sold to KB Home in October 2020 at market rates per brokers involved in the transaction. The property consists of 176 lots of minimum 4,000 square feet, 277 lots of 5,000 minimum square feet and 184 lots of 5,500 minimum square feet. The lands sold for \$51,000,000 or \$80,063 per unimproved lot based on a blended finished lot price of \$170,000. In comparison to the subject property, this transaction is considered to be similar in location but superior, as it is within a master planned community with amenities. However, when compared to the subject this transaction is considered inferior due to the lot sizes and inferior due to the number of lots included in the transaction. Typically, builders purchase from 50 – 200 lots in a transaction; thus, this sale of over 600 lots is considered to be a bulk transaction with a discount warranted due to the risk and time associated with building and selling off over 600 homes.

Land Sale No. 5 refers to Richmond American Homes purchasing 107 lots from Lansing Companies in June 2020. The lots are minimum 5,000 square feet and are located along the north side of the Santa Ana River about 1.25 miles northwest of the subject site. Richmond American purchased the lands for \$6,623,500, or \$61,902 per unimproved lot based on a reported finished lot price of \$163,000. The lands closed in an unimproved condition with final engineering in process and maps ready to record. Richmond American is now marketing the site as their Bridlepath community, with home sizes from 2,280 to 2,610 square feet and pricing from \$707,990 to \$645,990. In comparison to the subject

property this transaction is considered to be slightly superior in location, slightly inferior in lot size and inferior in date of sale, due to the fact that this transaction closed 18 months ago, prior to a significant amount of appreciation in the marketplace.

Land Sale No 6 pertains to the Century Communities' purchase of an in-fill site in Jurupa Valley about three miles north of the subject property at the northeast corner of Pyrite Street and Jurupa Road. Century Communities purchased the 25 lots in February 2020 from Mark Michael Development for \$3,600,000 or \$144,000 per physically finished lot based on a true finished lot reported price of \$175,000. The lands closed in a physically finished condition with fees remaining to be paid. The lots have a minimum lot size of 7,200 square feet, similar to the subject property. Century Communities has sold out of their Sage community on the site. The surrounding area is considered to be similar in both lot size and in the surrounding area when compared to the subject. In comparison to the subject this transaction is considered to be inferior due to the date of sale, almost two years ago which was prior to the significant amount of appreciation in the marketplace.

Land Sale No. 8 refers to the sale of 34 lots located southwest of Streeter Avenue and Rochester Street in the City of Riverside about three miles east of the subject. R.C. Hobbs purchased the property from the Kim Family in October 2019 for \$2,000,000 or \$58,824 per unimproved lot based on a reported finished lot price of \$179,000. The lands were in an unimproved condition at time of sale with an approved tentative tract map. R.C. Hobbs built out their Camden Collection neighborhood and has sold out. The lots have a minimum lot size of 4,000 square feet. In comparison to the subject property, this location is considered to be slightly superior, however this the lot size is inferior (4,000 square feet as compared to 7,200 square feet). In addition, this transaction is considered to be significantly inferior due to the date of sale, over two years ago.

Land Sale No. 9 refers to the Lennar purchase of 432 lots from Richland Communities in March 2019. The lands are known as Shadow Rock and are located northeast of Pacific Avenue and La Canada Drive in Jurupa Valley, near Land Sale No. 2, about four miles

north of the subject property. The 432 lots included 104 lots with a 4,700 square foot minimum size, 165 lots with a 5,000 square foot minimum size and 163 lots with a 6,000 square foot minimum size. The site was purchased for \$26,173,000, or \$60,586 per unimproved lot based on a reported blended finished lot price of \$185,000. Lennar is marketing their Discovery, Adventure and Exploration at Shadow Rock communities on the property with home sizes ranging from 1,547 to 4,122 square feet with prices ranging from \$572,350 to \$860,000. In comparison to the subject property this location is considered to be similar, but the lot sizes are slightly smaller (inferior) and the date of sale is significantly inferior.

The chart on below summarizes the considerations used in adjusting the market data to the subject property.

Data No.	Location	Date of Sale	Lot Size	Finished Lot Price	Comparison to Subject
1	Riverside (Woodcrest)	10/21	5,000	\$199,000	Superior – Location Inferior – Lot Size
2	Jurupa Valley	7/21	3,500 / Att	\$165,000	Inferior - Density & Lot Size
3	Uninc Riverside	2/21	5,000	\$167,500	Inferior – Location and Lot Size
4	Uninc. Riverside	10/20	4,000 – 5,500	\$170,000	Superior – Master Plan Inferior – Lot Size and Date of Sale
5	Jurupa Valley	6/20	5,000	\$163,000	Superior – Location Inferior – Lot Size and Date of Sale
6	Jurupa Valley	2/20	7,200	\$175,000	Inferior – date of sale
7	Riverside	11/19	5,000	\$186,000	Superior - Location Inferior – Lot Size and Date of Sale
8	Riverside	10/19	4,000	\$179,000	Superior – Location Inferior – Lot Size and Date of Sale
9	Jurupa Valley	3/19	4,000 – 6,000	\$185,000	Inferior – Lot size and Date of Sale

The market data has an overall finished lot range from \$163,000 to \$199,000. All transactions are located within existing or planned community facilities districts with similar overall effective tax rates when compared to the subject site. Land Sale Nos. 4 thru 9 all closed over a year ago which is prior to a substantial amount of appreciation in the subject marketplace. When pairing Data Nos. 1 and 7 which are adjacent to each other, it is suggested that there was an increase of seven percent between November

2019 and October 2021. This is smaller than the actual appreciation which occurred on homes during this time which was closer to 25 percent. The majority of the sales consist of smaller lots than the subject property. When pairing Data Nos. 5 and 6 it is suggested there is a \$12,000 difference between a 5,000 square foot lot and a 7,200 square foot lot, all other considerations being equal. However, the smaller lots are in a superior location which would make the difference greater. The most recent sale in the area refers to Data No. 1 which sold for \$199,000 on a finished basis, but the location is slightly superior and the lot size is smaller which is considered inferior. In addition to the above land transactions, we have received information on the sale of the lands adjoining the subject to the immediate east. Meritage Homes is in escrow to purchase the lands once the map has been finalized which is anticipated to occur in the next few months. This transaction is not yet a closed escrow (considered to be superior) and is superior due to the fact that the first phase of Pomelo has had extremely good absorption rates which creates a known market for the second phase. We have talked with Meritage Homes, and while we have knowledge of the purchase price, as it is currently in escrow, we have retained the amount in our files for confidentiality purposes. We have, however, considered it in our analysis. Based on the market data as discussed above, along with our knowledge on this new transaction in escrow, we have concluded that the subject lots have a finished lot value of \$245,000.

Pomelo Land Valuation

Within Pomelo there are 69 individually owned homes and 39 builder-owned lots. The builder-owned property includes two model homes, 14 homes over 95 percent complete (all in escrow), 15 homes under construction (under 95 percent with eight in escrow) and eight remaining lots. This valuation is for the lots. In this analysis we will value the homes under construction (under 95 percent complete) as a finished lot rather than attribute value to a partially complete improvement, thus this valuation is for 23 remaining lots. As discussed under the property description section earlier within this report, per the builder there are remaining costs and fees of \$1,087,960 or \$27,896.41 per lot for the 39 lots owned by Meritage. The concluded "as is" value for the 23 Pomelo lots is shown below.

Lot Value Conclusion – Pomelo

23 Finished Lots x \$245,000	\$ 5,635,000
Less: Remaining Costs (\$27,896.41 x 23)	<u>(641,617)</u>
As Is Value for Lots	<u>\$ 4,993,383</u>

House Valuation Analysis – Pomelo

Within Pomelo there are 69 individually owned homes, two models and 14 production homes over 95 percent complete owned by the builder. We have searched the local Multiple Listing Service and inspected the property and there has been one re-sale of a Plan 4 and there is one current re-sale listing of a Plan 4. Below is a summary of the various floor plans. Our search resulted in seven new home communities (including Pomelo) which are considered in our analysis. A listing of the improved residential comparable properties is located in the Addenda of this report.

Plan	Room Count	Floors/ Parking	Sq. Ft.	Completed Ind. Owned	95% Complete Bldr. Owned
1	4 / 2	1 / 2	1,910	13	3
2	4 / 3	2 / 2	2,320	14	3*
3	4 / 3	2 / 2	2,771	19	5
4	5 / 3	2 / 2	2,948	23	5*
Total				69	16

*One of each of these plans is a model home. In addition to the above shown houses, there are 15 homes under construction and 8 finished lots.

The most appropriate new home comparable data for Pomelo Plan 1 are:

Data	Plan	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj	1	4 / 2	1 / 2	1,910	--
1	2	4 / 3	2 / 2	2,320	\$270.26
2	1	3 / 2	1 / 2	1,547	\$369.97
3	1	3 / 2	1 / 2	1,627	\$370.61
4	1	3 / 2	1 / 2	1,792	\$343.06
5	1	3 / 2	1 / 2	2,140	\$327.10
6	1	3 / 2.5	1 / 2	2,280	\$309.21

Due to the limited new home projects in Riverside, we have expanded our search to include new home communities in the adjacent Jurupa Valley. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, stories, lot size, view potential, sales concessions, CFD taxes, common area benefits, total square footage, room

count, garage space and other amenities. The comparable new home sales have base prices ranging from \$270.26 to \$370.61 per square foot. The lowest price per square foot is for the Plan 2 within Pomelo which is a larger and two story home which would typically sell for a lower price per square foot. There has been significant appreciation in the subject market in the past few months due to the demand for new homes in the Inland Empire. The current base asking price for Pomelo Plan 1 is \$310.99 per square foot. There have been 13 closings of Pomelo Plan 1 homes with actual sales prices from \$265.82 to \$312.43 per square foot. There are five current escrows of Pomelo Plan 1 with a sales price range of \$319.85 to \$337.65 per square foot. The escrow sales prices versus the closed sales prices shows the recent appreciation in the subject marketplace. It should be noted the reported sales prices include premiums and options purchased by the buyer as well as any concessions given by the builder.

All homes appear to be in excellent condition with little to no physical depreciation visible. It has been concluded that Plan 1 has a base current market value of \$310.00 per square foot. This calculates as follows:

$$1,910 \text{ sf} \times \$310.00 = \$592,100$$

The most appropriate new home comparable data for Pomelo Plan 2 are:

Data	Plan	Rm. Ct.	Firs/Pkg.	Sq. Ft.	Price/SF
Subj	2	4 / 3	2 / 2	2,320	--
1	1	4 / 2	1 / 2	1,910	\$310.99
1	3	4 / 3	2 / 2	2,771	\$229.88
2	4	4 / 3	2 / 2	2,064	\$303.62
3	2	4 / 3	2 / 2	2,227	\$288.28
3	3	5 / 3	2 / 2	2,528	\$263.05
4	3	4 / 3	2 / 2	2,590	\$263.31
7	4	4 / 3	2 / 2	2,173	\$299.54

Due to the limited new home projects in Riverside, we have expanded our search to include new home communities in the adjacent Jurupa Valley. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, stories, lot size, view potential, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The comparable new home sales have base

prices ranging from \$229.88 to \$310.99 per square foot with the highest per square foot price being the smallest (and single-story) home and the lowest per square foot price being for the largest home. This is typical due to the economies of scale that can be obtained during construction. There has been significant appreciation in the subject market in the past few months due to the demand for new homes in the Inland Empire. The current base asking price for Pomelo Plan 2 is \$270.26 per square foot. There have been 14 closings of Pomelo Plan 2 with actual sales prices from \$224.67 to \$269.95 per square foot. There are three current escrows of Pomelo Plan 2 with a sales price range of \$276.29 to \$283.62 per square foot. The escrow sales prices versus the closed sales prices shows the recent appreciation in the subject marketplace. It should be noted the reported sales prices include premiums and options purchased by the buyer as well as any concessions given by the builder.

All homes appear to be in excellent condition with little to no physical depreciation visible. It has been concluded that Plan 2 has a base current market value of \$270.00 per square foot. This calculates as follows:

$$2,320 \text{ sf} \times \$270.00 = \$626,400$$

The most appropriate new home comparable data for Pomelo Plan 3 are:

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj	3	4 / 3	2 / 2	2,771	--
1	2	4 / 3	2 / 2	2,320	\$270.26
1	4	5 / 3	2 / 2	2,948	\$220.49
3	3	5 / 3	2 / 2	2,528	\$263.05
3	4	5 / 3	2 / 2	2,882	\$240.45
4	3	4 / 3	2 / 2	2,590	\$263.31
7	4	4 / 3	2 / 2	2,173	\$299.54

Due to the limited new home projects in Riverside, we have expanded our search to include new home communities in the adjacent Jurupa Valley. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, stories, lot size, view potential, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The comparable new home sales have base prices ranging from \$220.49 to \$299.54 per square foot with the highest per square foot price being the smallest home and the lowest per square foot price being for the largest

home. This is typical due to the economies of scale that can be obtained during construction. There has been significant appreciation in the subject market in the past few months due to the demand for new homes in the Inland Empire. The current base asking price for Pomelo Plan 3 is \$229.88 per square foot. There have been 19 closings of Pomelo Plan 3 with actual sales prices from \$202.30 to \$230.53 per square foot. There are seven current escrows of Pomelo Plan 3 with a sales price range of \$230.31 to \$248.35 per square foot. The escrow sales prices versus the closed sales prices shows the recent appreciation in the subject marketplace. It should be noted the reported sales prices include premiums and options purchased by the buyer as well as any concessions given by the builder.

All homes appear to be in excellent condition with little to no physical depreciation visible. It has been concluded that Plan 3 has a base current market value of \$229.00 per square foot. This calculates as follows:

$$2,771 \text{ sf} \times \$229.00 = \$634,559$$

The most appropriate new home comparable data for Pomelo Plan 4 are:

Data	Plan	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj	4	5 / 3	2 / 2	2,948	--
1	2	4 / 3	2 / 2	2,320	\$270.26
1	3	4 / 3	2 / 2	2,771	\$229.88
3	3	5 / 3	2 / 2	2,528	\$263.05
3	4	5 / 3	2 / 2	2,882	\$240.45
4	3	4 / 3	2 / 2	2,590	\$263.31
7	4	4 / 3	2 / 2	2,173	\$299.54

Due to the limited new home projects in Riverside, we have expanded our search to include new home communities in the adjacent Jurupa Valley. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for location, stories, lot size, view potential, sales concessions, CFD taxes, common area benefits, total square footage, room count, garage space and other amenities. The comparable new home sales have base prices ranging from \$229.88 to \$299.54 per square foot with generally the higher per square foot prices being the smaller homes and the lowest per square foot price being for the larger homes. This is typical due to the economies of scale that can be obtained during construction. There has been significant appreciation in the subject market in the past few

months due to the demand for new homes in the Inland Empire. The current base asking price for Pomelo Plan 4 is \$220.49 per square foot. There have been 23 closings of Pomelo Plan 4 with actual sales prices from \$192.44 to \$226.32 per square foot. There are seven current escrows of Pomelo Plan 4 with a sales price range of \$223.13 to \$236.48 per square foot. The escrow sales prices versus the closed sales prices shows the recent appreciation in the subject marketplace. It should be noted the reported sales prices include premiums and options purchased by the buyer as well as any concessions given by the builder. We have also reviewed the local MLS and noted one re-sale of a Plan 4 and one current listing of a re-sale. The re-sale sold for \$239.14; however, the sales price included a paid off solar system and custom plantation shutters and the home had a view of city lights and mountains from the master bedroom. The current listing has a listing price of \$247.25 per square foot. The current listing is under contract, but we were unable to obtain the actual sales price due to the confidential nature of the escrow.

All homes appear to be in excellent condition with little to no physical depreciation visible. It has been concluded that Plan 4 has a base current market value of \$220.00 per square foot. This calculates as follows:

$$2,948 \text{ sf} \times \$220.00 = \$648,560$$

Builder Owned Retail Value

Within the subject property there are 16 builder-owned homes over 95 percent complete including two model homes. Per interviews with builders, upgrades and landscape/hardscape of over \$100,000 are installed in subject-like model homes. However, builders generally consider this a marketing cost and do not anticipate recovering this investment on a dollar-for-dollar basis. Based on historical information, home sizes and fixtures, actual model home sales within the subject area and the current real estate market, a consideration of a \$50,000 premium has been included with each of the model homes. The retail base value conclusions for the builder-owned homes are calculated as follows:

Plan 1 (3 x \$592,100)	\$ 1,776,300
Plan 2 (3 x \$626,400)	1,879,200
Plan 3 (5 x \$634,559)	3,172,795
Plan 4 (5 x \$648,560)	3,242,800
Model Upgrades (2 x \$50,000)	<u>100,000</u>
Total Builder-owned	<u>\$10,171,095</u>

Absorption Period

In order to arrive at an absorption period for Pomelo, the absorption rates for the subject and surrounding developments have been reviewed. As discussed under the Highest and Best Use section earlier within this report, there is an average sales rate for Pomelo of 5.7 houses per month which is considered to be excellent. The remaining competitive new homes used in our analysis and summarized in the Addenda have an absorption rate range of 4.9 to 20 sales per month. Out of the subject 16 builder-owned homes, 14 are in escrow as the models have not been released for sale yet. We have concluded that the subject 16 homes will be absorbed over a two-month period.

Remaining Costs

As discussed under the remaining costs section earlier within this report there are \$27,896.41 in remaining land development costs associated with each lot. For the 16 builder-owned homes, this equates to \$446,343 in remaining costs. We are assuming that the costs will be spread evenly over the two months absorption period in our analysis.

Expenses

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

Profit

Several interviews with merchant builders in the area were conducted in order to determine an appropriate profit percentage for the subject properties. In the early 2000s, developers typically attempted to achieve a 10 to 12 percent profit based on gross sales

proceeds. During the Great Recession this range was lowered considerably to six to 10 percent with some builders drastically lowering their profit potential in order to maintain their work force. As the market improved, so did the profits. A ten percent profit is considered appropriate in the analysis for this project.

Discount Rate

In selecting a discount rate, the following was completed:

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

The homes within the subject property appear to be well constructed and have been selling at a good absorption rate. There is minimal remaining development associated with the project. Even with the COVID pandemic, new home sales are continuing at a very good rate. Due to these factors, coupled with the amount of product remaining, a ten percent discount rate is considered appropriate for this analysis.

Discounted Cash Flow Summary

The discounted revenue for Pomelo (see DCF Analysis in Addenda) for the builder owned homes, collectively, is **\$7,796,366**.

Meritage Homes Ownership Valuation Total – Pomelo

Meritage Homes owns 16 homes over 95 percent complete (14 production homes and two models), 15 homes which are under construction (under 95 percent complete) and eight remaining lots within Riverside CFD No. 2015-2. The homes under construction (under 95 percent) have been valued as a finished lot rather than attribute value to a partially complete improvement. The final value conclusion for the builder owned property is shown below.

23 Lots	\$4,993,383
16 Houses	<u>7,796,366</u>
Total Meritage Homes Owned Property	<u>\$12,789,749</u>

Individual Owners Value Conclusion

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

Plan 1 (13 x \$592,100)	\$ 7,697,300
Plan 2 (14 x \$626,400)	8,769,600
Plan 3 (19 x \$634,559)	12,056,621
Plan 4 (23 x \$648,560)	<u>14,916,880</u>
Total Individually Owned	<u>\$43,440,401</u>

In an additional review, we have reviewed the builder sales prices for the homes within Pomelo. Sales occurred between August 2020 and December 15, 2021. The builder's reported closing prices for the individually owned homes total \$40,523,635. The concluded current minimum market value of \$43,440,401 equates to 7.2 percent higher than the actual sales prices. The builder's reported prices include premiums, upgrades and purchased options, as well as the concessions given by the builder, which typically would result in a higher price than the concluded base value of the homes. However, the subject market has had significant price appreciation since its opening. Within Pomelo the base prices increased from 21.5 to 27.9 percent, or between \$115,000 to \$137,000 for each plan. Based on the above information and analysis, along with our familiarity with the market, it is our conclusion that the builder sales prices further substantiate the concluded minimum market value for the individually owned homes.

APPRAISAL REPORT SUMMARY

The appraisal assignment was to value the subject property within Riverside CFD No. 2015-2 which encompasses the 108 proposed homes within the Pomelo project by Meritage Homes located in the City of Riverside. The community has been well received in the marketplace with an excellent absorption rate and substantial price increases across all plans. The majority of homes that are released are in escrow. As of December 15, 2021, individuals have purchased and closed on 69 of the homes with an additional 22 in escrow which are due to close upon completion. Pomelo has enjoyed an excellent sales rate of 5.7 homes per month, well above the regional average. All structures appear to be in excellent condition with no visible depreciation. We have reviewed builder sales and reviewed the local MLS for current listings or re-sales and found one re-sale and one current re-sale listing.

The subject properties were valued utilizing the Sales Comparison Approach to value, a Discounted Cash Flow Analysis and utilized a Mass Appraisal Technique for the individually owned homes. A minimum value was determined by concluding at a base value for the individually owned homes. The valuation took into account the improvements/benefits to be funded by the special tax Riverside CFD No. 2015-2 bond proceeds along with the Riverside CFD No. 2015-2 special tax lien. The concluded aggregate value for the subject properties, subject to their respective special tax lien, is:

Pomelo:

Meritage Homes Ownership Value	\$ 12,789,749
Individually Owned Homes Minimum Market Value	<u>\$ 43,440,401</u>

Aggregate Value for Riverside CFD No. 2015-2	<u>\$ 56,230,150</u>
-----------------------------------------------------	-----------------------------

The above values are stated as of said date of value and subject to the attached Assumptions and Limiting Conditions and Appraiser's Certification.

APPRAISER'S CERTIFICATION

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

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



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

ADDENDA

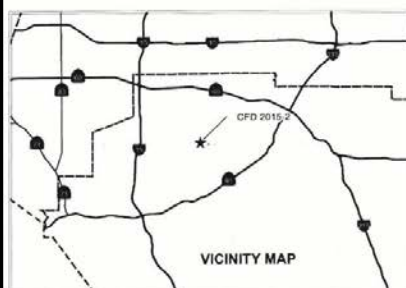
RIVERSIDE CFD NO. 2015-2
BOUNDARY MAP

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2015-2 (POMELO), CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE AT A REGULAR MEETING THEREOF, HELD ON THE 27TH DAY OF Oct., 2020 BY RESOLUTION NO. 23623

C. Shiel
CITY CLERK
CITY OF RIVERSIDE

FILED IN THE OFFICE OF THE CITY CLERK, CITY OF RIVERSIDE THIS 27TH DAY OF Oct., 2020

C. Shiel
CITY CLERK
CITY OF RIVERSIDE



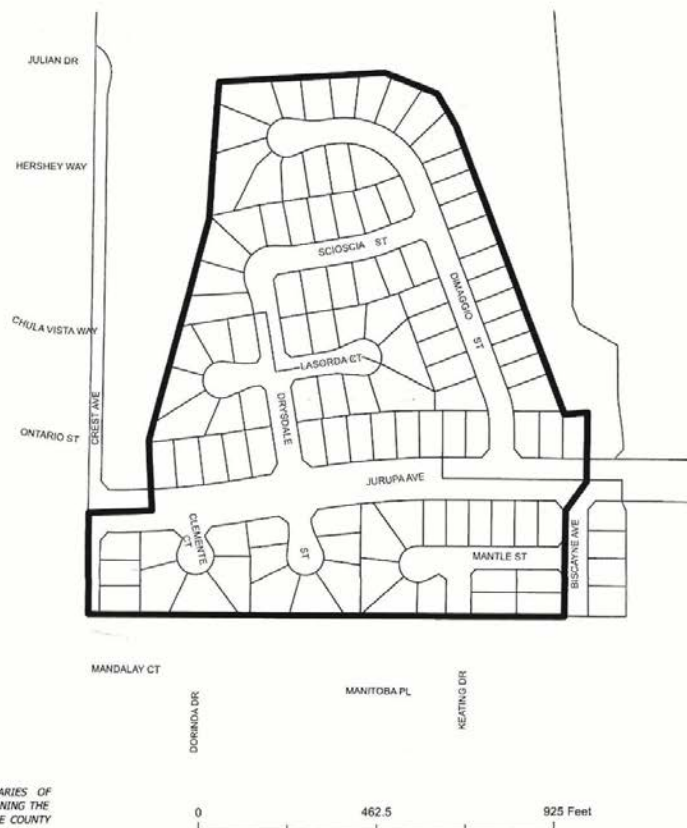
LEGEND

- PROPOSED CFD BOUNDARY
— PARCEL LINES



THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2020-2021.

PROPOSED BOUNDARY MAP **COMMUNITY FACILITIES DISTRICT NO. 2015-2** **(POMELO)** **CITY OF RIVERSIDE,** **COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



RECORDED THIS 12TH DAY OF November, 2020
AT THE HOUR OF 11:55 O'CLOCK A.M. IN BOOK 85
PAGE 42 OF MAPS OF ASSESSMENT AND COMMUNITY
FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY
RECORDER, IN THE COUNTY OF RIVERSIDE, STATE OF
CALIFORNIA.

FEE: \$9 NO: 2020-1516038
PETER ALDANA, ASSESSOR, COUNTY CLERK, RECORDER

BY: *unbek*
DEPUTY

ASSESSOR'S PARCEL NUMBERS		
155-040-011	155-470-037	155-481-007
155-470-001	155-470-038	155-481-008
155-470-002	155-470-039	155-481-009
155-470-003	155-471-001	155-481-010
155-470-004	155-471-002	155-481-011
155-470-005	155-471-003	155-481-012
155-470-006	155-471-004	155-482-001
155-470-007	155-471-005	155-482-002
155-470-008	155-471-006	155-482-003
155-470-009	155-471-007	155-482-004
155-470-010	155-471-008	155-482-005
155-470-011	155-471-009	155-482-006
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155-470-013	155-471-011	155-482-008
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155-470-016	155-471-014	155-482-011
155-470-017	155-471-015	155-482-012
155-470-018	155-471-016	155-482-013
155-470-019	155-471-017	155-482-014
155-470-020	155-471-018	155-482-015
155-470-021	155-480-001	155-482-016
155-470-022	155-480-002	155-482-017
155-470-023	155-480-003	155-482-018
155-470-024	155-480-004	155-482-019
155-470-025	155-480-005	155-482-020
155-470-026	155-480-006	155-482-021
155-470-027	155-480-007	155-482-022
155-470-028	155-480-008	155-482-023
155-470-029	155-480-009	155-482-024
155-470-030	155-480-010	155-482-025
155-470-031	155-481-001	155-482-026
155-470-032	155-481-002	155-483-001
155-470-033	155-481-003	155-483-002
155-470-034	155-481-004	155-483-003
155-470-035	155-481-005	155-483-004
155-470-036	155-481-006	



TRACT MAP No. 28987

adkan
ENGINEERS
RIVERSIDE, CA

SURVEYOR'S NOTES

1. THIS TRACT CONTAINS 47.54 ACRES WITHIN THE DISTINCTIVE BORDER.
2. SET LEAD & TAG L.S. 5390 IN TOP OF CURB ON THE PROLONGATION OF THE SIDE LOT LINES AND AT BC'S & EC'S ON A LINE RADIAL TO PROPERTY LINE CURVE.
3. SET 1" IRON PIPE TAGGED L.S. 5390, FLUSH, AT ALL REAP LOT CORNERS AND ANGLE POINTS.
4. ○ INDICATES SET 1" IRON PIPE, FLUSH, TAGGED L.S. 5390, UNLESS OTHERWISE NOTED.
5. ● INDICATES FOUND MONUMENT AS NOTED.
6. () INDICATES RECORD DATA PER TRACT NO. 8960-1, MB 155/90-83, UNLESS OTHERWISE NOTED.
7. [] INDICATES RECORD DATA PER TRACT NO. 8960, MB 161/1-2, UNLESS OTHERWISE NOTED.
8. < > INDICATES RECORD DATA PER BOMMILL TRACT, MB 16/28-30, UNLESS OTHERWISE NOTED.
9. (()) INDICATES RECORD DATA PER TRACT NO. 5529, MB 86/54-55, UNLESS OTHERWISE NOTED.
10. [()] INDICATES RECORD DATA PER TRACT NO. 4154, MB 71/39-40, UNLESS OTHERWISE NOTED.
11. << >> INDICATES RECORD DATA PER TRACT NO. 7110, MB 134/45-47, UNLESS OTHERWISE NOTED.
12. ((())) INDICATES RECORD DATA PER RANDOLPH SUBDIVISION, MB 16/30, UNLESS OTHERWISE NOTED.
13. (((()))) INDICATES RECORD DATA PER TRACT NO. 21138-1, MB 175/34-35, UNLESS OTHERWISE NOTED.
14. (R1) -INDICATES RECORD DATA PER TRACT NO. 6537-1, MB 84/79-81.
15. (R2) -INDICATES RECORD DATA PER TRACT NO. 7110-1, MB 136/41-44.
16. (R3) -INDICATES RECORD DATA PER TRACT NO. 6537-2, MB 86/49-50.
17. BASIS OF BEARINGS FOR THIS SURVEY IS THE CENTER LINE OF RUTLAND AVENUE SHOWN IN MD 161/1-2, RECORDS OF RIVERSIDE COUNTY, BEING N 00°20'33" E.
18. /// DENOTES RESTRICTED ACCESS.
19. (R4) INDICATES RECORD DATA PER TRACT NO. 5528, M.B. 85/52-53.
20. (R5) INDICATES RECORD DATA PER TRACT NO. 5104-5, M.B. 85/57-58.
- SNF-INDICATES SEARCHED, NOTHING FOUND

EASEMENT NOTES

1. CENTERLINE OF 112' AND CENTERLINE OF 202' SOUTHERN CALIFORNIA EDISON CO. EASEMENTS FOR ELECTRICAL LINE AND APPURTENANCES, RECORDED MARCH 9, 1956 IN BOOK 1877, PAGE 75-77, O.R. (CITY OF RIVERSIDE IS SUCCESSOR IN INTEREST).

2. CENTERLINE OF A SOUTHERN CALIFORNIA EDISON CO. (SUCCESSOR IN INTEREST TO CALIFORNIA ELECTRIC POWER CO.) EASEMENT FOR ELECTRICAL LINE AND APPURTENANCES, RECORDED DECEMBER 14, 1948 IN BOOK 1038, PAGE 17 O.R. (WIDTH NOT DISCLOSED IN RECORD).



SCALE: 1" = 150'

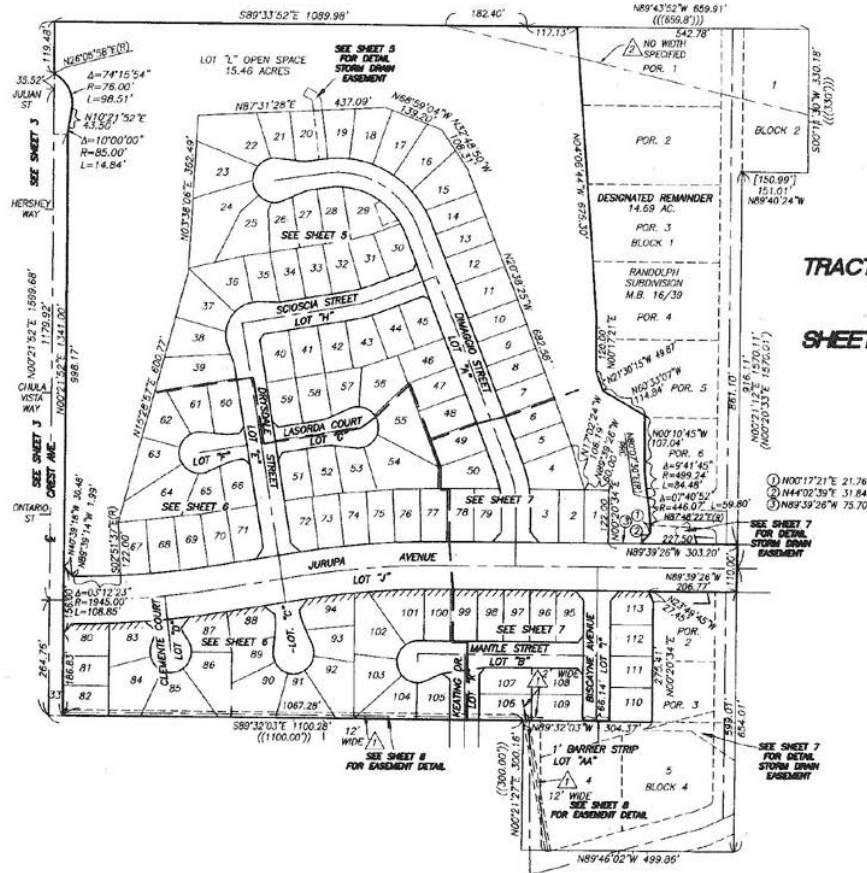
IN THE CITY OF RIVERSIDE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

TRACT NO. 28987

BEING A SUBDIVISION OF LOT 3 AND A PORTION OF LOTS 2, 4, 5 "C" AND "D" OF THE BOMMILL TRACT, PER MAP ON FILE IN BOOK 16, PAGES 28 THROUGH 30 INCLUSIVE, OF MAPS: A PORTION OF LOTS 1 THROUGH 6, BLOCK 1, A PORTION OF LOTS 1 THROUGH 3, BLOCK 4, AND A PORTION OF LOTS "D", "T", AND "J" OF THE RANDOLPH SUBDIVISION, AS SHOWN BY MAP ON FILE IN BOOK 16, PAGE 39 OF MAPS, RECORDS OF RIVERSIDE COUNTY, IN SECTIONS 25, 26, 35, 36 TOWNSHIP 2 SOUTH, RANGE 6 WEST, S.B.M.

SHEET 4 OF 8 SHEETS

SEPTEMBER 2003



**TRACT BOUNDARY
AND
SHEET INDEX MAP**

DEPARTMENT OF TOXIC SUBSTANCES CONTROL
CERTIFICATE OF COMPLETION

CERTIFICATE OF COMPLETION

California's Land Reuse and Revitalization Act (CLRRA)
California Health and Safety Code, Division 20, Chapters 6.82 and 6.83
Riverside Agricultural Park, County of Riverside, Assessor's Parcel Numbers 155-040-004 and 155-040-005

The Department of Toxic Substances Control (DTSC) entered into CLRRA Agreement, Docket No. HSA-A 05/06-162 with the Friends of the Riverside Airport, LLC, (FRA) on May 16, 2006, to specify the process that will be used to evaluate the property located at 7020 Crest Avenue, Riverside, California, under CLRRA, facilitate the assessment and remediation of such property, provide a framework for terms and conditions for qualifying for immunities afforded under CLRRA and provide a framework for reimbursement of DTSC's costs.

The Response Plan prepared pursuant to Health and Safety Code section 25395.96 underwent a thirty day public comment period from December 22, 2005 to January 31, 2006 and was approved by DTSC on August 4, 2006.

In accordance with Health and Safety Code section 25395.97, DTSC has determined that:

1. All response actions have been satisfactorily completed in accordance with the approved Response Plan. Response actions taken are described in the attached Exhibit A.

Therefore, conditioned upon continuing compliance with the CLRRA Agreement, DTSC finds that Friends of the Riverside Airport, LLC, has properly completed the Response Plan and thus exercised appropriate care with respect to the release or threatened release of hazardous materials identified in the approved Response Plan for this Site.

Issued this 1st day of April, 2014 by

Name: Thomas Cota, Branch Chief
Cleanup Operations

Signature: _____



AIRPORT LAND USE COMMISSION DOCUMENTATION



AIRPORT LAND USE COMMISSION RIVERSIDE COUNTY

July 12, 2007

CHAIR
Simon Housman
Rancho Mirage

VICE CHAIRMAN
Rod Ballance
Riverside

COMMISSIONERS

Arthur Butler
Riverside

Robin Lowe
Hemet

John Lyon
Riverside

Glen Holmes
Hemet

Melanie Fesmire
Indio

STAFF

Interim
Executive Director
Ed Cooper

John Guerin
Cecilia Lara
Sophia Nolasco
Barbara Santos

County Administrative Center
4080 Lemon St., 8th Floor
Riverside, CA 92501
(951) 955-5132

www.rcaluc.org

Mr. Ken Gutierrez, Planning Director
Planning Division, Community Development Department
Riverside City Hall
3900 Main Street, Third Floor
Riverside CA 92522

RE: AIRPORT LAND USE COMMISSION (ALUC) DEVELOPMENT REVIEW

File No.: RI-05-130 (Reconsideration)
Related File No.: Tentative Tract Map No. 31541
APN: 155-040-004 and 155-040-005

Dear Mr. Gutierrez:


Pursuant to your request, on July 12, 2007, the Riverside County Airport Land Use Commission (ALUC) reconsidered and, thereupon, determined to rescind its inconsistency determination rendered in the above referenced case on October 13, 2005. These actions were taken by the ALUC upon information presented as part of your request for reconsideration which the ALUC did not have at the time it found the project to be inconsistent with its Airport Land Use Compatibility Plan (ALUCP) for the Riverside Municipal Airport. Specifically, at the time of its inconsistency determination, the Airport Land Use Commission was not aware that the project was subject to a development agreement between the City of Riverside, Friends of Riverside Airport, LLC and others and thereby qualified as an "existing land use." As an existing land use, the project was not subject to the mandatory review of the ALUC. Accordingly, the ALUC's letter dated October 17, 2005 giving notice of its prior inconsistency determination as to the project should be treated as withdrawn.

While the existence of the development agreement prevents the mandatory review of the project by the ALUC, it remains that the ALUC has significant concerns regarding the density of the project in light of its location relative to aircraft traffic patterns of the Riverside Municipal Airport. For the reasons stated in our prior staff reports leading to the ALUC's initial, now withdrawn, inconsistency determination, this project will expose its residents to an unacceptable level of safety hazards and noise.

Airport Land Use Commission
Letter to City of Riverside re: Reconsideration, RI-05-130
Page 2 of 2

If you have any questions, please contact John Guerin, Principal Planner, at (951) 955-0982.

RIVERSIDE COUNTY AIRPORT LAND USE COMMISSION



Edward C. Cooper, Interim Executive Director

JJGG:bks

Cc: Friends of Riverside Airport LLC – Attn.: Robert Beers
Mark Ripley, Manager, Riverside Municipal Airport
B.T. Miller, Deputy County Counsel
ALUC Staff (Case File)

Attachments: Notice of Airport in Vicinity
Staff Report, RI-05-130 (Reconsideration)

Y:\ALUC\Riverside\ReconsiderationRI-05-130LTR

NOTICE OF AIRPORT IN VICINITY

This property is presently located in the vicinity of an airport, within what is known as an airport influence area. For that reason, the property may be subject to some of the annoyances or inconveniences associated with proximity to airport operations (for example: noise, vibration, or odors). Individual sensitivities to those annoyances can vary from person to person. You may wish to consider what airport annoyances, if any, are associated with the property before you complete your purchase and determine whether they are acceptable to you. Business & Profession Code 11010 12(A)

**COUNTY OF RIVERSIDE
AIRPORT LAND USE COMMISSION**

STAFF REPORT

AGENDA ITEM: 3.3

HEARING DATE: July 12, 2007

CASE SUMMARY:

CASE NUMBER: Reconsideration of RI-05-130 – Friends of Riverside Airport, LLC, at the request of the City of Riverside.

APPROVING JURISDICTION: City of Riverside

JURISDICTION CASE NO: Tentative Tract Map No. 31541

MAJOR ISSUES: The proposed density is not consistent with the compatibility criteria set forth in the 2005 Riverside Municipal Airport Land Use Compatibility Plan, but the proposed project is an “existing land use” as the term is defined in Section 1.2.10 of the Riverside County Airport Land Use Compatibility Plan (a project subject to a Development Agreement pre-dating the Compatibility Plan) and is, therefore, not subject to mandatory review by the Airport Land Use Commission. There is no evidence that the existence of the Development Agreement was known to the Commission when it issued its determination of inconsistency in October, 2005.

RECOMMENDATION: Staff recommends that the Commission authorize the attached letter to be sent to the City of Riverside rescinding/withdrawing its earlier determination of inconsistency, but advising that the Commission retains concern regarding the density of the project in light of its location relative to aircraft traffic patterns and the level of safety hazards and noise to which residents will be exposed.

PROJECT DESCRIPTION: Tentative Tract Map No. 31541 proposes to divide 30.83 acres within a 58.68-59.33 acre ownership into 58 single-family residential lots.

PROJECT LOCATION: The site is located both northerly and southerly (albeit predominantly northerly) of Jurupa Avenue, easterly of Crest Avenue, westerly of Rutland Avenue, and southerly of the Santa Ana River in the City of Riverside. The nearest point of the property is approximately 4,191 feet westerly of the westerly terminus of the westerly extension of Runway 9-27 at Riverside Municipal Airport.

LAND USE PLAN: 2005 Riverside Municipal Airport Land Use Compatibility Plan

Adjacent Airport:

- a. Airport Influence Area: Riverside Municipal Airport
- b. Land Use Policy: Airport Zones C and B1
- c. Noise Levels: 55-65 CNEL (The portion of the site southerly of Jurupa Avenue is crossed by the 60 CNEL contour.)

BACKGROUND:

This site at one time was owned by the City of Riverside and was planned for use as an agricultural park. It was transferred to private ownership through a land trade designed to avoid encroachment of incompatible land uses closer to the airport.

On May 23, 2003, the City of Riverside entered into an Exchange, Disposition, and Development Agreement with Friends of Riverside Airport, LLC, Van Buren Golf Center, LLC, and Riverside Gateway Plaza. Basically, Friends of Riverside Airport, LLC owned property located within the Runway Protection Zone of Riverside Municipal Airport and desired to exchange that property (which would be utilized to expand a City-owned golf course) for property farther from the airport (the 59.33-acre site) owned by the City.

On October 13, 2005, the Riverside County Airport Land Use Commission reviewed ALUC Case No. RI-05-130 (Tentative Tract Map No. 31541) and determined that the project was inconsistent with the 2005 Riverside Municipal Airport Land Use Compatibility Plan. There is no available evidence to indicate that ALUC or its staff had been advised by either the City of Riverside or the project applicant that the project was subject to a Development Agreement.

Pursuant to the sections of the State of California Public Utilities Code that set forth the requirements for Airport Land Use Commissions and the parameters of ALUC operations, lands "already devoted to incompatible uses" are not subject to review. Section 1.2.10 of the Riverside County Airport Land Use Compatibility Plan defines "existing land uses" as including lands subject to an approved development agreement that remains in effect. Therefore, the project should not have been subject to mandatory ALUC review.

Having stated this, it should also be noted that, in the absence of such development agreement, the project would be inconsistent with the density limitations of the Airport Zones in which it is located. Airport Zone C limits residential density to one dwelling unit per five acres, and Airport Zone B1 limits residential density to one dwelling unit per 20 acres.

Noise: The site is located entirely within the area subject to aircraft noise levels greater than 55 CNEL, and partially within the area subject to aircraft noise levels greater than 60 CNEL. However, it should be noted that pursuant to Additional Compatibility Policy 2.1, the "limit of 60 dB CNEL set by Countywide Policy 4.1.4 as the maximum noise exposure considered normally acceptable for new

residential land uses shall not be applied to the environs of Riverside Municipal Airport. For this airport, the criterion shall instead be 65 dB CNEL." This is in recognition of relatively high ambient noise conditions in the area. The Policy proceeds to note that residences "may require incorporation of special noise level reduction measures into their design to ensure that the interior noise limit of 45 dB CNEL (Countywide Policy 4.1.6) is not exceeded."

PART 77: The maximum elevation of the site is 741 feet above mean sea level (AMSL). The structure height may be as high as twenty-eight (28) feet. Thus, structures may have elevations as high as 769 feet AMSL at top of roof. The elevation at the westerly end of the runway is 757.6 feet AMSL. At a distance of 4,191 feet from the runway, FAA review would be required for structures with a top elevation exceeding 799.5 feet AMSL. Provided that structures do not exceed 35 feet in height and an elevation at top of roof of 799.5 feet, FAA review is not required.

In the event that the City takes any further discretionary action regarding this matter, the following measures may assist in mitigating effects of aircraft operations on future residents and effects of residential development at this location on the continued viability of Riverside Municipal Airport. Implementation of these measures may not be sufficient to mitigate such impacts to below a level of significance pursuant to the California Environmental Quality Act.

SUGGESTED MITIGATION MEASURES:

1. Prior to recordation of the final map, issuance of building permits, or sale to any entity exempt from the Subdivision Map Act, the landowner shall convey an avigation easement to Riverside Municipal Airport, which shall be recorded upon acceptance by the airport. Copies of the recorded avigation easement shall be forwarded to the Airport Land Use Commission and to the City of Riverside Planning Department.
2. Noise attenuation measures shall be incorporated into the building construction to ensure a minimum noise level reduction of 25 dB in the portions of the site in Airport Zone B1 and 20 dB in the portions of the site in Airport Zone C, so as to reduce interior noise levels from aircraft operations at ultimate activity levels to 45 CNEL or below.
3. Any outdoor lighting that is installed shall be hooded or shielded so as to prevent either the spillage of lumens or reflection into the sky.
4. The following uses shall be prohibited:
 - (a) Any use which would direct a steady light or flashing light of red, white, green, or amber colors associated with airport operations toward an aircraft engaged in an initial straight climb following takeoff or toward an aircraft engaged in a straight final approach toward a landing at an airport, other than an FAA-approved navigational signal light or visual approach slope indicator.

- (b) Any use which would cause sunlight to be reflected towards an aircraft engaged in an initial straight climb following takeoff or towards an aircraft engaged in a straight final approach towards a landing at an airport.
 - (c) Any use which would generate smoke or water vapor or which would attract large concentrations of birds, or which may otherwise affect safe air navigation within the area.
 - (d) Any use which would generate electrical interference that may be detrimental to the operation of aircraft and/or aircraft instrumentation.
 - (e) Children's schools, day care centers, libraries, hospitals, nursing homes, places of worship, highly noise-sensitive outdoor uses, and aboveground bulk storage of 6,000 gallons or more of hazardous or flammable materials.
5. Subsequent Airport Land Use Commission review shall be required for any structure with a height exceeding thirty-five (35) feet or an elevation at top of roof exceeding 799.5 feet above mean sea level.
6. The attached notice shall be provided to all potential purchasers and tenants, and shall be recorded as a deed notice.

FRIENDS OF RIVERSIDE AIRPORT PROJECT TIMELINE

- | | |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| March 20, 2003 | ALUC finds a proposed general plan amendment and change of zone for a commercial development located westerly of Van Buren Boulevard, both northerly and southerly of Jurupa Avenue, consistent with the 1998 Riverside Municipal Airport Land Use Compatibility Plan. Case No. RI-02-140 and RI-02-165. |
| March 20, 2003 | ALUC finds proposed Tract Map No. 28987, proposing division of 42 acres located east of Crest Street, northerly and southerly of Jurupa Avenue, into 113 residential lots with 18 acres of remainder lots, consistent with the 1998 Riverside Municipal Airport Land Use Compatibility Plan. Case No. RI-03-102. |
| May 23, 2003 | The City of Riverside enters into an Exchange, Disposition, and Development Agreement with Friends of Riverside Airport, LLC, Van Buren Golf Center, LLC, and Riverside Gateway Plaza. |
| January 15, 2004 | ALUC finds proposed Tract Map No. 31542, proposing division of 120.18 acres located westerly of Van Buren Boulevard, both northerly and southerly of Jurupa Avenue, into 10 commercial lots and 17 residential lots, inconsistent with the 1998 Riverside Municipal Airport Land Use Compatibility Plan, to the extent that it proposes residential lots within the Emergency Touchdown Zone and any residential or commercial structures in the Inner Safety Zone. Conditions in the event of overrule require that subsequent permits for uses within the site be reviewed by the ALUC prior to City approval and that structures and uses in the Outer Safety Zone be restricted in accordance with the matrix from the CLUP. Case No. RI-03-145. |
| October 13, 2005 | The remainder of the 42-acre Crest Avenue site comes before the Airport Land Use Commission as a proposal (Tract Map No. 31541) for 58 residential lots and 15 acres of open space. During the interim period, the ALUC has adopted the 2005 Riverside Municipal Airport LUCP. The project site is now predominantly in Zone C, with a portion in Zone B1. ALUC finds proposed Tract Map No. 31541 inconsistent with the 2005 Riverside Municipal Airport LUCP. The submittal package did not reference the existence of a Development Agreement affecting the property. |
| February 24, 2006 | The City of Riverside Planning Division sends a letter to ALUC (Keith Downs, Executive Director) advising that City Planning staff would recommend an override of ALUC's finding of inconsistency based on a determination of infill within the B1 (not permissible |

pursuant to the ALUCP Countywide Policies) and C zones and with a condition for sound insulation.

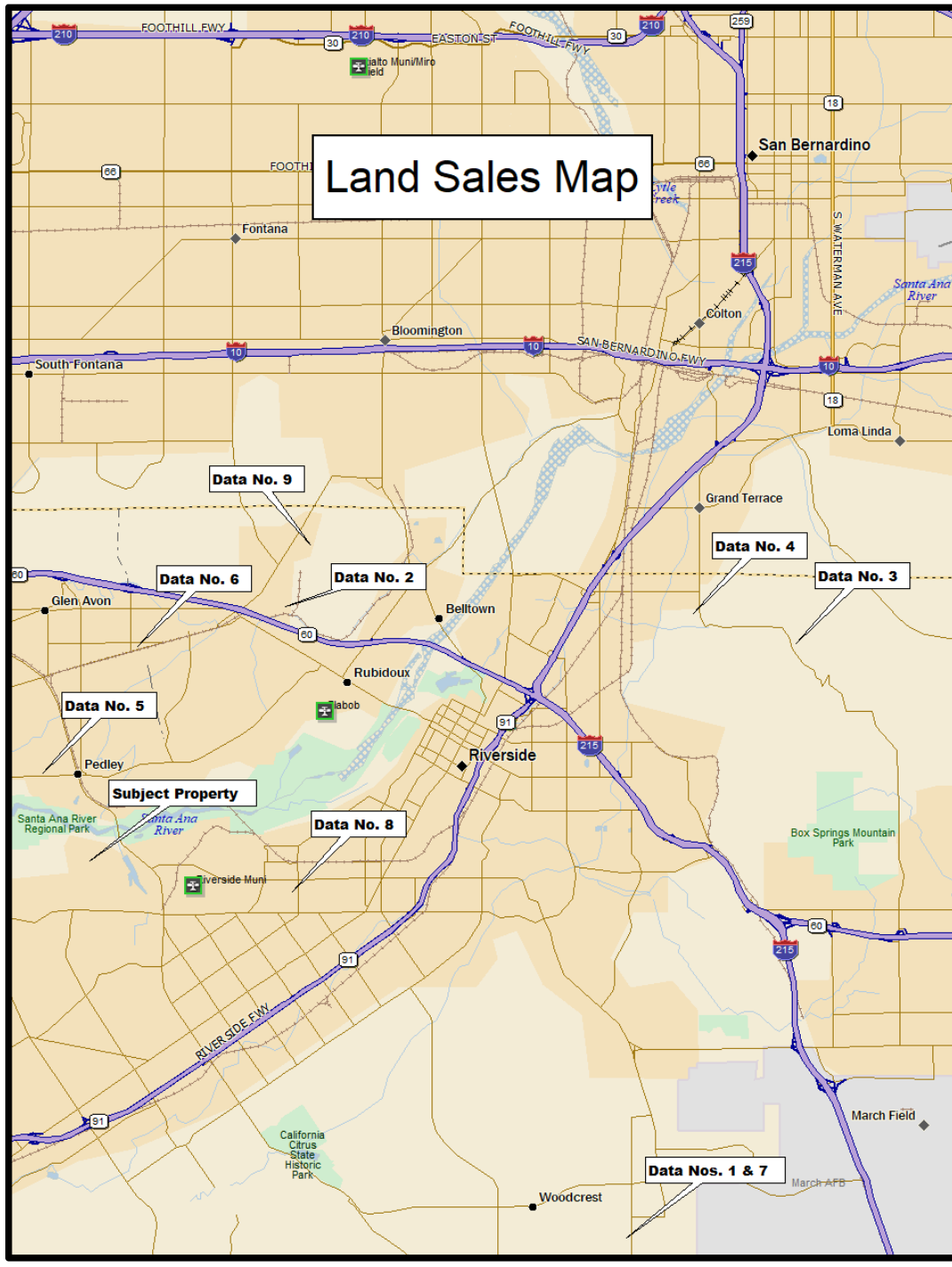
- | | |
|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| March 9, 2006 | ALUC reviewed the City's Notice of Intent to Override and submitted comments in a letter dated March 14, 2006. (No reference to a Development Agreement was cited.) |
| April 13, 2007 | Superior Court Judge Craig Riemer rules in Friends of Riverside Hills v. City of Riverside that the inconsistency of the project with ALUC's allowable densities by a factor of 60 is substantial evidence in support of a fair argument that the project may have a significant effect on the environment. |
| May 10, 2007 | The City of Riverside requests ALUC reconsideration of its previous review of Tract Map No. 31541 and associated Tract Map No. 28987 on the basis that they constitute "existing land uses" pursuant to Section 1.2.10 of the Riverside County Airport Land Use Compatibility Plan due to the existence of the 2003 Development Agreement, which predates the adoption of the 2005 Riverside Municipal Airport LUCP. This follows previous informal requests from the project engineer (Robert Beers), attorney (Michelle Ouellette), and other interested parties. |
| July 12, 2007 | ALUC reconsiders their determination on TTM 31541 based on new information (the EDDA) and rescinds its finding of inconsistency based on the EDDA. |
| Dec. 4, 2007 | FRA (defendants) file final documents with court showing City has rescinded approval of both the CEQA document (MND) for TTM 31541 and TTM 31541. |

DISCOUNTED CASH FLOW ANALYSIS

Pomelo Builder Ownership Discounted Cash Flow Analysis

MONTH	Months	<u>MONTH 1</u>	<u>MONTH 2</u>	<u>TOTAL</u>
	2			
INCOME:				
Retail Sales	10,171,095	\$5,085,548	\$5,085,548	\$10,171,095
TOTAL INCOME		<u>\$5,085,548</u>	<u>\$5,085,548</u>	<u>\$10,171,095</u>
EXPENSES:				
Remaining Costs		(\$223,171)	(\$223,172)	(\$446,343)
Marketing & Carrying Expenses	8%	(\$406,844)	(\$406,844)	(\$813,688)
Profit	10%	<u>(\$508,555)</u>	<u>(\$508,555)</u>	<u>(\$1,017,110)</u>
TOTAL EXPENSES		(\$1,138,570)	(\$1,138,571)	(\$2,277,140)
NET CASH FLOW		\$3,946,978	\$3,946,977	\$7,893,955
Discount Factor	10%	<u>0.9917</u>	<u>0.9835</u>	
DISCOUNTED CASH FLOW		\$3,914,358	\$3,882,007	\$7,796,366
CUMULATIVE DISCOUNTED CASH FLOW		<u>\$3,914,358</u>	<u>\$7,796,366</u>	<u>\$7,796,366</u>

FINISHED LOT LAND SALES MAP
& SUMMARY CHART

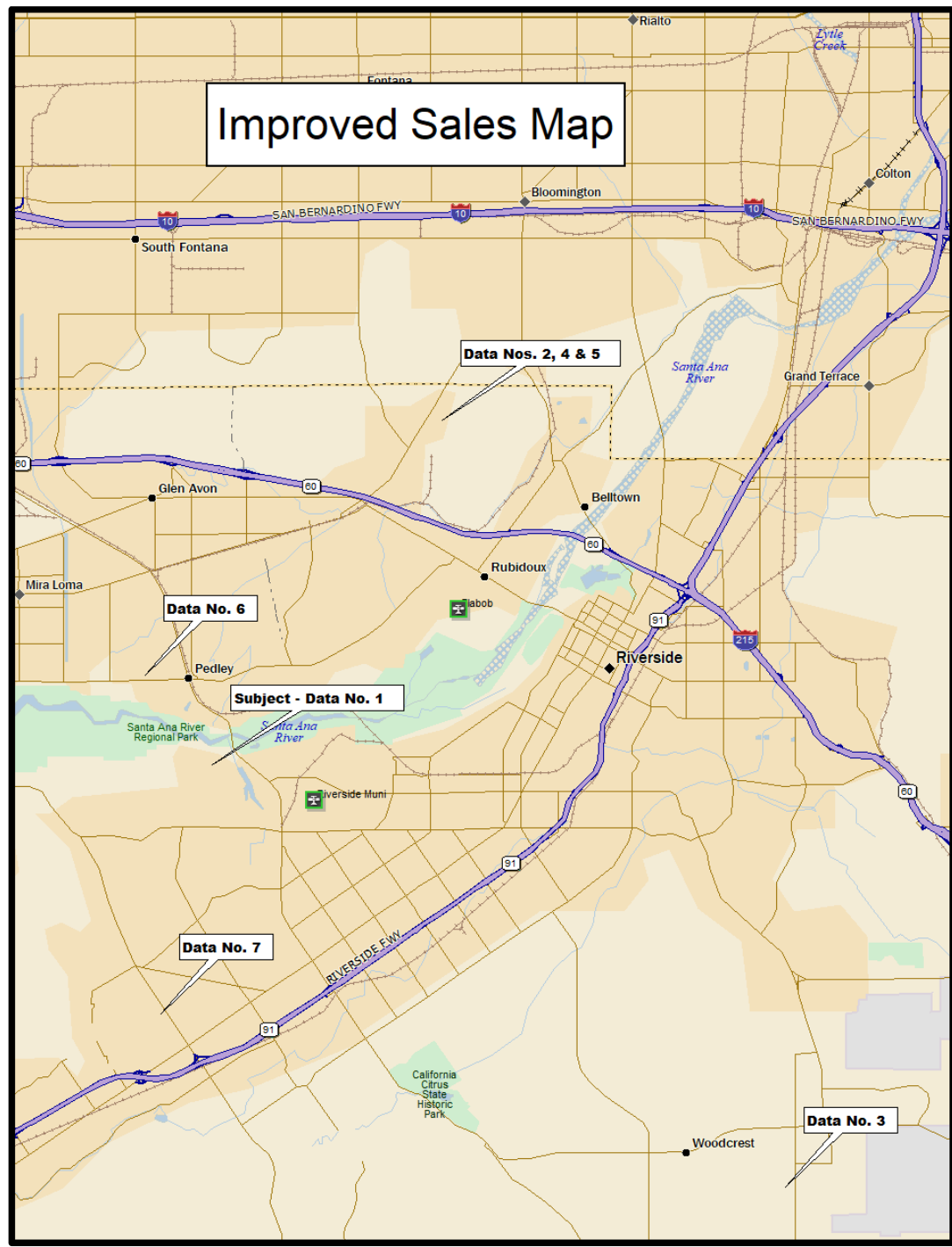


FINISHED LOT LAND SALES SUMMARY CHART

Data No.	Location / APN / Buyer / Seller	Sales Date	# Lots	Lot Size	Sales Price / Price per Lot	Est. Finished Lot Price	Comments
1	Madeira II, SW of Lurin Avenue & Wood Road, Riverside / 266-100-025 /KB Home / Diversified Pacific	10 / 21	41	5,000	\$3,174,500 / \$77,427	\$199,000	Closed in unimproved condition with an approved tentative tract map.
2	Emerald Ridge South, NW of State Route 60 & Rubidoux Road, Jurupa Valley / 178-191-01, 02, 04 & 15 / Century Communities / Signature Builder	07 / 21	215	12 du/ac 3,500	\$13,920,000 / \$64,744	\$165,000 (blended)	Closed in unimproved condition with final engineering in process. Emerald Ridge South consists of two product lines: <ul style="list-style-type: none"> • 118 townhomes, 12 du/ac • 97 lots, 3,500 sf (\$200,000 FLV)
3	Box Springs, SEC of Pigeon Pass Road & High Grove Dump Road, Riverside (Unincorporated) / 257-180-003, 011, 013 & 015 / Pulte Homes / Shopoff Realty Investments	02 / 21	138	5,000	\$5,932,500 / \$42,989	\$167,500	Closed in unimproved condition with final engineering in process.
4	Springbrook Estates, SWC of West Spring Street & Mt Vernon Avenue, Riverside (Unincorporated) / 255-13-various / KB Home / Equity Residential (holding investment co)	10 / 20	637	4,000 5,000 5,500	\$51,000,000 / \$80,063	\$170,000 (blended)	Closed in unimproved condition with an approved final map. Springbrook Estates consists of three product lines: <ul style="list-style-type: none"> • 176 lots, 4,000 sf • 277 lots, 5,000 sf • 184 lots, 5,500 sf
5	Bridle Path at Paradise Knolls, SWC Limonite Avenue & Downey Street, Jurupa Valley / 162-230-07 / Richmond American Homes / Lansing Companies	06 / 20	107	5,000	\$6,623,500 / \$61,902	\$163,000	Closed in unimproved condition with final engineering in process.
6	Sage, NEC of Jurupa Road & Pyrite Street, Jurupa Valley / 166-040-various / Century Communities / Mark Michael Development	02 / 20	25	7,200	\$3,600,000 / \$144,000	\$175,000	Closed in finished condition with an approved final map.
7	Madeira, SWC & SEC of Lurin Avenue & Wood Road, Riverside / 266-100-010 /KB Home / Lee Family Trust	11 / 19	90	5,000	\$4,750,000 / \$52,778	\$186,000	Closed in unimproved condition with an approved tentative tract map.

Data No.	Location / APN / Buyer / Seller	Sales Date	# Lots	Lot Size	Sales Price / Price per Lot	Est. Finished Lot Price	Comments
8	Camden Collection, SW of Streeter Avenue & Rochester Street, Riverside / 190-263-various / R.C. Hobbs Company / Kim Family	10 / 19	34	4,000	\$2,000,000 / \$58,824	\$179,000	Closed in unimproved condition with an approved tentative tract map.
9	Shadow Rock, NE of Pacific Avenue & La Canada Drive, Jurupa Valley / N/A / Lennar / Richland Communities	03 / 19	432	4,700 5,000 6,000	\$26,173,000 / \$60,586	\$185,000 (blended)	<p>Closed in unimproved condition with an approved tentative tract map. Closed in two phases with 398 lots purchased in March 2019 and 32 lots purchased in June 2019.</p> <p>Shadow Rock consists of three product lines:</p> <ul style="list-style-type: none"> • Discovery, 104 lots, 4,700 sf • Adventure, 165 lots, 5,000 sf • Exploration, 163 lots, 6,000 sf

IMPROVED RESIDENTIAL SALES MAP
& SUMMARY CHART



IMPROVED RESIDENTIAL SALES SUMMARY CHART

Data No.	Project Name Location/Developer	Plan	Room Count	Size (SF)	Floors/ Parking	Lot Size/ Absorption	Base Sales Price	Price/SF
1	Pomelo / NE of Jurupa Avenue & Crest Avenue, Riverside / Meritage Homes (Subject)	1	4 / 2	1,910	1 / 2	7,200 / 5.6	\$594,000	\$310.99
		2	4 / 3	2,320	2 / 2		\$627,000	\$270.26
		3	4 / 3	2,771	2 / 2		\$637,000	\$229.88
		4	5 / 3	2,948	2 / 2		\$650,000	\$220.49
2	Discovery at Shadow Rock / NE of Pacific Avenue & La Canada Drive, Jurupa Valley / Lennar	1	3 / 2	1,547	1 / 2	4,700 / 5.1	\$572,350	\$369.97
		2	3 / 2.5	1,705	2 / 2		\$595,585	\$349.32
		3	3 / 2.5	1,843	2 / 2		\$623,590	\$338.36
		4	4 / 3	2,064	2 / 2		\$626,675	\$303.62
3	Madeira / SWC & SEC of Lurin Avenue & Wood Road, Riverside / KB Home	1	3 / 2	1,627	1 / 2	5,000 / 20.4	\$602,990	\$370.61
		2	4 / 3	2,227	2 / 2		\$641,990	\$288.28
		3	5 / 3	2,528	2 / 2		\$664,990	\$263.05
		4	5 / 3	2,882	2 / 2		\$692,990	\$240.45
4	Adventure at Shadow Rock / NE of Pacific Avenue & La Canada Drive, Jurupa Valley / Lennar	1	3 / 2	1,792	1 / 2	5,000 / 4.9	\$614,765	\$343.06
		2	4 / 3	2,203	2 / 2		\$639,595	\$290.33
		3	4 / 3	2,590	2 / 2		\$681,960	\$263.31
5	Exploration at Shadow Rock / NE of Pacific Avenue & La Canada Drive, Jurupa Valley / Lennar	1	3 / 2	2,140	1 / 2	6,000 / 6.0	\$700,000	\$327.10
		2	4 / 2.5	2,809	2 / 3		\$718,900	\$255.93
		3	5 / 3.5	3,325	2 / 2		\$806,000	\$242.41
		4	6 / 4.5	4,122	2 / 3		\$860,000	\$208.64
6	Bridle Path at Paradise Knolls / SWC Limonite Avenue & Downey Street, Jurupa Valley / Richmond American Homes	1	3 / 2.5	2,280	1 / 2	5,000 / 9.6	\$704,990	\$309.21
		2	3 / 2.5	2,490	1 / 2		\$742,990	\$298.39
		3	3 / 2.5	2,610	1 / 2		\$730,990	\$280.07
7	Collette Crossings, Vermillion Court and La Sierra Avenue, Riverside / National Core	1	3 / 2	1,807	1 / 2	3,400 / N/A	N/A	N/A
		2	4 / 2.5	1,911	2 / 2		\$599,900	\$313.92
		3	3 / 2.5	1,898	2 / 2		\$617,900	\$325.55
		4	4 / 3	2,173	2 / 2		\$650,900	\$299.54

APPRAISER'S QUALIFICATIONS

QUALIFICATIONS OF KITTY S. SIINO, MAI

Education

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

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

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

Employment

1988 - Present:

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

1986-1988:

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

1981 - 1986

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

1980 - 1981

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

Licenses

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

Organizations

MAI #11145 - The Appraisal Institute

Public Financing

CASTOFF Meetings, 2006, 2007, 2008, 2009, 2010, 2011, 2013, 2014, 2015, 2016, 2017, 2018 and 2019

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

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APPENDIX D-2

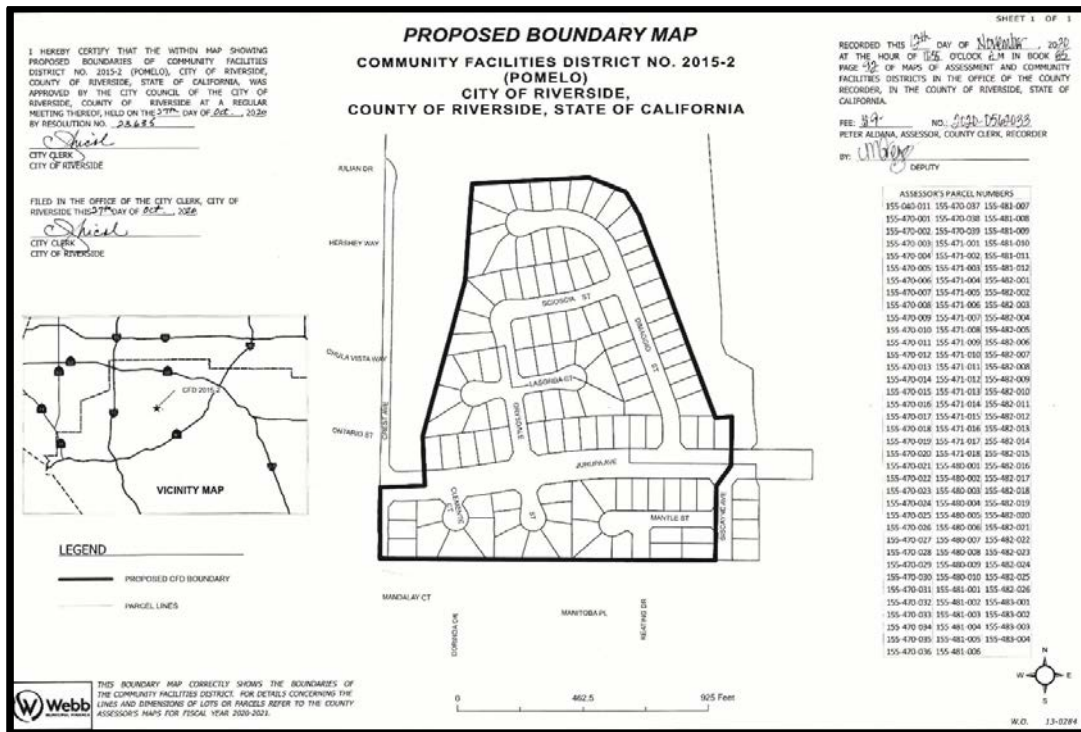
SUPPLEMENT TO APPRAISAL REPORT

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SUPPLEMENT TO APPRAISAL REPORT

CITY OF RIVERSIDE COMMUNITY FACILITIES DISTRICT NO. 2015 - 2 Pomelo

City of Riverside, Riverside County, California
(Appraisers' File No. 2022-1250S)



Prepared For
City of Riverside
3900 Main St., 6th Floor
Riverside, CA 92522

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

KITTY SIINO & ASSOCIATES, INC.

REAL ESTATE APPRAISERS & CONSULTANTS

April 14, 2022

Ms. Heidi Schrader, Debt Manager

City of Riverside

3900 Main Street, 6th Floor
Riverside, CA 92522

Reference: Supplement to Appraisal Report
City of Riverside
Community Facilities District No. 2015-2 (Pomelo)
East side of Crest Avenue along both sides of Jurupa Ave., Riverside

Dear Ms. Schrader:

At the request and authorization of the City of Riverside and/or their representatives, we have completed a Supplement to the Appraisal Report ("Supplement") for City of Riverside Community Facilities District No. 2015-2 ("Riverside CFD No. 2015-2"). This Supplement is to be used in conjunction with the Original Appraisal Report for the above referenced property dated January 7, 2022 with a date of value of December 15, 2021 which encompasses the community known as Pomelo by Meritage Homes ("Original Appraisal"). In lieu of updating the entire appraisal, the purpose of this Supplement is to bring forward the date of value to April 1, 2022 and conclude if the property has a value not less than the value concluded in the Original Appraisal. It should be noted that this report may not be understood properly on its own, but rather must be used only in conjunction with the Original Appraisal.

The purpose of this Supplement is to ascertain and discuss changes in the subject property along with any changes that have occurred in the real estate market between December 15, 2021 (date of value of Original Appraisal) and April 1, 2022.

INTENDED USE OF APPRAISAL - It is the appraiser's understanding that the client, the City of Riverside, will utilize this Supplement in disclosure documents related to the sale of the Special Tax Bonds of CFD No. 2015-2. This Supplement may be included in the Official Statement or similar document to be distributed in connection with the marketing and offering of the bonds. It is the appraiser's understanding that there are no other intended uses of this report.

SUBJECT PROPERTY - The subject property consists of 108 proposed single-family detached homes within the community of Pomelo being built out by Meritage Homes. Pomelo is located along both the north and south side of Jurupa Avenue, west of Biscayne Avenue in the City of Riverside. Please refer to the Addenda of this Supplement to view a table showing the ownership and condition by unit as of December 15, 2021 (date of value in Original Appraisal) and as of April 1, 2022 (date of value of this Supplement). Please refer to the Original Appraisal Report for a legal description of the subject property.

OWNER OF RECORD as of April 1, 2022 –

Meritage Homes of California, Inc. as to Lots 1-10, 46-50 and 78-79 of Tract Map 28987. Individual owners as to Lots 11, 13-45, 51-77 and 80-109 of Tract Map No. 28987.

PROPERTY RIGHTS APPRAISED - The property rights being appraised are of a fee simple estate interest, subject to easements of record and subject to the lien of the Riverside CFD No. 2015-2 special tax. The definition of fee simple estate is included in the Original Appraisal.

DEFINITIONS -

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

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

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

For all other definitions please refer to Original Appraisal.

DATE OF VALUE – April 1, 2022

DATE OF SUPPLEMENT – April 14, 2022

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

¹ The Appraisal of Real Estate, 13th Edition

- Identify additional builder home sales and closings within the subject property and ascertain if the sales prices have increased, stayed the same or decreased.
- Identify additional construction on the subject property and report additional expenditures resulting in less remaining land development costs to complete.
- Review and report on the subject real estate market conditions and identify any changes since the Original Appraisal.
- Determine if the value is not less than the value conclusion in Original Appraisal.

DISCUSSION – On April 8, 2022 an inspection of the subject property and surrounding lands was made by the appraiser. In addition, sales offices were contacted and reviews of current information was conducted. This information included additional sales and closings within the subject property. We observed the following changes in the subject property between December 15, 2021 (date of value of Original Appraisal) and April 1, 2022 (date of value of Supplement).

1. An additional 22 homes have closed escrow to individual homebuyers within Pomelo. As of the Original Appraisal there were 69 homes closed to individual homebuyers and as of April 1, 2022 there were 91 homes closed to individual homebuyers.
2. An additional 20 homes were constructed to over 95 percent complete within Pomelo. As of the Original Appraisal there were 16 builder owned homes over 95 percent complete, 15 homes under construction and 8 remaining finished lots. As of April 1, 2022 there were 14 builder-owned homes over 95 percent complete, no homes under construction (under 95 percent complete) and three remaining finished lots which includes the final buildout lots near the model complex. They are in escrow to purchase the adjacent property and anticipate closing once all approvals are complete.
3. An additional 11 homes were sold within Pomelo. As of the Original Appraisal there were 91 homes sold (including closed homes) and as of April 1, 2022 there were 102 homes sold (including closed homes). There is one home which is 95 percent complete that is available for sale within Pomelo as of April 1, 2022.
4. Within Pomelo additional land development costs and fees were expended. Per Meritage Homes, approximately \$795,213 was spent on both land development and for remaining land development fees between December 15, 2021 and April 1, 2022. As of the Original Report Meritage Homes reported there were \$1,087,960 in remaining land development costs (repairs and final costs) and land development fees owed by the builder. As of April 1, 2022, they reported remaining land development total costs of \$292,747.
5. Within Pomelo base prices increased from \$21,000 to \$42,000 between December 15, 2021 and April 1, 2022. These increases amount to 3.3 to 6.4 percent for the three and one-half months. The fact that all plans within Pomelo had price increases suggests that prices are not declining within the subject area.

SUBJECT REAL ESTATE MARKET - The overall regional real estate market has seen an increase in both sales and pricing over the past three and one-half months. New home sales have stayed strong and prices have been increasing however 30-year fixed interest rates have seen an increase. As of December 20, 2021, the 30-year fixed interest rate per the Federal Reserve Economic Data was 3.11 percent while as of April 7, 2022, the 30-year fixed interest rate is 4.72 percent. As interest rates increase, the buying power of new home buyers is reduced.

We have reviewed the Ryness Report, a new home sales marketing and research company, dated December 12, 2021 (used in Original Report) and April 3, 2022. Within the Northwest Riverside submarket (includes Riverside, Corona, Jurupa and Jurupa Valley) between December 12, 2021 and April 3, 2022, five new-home communities sold out and five new home communities opened for sale. The sold-out communities include three in the master plan of Spring Mountain Ranch (Belcara, Carmel Ridge and Santa Barbara in Riverside), one infill community in Riverside (Collett Crossings) and one within the master plan of Terramor (Cortina in Temescal Valley-Corona). The new home communities that opened include three in Spring Mountain Ranch (Avalon, Cambria and Sonoma), one neighborhood in Riverside (Hillcrest) and one new home community in Terramor (Altis). The 15 actively selling communities as of April 3, 2022 include six in Riverside (Hillcrest, four in Spring Mountain Ranch and Pomelo), two in Corona at Sierra Bella and three in Terramor, one in Jurupa Valley (Bridle Path) and three in Jurupa, all within the master plan of Shadow Rock. There were 364 sales during these 3.5 months within these 15 communities. This equates to an average sales rate 6.9 sales per month for the 15 active communities which is considered to be excellent. This depicts a healthy market as projects are selling out within the subject market, new projects are opening and sales are above the area average rate.

As a final analysis we have reviewed the Improved Residential Sales Market Data which was used in the Original Appraisal (please refer to Addenda of Original Appraisal). Our review included 26 home plans within the seven communities surveyed that we considered comparable. One of the communities which included four plans closed out. Out of the remaining six communities there are 22 plans. One of the plans within Exploration at Shadow Rock is not offered at this time. The remaining 21 plans have all had price increases ranging from \$2,600 to \$142,100 (or 0.4 to 16.5 percent) between December 15, 2021 and April 3, 2022. When excluding the highest and lowest increase, the remaining 19 plans have increased from \$18,190 to \$83,340 or between 2.6 to 10.3 percent. This review of the subject real estate market suggests that the market is generally still in an upward cycle as new home communities are selling homes and all plans are seeing price increases.

CONCLUSION – This Supplement is intended to be used in conjunction with the Original Appraisal Report prepared with a December 15, 2021 date of value. This Supplement is to ascertain whether the value that was concluded as of December 15, 2021 is still valid. While we have not concluded at a new value, it is evident that further land development has occurred and additional dollars have been spent to develop the subject property's lands. Also, additional homes have closed, additional homes have been constructed and

additional homes are in escrow, all suggesting the subject's value has not decreased. In addition, it has been determined that the subject new home real estate market has not experienced any negative changes since December 15, 2021 with the exception of interest rates rising. It is still too early to tell if the increase in interest rates will slow sales of new homes. Thus far, this does not appear to be happening. Based upon our investigation, we have determined that the current market value for the subject property is not less than the concluded value as of December 15, 2021.

This Supplement is to be used in conjunction with the Original Appraisal and subject to the attached Assumptions and Limiting Conditions and the Appraiser's Certification.

Respectfully submitted,

KITTY SIINO & ASSOCIATES, INC.

A handwritten signature in cursive script that reads "K. Siino".

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

ASSUMPTIONS AND LIMITING CONDITIONS

1. This report might not include full discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Some supporting documentation concerning the data, reasoning and analyses may be retained in the appraiser's files. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.
3. It is assumed that the subject property is subject to the special tax lien of Riverside CFD No. 2015-2.
4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.
5. The information furnished by others is believed to be reliable; however, no warranty is given for its accuracy.
6. All engineering is assumed to be correct. Any plot plans and illustrative material used in this report are included only to assist the reader in visualizing the property and may not be to scale.
7. It is assumed that there are no hidden or unapparent conditions of either property, subsoil or structures that would render them more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in this report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in this appraisal report.
10. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.
11. Any sketch or photograph included in this report may show approximate dimensions and is included only to assist the reader in visualizing the properties. Maps, photographs and exhibits found in this report are provided for reader reference

purposes only. No guarantee regarding accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements (if any) are within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.
13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert relating to asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials that may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.
14. Proposed improvements, if any, are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.
15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings, if any, must not be used in conjunction with any other appraisal and are invalid if so used.
16. The Americans with Disabilities Act ("ADA") became effective on January 26, 1992 and has been updated several times since then. The appraiser has made no specific compliance survey and analysis of the property to determine whether they conform to the various detailed requirements of the ADA, nor is the appraiser a qualified expert regarding the requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, a possible noncompliance with requirements of the ADA in estimating the value has not been considered.
17. It is assumed there are no environmental concerns that would slow or thwart development of the subject properties and that the soils are adequate to support the highest and best use conclusions.

18. It is assumed that the sales information provided by the builders is true and accurate. We have reviewed and analyzed the sales along with checking samples on various public record documents and the information appears to be correct.
19. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event, only with proper qualification and only in its entirety. Permission is given for this appraisal to be published as a part of the Official Statement or similar document related to the Riverside CFD No. 2015-2 Special Tax Bonds.

APPRAISER'S CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased, professional analyses, opinions and conclusions.
3. The appraiser has no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
4. The appraiser's compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.
5. This appraisal was not based on a requested minimum valuation, a specific valuation or the approval of a loan.
6. The analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
7. Kitty Siino has made a personal inspection of the property that is the subject of this report.
8. Kitty Siino has performed appraisal services on the subject property in the past three years as described within this Supplement. An Original Appraisal of the property with a December 15, 2021 date of value was completed.
9. No other appraisers have provided significant professional assistance to the persons signing this report.
10. The reported analyses, opinions and conclusions were developed, and this report was prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Kitty Siino has completed the requirements of the continuing education program of the Appraisal Institute.



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

ADDENDA

Subject Property as of December 15, 2021 (from Original Report)

Description	No. Lots	Ownership	Condition/Status
Pomelo – Tract 28987			
Lots 32 – 43; 51 - 77; and 80-109	69	Individuals	Completed Houses / Closed
Lots 1-2	2	Meritage	Model Homes (not released)
Lots 11, 13-19; 28-31 and 44-45	14	Meritage	95%+ complete (all in escrow)
Lots 7-10; 20-27 and 46-48	15	Meritage	Homes under const (8 in escrow)
Lots 3-6; 49-50 and 78-79	8	Meritage	Finished lots (Not released)
Total Pomelo	108		

Subject Property as of April 1, 2022

Description	No. Lots	Ownership	Condition/Status
Pomelo – Tract 28987			
Lots 11, 13-45, 51 – 77, and 80-109	91	Individuals	Completed Houses / Closed
Lots 1-2	2	Meritage	Model Homes (not released)
Lots 4-10 and 46-50	12	Meritage	95%+ complete (11 in escrow)
Lots 3, 78 and 79	3	Meritage	Finished lots (Not released)
Total Pomelo	108		

APPENDIX E

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of the provisions thereof.

DEFINITIONS

Unless the context otherwise requires, the following terms have the following meanings:

Account. The term “Account” means any account created pursuant to the Indenture.

Act. The term “Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Section 53311 *et seq.* of the California Government Code.

Acquisition and Construction Fund. The term “Acquisition and Construction Fund” means the fund by that name established pursuant to the Indenture.

Additional Special Tax Reserve Account. The term “Additional Special Tax Reserve Account” means the account by that name in the Special Tax Fund.

Additional Special Tax Reserve Requirement. The term “Additional Special Tax Reserve Requirement” means an amount equal to the lesser of (i) 50% of Maximum Annual Debt Service, or (ii) \$149,606.25.

Administrative Expense Account. The term “Administrative Expense Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

Administrative Expenses. The term “Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes, including all attorneys’ fees and other costs related thereto, the fees and expenses of the Trustee, any fees and related costs for credit enhancement for the Bonds or any Parity Bonds which are not otherwise paid as Costs of Issuance, any costs related to the District’s compliance with state and federal laws requiring continuing disclosure of information concerning the Bonds and the District, and any other costs otherwise incurred by City staff on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and any obligation of the District under the Indenture.

Administrative Expenses Cap. The term “Administrative Expenses Cap” means \$30,000.

Alternate Penalty Account. The term “Alternate Penalty Account” means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

Annual Debt Service. The term “Annual Debt Service” means the principal amount of any Outstanding Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds or Parity Bonds in such Bond Year, if the Bonds and any Parity Bonds are retired as scheduled.

Authorized Investments. The term “Authorized Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(1) For all purposes, including defeasance investments in refunding escrow accounts: (a) cash; or (b) obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S., including U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, General Services Administration, guaranteed Title XI financing, Government National Mortgage Association (GNMA) and State and Local Government Series; or (c) obligations of government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Mortgage Corporation (FHLMC) debt obligations, Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives), Federal Home Loan Banks (FHL Banks), Federal National Mortgage Association debt obligations, Financing Corp. (FICO) debt obligations, Resolution Funding Corp. (REFCORP) debt obligations and U.S. Agency for International Development (U.S.A.I.D.) guaranteed notes.

(2) For all purposes other than defeasance investments in refunding escrow accounts: (a) obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America: Export-Import Bank, Rural Economic Community Development Administration, U.S. Maritime Administration, Small Business Administration, U.S. Department of Housing & Urban Development (PHAs), Federal Housing Administration and Federal Financing Bank; (b) direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), obligations of the Resolution Funding Corporation (REFCORP) and senior debt obligations of the Federal Home Loan Bank System; (c) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including those of the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank); (d) commercial paper which is rated at the time of purchase in the single highest classification "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase; (e) investments in a money market fund rated "AAm," "AAm G" or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services; (f) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America, or any agency, instrumentality or local governmental unit of any such state, which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and: (i) which are rated, based on irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or (ii) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (1)(b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (2) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in the Indenture on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; (g) municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of at least "Aa2/AA" or higher by both Moody's and S&P; (h) Investment Agreements (supported by appropriate opinions of counsel); and (i) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent that the Trustee is authorized to register such investment in its name.

The value of the above investments will be determined as follows: (a) for the purpose of determining the amount in any fund, all Authorized Investments credited to such fund will be valued at market value. The Trustee will determine the market value based on accepted industry standards, including the Trustee's internal systems, and from accepted industry providers. Accepted industry providers include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation, Bank of America Merrill Lynch or Salomon Smith Barney. Notwithstanding anything to the contrary in the Indenture, in making any valuation of

investments thereunder, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system, and rely thereon; (b) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest thereon; and (c) as to any investment not specified above: the value thereof established by prior agreement between the City and the Trustee.

Authorized Representative of the District. The term “Authorized Representative of the District” means the Mayor of the City, the City Manager of the City, the Chief Financial Officer/City Treasurer of the City, or any other officer or employee authorized by the City Council of the City or by an Authorized Representative of the District to undertake the action referenced in the Indenture as required to be undertaken by an Authorized Representative of the District.

Bond Counsel. The term “Bond Counsel” means an attorney at law or a firm of attorneys selected by the District of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

Bond Register. The term “Bond Register” means the books which the Trustee will keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds are recorded.

Bonds. The term “Bonds” means the Community Facilities District No. 2015-2 (Pomelo) of the City of Riverside, Special Tax Bonds, Series 2022A.

Bond Year. The term “Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds or an issue of Parity Bonds will begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date.

Business Day. The term “Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the City where the Principal Office of the Trustee is located, are not required or authorized to remain closed.

Certificate of an Authorized Representative. The term “Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the District.

City. The term “City” means the City of Riverside, County of Riverside, State of California.

City Council. The term “City Council” means the City Council of the City.

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

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

Code. The term “Code” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

Continuing Disclosure Certificate. The term “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated May 26, 2022, as originally executed by the District and as it may be from time to time amended and supplemented in accordance with its terms.

Costs of Issuance. The term “Costs of Issuance” means the costs and expenses incurred in connection with the formation of the District and the issuance and sale of the Bonds or any Parity Bonds, including the acceptance and initial annual fees and expenses of the Trustee and its counsel, legal fees and expenses, costs of printing the Bonds and Parity Bonds and the preliminary and final official statements for the Bonds and Parity Bonds, fees of financial consultants, costs of the appraisal and all other related fees and expenses, including reimbursement to property owners within the District for design, engineering and legal costs, as set forth in a Certificate of an Authorized Representative of the District.

Costs of Issuance Account. The term “Costs of Issuance Account” means the account by that name created and established in the Acquisition and Construction Fund pursuant to the Indenture.

Delivery Date. The term “Delivery Date” means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

Depository. The term “Depository” means The Depository Trust Company, New York, New York, and its successors and assigns as securities depository for the Bonds, or any other securities depository acting as Depository under the Indenture.

District. The term “District” means Community Facilities District No. 2015-2 (Pomelo) of the City of Riverside, established pursuant to the Act and Resolution No. 23650 adopted by the City Council of the City on December 1, 2020.

Event of Default. The term “Event of Default” means an event described in the Indenture.

Fiscal Year. The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the next following June 30.

Gross Taxes. The term “Gross Taxes” means the amount of all Special Taxes received by the District together with the proceeds collected from the sale of property pursuant to foreclosure for the delinquency of such Special Taxes remaining after the payment of all costs related to such foreclosure actions.

Indenture. The term “Indenture” means the Bond Indenture, dated as of March 1, 2020, by and between the District and the Trustee, together with any Supplemental Indenture approved pursuant thereto.

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the District, who, or each of whom: (1) is in fact independent and not under the domination of the District or the City; (2) does not have any substantial interest, direct or indirect, in the District or the City; and (3) is not connected with the District or the City as a member, officer or employee of the District or the City, but who may be regularly retained to make annual or other reports to the District or the City.

Interest Account. The term “Interest Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

Interest Payment Date. The term “Interest Payment Date” means September 1, 2022 and each March 1 and September 1 thereafter; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

Investment Agreement. The term “Investment Agreement” means one or more agreements for the investment of funds of the District complying with the criteria therefor as set forth in subsection (2)(h) of the definition of Authorized Investments in the Indenture.

Maximum Annual Debt Service. The term “Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds by adding the following for each Bond Year: (1) the principal amount of all Outstanding Bonds and Parity Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and (2) the interest payable on the aggregate principal amount of all Bonds and Parity Bonds Outstanding in such Bond Year if the Bonds and Parity Bonds are retired as scheduled.

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc., its successors and assigns.

Net Taxes. The term “Net Taxes” means Gross Taxes minus amounts set aside to pay Administrative Expenses.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

Ordinance. The term “Ordinance” means Ordinance No. 7539 adopted by the City Council on December 1, 2020, providing for the levying of the Special Tax.

Outstanding. The terms “Outstanding” or “Outstanding Bonds and Parity Bonds” means all Bonds and Parity Bonds theretofore issued by the District, except: (i) Bonds and Parity Bonds theretofore cancelled or surrendered for cancellation in accordance with the Indenture; (ii) Bonds and Parity Bonds for payment or redemption of which monies have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture or any applicable Supplemental Indenture for Parity Bonds; and (iii) Bonds and Parity Bonds which have been surrendered to the Trustee for transfer or exchange pursuant to the Indenture or for which a replacement has been issued pursuant to the Indenture.

Owner. The term “Owner” means the person or persons in whose name or names any Bond or Parity Bond is registered.

Parity Bonds. The term “Parity Bonds” means all bonds, notes or other similar evidences of indebtedness thereafter issued, payable out of the Net Taxes and which, as provided in the Indenture or any Supplemental Indenture, rank on a parity with the Bonds.

Participants. The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds or Parity Bonds as securities depository.

Person. The term “Person” means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

Prepayments. The term “Prepayments” means any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in the District made in accordance with the RMA.

Principal Account. The term “Principal Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

Principal Office of the Trustee. The term “Principal Office of the Trustee” means the corporate trust Principal Office of the Trustee located in Los Angeles, California, provided that for purposes of redemption, payment, exchange, transfer or surrender of the Bonds and Parity Bonds means the corporate trust Principal Office of the Trustee located in St. Paul, Minnesota, or such other office or offices as the Trustee may

designate from time to time, or the office of any successor Trustee where it principally conducts its corporate trust business.

Project. The term “Project” means “those public facilities described in the Resolution of Formation which are to be acquired or constructed within and outside of the District, including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within the District from time to time.

Project Costs. The term “Project Costs” means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Bonds or any Parity Bonds, including, but not limited to, remarketing, credit enhancement, Trustee and other fees and expenses relating to the issuance of the Bonds or any Parity Bonds and the formation of the District, and to pay any other “incidental expenses” of the District, as such term is defined in the Act.

Rating Agency. The term “Rating Agency” means Moody’s or S&P, or both, as the context requires.

Rebate Account. The term “Rebate Account” means the account by that name created and established in the Rebate Fund pursuant to the Indenture.

Rebate Fund. The term “Rebate Fund” means the fund by that name established pursuant to the Indenture in which there are established the Accounts described therein.

Rebate Regulations. The term “Rebate Regulations” means any final, temporary or proposed Regulations promulgated under Section 148(f) of the Code.

Record Date. The term “Record Date” means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

Redemption Account. The term “Redemption Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

Regulations. The term “Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

Representation Letter. The term “Representation Letter” means the Blanket Letter of Representations from the District to the Depository as described in the Indenture.

Reserve Account. The term “Reserve Account” means the account by that name created and established in the Special Tax Fund pursuant to the Indenture.

Reserve Policy. The term “Reserve Policy” means a letter of credit, insurance policy, surety bond or other such funding instrument issued by a municipal bond insurance company rated least “Aa3” or higher by Moody’s or “AA-” or higher by S&P, delivered to the Trustee for the purpose of providing all or a portion of the Reserve Requirement for Bonds and Parity Bonds.

Reserve Requirement. The term “Reserve Requirement” means that amount as of any date of calculation equal to the lesser of: (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any; (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any; and (iii) 125% of average Annual Debt Service on the then Outstanding Bonds and Parity Bonds; provided, however, that the Reserve Requirement will not exceed \$299,212.50 except in connection with the issuance of Parity Bonds.

Resolution of Formation. The term “Resolution of Formation” means Resolution No. 23650 adopted by the City Council on December 1, 2020, pursuant to which the City Council established the District.

RMA. The term “RMA” means the Rate and Method of Apportionment of Special Tax for the District approved by the qualified electors of the District at the August 11, 2015 election.

Sinking Fund Payment. The term “Sinking Fund Payment” means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedules set forth in the Indenture and any annual sinking fund payment schedule to retire any Parity Bonds which are designated as Term Bonds.

Six-Month Period. The term “Six-Month Period” means the period of time beginning on the Delivery Date of each issue of Bonds or Parity Bonds, as applicable, and ending six consecutive months thereafter, and each six month period thereafter until the latest maturity date of the Bonds and the Parity Bonds (and any obligations that refund an issue of the Bonds or Parity Bonds).

Special Tax Administrator. The term “Special Tax Administrator” means the individual or entity appointed by the City to administer the calculation and collection of the Special Taxes.

Special Tax Fund. The term “Special Tax Fund” means the fund by that name created and established pursuant to the Indenture.

Special Taxes. The term “Special Taxes” means the taxes authorized to be levied by the District on property within the District in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the December 1, 2020 election in the District, including any scheduled payments and any Prepayments thereof, the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and penalties and interest thereon; provided that any delinquent Special Tax sold to an independent third-party or to the City for 100% of the delinquent amount will no longer be pledged under the Indenture to the payment of the Bonds or Parity Bonds.

S&P. The term “S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and assigns.

Subaccount. The term “Subaccount” means any subaccount created pursuant to the Indenture

Supplemental Indenture. The term “Supplemental Indenture” means any supplemental indenture amending or supplementing the Indenture.

Surplus Fund. The term “Surplus Fund” means the fund by that name created and established pursuant to the Indenture.

Tax Certificate. The term “Tax Certificate” means the certificate by that name to be executed by the District on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code; and means, with reference to a series of Parity Bonds, a series of Parity Bonds, the interest earning on which are excludable from gross income for federal income tax purposes pursuant to Section 103(c) of the Code.

Tax-Exempt. The term “Tax-Exempt” means, with reference to an Authorized Investment, an Authorized Investment the interest earnings on which are excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, other than one described in Section 57(a)(5)(C) of the Code.

Term Bonds. The term “Term Bonds” means the Series 2022A Bonds maturing on September 1, 2026, September 1, 2028, September 1, 2030, September 1, 2034, September 1, 2036, September 1, 2038, September 1, 2040, September 1, 2042, September 1, 2047 and September 1, 2052 and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

Trustee. The term “Trustee” means U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, at its corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Indenture, and any successor thereto.

Underwriter. The term “Underwriter” means, with respect to the Bonds, Raymond James & Associates, Inc., and with respect to each issue of Parity Bonds, the institution or institutions, if any, with whom the District enters into a purchase contract for the sale of such issue.

GENERAL AUTHORIZATION AND BOND TERMS

Amount, Issuance, Purpose and Nature of Bonds and Parity Bonds. Under and pursuant to the Act, the Series 2022A Bonds in the aggregate principal amount of \$4,805,000, together with any Parity Bonds authorized by the City Council in accordance with the Indenture, will be issued for the purposes of financing the Project, paying Costs of Issuance, and funding the Reserve Account; provided that the aggregate principal amount of the Bonds and any Parity Bonds may not exceed the total indebtedness presently authorized or subsequently authorized by the qualified electors within the District in accordance with the Act. The Bonds and any Parity Bonds will be and are limited obligations of the District and are payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the Net Taxes and the other amounts in the Special Tax Fund (other than amounts in the Administrative Expense Account of the Special Tax Fund).

Type and Nature of Bonds and Parity Bonds. Neither the faith and credit nor the taxing power of the City, the State of California, or any political subdivision thereof other than the District is pledged to the payment of the Bonds or any Parity Bonds. Except for the Net Taxes, no other taxes are pledged to the payment of the Bonds or any Parity Bonds. The Bonds and any Parity Bonds are not general or special obligations of the City nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the Special Tax Fund (exclusive of the Administrative Expense Account), as more fully described in the Indenture. The District’s limited obligation to pay the principal of, premium, if any, and interest on the Bonds and any Parity Bonds from amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds or any Parity Bonds may compel the exercise of the taxing power by the District (except as pertains to the Special Taxes) or the City or the forfeiture of any of their property. The principal of and interest on the Bonds and any Parity Bonds and premiums upon the redemption thereof, if any, are not a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds and any Parity Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the District’s property, or upon any of its income, receipts or revenues, except the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) which are, under the terms of the Indenture and the Act, set aside for the payment of the Bonds, any Parity Bonds and interest thereon, and neither the members of the legislative body of the District or the members of the City Council nor any persons executing the Bonds or any Parity Bonds are liable personally on the Bonds or any Parity Bonds, by reason of their issuance.

Notwithstanding anything to the contrary contained in the Indenture, the District is not required to advance any money derived from any source of income other than the Net Taxes for the payment of the interest on or the principal of the Bonds or any Parity Bonds, or for the performance of any covenants contained in the Indenture. The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

Equality of Bonds and Parity Bonds and Pledge of Net Taxes. Pursuant to the Act and the Indenture, the Bonds and any Parity Bonds will be equally payable from and secured by a first pledge of and lien on the

Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account), without priority for number, date of the Bonds or Parity Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and any Parity Bonds and any premiums upon the redemption thereof, will be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expense Account) which have been set aside for the payment of the Bonds and any Parity Bonds; provided that any delinquent Special Tax sold to an independent third-party or to the City for 100% of the delinquent amount will no longer be pledged under the Indenture to the payment of Bonds or Parity Bonds. Amounts in the Special Tax Fund (other than the Administrative Expense Account therein) constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and any Parity Bonds and, so long as any of the Bonds and any Parity Bonds or interest thereon remain Outstanding, will not be used for any other purpose, except as permitted by the Indenture or any Supplemental Indenture. Notwithstanding any provision contained in the Indenture to the contrary, Net Taxes deposited in the Rebate Fund and the Surplus Fund will no longer be considered to be pledged to the Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, the Acquisition and Construction Fund or the Administrative Expense Account of the Special Tax Fund will be construed as a trust fund held for the benefit of the Owners.

Nothing in the Indenture or any Supplemental Indenture precludes: (i) subject to the limitations contained under the Indenture, the redemption prior to maturity of any Bonds or Parity Bonds subject to call and redemption and payment of said Bonds or Parity Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as later amended, or under any other law of the State of California; or (ii) the issuance, subject to the limitations contained in the Indenture, of Parity Bonds which are payable from Net Taxes.

Bond Register. The Trustee will keep or cause to be kept, at the Principal Office of the Trustee, sufficient books for the registration and transfer of the Bonds and any Parity Bonds which will upon reasonable prior notice be open to inspection by the District during all regular business hours, and, subject to the limitations set forth in the Indenture, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Bonds and any Parity Bonds as provided in the Indenture.

The District and the Trustee may treat the Owner of any Bond or Parity Bond whose name appears on the Bond Register as the absolute Owner of that Bond or Parity Bond for any and all purposes and the District and the Trustee will not be affected by any notice to the contrary. The District and the Trustee may rely on the address of the Owner as it appears in the Bond Register for any and all purposes. It is the duty of the Owner to give written notice to the Trustee of any change in the Owner's address so that the Bond Register may be revised accordingly.

Mutilated, Lost, Destroyed or Stolen Bonds or Parity Bonds. If any Bond or Parity Bond becomes mutilated, the District will execute, and the Trustee will authenticate and deliver, a new Bond or Parity Bond of like tenor, date, issue and maturity in exchange and substitution for the Bond or Parity Bond so mutilated, but only upon surrender to the Trustee of the Bond or Parity Bond so mutilated. Every mutilated Bond or Parity Bond so surrendered to the Trustee will be cancelled by the Trustee pursuant to the Indenture. If any Bond or Parity Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and, if any indemnity satisfactory to the Trustee is given, the District will execute and the Trustee will authenticate and deliver a new Bond or Parity Bond, as applicable, of like tenor, maturity and issue, numbered and dated as the Trustee will determine in lieu of and in substitution for the Bond or Parity Bond so lost, destroyed or stolen. Any Bond or Parity Bond issued in lieu of any Bond or Parity Bond alleged to be mutilated, lost, destroyed or stolen will be equally and proportionately entitled to the benefits of the Indenture with all other Bonds and Parity Bonds issued under the Indenture. The Trustee will not treat both the original Bond or Parity Bond and any replacement Bond or Parity Bond as being Outstanding for the purpose of determining the principal amount of Bonds or Parity Bonds which may be executed, authenticated and delivered under the Indenture or for the purpose of

determining any percentage of Bonds or Parity Bonds Outstanding thereunder, but both the original and replacement Bond or Parity Bond will be treated as one and the same. Notwithstanding any other provision of the Indenture, in lieu of delivering a new Bond or Parity Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Bonds or Parity Bonds.

Validity of Bonds and Parity Bonds. The validity of the authorization and issuance of the Bonds and any Parity Bonds will not be affected in any way by any defect in any proceedings taken by the District for the financing of the Project, or by the invalidity, in whole or in part, of any contracts made by the District in connection therewith, and will not be dependent upon the completion of the financing of the Project or upon the performance by any Person of his obligation with respect to the Project, and the recital contained in the Bonds or any Parity Bonds that the same are issued pursuant to the Act and other applicable laws of the State is conclusive evidence of their validity and of the regularity of their issuance.

Book-Entry System. The Bonds will be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the ownership of each such Bond will be registered in the registration books kept by the Trustee in the name of the Nominee as nominee of the Depository. Except as provided in the Indenture, all of the Outstanding Bonds will be registered in the registration books kept by the Trustee in the name of the Nominee. At the election of the District, any Parity Bonds may also be issued as book-entry bonds registered in the name of the Nominee as provided in the Indenture, in which case the references in the provisions relating to the book-entry system in the Indenture to "Bonds" will be applicable to such Parity Bonds.

With respect to Bonds registered in the registration books kept by the Trustee in the name of the Nominee, the District and the Trustee have no responsibility or obligation to any such Participant or to any Person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Trustee have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds; (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event that the Bonds are redeemed in part; or (iv) the payment to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The District and the Trustee may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of the principal of, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond and for all other purposes whatsoever. The Trustee will pay all principal of, premium, if any, and interest due on the Bonds only to or upon the order of the respective Owner, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to satisfy and discharge fully the District's obligations with respect to payment of the principal, premium, if any, and interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the registration books kept by the Trustee, will receive a Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the Indenture. Upon delivery by the Depository to the Trustee and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Indenture with respect to Record Dates, the word Nominee in the Indenture will refer to such new nominee of the Depository.

Representation Letter. In order to qualify the Bonds and any Parity Bonds which the District elects to register in the name of the Nominee for the Depository's book-entry system, an Authorized Representative of the District has been authorized to execute from time to time and deliver to such Depository the Representation Letter. The execution and delivery of the Representation Letter does not in any way limit the provisions of the

Indenture or in any other way impose upon the District any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the registration books kept by the Trustee. The District has agreed to take all action necessary to continuously comply with all representations made by it in the Representation Letter. In addition to the execution and delivery of the Representation Letter, the Authorized Representatives of the District have been authorized to take any other actions, not inconsistent with the Indenture, to qualify the Bonds for the Depository's book-entry program.

Transfers Outside Book-Entry System. In the event that: (i) the Depository determines not to continue to act as securities depository for the Bonds; or (ii) the District determines that the Depository will no longer so act, then the District will discontinue the book-entry system with the Depository. If the District fails to identify another qualified securities depository to replace the Depository then the Bonds so designated will no longer be restricted to being registered in the registration books kept by the Trustee in the name of the Nominee, but will be registered in whatever name or names Persons transferring or exchanging Bonds designate, in accordance with the provisions of the Indenture.

Payments to the Nominee. Notwithstanding any other provisions of the Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest due with respect to such Bond and all notices with respect to such Bond will be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

Initial Depository and Nominee. The initial Depository under the Indenture will be The Depository Trust Company, New York, New York. The initial Nominee will be Cede & Co., as Nominee of The Depository Trust Company, New York, New York.

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Creation of Funds. There have been created and established and will be maintained by the Trustee the following funds and accounts:

(1) The Community Facilities District No. 2015-2 (Pomelo) of the City of Riverside, Special Tax Fund (the "Special Tax Fund") (in which there will be established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account, an Additional Special Tax Reserve Account, and an Administrative Expense Account).

(2) The Community Facilities District No. 2015-2 (Pomelo) of the City of Riverside, Rebate Fund (the "Rebate Fund") (in which there will be established a Rebate Account and an Alternate Penalty Account).

(3) The Community Facilities District No. 2015-2 (Pomelo) of the City of Riverside, Acquisition and Construction Fund (the "Acquisition and Construction Fund") (in which there will be established a City Facilities Account, a City Fee Facilities Account, a School Facilities Account and a Costs of Issuance Account).

(4) The Community Facilities District No. 2015-2 (Pomelo) of the City of Riverside, Surplus Fund (the "Surplus Fund").

The amounts on deposit in the foregoing funds, accounts and subaccounts will be held by the Trustee. The Trustee will invest and in accordance with the provisions of the Indenture and will disburse the amounts in such funds, accounts and subaccounts and apply investment earnings thereon in accordance with the provisions of the Indenture.

In connection with the issuance of any Parity Bonds, which may be issued only for the purpose of refunding the Bonds as described in the Indenture, the Trustee, at the direction of an Authorized

Representative of the District, may create new funds, accounts or subaccounts, or may create additional accounts and subaccounts within any of the foregoing funds and accounts for the purpose of separately accounting for the proceeds of the Bonds and any Parity Bonds.

Deposits to and Disbursements from Special Tax Fund. (a) Except for Prepayments, which will be deposited to the Redemption Account of the Special Tax Fund, the Trustee will, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee will transfer the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Indenture, in the following order of priority, to: (1) the Administrative Expense Account of the Special Tax Fund up to the Administrative Expenses Cap; (2) the Interest Account of the Special Tax Fund; (3) the Principal Account of the Special Tax Fund; (4) the Redemption Account of the Special Tax Fund; (5) the Reserve Account of the Special Tax Fund; (6) the Additional Special Tax Reserve Account of the Special Tax Fund; (7) the Administrative Expense Account of the Special Tax Fund to the extent that Administrative Expenses exceed or are expected to exceed the Administrative Expense Cap; (8) the Rebate Fund; and (9) the Surplus Fund.

(b) At maturity of all of the Bonds and Parity Bonds and, after all principal and interest then due on the Bonds and Parity Bonds then Outstanding have been paid or provided for and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

Administrative Expense Account of the Special Tax Fund. The Trustee will transfer from the Special Tax Fund and deposit in the Administrative Expense Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a Certificate of an Authorized Representative of the District; provided, however, that, except as set forth in the following sentence, the total amount transferred with respect to a Bond Year may not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to restore the Reserve Account to the Reserve Requirement. Notwithstanding the foregoing, amounts in excess of the Administrative Expenses Cap may be transferred to the Administrative Expense Account to the extent necessary to collect delinquent Special Taxes. Moneys in the Administrative Expense Account of the Special Tax Fund may be invested in any Authorized Investments as directed in writing by an Authorized Representative of the District and will be disbursed as directed in a Certificate of an Authorized Representative.

Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption, will be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively.

For the purpose of assuring that the payment of principal of and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer required by the Indenture, at least one Business Day prior to each March 1 and September 1, the Trustee will make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds or any Parity Bonds, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account and the Administrative Expense Account) are inadequate to make the foregoing transfers, then any deficiency will be made up by transfers from the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account one Business Day prior to each Interest Payment Date is equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date and any installment of interest due on a previous Interest

Payment Date which remains unpaid. Moneys in the Interest Account will be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.

(b) To the Principal Account, an amount such that the balance in the Principal Account one Business Day prior to September 1 of each year, commencing September 1, 2019, equals the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account will be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.

Redemption Account of the Special Tax Fund. (a) With respect to each September 1 on which a Sinking Fund Payment is due, after the deposits have been made to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund as required by the Indenture, the Trustee will next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account one Business Day prior to each September 1 on which a Sinking Fund Payment is due equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency will be made up by an immediate transfer from the Reserve Account, if funded, pursuant to the Indenture. Moneys so deposited in the Redemption Account will be used and applied by the Trustee to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedules set forth in the Indenture, and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule in the Supplemental Indenture for such Parity Bonds.

(b) After making the deposits to the Administrative Expense Account, the Interest Account and the Principal Account of the Special Tax Fund pursuant to the Indenture and to the Redemption Account for Sinking Fund Payments then due pursuant to clause (a) above, and in accordance with the District's election to call Bonds for optional redemption as set forth in the Indenture, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee will transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund (other than the Administrative Expense Account therein) may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

(c) Prepayments deposited to the Redemption Account will be applied on the redemption date established pursuant to the Indenture to the payment of the principal of, premium, if any, and interest on the Bonds and Parity Bonds to be redeemed with such Prepayments.

(d) Moneys set aside in the Redemption Account will be used solely for the purpose of redeeming Bonds and Parity Bonds and will be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender of such Bonds or Parity Bonds, and, in the case of an optional redemption or a special mandatory redemption from Prepayments, to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account may be used to purchase Outstanding Bonds or Parity Bonds in the manner provided in the Indenture. Purchases of Outstanding Bonds or Parity Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption or a special mandatory redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to the Indenture, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Reserve Account of the Special Tax Fund. There will be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. The Reserve Requirement may be satisfied in whole or in part by cash, a Reserve Policy, or a combination thereof. The amounts in the Reserve Account will be applied as follows:

(a) Moneys in the Reserve Account will be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity Bonds when due in the event that, after moneys in the Additional Special Tax Reserve Account have been transferred to the Interest Account and/or the Principal Account pursuant to the Indenture, the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due and for the purpose of making any required transfer to the Rebate Fund pursuant to the Indenture upon written direction from the District. If after moneys in the Additional Special Tax Reserve Account have been transferred to the Interest Account or Principal Account, as the case may be, the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Trustee will withdraw from the Reserve Account, first from the cash on deposit therein, and second from a draw on the Reserve Policy, if any, for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers referred to in the Indenture, the Trustee will transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement by first, repaying any amounts due under the Reserve Policy, and second to fund the Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund will be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Administrative Expense Account, the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next September 1. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, including any amounts necessary to pay costs related to the Reserve Policy, if any, then the District will include the amount necessary to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

(c) In connection with a redemption of Bonds pursuant to the Indenture or Parity Bonds in accordance with any Supplemental Indenture, or a partial defeasance of Bonds or Parity Bonds in accordance with the Indenture, amounts in the Reserve Account may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such redemption or partial defeasance equals the Reserve Requirement. The District will set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to the Indenture to partially defease Bonds, and the Trustee will make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) To the extent that the sum of the amounts on deposit in the Reserve Account and the Additional Special Tax Reserve Account as of the first day of the penultimate Bond Year equals or exceeds the sum of the Annual Debt Service in each of the final two Bond Years for the Bonds or an issue of Parity Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds, as applicable, in such Bond Years for such issue. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the provisions of the Indenture will be withdrawn from the Reserve Account on the Business Day before each March 1 and September 1 and will be transferred

to the City Facilities Account or the Water Facilities Account of the Acquisition and Construction Fund, as directed by an Authorized Representative of the District, until all amounts have been disbursed from the Acquisition and Construction Fund (or such fund is closed) and thereafter to the Interest Account of the Special Tax Fund.

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

(b) Whenever moneys are withdrawn from the Additional Special Tax Reserve Account, after making the required transfers referred to in the Indenture, the Trustee will transfer to the Additional Special Tax Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of the Additional Special Tax Reserve Account to the Additional Special Tax Reserve Requirement. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Additional Special Tax Reserve Account are inadequate to restore the Additional Special Tax Reserve Account to the Additional Special Tax Reserve Requirement, then the District will include the amount necessary to fully restore the Additional Special Tax Reserve Account to the Additional Special Tax Reserve Requirement in the next annual Special Tax levy to the extent of the Maximum Special Taxes.

(c) To the extent that the sum of the amounts on deposit in the Reserve Account and the Additional Special Tax Reserve Account as of the first day of the penultimate Bond Year equals or exceeds the sum of Annual Debt Service in each of the final two Bond Years, amounts in the Additional Special Tax Reserve Account may be applied to pay the principal of and interest due on the Bonds in such Bond Years, if so provided in a Certificate of an Authorized Representative.

(d) To the extent that the sum of the amounts on deposit in the Reserve Account and the Additional Special Tax Reserve Account as of the first day of the final Bond Year equals or exceeds Annual Debt Service for the final Bond Year, amounts in the Additional Special Tax Reserve Account may be applied to pay the principal of and interest due on the Bonds in such Bond Year, if so provided in a Certificate of an Authorized Representative.

(e) The Trustee will withdraw from the Additional Special Tax Reserve Account moneys in excess of the Additional Special Tax Reserve Requirement not transferred in accordance with the Additional Special Tax Reserve Account provision of the Indenture one Business Day before each March 1 and September 1, and transfer such moneys to the Interest Account of the Special Tax Fund, unless prior to such date the Trustee is directed in a Certificate of an Authorized Representative to transfer such moneys to a different fund or account specified in such certificate.

Rebate Fund. (a) The Trustee will establish and maintain a fund separate from any other fund established and maintained under the Indenture designated as the Rebate Fund and will establish a separate Rebate Account and Alternate Penalty Account therein. All money at any time deposited in the Rebate Account or the Alternate Penalty Account of the Rebate Fund will be held by the Trustee in trust, for payment to the United States Treasury. A separate subaccount of the Rebate Account and the Alternate Penalty

Account will be established for the Series 2022A Bonds and each issue of Tax-Exempt Parity Bonds the interest on which is excluded from gross income for federal income tax purposes. All amounts on deposit in the Rebate Fund with respect to the Series 2022A Bonds or an issue of Tax-Exempt Parity Bonds will be governed by the Indenture and the Tax Certificate for such issue, unless the District obtains an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on the Series 2022A Bonds and Tax-Exempt Parity Bonds will not be adversely affected if such requirements are not satisfied.

(1) Rebate Account. The following requirements will be satisfied with respect to each subaccount of the Rebate Account:

(i) Annual Computation. Within 55 days of the end of each Bond Year, the District will calculate or cause to be calculated the amount of rebatable arbitrage for the Series 2022A Bonds and each issue of Tax-Exempt Parity Bonds to which the Indenture is applicable, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage described in the Tax Certificate for each issue (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “Rebatable Arbitrage”). The District will obtain expert advice as to the amount of the Rebatable Arbitrage to comply with the foregoing requirements.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year for which Rebatable Arbitrage must be calculated as required by the Tax Certificate for each issue, upon the written direction of an Authorized Representative of the District, an amount will be deposited to each subaccount of the Rebate Account by the Trustee from any funds so designated by the District if and to the extent required, so that the balance in the Rebate Account equals the amount of Rebatable Arbitrage so calculated by or on behalf of the District in accordance with clause (i) above with respect to the Series 2022A Bonds and each issue of Tax-Exempt Parity Bonds to which the Indenture is applicable. In the event that immediately following any transfer required by the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit to the credit of the applicable subaccount of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from an Authorized Representative of the District, the Trustee will withdraw the excess from the appropriate subaccount of the Rebate Account and then credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee will pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in each subaccount of the Rebate Account: (X) not later than 60 days after the end of: (A) the fifth Bond Year for the Series 2022A Bonds and each issue of Tax-Exempt Parity Bonds to which the Indenture is applicable; and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year for the Series 2022A Bonds and each issue of Parity Bonds, as applicable; and (Y) not later than 60 days after the payment or redemption of all of the Series 2022A Bonds or an issue of Tax-Exempt Parity Bonds, as applicable, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the District will calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to the foregoing provisions will be made to the Internal Revenue Service Center, Ogden,

Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T, or will be made in such other manner as provided under the Code.

(2) Alternate Penalty Account.

(i) Six-Month Computation. If the 1½% Penalty has been elected for the Series 2022A Bonds or an issue of Tax-Exempt Parity Bonds, within 85 days of each particular Six-Month Period, the District will determine or cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The District will obtain expert advice in making such determinations.

(ii) Six-Month Transfer. Within 85 days of the close of each Six-Month Period, the Trustee, at the written direction of an Authorized Representative of the District, will deposit an amount in the appropriate subaccounts of the Alternate Penalty Account from any source of funds held by the Trustee pursuant to the Indenture and designated by the District in such written directions or provided to it by the District, if and to the extent required, so that the balance in each subaccount of the Alternate Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in clause (a)(2)(i) above. In the event that immediately following any transfer provided for in the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit in a subaccount of the Alternate Penalty Account exceeds the amount required to be on deposit therein to make the payments required by clause (iii) below, the Trustee, at the written direction of an Authorized Representative of the District, may withdraw the excess from the applicable subaccount of the Alternate Penalty Account and credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee will pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in a subaccount of the Alternate Penalty Account, not later than 90 days after the close of each Six-Month Period the 1½% Penalty, if applicable and payable, computed with respect to the Series 2022A Bonds and any issue of Tax-Exempt Parity Bonds in accordance with Section 148(f)(4) of the Code. In the event that, prior to the time of any payment required to be made from a subaccount of the Alternate Penalty Account, the amount in such subaccount is not sufficient to make such payment when such payment is due, the District will calculate the amount of such deficiency and direct the Trustee, in writing, to deposit an amount equal to such deficiency into such subaccount of the Alternate Penalty Account from any funds held by the Trustee pursuant to the Indenture and designated by the District in such written directions prior to the time such payment is due. Each payment required to be made pursuant to the foregoing provision will be made to the Internal Revenue Service, Ogden, Utah 84201 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T or will be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Accounts of the Rebate Fund with respect to the Series 2022A Bonds or an issue of Tax-Exempt Parity Bonds after redemption and payment of such issue and after making the payments described in clauses (a)(1)(iii) or (a)(2)(iii) (whichever is applicable), may be withdrawn by the Trustee at the written direction of the District and utilized in any manner by the District.

(c) Survival of Defeasance and Final Payment. Notwithstanding anything in the Indenture to the contrary, the obligation to comply with the Rebate Fund requirements of the Indenture will survive the defeasance and final payment of the Series 2022A Bonds and any Tax-Exempt Parity Bonds with respect to which an Account has been created in the Rebate Fund.

(d) Amendment Without Consent of Owners. The Rebate Fund provisions of the Indenture may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the District an opinion of Bond Counsel to the effect that such deletion or

amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2022A Bonds and any issue of Tax-Exempt Parity Bonds issued on a tax exempt basis.

(e) Trustee. The Trustee has no responsibility to monitor or calculate any amounts payable to the U.S. Treasury pursuant to the Rebate Fund requirements of the Indenture and will be deemed constructively to have complied with its obligations thereunder if it follows the written instructions of the District given pursuant to the Indenture.

Surplus Fund. After making the transfers required by the Indenture, as soon as practicable after each September 1, the Trustee will transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to the Indenture. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District: (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor; (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement; (iii) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses; (iv) to the Acquisition and Construction Fund to pay Project Costs; or after all of the Project Costs have been paid, (v) to the District, for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative and the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund will be invested at the written direction of the District in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes. Such amounts will be disbursed as directed by an Authorized Representative of the District.

Acquisition and Construction Fund. (a) The moneys in the Costs of Issuance Account will be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative of the District, and any balance remaining therein after 180 days will be transferred by the Trustee to the Administrative Expense Account of the Special Tax Fund as directed in writing by an Authorized Representative of the District. Following such transfer to the Administrative Expense Account, the Costs of Issuance Account will be closed.

(b) The moneys in the Acquisition and Construction Fund and the Accounts therein (other than the Costs of Issuance Account) will be applied exclusively to pay the Project Costs. Amounts for Project Costs will be disbursed by the Trustee from the Acquisition and Construction Fund or the Accounts therein (other than the Costs of Issuance Account), as specified in a Request for Disbursement of Project Costs, substantially in the form attached to the Indenture. A properly executed Request for Disbursement of Project Costs must be submitted in connection with each requested disbursement, and the Trustee may rely thereon without investigating the accuracy thereof. Amounts in an Account of the Acquisition and Construction Fund may be transferred to another Account or Accounts therein pursuant to a Certificate of an Authorized Representative of the District.

(c) Upon receipt of a Certificate of an Authorized Representative of the District stating that all or a specified portion of the amount remaining in the Acquisition and Construction Fund or the Accounts therein (other than the Costs of Issuance Account) is no longer needed to pay Project Costs, the Trustee will: (i) transfer all or such specified portion, as applicable, of the moneys remaining on deposit in the Acquisition and Construction Fund or the Accounts therein to the Interest Account, the Principal Account or Redemption Account of the Special Tax Fund, to the Costs of Issuance Account or to the Surplus Fund, as directed in such certificate, provided that in connection with any direction to transfer amounts to the Surplus Fund there will be delivered to the Trustee with such certificate an opinion of Bond Counsel to the effect that such transfer to the Surplus Fund will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2022A Bonds or any Tax-Exempt Parity Bonds; and (ii) thereafter, close the Acquisition and Construction Fund.

Investments. Moneys held in any of the Funds, Accounts and Subaccounts under the Indenture will be invested at the written direction of the District upon at least two (2) Business Days' notice in accordance with the limitations set forth below only in Authorized Investments which will be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Authorized Investments will be credited or charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on a Fund, Account or Subaccount will be applied as follows: (i) investment earnings on all amounts deposited in the Acquisition and Construction Fund (including the Accounts therein), the Special Tax Fund, the Surplus Fund and the Rebate Fund and each Account therein (other than the Reserve Account and Additional Special Tax Reserve Account of the Special Tax Fund) will be deposited in those respective Funds, Accounts and Subaccounts; (ii) investment earnings on all amounts deposited in the Reserve Account will be deposited therein to be applied as set forth in the Indenture, and (iii) investment earnings on all amounts deposited in the Additional Special Tax Reserve Account will be deposited therein to be applied as set forth in the Indenture. Moneys in the Funds, Accounts and Subaccounts held under the Indenture may be invested by the Trustee as directed in writing by the District, from time to time, in Authorized Investments subject to the following restrictions (provided that the Trustee is not required to verify compliance with such restrictions and may rely on the District's written instructions as evidence of such compliance):

(a) Moneys in the Acquisition and Construction Fund and the Accounts therein will be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Acquisition and Construction Fund and the Accounts therein. Notwithstanding anything in the Indenture to the contrary, amounts in the Acquisition and Construction Fund three years after the Delivery Date for the Bonds and the proceeds of each issue of Parity Bonds issued on a tax-exempt basis which are remaining on deposit in the Acquisition and Construction Fund and the Accounts therein on the date which is three years following the date of issuance of such issue of Parity Bonds will be invested by the District only in Authorized Investments the interest on which is excluded from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds from which such proceeds were derived, unless in the opinion of Bond Counsel such restriction is not necessary to prevent interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes from being included in gross income for federal income tax purposes.

(b) Moneys in the Interest Account, the Principal Account, and the Redemption Account of the Special Tax Fund will be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds and any Parity Bonds as the same become due.

(c) Moneys in the Reserve Account and the Additional Special tax Reserve Account of the Special Tax Fund may be invested only in Authorized Investments (other than the Authorized Investment

described in clause (2)(i) of the definition thereof) which, taken together, have a weighted average maturity not in excess of five years; provided that such amounts may be invested in an Investment Agreement to the later of the final maturity of the Bonds or any Parity Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with the Indenture; and provided that no such Authorized Investment of amounts in the Reserve Account allocable to the Bonds or an issue of Parity Bonds mature later than the respective final maturity date of the Bonds or the issue of Parity Bonds, as applicable.

(d) Moneys in the Rebate Fund will be invested only in Authorized Investments of the type described in clause (1) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government pursuant to the Indenture or in Authorized Investments of the type described in clause (2)(e) of the definition thereof.

(e) If no such written investment direction from the District is received, the funds will be uninvested.

The Trustee will sell, or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such funds and accounts or from such funds and accounts, employing, in the case of a sale, any commercially reasonable method of effecting the same. Notwithstanding anything in the Indenture to the contrary, the Trustee is not responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of the Indenture. Any Authorized Investments that are registrable securities will be registered in the name of the Trustee.

The Trustee may act as principal or agent in the making or disposing of any investment and will be entitled to its customary fee for making such investment. For investment purposes, the Trustee may commingle the funds and accounts established under the Indenture, but will account for each separately. The Trustee has been authorized, in making or disposing of any investment permitted by the Indenture, to deal with itself (in its individual capacity) or which any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

The District has acknowledged that, to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District has specifically waived receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

COVENANTS AND WARRANTY

Warranty. The District will preserve and protect the security pledged under the Indenture to the Bonds and any Parity Bonds against all claims and demands of all persons.

Covenants. So long as any of the Bonds or Parity Bonds issued under the Indenture are Outstanding and unpaid, the District will make the following covenants with the Owners under the provisions of the Act and the Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and Parity Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

(a) Punctual Payment; Against Encumbrances. The District has covenanted that it will receive all Special Taxes in trust for the Owners and will deposit all Special Taxes with the Trustee immediately upon their apportionment to the District, and the District has no beneficial right or interest in the amounts so deposited except as provided by the Indenture. All such Special Taxes will be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District has covenanted that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued under the Indenture, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and the Parity Bonds and in accordance with the Indenture to the extent that Net Taxes and other amounts pledged thereunder are available therefor, and that the payments into the Funds and Accounts created thereunder will be made, all in strict conformity with the terms of the Bonds, any Parity Bonds, and the Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Indenture and all Supplemental Indentures and of the Bonds and any Parity Bonds issued thereunder.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in the Indenture, and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the Bonds, other than Parity Bonds. Nothing in the Indenture prevents the District from issuing or incurring indebtedness which is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds and the Parity Bonds, subject to compliance with the District's bonded indebtedness limit.

(b) Levy of Special Tax. Beginning in Fiscal Year 2022-23 and so long as any Bonds or Parity Bonds issued under the Indenture are Outstanding, the District has covenanted to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay: (1) the principal of and interest on the Bonds and any Parity Bonds when due; (2) the Administrative Expenses; and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement, including any amounts to pay costs related to the Reserve Policy, if any. The District has further covenanted that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds and any Parity Bonds are Outstanding.

(c) Commence Foreclosure Proceedings. The District has covenanted for the benefit of the Owners of the Bonds and any Parity Bonds that it will: (i) commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied; and (iii) diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel so long as the amount in the Reserve Account is at least equal to the Reserve Requirement. The District may, but is not obligated to, advance funds from any source of legally available funds in order to maintain the Reserve Account. The District may treat any delinquent Special Tax sold to an independent third-party or to the City for at least 100% of the delinquent amount as having been paid. Proceeds of any such sale up to 100% of the delinquent amount will be deposited in the Special Tax Fund.

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

(d) Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund (other than the Administrative Expense Account therein), or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided, however, that nothing in the Indenture requires the District to make any such payments so long as the District in good faith contests the validity of any such claims.

(e) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries are made of all transactions relating to the Project, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts will at all times during business hours be subject to the inspection of the Trustee or of the Owners or the Owners of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

(f) Federal Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Series 2022A Bonds and any Tax-Exempt Parity Bonds will not be adversely affected for federal income tax purposes, the District has covenanted to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and has specifically covenanted, without limiting the generality of the foregoing, as follows:

(1) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Series 2022A Bonds or any Tax-Exempt Parity Bonds or of any other monies or property which would cause the Series 2022A Bonds or any Tax-Exempt Parity Bonds to be “private activity bonds” within the meaning of Section 141 of the Code.

(2) Arbitrage. The District will make no use of the proceeds of the Series 2022A Bonds or any Tax-Exempt Parity Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Series 2022A Bonds or any Tax-Exempt Parity Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(3) Federal Guaranty. The District will make no use of the proceeds of the Series 2022A Bonds or any Tax-Exempt Parity Bonds or take or omit to take any action that would cause the Series 2022A Bonds or any Tax-Exempt Parity Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(4) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(5) Hedge Bonds. The District will make no use of the proceeds of the Series 2022A Bonds or any Tax-Exempt Parity Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Series 2022A Bonds or any Tax-Exempt Parity Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2022A Bonds and any applicable Tax-Exempt Parity Bonds.

(6) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed on the Delivery Date by the District in connection with the Series 2022A Bonds and any Tax-Exempt Parity Bonds and will comply with the covenants and requirements stated therein and incorporated by reference in the Indenture.

(7) Other Tax-Exempt Issues. The District will not use proceeds of other tax-exempt securities to redeem any Series 2022A Bonds or any Tax-Exempt Parity Bonds without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Tax-Exempt Parity Bonds.

(8) Subsequent Opinions. If the District obtains a subsequent opinion of Bond Counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation, where such opinion is required in connection with a change or amendment to the Indenture or the procedures set forth in the Tax

Certificate, it will obtain an opinion substantially to the effect originally delivered by Stradling Yocca Carlson & Rauth, a Professional Corporation, that interest on the Series 2022A Bonds is excluded from gross income for federal income tax purposes.

(g) Reduction of Maximum Special Taxes. The District has found and determined that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the District below the levels provided in the Indenture would interfere with the timely retirement of the Bonds and Parity Bonds. The District has determined it to be necessary in order to preserve the security for the Bonds and Parity Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District has covenanted, that it will not initiate proceedings to reduce the maximum Special Tax rates for the District, unless, in connection therewith, the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that: (i) such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than the Administrative Expense Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such proposed reduction; and (ii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

(h) Covenants to Defend. The District has covenanted that, in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the maximum Special Tax below the levels specified in the Indenture or to limit the power of the District to levy the Special Taxes for the purposes set forth in the Indenture, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(i) Limitation on Right to Tender Bonds. The District has covenanted that it will not adopt any policy pursuant to Section 53344.1 of the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District has first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Net Taxes to pay the principal of and interest on the Bonds and Parity Bonds when due.

(j) Continuing Disclosure. The District has covenanted to comply with the terms of the Continuing Disclosure Certificate and with the terms of any agreement executed by the District with respect to any Parity Bonds to assist the Underwriter in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission; provided, however, that a failure to comply will not be considered an event of default under the Indenture and the Owners will be limited to enforcing the terms thereof in accordance with the terms of the Continuing Disclosure Certificate.

(k) Further Assurances. The District will make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds and any Parity Bonds of the rights and benefits provided in the Indenture.

AMENDMENTS TO INDENTURE

Supplemental Indentures or Orders Not Requiring Owner Consent. The District may from time to time, and at any time, without notice to or consent of any of the Owners, adopt Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions in the Indenture which may be inconsistent with any other provision therein, or to make any other provision with respect to

matters or questions arising under the Indenture or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Owners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in the Indenture other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect, or to comply with the Code or regulations issued thereunder, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which do not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding;

(e) to modify, alter or amend the RMA in any manner, so long as the Trustee receives a certificate of an Independent Financial Consultant stating that: such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than the Administrative Expense Cap plus 110% of the Annual Debt Service due in each corresponding future Bond Year with respect to the Bonds and Parity Bonds Outstanding as of the date of such amendment;

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

(g) to modify, alter, amend or supplement the Indenture in any other respect, as may be required to fund all or a portion of the Reserve Requirement with a Reserve Policy.

Supplemental Indentures or Orders Requiring Owner Consent. Exclusive of the Supplemental Indentures described above, the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding have the right to consent to and approve the adoption by the District of such Supplemental Indentures as deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that nothing in the Indenture permits, or will be construed as permitting: (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond; (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon; (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond; or (d) a reduction in the aggregate principal amount of the Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds and Parity Bonds then Outstanding.

If at any time the District desires to adopt a Supplemental Indenture, which pursuant to the terms of the Indenture require the consent of the Owners, the District will so notify the Trustee and deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee will, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Owners at their addresses as they appear in the Bond Register. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and state that a copy thereof is on file at the Principal Office of the Trustee for inspection by all Owners. The failure of any Owners to receive such notice will not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding as required by the Indenture. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee receives an

instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding, which instrument or instruments refer to the proposed Supplemental Indenture described in such notice, and specifically consents to and approves the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Trustee, such proposed Supplemental Indenture, when duly adopted by the District, will thereafter become a part of the proceedings for the issuance of the Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, Bonds or Parity Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, will be disregarded and will be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds in instances where such consent is required pursuant to the provisions of the Indenture, the Indenture will be, and will be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the District and all Owners of Outstanding Bonds and Parity Bonds will thereafter be determined, exercised and enforced thereunder, subject in all respects to such modifications and amendments.

Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds. After the effective date of any action taken as provided in the amendment provisions of the Indenture, the District may determine that the Bonds or any Parity Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date and presentation of such Owner's Bond or Parity Bond for the purpose at the Principal Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation as to such action will be made on such Bonds or Parity Bonds. If the District so determines, new Bonds or Parity Bonds so modified as, in the opinion of the District, are necessary to conform to such action will be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date such new Bonds or Parity Bonds will be exchanged at the Principal Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, without cost to each Owner of Outstanding Bonds or Parity Bonds, upon surrender of such Outstanding Bonds or Parity Bonds.

The Trustee has the right to require such opinions of counsel as it deems necessary concerning: (i) the lack of material adverse effect of the amendment on Owners; and (ii) the fact that the amendment will not affect the tax status of interest with respect to the Bonds.

TRUSTEE

Trustee. U.S. Bank Trust Company, National Association will be the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District under the Indenture. The Trustee has represented that it has (or is a member of a bank holding company system whose bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000. The District may, at any time, appoint a successor Trustee satisfying the requirements of the Indenture for the purpose of receiving all money which the District is required to deposit with the Trustee thereunder and to allocate, use and apply the same as provided in the Indenture.

The Trustee has been authorized to and will mail by first class mail, postage prepaid, or wire transfer in accordance with the Indenture, interest payments to the Owners, to select Bonds and Parity Bonds for redemption, and to maintain the Bond Register. The Trustee has been authorized to pay the principal of and premium, if any, on the Bonds and Parity Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds and Parity

Bonds presented to it for such purposes, to provide for the cancellation of Bonds and Parity Bonds all as provided in the Indenture, and to provide for the authentication of Bonds and Parity Bonds, and will perform all other duties assigned to or imposed on it as provided in the Indenture. The Trustee will keep accurate records of all funds administered by it and all Bonds and Parity Bonds paid, discharged and cancelled by it.

The Trustee has been authorized to redeem the Bonds and Parity Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Trustee will cancel all Bonds and Parity Bonds upon payment thereof in accordance with the provisions of the Indenture.

The District will from time to time, subject to any agreement between the District and the Trustee then in force, timely pay to the Trustee following demand therefor compensation for its services, reimburse the Trustee for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties under the Indenture, and indemnify and save the Trustee, its officers, directors, employees and agents, harmless against costs, claims, expenses and liabilities, including, without limitation, fees and expenses of its attorneys (not arising from its own gross negligence or willful misconduct) which it may incur in the exercise and performance of its powers and duties under the Indenture. The foregoing obligation of the District to indemnify the Trustee will survive the removal or resignation of the Trustee or the discharge of the Bonds and Parity Bonds.

Removal of Trustee. The District may at any time at its sole discretion, upon 30 days' notice, remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a written notice of its decision to remove the Trustee and may appoint a successor or successors thereto; provided that any such successor is a bank or trust company having (or whose parent bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000, and subject to supervision or examination by federal or state authority. Any removal will become effective only upon acceptance of appointment by the successor Trustee. If any bank or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee and notice of the successor Trustee's identity and address being sent by the successor Trustee to the Owners.

Resignation of Trustee. The Trustee may at any time resign by giving written notice to the District. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee satisfying the criteria in the Indenture by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed by the District within thirty (30) days of giving such notice or removal or resignation, then the Trustee, or any Owner may petition, at the expense of the District, a court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint a successor Trustee under the Indenture.

Liability of Trustee. The recitals of fact and all promises, covenants and agreements contained in the Indenture and in the Bonds and any Parity Bonds will be taken as statements, promises, covenants and agreements of the District, and the Trustee assumes no responsibility or liability for the correctness of the same and makes no representations whatsoever as to the validity or sufficiency of the Indenture, the Bonds or any Parity Bonds, and will incur no responsibility or liability in respect thereof, other than in connection with its express duties or obligations specifically set forth in the Indenture, in the Bonds and any Parity Bonds, or in the certificate of authentication assigned to or imposed upon the Trustee. The Trustee will not have nor be under any responsibility or duty with respect to the issuance of the Bonds or any Parity Bonds for value. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own gross negligence or willful misconduct.

The Trustee will be conclusively protected in acting upon any notice, resolution, request, consent, order, certificate, report, Bond, Parity Bond or other paper or document signed or presented by the proper party or parties as provided under the Indenture. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection to the Trustee in respect of any action taken or suffered under the Indenture in good faith.

The Trustee is not bound to recognize any person as the Owner of a Bond or Parity Bond unless and until such Bond or Parity Bond is submitted for inspection, if required, and his title thereto is satisfactorily established to the Trustee, if disputed.

Whenever in the administration of its express obligations under the Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof is specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a written certificate of the District, and such certificate will be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may but is not obligated to accept other evidence of such matter or may require such additional evidence as to it may seem reasonable. It has been understood and agreed that no such act will broaden or imply the Trustee's acceptance of a broadening of the scope of the Trustee's duties and obligations under the Indenture unless the Trustee provides written acceptance thereof.

The Trustee has no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it under the Indenture, or as to the correctness of any amounts received, but its liability is limited to the proper accounting for such funds as it actually receives. No provision in the Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of its rights or powers.

The Trustee will not be deemed to have knowledge of any default or event of default until an officer at the Trustee's corporate trust office responsible for the administration of its duties under the Indenture has actual knowledge thereof or the Trustee has received written notice thereof at its corporate trust office.

The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

Before taking any action under the Indenture, the Trustee may require indemnity and security satisfactory to the Trustee be furnished to it for and from any expenses and liabilities and to protect it against any liability it may incur thereunder.

The immunities extended to the Trustee also extend to its directors, officers, employees and agents (including its counsel).

The Trustee is not liable for any action taken or not taken by it in accordance with the direction of the Owners of 25% (or other percentage provided for in the Indenture) in aggregate principal amount of Bonds and Parity Bonds Outstanding relating to the exercise of any right, power or remedy available to the Trustee. In the event of conflicting instructions under the Indenture, the Trustee has the right to decide the appropriate course of action and will be protected in so doing.

The permissive right of the Trustee to do things enumerated in the Indenture will not be construed as a duty or in any way expand or impliedly expand the scope of the Trustee's duties thereunder.

The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and will not be answerable for the conduct of the same if appointed by it with reasonable care.

The Trustee may become the Owner or pledgee of the Bonds and Parity Bonds with the same rights it would have if it were not Trustee.

The Trustee will perform such duties and only such duties as are specifically set forth in the Indenture and no implied duties or obligations will be read into the Indenture against the Trustee.

The District will, to the extent permitted by law, indemnify and save the Trustee and its officers, directors, agents, and employees harmless from and against (whether or not litigated) all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of: (i) the use, maintenance, condition or management of, or from any work or thing done on, the Project; (ii) any breach or default on the part of the District in the performance of any of its obligations under the Indenture and any other agreement made and entered into for purposes of the Bonds and Parity Bonds; (iii) any act of the City, the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project; (iv) any act of any assignee of, or purchaser from, the City, the District or of any of its or their agents, contractors, servants, employees or licensees with respect to the Project; (v) the construction or acquisition of the Project or the expenditure of Project Costs; (vi) the exercise and performance by the Trustee of its powers and duties under the Indenture or any related document; (vii) the sale of the Bonds and Parity Bonds and the carrying out of any of the transactions contemplated by the Bonds and Parity Bonds or the Indenture; or (viii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made in light of the circumstances in which they were made, not misleading in any official statement or other disclosure document utilized in connection with the sale or marketing of the Bonds and Parity Bonds. The foregoing indemnification extends to the Trustee's officers, agents, employees, successors and assigns. No indemnification will be made under the Indenture or other agreements for willful misconduct or negligence by the Trustee, its officers, agents, employees, successors or assigns. The District's indemnification obligations under the Indenture will remain valid and binding notwithstanding maturity and payment of the Bonds and Parity Bonds, or the resignation or removal of the Trustee.

In accepting the trust created by the Indenture, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners, the District and the City, having any claim against the Trustee arising from the Indenture will look only to the funds and accounts held by the Trustee thereunder for payment, except as otherwise provided therein. Under no circumstances will the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE PROJECT, OR ANY PORTION THEREOF. In no event will the Trustee be liable for incidental, indirect, special or consequential damages, in connection with or arising out of the Project or the Indenture for the existence, furnishing, functioning or use and possession of the Project.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it is a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, will be the successor to the Trustee without the execution or filing of any paper or further act, anything in the Indenture to the contrary notwithstanding.

EVENTS OF DEFAULT; REMEDIES

Events of Default. Any one or more of the following events constitute an “Event of Default”: (a) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond or Parity Bond when and as the same become due and payable, whether at maturity as therein expressed, by declaration or otherwise; (b) default in the due and punctual payment of the interest on any Bond or Parity Bond when and as the same become due and payable; or (c) except as described in clauses (a) or (b), default by the District in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture, the Bonds or any Parity Bonds, which default continues for a period of 30 days after the District has been given notice in writing of such default by the Trustee or the Owners of twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds and Parity Bonds.

The Trustee has agreed to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under clause (a) or (b) above and within 30 days of the Trustee’s actual knowledge of an Event of Default under clause (c) above.

Remedies of Owners. Upon the occurrence of an Event of Default, any Owner may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds and Parity Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture, including: (a) by mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in the Indenture; (b) by suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or (c) by a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default occurs and is continuing and if requested and directed so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and Parity Bonds and if indemnified to its satisfaction, the Trustee will be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, deems most expedient in the interests of the Owners of the Bonds and Parity Bonds.

No remedy conferred upon or reserved to the Owners in the Indenture is intended to be exclusive of any other remedy. Every such remedy will be cumulative and in addition to every other remedy given under the Indenture or now or later existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Owners under the provisions of the Indenture relating to the Bonds and Parity Bonds will be applied by the Trustee in the following order upon presentation of the several Bonds and Parity Bonds: First, to the payment of the costs, fees and expenses of the Trustee in declaring such Event of Default and in performing its duties and obligations under the Indenture, including reasonable compensation to its agents, attorneys and counsel; Second, to the payment of the fees, costs and expenses of the Owners in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Trustee; and Third, to the payment of the whole amount of interest on and principal of the Bonds and Parity Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds and Parity Bonds; provided, however, that in the event that such amounts are insufficient to pay the full amount of such interest and principal, then such amounts will be applied in the following order of priority: (a) first to the payment of all installments of interest on the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing; (b) second, to the payment of all installments of principal, including Sinking Fund Payments, of the Bonds and Parity Bonds then due and unpaid on a pro rata basis

based on the total amount then due and owing; and (c) third, to the payment of interest on overdue installments of principal and interest on the Bonds and Parity Bonds on a pro rata basis based on the total amount then due and owing.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its obligations under the Indenture, whether upon its own discretion or upon the request of the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds and Parity Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other such litigation. Any suit, action or proceeding which any Owner of Bonds or Parity Bonds have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds and Parity Bonds similarly situated and the Trustee has been appointed (and the successive respective Owners of the Bonds and Parity Bonds issued thereunder, by taking and holding the same, will be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds and Parity Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds and Parity Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights and of the Owners of the Bonds and Parity Bonds under the Indenture, the Trustee will be entitled, as a matter of right to which the District has expressly agreed, to the appointment of a receiver or receivers of the Net Taxes and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment confers.

Non-Waiver. Nothing in the Indenture, or in the Bonds or the Parity Bonds, affects or impairs the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds and Parity Bonds to the respective Owners of the Bonds and Parity Bonds at the respective dates of maturity, as provided in the Indenture, or to pay the Trustee its fees and expenses as provided therein, out of the Net Taxes and other moneys therein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Owners will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds or Parity Bonds to exercise any right or power accruing upon any default will impair any such right or power or be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or the Owners by the Act or by the Indenture may be enforced and exercised from time to time and as often as deemed expedient by the Trustee or the Owners, as the case may be.

Limitations on Rights and Remedies of Owners. No Owner of any Bond or Parity Bond issued under the Indenture has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless: (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds and Parity Bonds then Outstanding have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners have tendered to the Trustee indemnity and security reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or omitted to comply

with such request for a period of sixty (60) days after such written request has been received by, and said tender of indemnity and security has been made to, the Trustee.

Such notification, request, tender of indemnity and security and refusal or omission have been declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds and Parity Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds and Parity Bonds have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided therein, and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner provided therein and for the equal benefit of all Owners of the Outstanding Bonds and Parity Bonds.

The right of any Owner of any Bond and Parity Bond to receive payment of the principal of and interest and premium (if any) on such Bond and Parity Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, will not be impaired or affected without the written consent of such Owner, notwithstanding any other provision of the Indenture.

Termination of Proceedings. In case any Owner has proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings have been discontinued or abandoned for any reason, or have been determined adversely, then and in every such case, the District, the Trustee and the Owners will be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Owners will continue as if no such proceedings had been taken.

DEFEASANCE AND PARITY BONDS

Defeasance. If the District pays or causes to be paid, or there is otherwise paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in the Indenture or any Supplemental Indenture, then the Owner of such Bond or Parity Bond will cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond or Parity Bond under the Indenture and any Supplemental Indenture relating to such Parity Bond will thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds and Parity Bonds pursuant to the Indenture, the Trustee will execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver to the District's general fund all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds and Parity Bonds.

Any Outstanding Bond or Parity Bond will be deemed to have been paid within the meaning expressed above if such Bond or Parity Bond is paid in any one or more of the following ways: (a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable; (b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable; or (c) by depositing with the Trustee or another escrow bank appointed by the District, in trust, federal securities described in clause (1) of the definition of Authorized Investments, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expense Account) and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable.

If paid as provided above, then, at the election of the District, and notwithstanding that any Outstanding Bonds and Parity Bonds have not been surrendered for payment, all obligations of the District

under the Indenture and any Supplemental Indenture with respect to such Bond or Parity Bond will cease and terminate, except for the obligation of the Trustee to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid all sums due thereon, and except for the tax covenants of the District contained in the Indenture or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of such election will be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In connection with a defeasance under clause (c) above, there will be provided to the District a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds and Parity Bonds to be defeased in accordance with the Indenture, as and when the same become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds or Parity Bonds being defeased have been legally defeased in accordance with the Indenture and any applicable Supplemental Indenture.

Upon a defeasance, the Trustee, upon request of the District, will release the rights of the Owners of such Bonds and Parity Bonds which have been defeased under the Indenture and any Supplemental Indenture and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance under the Indenture of all Outstanding Bonds and Parity Bonds, the Trustee will pay over or deliver to the District any funds held by the Trustee at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds and Parity Bonds when due. The Trustee will, at the written direction of the District, mail, first class, postage prepaid, a notice to the Owners whose Bonds or Parity Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness. The District may at any time after the issuance and delivery of the Bonds under the Indenture issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expense Account therein) and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued under the Indenture or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued only for the purposes of refunding all or a portion of the Bonds or Parity Bonds then Outstanding subject to the following specific conditions, which have been made conditions precedent to the issuance of any such Parity Bonds by the Indenture:

(a) The District is in compliance with all covenants set forth in the Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect have been filed with the Trustee; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds has been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds has been provided for by a Supplemental Indenture duly adopted by the District which specifies the following: (1) the purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited; (2) the authorized principal amount of such Parity Bonds; (3) the date and the maturity date or dates of such Parity Bonds; provided that: (i) each maturity date falls on a September 1; (ii) all such Parity Bonds of like maturity are identical in all respects, except as to number; (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, are established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates; and (iv) the maturity of such Parity Bonds does not exceed the maturity of the Bonds being refunded; (4) the description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication; (5) the denominations and method of numbering of such Parity Bonds; (6) the amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds; (7) the amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account of the Special Tax Fund to increase

the amount therein to the Reserve Requirement; (8) the form of such Parity Bonds; and (9) such other provisions as are necessary or appropriate and not inconsistent with the Indenture.

(c) The District has received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee is directed by the District to accept any of such documents bearing a prior date): (1) a certified copy of the resolution of the City Council, acting as the legislative body of the District, authorizing the issuance of such Parity Bonds; (2) a written request of the District as to the delivery of such Parity Bonds; (3) an opinion of Bond Counsel and/or general counsel to the District to the effect that: (i) the District has the right and power under the Act to execute and deliver the Supplemental Indenture relating to such Parity Bonds, such Supplemental Indenture has been duly and lawfully executed by the District, and the Indenture and such Supplemental Indenture are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (ii) the Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (iii) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Indenture and the Supplemental Indenture executed and delivered in connection with such Parity Bonds and are entitled to the benefits of the Indenture and such Supplemental Indenture, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and such Supplemental Indenture; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax-exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued; (4) a certificate of the District containing such statements as may be reasonably necessary to show compliance with the foregoing requirements of the Indenture; (5) a certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds; and (6) such further documents, money and securities as are required by the provisions of the Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

MISCELLANEOUS

Cancellation of Bonds and Parity Bonds. All Bonds and Parity Bonds surrendered to the Trustee for payment upon maturity or for redemption will be upon payment therefor, and any Bond or Parity Bond purchased by the District as authorized in the Indenture and delivered to the Trustee for such purpose will be, cancelled forthwith and will not be reissued. The Trustee will destroy such Bonds and Parity Bonds, as provided by law, and, upon request of the District, furnish to the District a certificate of such destruction.

Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Indenture to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds or Parity Bonds will be sufficient for the purposes of the Indenture (except as otherwise therein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument, and of any instrument appointing any such attorney, may be proved by a signature guarantee of any

bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee will also constitute sufficient proof of his authority.

(b) As to any Bond or Parity Bond, the person in whose name the same is registered in the Bond Register will be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond or Parity Bond, and the interest thereon, will be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond or Parity Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the District nor the Trustee will be affected by any notice to the contrary.

Nothing contained in the Indenture will be construed as limiting the Trustee or the District to such proof, it being intended that the Trustee or the District may accept any other evidence of the matters therein stated which the Trustee or the District may deem sufficient. Any request or consent of the Owner of any Bond or Parity Bond will bind every future Owner of the same Bond or Parity Bond in respect of anything done or suffered to be done by the Trustee or the District in pursuance of such request or consent.

Unclaimed Moneys. Anything in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Outstanding Bonds and Parity Bonds which remain unclaimed for two years after the date when such Outstanding Bonds or Parity Bonds have become due and payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds or Parity Bonds become due and payable, will be repaid by the Trustee to the District, as its absolute property and free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the District for the payment of such Outstanding Bonds or Parity Bonds; provided, however, that, before being required to make any such payment to the District, the Trustee, at the expense of the District, will cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds or Parity Bonds at their addresses as they appear on the registration books of the Trustee a notice that said money remains unclaimed and that, after a date named in said notice, which date will not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

Provisions Constitute Contract. The provisions of the Indenture constitute a contract between the District and the Owners and the provisions thereof will be construed in accordance with the laws of the State of California. In case any suit, action or proceeding to enforce any right or exercise any remedy will be brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Owners or the Trustee, then the District, the Trustee and the Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken. After the issuance and delivery of the Bonds, the Indenture will be irrevocable, but will be subject to modifications to the extent and in the manner provided in the Indenture, but to no greater extent and in no other manner.

Future Contracts. Nothing contained in the Indenture will be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Taxes which is subordinate to the pledge thereunder, or which is payable from the general fund of the District or from taxes or any source other than the Net Taxes and other amounts pledged thereunder.

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

Severability. If any covenant, agreement or provision, or any portion thereof, contained in the Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or

unenforceable, the remainder of the Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, will be deemed severable and will not be affected thereby, and the Indenture, the Bonds and any Parity Bonds issued pursuant thereto will remain valid and the Owners will retain all valid rights and benefits accorded to them under the laws of the State of California.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated May 26, 2022 (the “Disclosure Certificate”) is executed and delivered by Community Facilities District No. 2015-2 (Pomelo) of the City of Riverside (the “District”) in connection with the issuance and delivery by the District of its \$4,805,000 Special Tax Bonds, Series 2022A (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted on April 26, 2022, by the City Council of the City of Riverside, acting as the legislative body of the District, and the Bond Indenture dated as of May 1, 2022, by and between the District and U.S. Bank Trust Company, National Association, as trustee. The District covenants as follows:

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

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Section 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income purposes.

“City” means the City of Riverside.

“Disclosure Representative” shall mean the City Manager, Treasurer or Chief Financial Officer, or either of their designees, or such other officer or employee as the District shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean, initially, the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the then current Dissemination Agent a written acceptance of such designation.

“District” shall mean Community Facilities District No. 2015-2 (Pomelo) of the City of Riverside.

“EMMA” shall mean the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission in the future.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean that certain Official Statement for the Bonds dated May 10, 2022

“Owners” shall mean the registered owners of the Bonds as set forth in the registration books maintained by the Trustee.

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

“State” shall mean the State of California.

“Trustee” means U.S. Bank Trust Company, National Association or such other entity appointed by the District pursuant to the Indenture to act as the trustee under the Indenture.

“Underwriter” shall mean any underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Section 3. Provision of Annual Reports.

(a) The District shall, or, if the Dissemination Agent is other than the District, upon written direction shall cause the Dissemination Agent to, not later than April 1 after the end of the District’s Fiscal Year (June 30) commencing with the report due by April 1, 2023, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City, if any exist, may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(b) In the event that the Dissemination Agent is an entity other than the District, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report, the District shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to the due date for an Annual Report the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District will be filing the Annual Report in compliance with subsection (a). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in subsection (a), the Dissemination Agent shall send, in a timely manner, a notice to EMMA, in the form required by EMMA.

(d) If the Dissemination Agent is other than the District, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the repository if other than the MSRB through EMMA; and

(ii) promptly after receipt of the Annual Report, file a report with the District certifying that the Annual Report has been provided to EMMA and the date it was provided.

(e) Notwithstanding any other provision of this Disclosure Certificate, all filings shall be made in accordance with the MSRB’s EMMA system or in another manner approved under the Rule.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) Financial Statements. The audited financial statements of the District, if any, for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements, if any are prepared, are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they come available.

(b) Financial and Operating Data. The Annual Report shall contain or incorporate by reference the following:

(i) the principal amount of the Bonds outstanding as of the September 2 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Indenture and the Reserve Requirement as of the September 30 preceding the filing of the Annual Report;

(iii) any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors of the District for approval prior to the filing of the Annual Report;

(iv) an update of the estimated assessed value-to-lien ratio for the District substantially in the form of Table 3 in the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report and on the assessed values of property for the then current fiscal year; provided that such update need not include overlapping special tax, assessment or general obligation indebtedness;

(v) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes; and

(vi) a description of the collection and delinquency rate of Special Taxes in the District for the Fiscal Year then ended.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB through EMMA. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause the Dissemination Agent to give, notice filed with EMMA of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;

4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes;
9. bankruptcy, insolvency, receivership or similar proceedings; and

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
3. appointment of a successor or additional paying agent or the change of the name of a paying agent;
4. nonpayment related defaults;
5. modifications to the rights of Owners of the Bonds;
6. bond calls;
7. release, substitution or sale of property securing repayment of the Bonds; and

8. incurrence of a financial obligation of the obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders.

(c) Upon the occurrence of a Listed Event under Section 5(b) above, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the District shall file a notice of such occurrence with EMMA in a timely manner not more than 10 business days after the event.

(e) The District hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the District and that the Dissemination Agent, if other than the District, shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

(f) For purposes of the events identified in subparagraphs (a)(10) and (b)(8) under this Section 5, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule and a continuing disclosure undertaking has been entered into.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District. The Dissemination Agent may resign by providing thirty (30) days written notice to the District and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver is related to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking hereunder, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment related to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Trustee at the written direction of any Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate, but only to the extent funds have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorney. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the District is acting as the Dissemination Agent, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Trustee, the Dissemination Agent, the Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

This Disclosure Certificate is executed as of the date and year first set forth above.

COMMUNITY FACILITIES DISTRICT NO. 2015-2
(POMELO) OF THE CITY OF RIVERSIDE

By: _____
Disclosure Representative

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede

& Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

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

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

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

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