

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

**\$7,805,000**  
**CITY OF RIVERSIDE**  
**RIVERWALK ASSESSMENT DISTRICT**  
**LIMITED OBLIGATION REFUNDING IMPROVEMENT BONDS**  
**SERIES 2011**

**Dated: Date of Delivery**

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

The City of Riverside Riverwalk Assessment District, Limited Obligation Refunding Improvement Bonds Series 2011 (the "Bonds") are limited obligations of the City of Riverside, California (the "City") secured by special reassessments to be levied on real property located within the City's Riverwalk Assessment District (the "District").

The Bonds are issued pursuant to provisions of the Refunding Act of 1984 for bonds issued pursuant to the Improvement Bond Act of 1915 and a Fiscal Agent Agreement dated as of December 1, 2011 (the "Fiscal Agent Agreement") by and between the City and U.S. Bank National Association as Fiscal Agent (the "Fiscal Agent"). Proceeds from the sale of the Bonds will be used to (i) redeem the City of Riverside Riverwalk Assessment District Limited Obligation Refunding Improvement Bonds, currently outstanding in the aggregate principal amount of \$7,815,000, (ii) fund a Reserve Fund, and (iii) pay the costs of issuing the Bonds.

The Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") in denominations of \$5,000 or any integral multiple thereof. Interest is payable on March 2, 2012, and semiannually thereafter on September 2 and March 2 of each year. Purchasers will not receive certificates representing their interest in the Bonds. Payments of principal and interest on the Bonds will be paid by the Fiscal Agent directly to DTC as registered owner of the Bonds. Upon receipt of payments of principal and interest, DTC is to remit such principal and interest to DTC Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Bonds.

The Bonds are subject to redemption prior to maturity as described under "THE BONDS—Redemption of Bonds."

Under the provisions of the Refunding Act of 1984 for bonds issued pursuant to the Improvement Bond Act of 1915, installments of principal and interest sufficient to meet annual Bond debt service will be billed by the County of Riverside (the "County") to owners of property within the District against which there are unpaid reassessments. Upon receipt by the City from the County, these annual installments are to be paid into the Redemption Fund to be held by the Fiscal Agent and used to pay debt service on the Bonds as it becomes due.

**Unpaid reassessments constitute fixed liens on the lots and parcels assessed within the District and do not constitute a personal indebtedness of the respective owners of such lots and parcels. Accordingly, in the event of delinquency, proceedings may be had only against the real property securing the delinquent reassessment. Thus, the value of land within the District is a critical factor in determining the investment quality of the Bonds. See "THE DISTRICT—Estimated Assessed Value-to-Lien Ratio."**

**The Fiscal Agent will establish a Reserve Fund and deposit Bond proceeds in the amount of the Reserve Requirement to provide funds for payment of principal and interest on the Bonds in the event of any delinquent reassessment installments. The City's obligation to advance funds to the Redemption Fund as a result of delinquent installments is limited to the balance in the Reserve Fund. The City has covenanted to initiate judicial foreclosure in the event of a delinquency. See "SECURITY FOR THE BONDS—Covenant to Commence Superior Court Foreclosure."**

Neither the faith and credit nor the taxing power of the City, the County, the State of California or any political subdivision thereof is pledged to the payment of the Bonds, and the payment thereof is not secured by any encumbrance, mortgage or other pledge of property of the City except the pledge of the reassessments and moneys on deposit in the Redemption Fund and Reserve Fund. The City has determined not to advance available funds from its treasury in the event of delinquencies in the payment of reassessments.

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including, without limitation, "Bondowners' Risks," to obtain information essential to the making of an informed investment decision.*

**MATURITY SCHEDULE**

<b><u>Maturity</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>			<b><u>Maturity</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>		
<b><u>September 2</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b>	<b><u>September 2</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b>
2014	\$425,000	2.500%	2.500%	769003 MA9	2021	\$545,000	4.500%	4.600%	769003 MH4
2015	440,000	3.000	3.000	769003 MB7	2022	570,000	4.625	4.750	769003 MJ0
2016	450,000	3.500	3.500	769003 MC5	2023	595,000	4.750	4.950	769003 MK7
2017	465,000	3.750	3.750	769003 MD3	2024	625,000	5.000	5.125	769003 ML5
2018	485,000	4.000	4.000	769003 ME1	2025	655,000	5.125	5.250	769003 MM3
2019	500,000	4.000	4.200	769003 MF8	2026	690,000	5.250	5.375	769003 MN1
2020	520,000	4.250	4.450	769003 MG6					

\$840,000 2.00% Term Bonds Due September 2, 2013 Yield: 2.00% CUSIP 769003 LZ5<sup>†</sup>

*The Bonds are offered when, as and if issued and delivered to the Underwriter subject to the approval of Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain matters will be passed upon for the Underwriter by Stradling, Yocca, Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for the City by the City Attorney. It is anticipated that the Bonds will be available for delivery to The Depository Trust Company in New York, New York on or about December 14, 2011.*

**STONE & YOUNGBERG**  
A DIVISION OF STIFEL NICOLAUS

Dated: November 29, 2011

<sup>†</sup> Copyright 2011, American Bankers Association. CUSIP® data herein is provided by Standard & Poor's, CUSIP® Service Bureau, a division of The McGraw-Hill Companies, Inc. The City and the Underwriter take no responsibility for the accuracy of such data.

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**CITY OF RIVERSIDE**

**MAYOR AND CITY COUNCIL**

Ronald O. Loveridge, Mayor  
Mike Gardner, Ward 1  
Andy Melendrez, Ward 2  
Rusty Bailey, Ward 3  
Paul Davis, Ward 4  
Chris MacArthur, Ward 5  
Nancy Hart, Ward 6  
Steve Adams, Ward 7

**CITY STAFF**

Scott C. Barber, Interim City Manager  
Paul C. Sundeen, Assistant City Manager/CFO/Treasurer  
Deanna Lorson, Assistant City Manager  
Belinda J. Graham, Assistant City Manager  
Brent A. Mason, Finance Director  
Gregory P. Priamos, City Attorney  
Colleen J. Nicol, City Clerk  
L. Scott Catlett, Assistant Finance Director

**BOND COUNSEL**

Best Best & Krieger LLP  
Riverside, California

**REASSESSMENT ENGINEER**

Albert A. Webb Associates  
Riverside, California

**FISCAL AGENT**

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

**VERIFICATION AGENT**

Grant Thornton LLP  
Minneapolis, Minnesota

Investment in the Bonds involves risks which are not appropriate for certain investors. Therefore, only persons with substantial financial resources (in net worth and/or income) who understand (either alone or with competent investment advice) the risks of investment in the Bonds should consider such investment. Any person offering or selling the Bonds may request or demand oral and/or written representations from prospective investors in order to establish a reasonable belief that the investor meets appropriate standards of suitability or may make or cause to be made further inquiry and obtain additional information as to such matters. Offers to purchase Bonds may be rejected at the discretion of those offering or selling the Bonds.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

No dealer, broker, salesperson or other person has been authorized by the City to provide any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. 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 of Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as a representation of facts.

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 of completeness of such information.

The information set forth in this Official Statement has been obtained from the City and certain other sources believed to be reliable. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the City or of the owners sources of property within the District or any matters expressed in this Official Statement since its date.

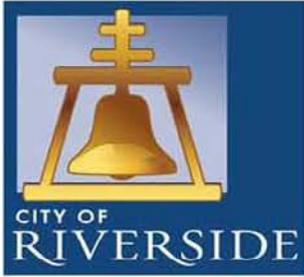
IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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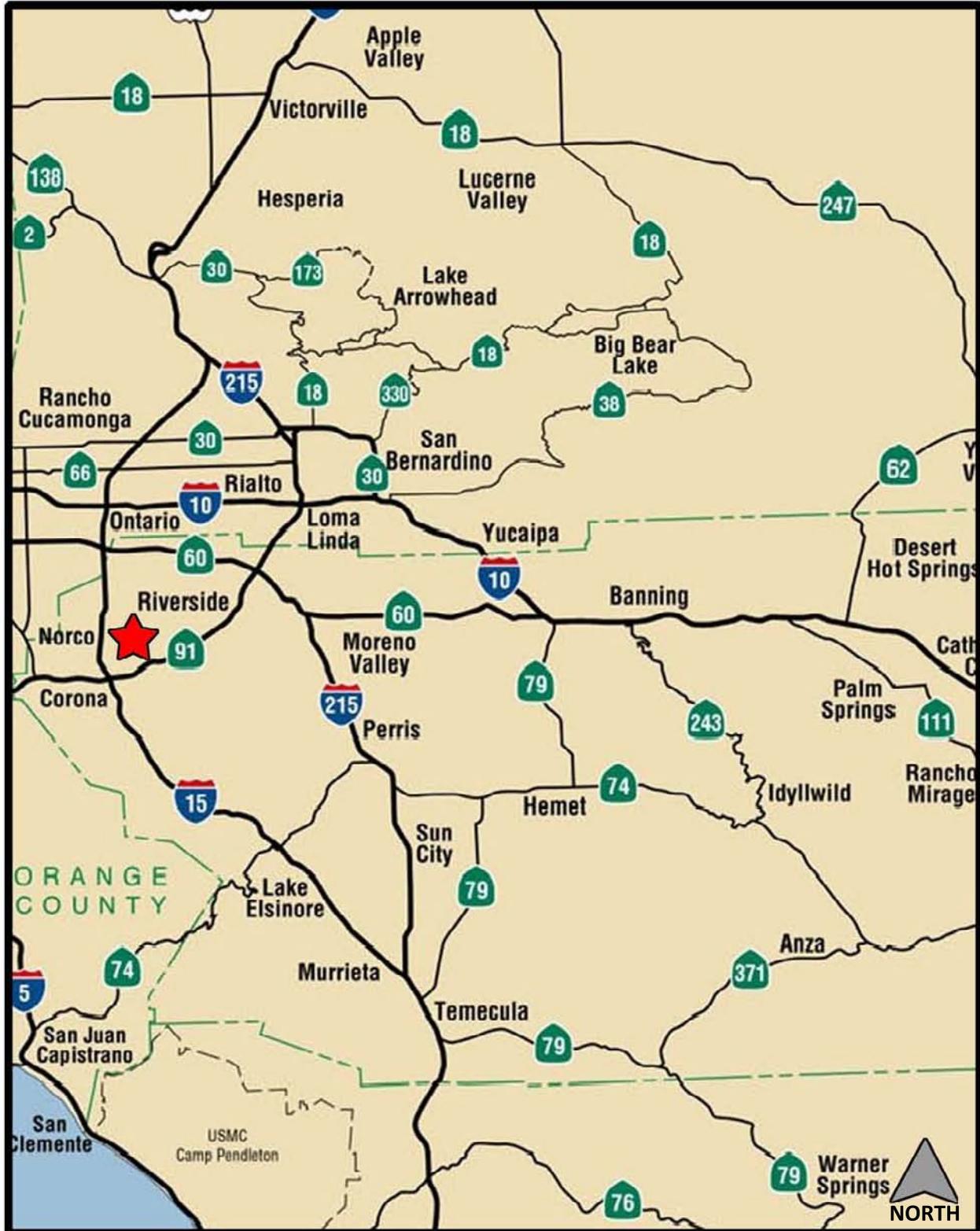
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# CITY OF RIVERSIDE

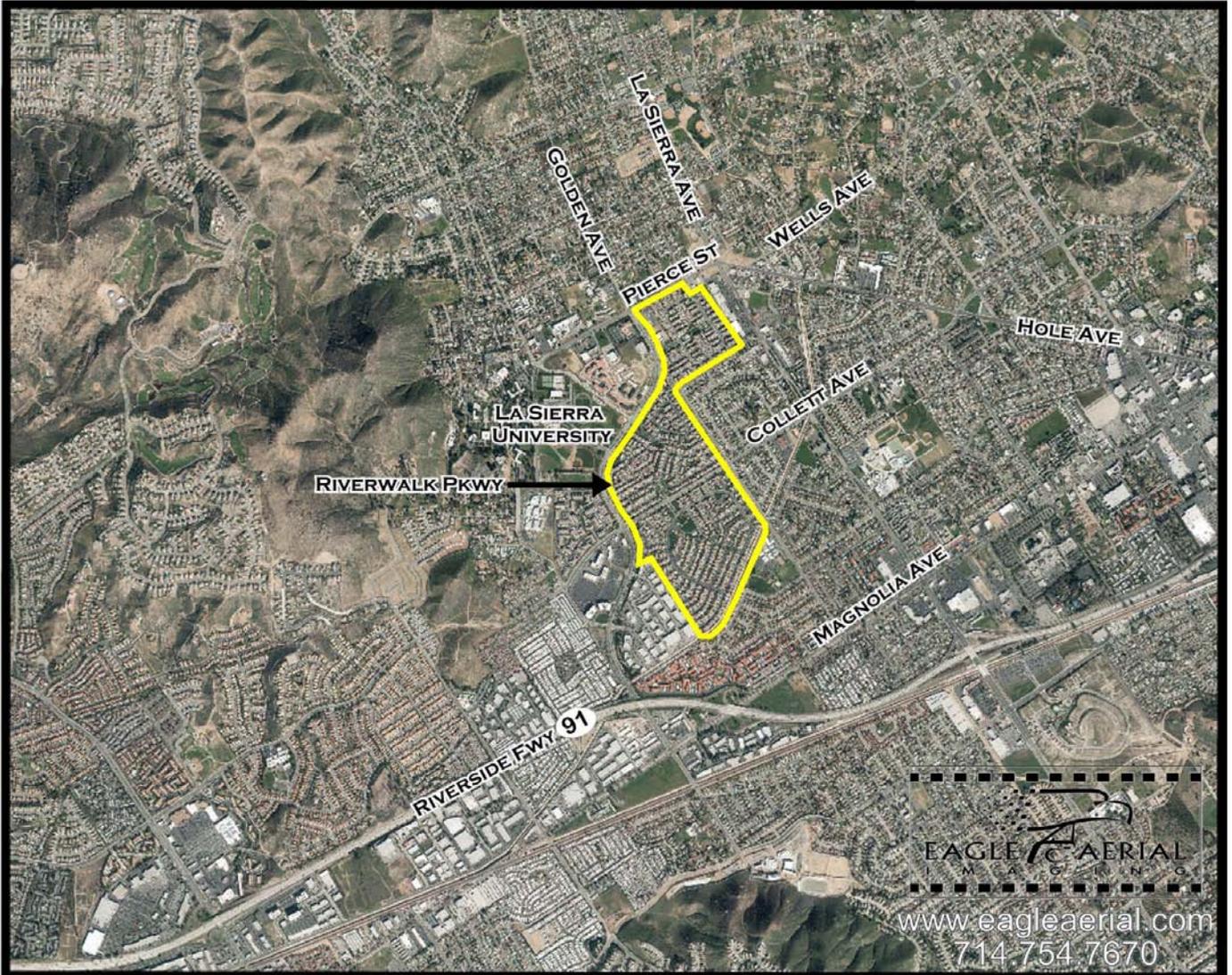
(County of Riverside, California)

## Regional Location Map



# CITY OF RIVERSIDE

## Riverwalk Reassessment District



## SUMMARY STATEMENT

**THIS SUMMARY IS SUBJECT IN ALL RESPECTS TO THE MORE COMPLETE INFORMATION IN THE ENTIRE OFFICIAL STATEMENT INCLUDING THE COVER PAGE AND APPENDICES HERETO AND THE OFFERING OF THE BONDS TO POTENTIAL INVESTORS IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT.**

**Purpose** Proceeds of the \$7,805,000 principal amount of the City of Riverside Riverwalk Assessment District, Limited Obligation Refunding Improvement Bonds (the “Bonds”), and certain other monies are to be used to (i) redeem the City of Riverside Riverwalk Assessment District Limited Obligation Improvement Bonds currently outstanding the in aggregate principal amount of \$7,815,000 (the “Prior Bonds”) on March 2, 2012, (ii) fund a debt service reserve fund, and (iii) pay the costs of issuing the Bonds. See “THE REFUNDING PLAN.” The Prior Bonds were issued to acquire and construct certain street, water, sanitary sewer, storm drainage, street lighting, traffic signal, landscape and underground electrical improvements within the City of Riverside Riverwalk Assessment District (the “District”).

**The District** The District is fully developed and consists of 1,021 completed single family homes, of which 701 are single family detached homes and 320 are single family attached homes. The District consists of approximately 188 acres located in the western portion of the City of Riverside (the “City”) adjacent to the La Sierra University campus and approximately one-half mile north of the Riverside Freeway at the Pierce Street interchange.

**Security for the Bonds** The Bonds are issued upon and secured by a pledge of revenues received by the City in each Fiscal Year from the collection of annual installments of unpaid reassessments, including penalties and interest and proceeds from the sale of property for delinquent reassessments, on parcels within the District, but excluding amounts collected by the City for the payment of administration costs (“Reassessment Revenues”). The unpaid reassessments and interest and any penalties represent fixed liens on the assessed parcels. They do not, however, constitute a personal indebtedness of the owners of such parcels.

Pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds, installments of principal and interest sufficient to meet annual debt service on the Bonds will be billed by the County of Riverside (the “County”) to owners of parcels within the District against which there are unpaid reassessments (the “Reassessment Installments.”) Upon receipt by the City from the County, these Reassessment Installments are to be deposited into the Redemption Fund, which shall be held by the Fiscal Agent and used to pay Bond principal and interest as they become due. The Reassessment Installments billed against each parcel each year represent pro rata shares of the total principal and interest coming due that year, based on the percentage which the unpaid reassessment against that parcel bears to the total of unpaid reassessments levied to repay the Bonds.

The Fiscal Agent will deposit \$546,060.95 from Bond proceeds into a Reserve Fund (the “Reserve Fund”). The Reserve Fund will be a source of available funds to advance to the Redemption Fund in the event of delinquent installments. **The City’s obligation to advance funds to the Redemption Fund in the event of delinquent installments is limited to the balance in the Reserve Fund. Pursuant to the Fiscal Agent Agreement, the City has no obligation to replenish the Reserve Fund except to the extent that delinquent reassessments are paid or proceeds**

**from foreclosure sales are realized.** See “SECURITY FOR THE BONDS—Reserve Fund.”

The City covenants with and for the benefit of the Owners of the Bonds that it will commence judicial foreclosure proceedings against properties with delinquent Reassessment Installments. See “SECURITY FOR THE BONDS—Covenant to Commence Superior Court Foreclosure.”

**Redemption**

Bonds may be called for optional redemption on any Interest Payment Date thereafter at the redemption prices shown on the table under “THE BONDS—Redemption of Bonds—*Optional Redemption*,” plus accrued interest to the date of redemption or date of payment if surrendered earlier. The Bonds are also subject to redemption on any Interest Payment Date as selected by the City from moneys derived by the City from Reassessment Prepayments, at the redemption prices shown on the table under “THE BONDS—Redemption of Bonds—*Mandatory Redemption from Reassessment Prepayments*,” plus accrued interest to the date of redemption. The Bonds are also subject to mandatory sinking fund redemption. See “THE BONDS—Redemption of Bonds—*Sinking Fund Redemption*.”

**Assessed Values and Value-to-Lien Ratios**

The aggregate assessed value of the parcels in the District, with unpaid reassessments, as shown on the Riverside County Assessor’s roll for fiscal year 2011-12 is \$297,932,614. The ratio of the assessed value of such parcels to the total amount of the unpaid reassessments and direct and overlapping debt, is approximately 34 to 1. See “THE DISTRICT—Estimated Assessed Value-to-Lien Ratio.”

**Bondowners’ Risks**

Unpaid reassessments do not constitute a personal indebtedness of the owners of the parcels within the District. There is no assurance the owners will be able to pay the Reassessment Installments or that they will pay such installments even though financially able to do so.

Because the City has not obligated itself to advance funds to pay Bond debt service in the event of delinquent Reassessment Installments, failure by owners of the parcels to pay Reassessment Installments when due, depletion of the Reserve Fund, or the inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent Reassessment Installments levied against such parcels may result in the inability of the City to make full or punctual payments of debt service on the Bonds, and owners of the Bonds would therefore be adversely affected. See “BONDOWNERS’ RISKS.”

**\$7,805,000**  
**CITY OF RIVERSIDE**  
**RIVERWALK ASSESSMENT DISTRICT**  
**LIMITED OBLIGATION REFUNDING IMPROVEMENT BONDS**  
**SERIES 2011**

**THE FINANCING PLAN**

**Refunding of Prior Bonds**

A portion of the proceeds from the sale of the Bonds, together with other available funds, will be deposited into an escrow fund (the "Escrow Fund") held by U.S. Bank National Association, acting as escrow bank (the "Escrow Bank"), pursuant to an Escrow Agreement dated as of December 1, 2011 by and between the City and the Escrow Bank. Amounts on deposit in the Escrow Fund will be invested in State and Local Government Securities (the "Government Securities") which will mature on March 2, 2012 and are irrevocably committed to be used to redeem the Prior Bonds on March 2, 2012, at a redemption price equal to 101% of the principal amount of the Prior Bonds to be redeemed, together with accrued interest to the date of redemption. Amounts on deposit in the Escrow Fund are pledged to the payment of the Prior Bonds and are not available to pay debt service on the Bonds.

The sufficiency of the Government Securities on deposit in the Escrow Fund to redeem the Prior Bonds on March 2, 2012 will be verified by Grant Thornton, LLP, Minneapolis, Minnesota.

**Sources and Uses of Funds**

The Fiscal Agent will receive the proceeds from the sale of the Bonds upon delivery of such Bonds to the purchasers of the Bonds. The proceeds of the Bonds will be applied as set forth in the following table:

**Sources and Uses of Funds**

<b>SOURCES:</b>	
Par Amount of Bonds	\$ 7,805,000.00
Less Original Issue Discount	(58,844.65)
Funds on Hand	<u>1,113,796.42</u>
Total Sources	<u>\$ 8,859,951.77</u>
<b>USES:</b>	
Escrow Fund	\$ 8,134,118.18
Reserve Fund	546,060.95
Costs of Issuance <sup>(1)</sup>	<u>179,772.64</u>
Total Uses	<u>\$ 8,859,951.77</u>

<sup>(1)</sup> Includes legal, fiscal agent and verification fees, Underwriter's discount and printing costs.

**THE BONDS**

**Authority for Issuance**

The proceedings for the City of Riverside Riverwalk Assessment District (the "District") were conducted pursuant to the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code) (the "1913 Act"). The City of Riverside Riverwalk Assessment District Limited Obligation Refunding Improvement Bonds (the "Bonds"), which represent the unpaid reassessments levied against the property in the District, are issued pursuant to the provisions of the Refunding Act of 1984 for 1915 Act

Improvement Bonds (the “Act”), Resolution No. 22296 adopted by the City Council on November 15, 2011 (the “Bond Resolution”) and a Fiscal Agent Agreement, dated as of December 1, 2011 (the “Fiscal Agent Agreement”), by and between the City and U.S. Bank National Association, as Fiscal Agent (the “Fiscal Agent”).

**Description of the Bonds**

The \$7,805,000 principal amount of Bonds are dated as of their date of delivery and will mature in the amounts and on the dates set forth on the cover hereof. Interest will be paid at the rates set forth on the cover commencing on March 2, 2012, and semiannually thereafter on March 2 and September 2 of each year (each an “Interest Payment Date”) until maturity. The Bonds are issued only as fully registered bonds in denominations of \$5,000. The Bonds will be executed and delivered as fully registered Bonds in the name of CEDE & Co., nominee of The Depository Trust Company, New York, New York (“DTC”), as registered owner of all Bonds. The principal of and interest with respect to the Bonds will be paid directly to CEDE & Co. by the Trustee as long as DTC or its nominee, CEDE & Co., is the registered owner of the Bonds. For information relating to DTC and the DTC book-entry system as it relates to the Bonds, see APPENDIX D—“BOOK-ENTRY ONLY SYSTEM.”

Principal and redemption premium, if any, will be payable at the principal corporate trust office of the Fiscal Agent on presentation of the Bonds. Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless otherwise specified in the Fiscal Agent Agreement. See APPENDIX B—“SUMMARY OF FISCAL AGENT AGREEMENT.”

The total amount of reassessments levied in the District was \$7,805,000.

**Redemption of Bonds**

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

<i>Redemption Date</i>	<i>Redemption Prices</i>
March 2, 2012 through March 2, 2019	103%
September 2, 2019 through March 2, 2020	102
September 2, 2020 and March 2, 2021	101
September 2, 2021 and thereafter	100

**Mandatory Redemption from Reassessment Prepayments.** The Bonds are subject to redemption on any Interest Payment Date as selected by the City, in integral multiples of \$5,000, from moneys derived by the City from Reassessment Prepayments, at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest to the date of redemption.

<i>Redemption Date</i>	<i>Redemption Prices</i>
March 2, 2012 through March 2, 2019	103%
September 2, 2019 through March 2, 2020	102
September 2, 2020 and March 2, 2021	101
September 2, 2021 and thereafter	100

Pursuant to Streets and Highways Code Section 8768, the City shall select Bonds for retirement in such a way that the ratio of outstanding Bonds to issued Bonds shall be approximately the same in each maturity insofar as possible. Within any one maturity, the City shall select Bonds by lot.

***Sinking Fund Redemption.*** The Outstanding Bonds maturing on September 2, 2013 are subject to mandatory sinking fund redemption, on September 2, 2012 at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date set for redemption, without premium, from sinking fund payments as follows:

**Term Bonds September 2, 2013**

<i>Redemption Date (September 2)</i>	<i>Sinking Fund Payments</i>
2012	\$ 420,000
2013 <sup>†</sup>	420,000

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<sup>†</sup> Final Maturity.

The amounts in the foregoing schedule shall be, to the extent practical, reduced pro rata among redemption dates, in order to maintain substantially level Annual Debt Service, as directed in writing to the Fiscal Agent by an Authorized Officer, as a result of any prior partial redemption of the Bonds other than from Mandatory Sinking Fund Payments.

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

***Redemption Procedure by Fiscal Agent.*** The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books maintained by the Fiscal Agent at its Principal Office; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds. See APPENDIX B—“SUMMARY OF FISCAL AGENT AGREEMENT.”

**Cost of Issuance Fund**

Moneys in the Cost of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed for the payment or reimbursement of Costs of Issuance. Amounts in the Cost of Issuance Fund shall be disbursed to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by an Authorized Officer and delivered to the Fiscal Agent concurrently with the delivery of the Bonds. The Fiscal Agent shall maintain the Cost of Issuance Fund for a period of 90 days after the Closing Date and shall then transfer and deposit any moneys remaining therein, including any Investment Earnings thereon, to the Redemption Fund for payment or reimbursement of costs of the Improvement Project. See APPENDIX B—“SUMMARY OF FISCAL AGENT AGREEMENT.”

## **Redemption Fund**

On or before the 2nd Business Day preceding each Interest Payment Date, the City Treasurer shall transfer to the Fiscal Agent for deposit in the Redemption Fund an amount of the Reassessment Revenues which the Fiscal Agent has advised the City Treasurer will be needed to pay Debt Service on the Bonds on such Interest Payment Date. Upon receipt of each such transfer of Reassessment Revenues, the Fiscal Agent shall deposit such amount thereof in the Redemption Fund for the payment of Debt Service on the Bonds on the Interest Payment Date for which the transfer is made.

On each Interest Payment Date, the Fiscal Agent shall withdraw from the Redemption Fund and pay to the Owners of the Bonds the principal of and interest and any premium then due and payable on the Bonds on the Interest Payment Date. In the event that amounts on deposit in the Redemption Fund are insufficient, the Fiscal Agent shall transfer from the Reserve Fund, to the extent of the availability of any funds, to the Redemption Fund the amount of such insufficiency. If, after such a transfer from the Reserve Fund, there are insufficient funds in the Redemption Fund to make the payments of the principal of, and interest and any premium on the Bond, the Fiscal Agent shall apply the available funds first to the payment of principal of the Bonds, if any, which mature on such Interest Payment Date (the "Maturing Bonds"), second to the payment of the interest on the Maturing Bonds and third to the payment of the interest on the Bonds which do not mature on such Interest Payment Date. If on such Interest Payment Date there are insufficient funds in the Redemption Fund, after such a transfer from the Reserve Fund, to pay the full amount of the principal of all of the Maturing Bonds, a pro rata portion of the principal of each of the Maturing Bonds shall be paid and the portion of the principal of the Maturing Bonds which is not paid and the interest on the Maturing Bonds and the interest on all other Bonds which are then Outstanding which is due but is not paid on such Interest Payment Date shall bear interest at the rates stated in the Bonds, without compounding, until paid. If none of the Bonds mature on such Interest Payment Date, the Fiscal Agent shall apply the available funds to the payment of a pro rata portion of the interest on all of the Outstanding Bonds, to the full amount, and any portion of such interest which is not paid shall bear interest, without compounding, until paid. When funds become available for the payment of the portion of the principal of and interest on any Maturing Bond which was not paid, the Treasurer shall provide notice to the Owner of such Maturing Bond as provided in Section 8776 of the California Streets and Highways Code.

On September 3 of each year, beginning on September 3, 2012, the amount on deposit in the Redemption Fund shall not exceed the greater of (i) one year's earnings on such amount, or (ii) 1/12th of Annual Debt Service for the then current Bond Year. If on September 3 of any year the amount on deposit in the Redemption Fund exceeds the maximum amount allowable pursuant to the preceding sentence and if on such September 3 the City shall have delivered to the Fiscal Agent an Officer's Certificate containing the information required below in this paragraph, the excess shall be transferred by the Fiscal Agent as directed by such Officer's Certificate to the Reserve Fund to the extent that the amount on deposit is less than the Reserve Requirement, and any such excess remaining thereafter shall be paid by the Fiscal Agent to the City as directed by such Officer's Certificate. An Officer's Certificate delivered by the City to Fiscal Agent shall specify the dollar amount of the excess and specify the dollar amount of such excess which the Fiscal Agent is to pay to the City.

## **Reserve Fund**

There will be deposited into the Reserve Fund from the proceeds of the sale of the Bonds an amount equal to \$546,060.95, which is equal to 75% of maximum annual debt service (the "Reserve Requirement").

Moneys in the Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of the principal of and interest and any premium on the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Redemption Fund in the event of any deficiency at any time in the Redemption Fund of the amount then required for payment of the principal of, and interest and any premium on the Bonds or transfers of moneys on deposit in the Reserve Fund in excess of the Reserve Requirement, or for the purpose of redeeming Bonds.

Amounts transferred from the Reserve Fund to the Redemption Fund shall be restored by the City so as to cause the balance on deposit in the Reserve Fund to equal the Reserve Requirement from the collection of delinquent installments on the reassessments levied on parcels for which such installments are delinquent, and penalties and interest thereon, whether by judicial foreclosure proceedings or otherwise, as soon as is reasonably possible following the receipt by the City of such delinquent installments, penalties and interest. Whenever transfer is made from the Reserve Fund to the Redemption Fund due to a deficiency in the Redemption Fund, the Fiscal Agent shall report such fact to the City.

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

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

### **Rebate Fund**

The Fiscal Agent shall, in accordance with written directions received from an Authorized Officer, deposit into the Rebate Fund moneys transferred by the City to the Fiscal Agent pursuant to the Rebate Certificate or moneys transferred by the Fiscal Agent from the Reserve Fund. The Rebate Fund shall be held either uninvested or invested only in Federal Securities at the direction of the City. Moneys on deposit in the Rebate Fund shall be applied only to payments made to the United States, to the extent such payments are required by the Rebate Certificate. See APPENDIX B—"SUMMARY OF FISCAL AGENT AGREEMENT."

### **Investments**

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in units of taxable government money market portfolio comprised of Federal Securities, certain obligations of federal agencies or interest-bearing demand or time deposits in federal or State of California chartered savings and loan associations or banks, all as further described in the Fiscal Agent Agreement. See APPENDIX B—"SUMMARY OF FISCAL AGENT AGREEMENT."

**Annual Debt Service**

Table 1, below, sets forth the annual debt service on the Bonds based on the maturity schedule and interest rates set forth on the cover page of this Official Statement assuming no optional redemption or mandatory redemption from Reassessment Prepayments.

**TABLE 1**  
**CITY OF RIVERSIDE**  
**Riverwalk Assessment District**  
**Limited Obligation Refunding Improvement Bonds**  
**Annual Debt Service**

<i>Year Ending September 2</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2012	\$ 420,000	\$ 226,112.82	\$ 646,112.82
2013	420,000	307,106.26	727,106.26
2014	425,000	298,706.26	723,706.26
2015	440,000	288,081.26	728,081.26
2016	450,000	274,881.26	724,881.26
2017	465,000	259,131.26	724,131.26
2018	485,000	241,693.76	726,693.76
2019	500,000	222,293.76	722,293.76
2020	520,000	202,293.76	722,293.76
2021	545,000	180,193.76	725,193.76
2022	570,000	155,668.76	725,668.76
2023	595,000	129,306.26	724,306.26
2024	625,000	101,043.76	726,043.76
2025	655,000	69,793.76	724,793.76
2026	<u>690,000</u>	<u>36,225.00</u>	<u>726,225.00</u>
Totals	<u>\$ 7,805,000</u>	<u>\$ 2,992,531.70</u>	<u>\$ 10,797,531.70</u>

Source: Stone & Youngberg, a Division of Stifel Nicolaus.

**SECURITY FOR THE BONDS**

**General**

The Bonds are issued upon and secured by a pledge of Reassessment Revenues. All the Bonds are secured by the monies in the Redemption Fund and the Reserve Fund and by the unpaid reassessments levied. Principal of and interest on the Bonds are payable exclusively out of the Redemption Fund.

The payment of the amount of each Reassessment Installment, interest and any penalties and collection costs is secured by a reassessment lien upon the applicable property in the District. Such lien is coequal with the latest lien to secure the payment of general ad valorem property taxes, is not subject to extinguishment by the sale of any property on account of the non-payment of general property taxes, and is prior and superior to all liens, claims, encumbrances and titles other than the liens of reassessments, special taxes and general property taxes. The Reassessment Installments are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds, and, as received by or otherwise credited to the City, will immediately be subject to the lien of such pledge. Although the unpaid reassessments constitute liens upon the parcels assessed, they do not constitute a personal indebtedness of the owners of said parcels. There can be no assurance as to the financial or legal ability, or the willingness, of such property owners to pay the unpaid reassessments.

**The failure of a property owner to pay a Reassessment Installment will not result in an increase in Reassessment Installments applicable to other parcels within the District.**

The unpaid reassessments will be collected in semi-annual installments, together with interest on the declining balances, on the Riverside County tax roll on which general taxes on real property are collected, and the unpaid reassessments are payable and become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do general taxes, and the reassessment parcels are subject to the same provisions for sale and redemption as are properties for nonpayment of general taxes. See also the section below entitled “—Covenant to Commence Superior Court Foreclosure”.

**Reserve Fund**

The Reserve Fund will be a source of available funds to advance to the Redemption Fund in the event of delinquent Reassessment Installments. See “THE BONDS—Reserve Fund” herein. **The City’s obligation to advance funds to the Redemption Fund in the event of delinquent Reassessment Installments is limited to the balance in the Reserve Fund. Pursuant to the Fiscal Agent Agreement, the City has no obligation to replenish the Reserve Fund except to the extent that delinquent Reassessment Installments are paid or proceeds from foreclosure sales are realized.** However, the determination by the City not to obligate itself to advance available funds to cure delinquencies will not prevent the City from, in its sole discretion, advancing such funds.

**Covenant to Commence Superior Court Foreclosure**

The City has covenanted to institute judicial foreclosure in the event of a delinquency and thereafter to prosecute diligently to completion, court foreclosure proceedings upon the lien of any and all delinquent reassessments and interest.

Pursuant to Part 14 of Division 10 of the California Streets and Highways Code, as amended, in the event any Reassessment Installment is not paid when due, the City may order the institution of a court action to foreclose the lien of the delinquent unpaid Reassessment Installments. In such an action, the property subject to the unpaid Reassessment Installments may be sold at judicial foreclosure sale. This foreclosure sale procedure is not mandatory. However, the City covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced, judicial foreclosure proceedings against properties with delinquent Reassessment Installments in excess of \$5,000 by the October 1 following the close of the Fiscal Year in which such installments were due, and will commence judicial foreclosure proceedings against all properties with delinquent Reassessment Installments by the October 1 following the close of each Fiscal Year in which it receives Reassessment Revenues in an amount which is less than 95% of the total Reassessment Revenues which were to be received in the Fiscal Year and diligently pursue to completion such foreclosure proceedings; provided, however, that the City may elect to defer the commencement of such foreclosure proceedings with respect to any property so long as (i) the amount on deposit in the Reserve Fund is equal to the Reserve Requirement and (ii) the City is current in the payment of Debt Service.

**Judicial Foreclosure Proceedings.** The Act provides that the court in a foreclosure proceeding has the power to order property securing delinquent Reassessment Installments to be sold for an amount not less than all Reassessment Installments, interest, penalties, costs, fees, and other charges that are delinquent at the time the foreclosure action is ordered, and certain other fees and amounts as provided therein (the “Minimum Price”). The court may also include subsequent delinquent Reassessment Installments and all other delinquent amounts.

The City may, at its discretion, but is not required to, become the purchaser of any property sold in a foreclosure proceeding. If the City becomes the purchaser, it shall pay into the Redemption Fund an amount necessary to satisfy the judgment, less any advances by the City to cover delinquent Reassessment Installments

plus simple interest on such net amount, at the interest rates borne by the Bonds, from the dates of delinquency. Unless such property is subsequently resold, the City must transfer to the Redemption Fund any future Reassessment Installments pending redemption. The City may thereupon be reimbursed for any amount advanced from the City to the Redemption Fund to cover such future Reassessment Installments with respect to the property so sold from the proceeds of such sale.

If the property is sold to a purchaser other than the City, the City shall deposit the proceeds from the sale of the property into the Redemption Fund. From such amount, the City shall reimburse the Reserve Fund the amount, if any, of funds advanced from the Reserve Fund to the Redemption Fund to cover the delinquent Reassessment Installments with respect to the property which is sold. After reimbursement of the Reserve Fund, the City may be reimbursed for any other amounts advanced from it to the Redemption Fund to cover delinquent Reassessment Installments and interest with respect to the property sold in such proceedings. Any funds in excess of the amount necessary to reimburse the City may be applied by the City to pay interest and penalties, costs, fees and other charges, to the extent they were included in the sales proceeds.

If the property to be sold fails to sell for the Minimum Price, the City may petition the court to modify the judgment so that the property may be sold at a lesser price or without a Minimum Price. "Minimum Price" as used in the 1915 Act is the amount equal to the delinquent installments of principal or interest of the reassessment or reassessment, together with all interest penalties, costs, fees, charges and other amounts more fully detailed in the 1915 Act. Notice of the hearing on such petition must be given to all Bondowners. In certain circumstances, the court may modify the judgment after the hearing to permit the sale of the property at a price lower than the Minimum Price if the court makes certain determinations, including determinations that the sale at less than the Minimum Price will not result in an ultimate loss to Bondowners or that Bondowners of at least 75% of the principal amount of Bonds outstanding have consented to the petition and certain other circumstances described in the statute exist. Neither the property owner nor any holder of a security interest in the property nor any defendant in the foreclosure action may purchase the property at the foreclosure sale for less than the Minimum Price.

A period of 140 days must elapse after the date notice of levy of the interest in real property is served on the judgment debtor before the sale of such lot or parcel with not more than 4 dwelling units can be made. However, pursuant to Streets and Highways Code Section 8832, the 140 day period may be shortened to 20 days for undeveloped property. If the judgment debtor fails to redeem, and if the purchaser at the sale is the judgment creditor (e.g., the City), an action may be commenced by the delinquent property owner within 90 days after the date of sale to set aside such sale. The constitutionality of the repeal of the one year redemption period has not been tested; and there can be no assurance that, if tested, such legislation will be upheld.

**In the event such Superior Court foreclosure or foreclosures are necessary, there may be a delay in payments to Bondowners pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale; it is also possible that no bid for the purchase of the applicable property would be received at the foreclosure sale. See the section herein entitled "Bondowners' Risks."**

#### **Covenants with Respect to Arbitrage and Maintenance of Tax Exemption**

During the term of the Bonds, the City covenants and agrees that it will make no use of Bond proceeds which, if such use had been reasonably expected at the date the Bonds are issued, would have caused the Bonds to be "arbitrage bonds" within the meaning of the United States Internal Revenue Code of 1986 (the "Code"), and regulations of the Internal Revenue Service authorized thereby, and further will rebate to the United States any amounts actually earned as rebatable arbitrage in accordance with the provisions of the Code and such regulations.

## **Bonds Create a Lien**

The Reassessment Installments and any interest and penalties thereon constitute a lien against the parcels on which they were imposed until the same is paid. Such lien has priority over all private liens and over all fixed special reassessment liens which may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general and special taxes.

## **Limited City Obligation Upon Delinquency**

The City's obligation to advance monies to pay Bond debt service in the event of delinquent Reassessment Installments is limited to the balance in the Reserve Fund.

**Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof is pledged to the payment of the Bonds.**

## **THE DISTRICT**

### **Description**

The District is fully developed and consists of 1,021 completed single family homes, of which 701 are single family detached homes, 160 are single family attached condominiums and 160 are single family detached condominiums. The single family homes range in size from approximately 1,885 square feet to approximately 4,315 square feet. The attached condominium units range in size from 1,100 square feet to 1,795 square feet. The detached condominium units (the housing units are detached but the land is owned in common) range in size from 1,535 square feet to 1,870 square feet. The District consists of approximately 132 acres located in the western portion of the City of Riverside (the "City") adjacent to the La Sierra University campus and approximately one-half mile north of the Riverside (91) Freeway at the Pierce Street interchange. Construction within the District commenced in May 2000 and the last homes were sold by the developers in August 2006. One single family detached home prepaid its assessment on May 8, 2009.

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

Proceeds from the sale of the Prior Bonds financed street improvements, landscape improvements, sanitary sewer and domestic water system improvements, electrical undergrounding and storm drainage improvements benefiting the District.

### **Reassessments**

On November 15, 2011, the City Council took proceedings under the Refunding Act of 1984 for 1915 Act Improvement Bonds and confirmed a reassessment, which reassessment and a related diagram were recorded in the office of the City Engineer, acting as the Superintendent of Streets, and with the County Recorder of the County of Riverside. A notice of reassessment, as prescribed in Section 3114 of the Streets and Highways Code, has been recorded with the County Recorder of the County of Riverside, whereupon the reassessment attached as a lien upon the property assessed within the Assessment District as provided in Section 3115 of the Streets and Highways Code.

The amounts assessed against the parcels of property to pay the costs and expenses of the work and improvements have been based on the estimated benefits to be derived by the various properties within the District.

## Estimated Direct and Overlapping Indebtedness

Within the District's boundaries are numerous overlapping local agencies providing public services. Some of these local agencies have outstanding bonds which are secured by taxes and reassessments on the parcels within the District and others have authorized but unissued bonds which, if issued, will be secured by taxes and reassessments levied on parcels within the District. The approximate amount of the direct and overlapping debt secured by such taxes and reassessment on the parcels within the District for fiscal year 2011-12 is shown in Table 2 below (the "Debt Report").

The Debt Report has been derived from data assembled and reported to the District by Albert A. Webb Associates. Neither the District, the City nor the Underwriter has independently verified the information in the Debt Report and do not guarantee its completeness or accuracy.

**TABLE 2**  
**CITY OF RIVERSIDE**  
**Riverwalk Assessment District**  
**Secured Property Tax Roll and Direct and Overlapping Debt**

### I. ASSESSED VALUE

2011-2012 Equalized Roll Assessed Valuation<sup>(1)</sup> \$297,932,614

### 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 in Riverwalk AD<sup>(2)</sup></i>	<i>Amount Applicable</i>
RIVERWALK ASSESSMENT DISTRICT	AD	\$10,198,078	\$7,805,000	100.000%	1,021	<u>\$7,805,000</u>
<b>TOTAL LAND SECURED BONDED DEBT<sup>(2)</sup></b>						<b>\$7,805,000</b>
<b>TOTAL OUTSTANDING LAND SECURED INDEBTEDNESS<sup>(2)</sup></b>						<b>\$7,805,000</b>

### III. GENERAL OBLIGATION BOND INDEBTEDNESS

<i>Outstanding Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable</i>	<i>Parcels in Riverwalk AD</i>	<i>Amount Applicable</i>
METROPOLITAN WATER DEBT SERVICE	GO	\$850,000,000	\$225,335,000	0.014754%	1,021	\$33,246
RIVERSIDE COMMUNITY COLLEGE DISTRICT DEBT SERVICE	GO	\$264,999,278	\$232,610,387	0.426400%	1,021	\$991,851
ALVORD UNIFIED SCHOOL DISTRICT	GO	\$116,941,560	\$98,225,000	0.051360%	1,021	\$50,449
<b>TOTAL GENERAL OBLIGATION BONDED DEBT<sup>(2)</sup></b>						<b>\$1,075,546</b>
<i>Authorized but Unissued Direct and Overlapping Indebtedness</i>	<i>Type</i>	<i>Authorized</i>	<i>Unissued</i>	<i>% Applicable</i>	<i>Parcels in Riverwalk AD</i>	<i>Amount Applicable</i>
METROPOLITAN WATER DEBT SERVICE	GO	\$850,000,000	\$0	0.014410%	1,021	\$0
RIVERSIDE COMMUNITY COLLEGE DISTRICT DEBT SERVICE	GO	\$350,000,000	\$85,000,722	0.399738%	1,021	\$362,443
ALVORD UNIFIED SCHOOL DISTRICT	GO	\$196,000,000	\$79,058,440	0.051360%	1,021	\$40,605
<b>TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS<sup>(2)</sup></b>						<b>\$403,048</b>
<b>TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS<sup>(2)</sup></b>						<b>\$1,478,594</b>
<b>TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT<sup>(2)</sup></b>						<b>\$8,880,546</b>
<b>TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS<sup>(2)</sup></b>						<b>\$9,283,594</b>

### IV. Ratios to 2011-2012 Assessed Valuation

Outstanding Land Secured Bonded Debt 38.17:1  
Total Outstanding Bonded Debt 33.55:1

<sup>(1)</sup> Fiscal Year 2011-2012 Equalized Roll Assessed Valuation, Riverside County Assessor's Office.

<sup>(2)</sup> Albert A. Webb Associates is not aware of any additional bonded debt for parcels in the District for the referenced Fiscal Year, 2011-2012.

Source: Albert A. Webb Associates.

**Expected Tax Burden**

The following table sets estimated property tax bills for an average single family detached unit and for an average single family attached unit.

**TABLE 3**  
**CITY OF RIVERSIDE**  
**Riverwalk Assessment District**  
**Sample Fiscal Year 2011-12 Tax Bill**  
**For Different Developed Property Types**

<b>Total Assessed Value</b>	<b>\$297,932,614</b>	
<b>Total No. Parcels</b>	<b>1,021</b>	
<b>Average Assessed Value</b>	<b>\$291,805</b>	
<i>Property Type</i>	<i>Detached Single Family</i>	<i>Single Family Condo</i>
Average Assessed Value by Type	\$325,350	\$218,319
No. of Parcels	701	320
Sample Assessor's Parcel Number	142-510-009-2	142-621-048-0
Assessed Value <sup>(1)</sup>	\$325,000	\$219,000
<b>Ad Valorem Property Taxes:</b>		
Basic Levy (1.00%)	\$ 3,250.00	\$ 2,190.00
City of Riverside (0.00575%)	18.69	12.59
Metropolitan Water District (0.0037%)	12.03	8.10
Riverside Community College District (.01499%)	48.72	32.83
Alvord Unified School District G.O. Bond (0.11953%)	<u>388.47</u>	<u>261.77</u>
Total General Property Taxes	\$ 3,717.91	\$ 2,505.29
<b>Assessment, Special Taxes &amp; Parcel Charges:</b>		
Flood Control NPDES - Santa Ana	\$ 3.74	\$ 2.14
CSA 152 Riverside Stormwater	2.82	2.82
City of Riverside Lighting District	27.60	27.60
Riverside City Library Services	19.00	19.00
City of Riverside Riverwalk LMD	212.44	212.44
MWD Standby West	9.22	9.22
N.W. Mosquito & Vector Control <sup>(2)</sup>	0.00	0.00
City of Riverside Riverwalk AD	<u>791.80</u>	<u>557.12</u>
Total Assessments & Parcel Charges	\$ 1,066.62	\$ 830.34
<b>Projected Total Property Tax</b>	\$ 4,784.53	\$ 3,335.63
<b>Projected Effective Tax Rate<sup>(3)</sup></b>	1.47%	1.52%

<sup>(1)</sup> Fiscal Year 2011-2012 Equalized Roll Assessed Valuation, Riverside County Assessor's Office.

<sup>(2)</sup> For Fiscal Year 2006-2007, this assessment was \$1.47 per single family residential parcel and for Fiscal Year 2007-2008 through Fiscal Year 2011-2012, this assessment has been suspended.

<sup>(3)</sup> The effective tax rate for Fiscal Year 2011-12 was derived using the Fiscal Year 2011-2012 Assessed Values and the Fiscal Year 2011-12 assessments for the ad valorem property taxes and special taxes and parcel charges.

Source: Albert A. Webb Associates

### Estimated Assessed Value-to-Lien Ratio

The value of the land within the District is significant because in the event of a delinquency in the payment of Reassessment Installments the District may foreclose only against delinquent parcels. All of the property within the District has been sold to individual homeowners. The aggregate assessed value of the parcels in the District with unpaid reassessments as shown on the Riverside County Assessor’s roll for Fiscal Year 2011-12 is \$297,932,614. Dividing this assessed value by the sum of the principal amount of the Bond proceeds of \$7,805,000 plus the \$1,005,749 in direct and overlapping debt results in an estimated assessed value-to-lien ratio of approximately 34-to-1 for property in the District.

As shown in Table 4 below, the estimated assessed Value-to-Reassessment lien on parcels within the District varies by parcel.

**TABLE 4**  
**Estimated Value to Lien Analysis**  
**Based on Assessed Value and Reassessment Lien**

<i>Value-to-Lien</i>	<i>Parcels</i>	<i>% of Total Parcels</i>	<i>Assessed Value<sup>(1)</sup></i>	<i>% of Assessed Value</i>	<i>Reassessment Lien</i>	<i>% of Reassessment Lien</i>
Less than 20:1 <sup>(2)</sup>	1	0.10%	\$ 52,590	0.02%	\$ 5,875	0.08%
Between 20 – 30:1	28	2.74	8,183,413	2.75	291,173	3.73
Between 30 – 40:1	663	64.94	181,658,136	60.97	5,019,930	64.32
Between 40 – 50:1	311	30.46	100,622,204	33.77	2,348,204	30.09
Between 50 – 60:1	16	1.57	6,562,949	2.20	128,067	1.64
Greater than 60:1	<u>2</u>	<u>0.20</u>	<u>853,322</u>	<u>0.29</u>	<u>11,751</u>	<u>0.15</u>
<b>Totals</b>	<b>1,021</b>	<b>100.00%</b>	<b>\$297,932,614</b>	<b>100.00%</b>	<b>\$ 7,805,000</b>	<b>100.00%</b>

<sup>(1)</sup> Fiscal Year 2011-2012 Equalized Roll Assessed Valuation, Riverside County Assessor’s Office.

<sup>(2)</sup> The Assessed Value for one parcel uses base year values from 1989. The property owner transferred the base value from previous property per Proposition 60 and 90. Excludes direct and overlapping debt, which if included would reduce the value-to-lien ratio.

Source: Albert A. Webb Associates.

## Historical Assessment Collections and Delinquencies

The following table sets forth a history of the assessments levied and delinquencies within the District since Fiscal Year 2002-03. The City does not participate, on behalf of the District, in the County Teeter Plan.

**TABLE 5**  
**Special Assessment Levies, Delinquencies and Delinquency Rates**  
**Fiscal Year 2002-03 through 2010-11**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies as of June 30 of Fiscal Year</i>			<i>Delinquencies as of November 10, 2011</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>
2002-03	\$ 845,586.00	302	2	\$ 868.00	0.10%	0	\$ 0.00	0.00%
2003-04	846,429.00	729	4	2,301.00	0.27	0	0.00	0.00
2004-05	845,586.00	874	43	27,812.00	3.29	0	0.00	0.00
2005-06	844,281.36	956	37	23,971.00	2.84	0	0.00	0.00
2006-07	837,407.54	1,008	85	54,952.00	6.56	0	0.00	0.00
2007-08	846,452.76	1,022	65	42,033.28	4.97	4	1,543.21	0.18
2008-09	809,250.40	1,022	79	54,790.50	6.77	6	3,976.89	0.49
2009-10	782,451.50	1,021 <sup>(1)</sup>	85	51,815.64	6.62	12	8,586.03	1.10
2010-11	774,447.10	1,021	57	36,979.44	4.77	18	11,025.18	1.42

<sup>(1)</sup> One parcel prepaid its assessment.  
Source: Albert A. Webb Associates

## Concentration of Ownership

As can be seen from Table 6 below, no property owner within the District currently owns parcels responsible for more than 0.5% of the Reassessment lien, and the ten largest property owners are responsible for only 3% of the Reassessment lien.

**TABLE 6**  
**Estimated Value-to-Lien Ratios**  
**Largest Property Owners by Reassessment**

<i>Property Owner</i>	<i>No. of Parcels</i>	<i>Assessed Value<sup>(1)</sup></i>	<i>Proposed Debt</i>	<i>Percentage of Total Lien</i>	<i>Value-to-Lien Ratio</i>
GOEHRING MELVIN G	6	\$ 1,394,274	\$ 36,469	0.47%	38.23:1
SANDS PARAGON MANAGEMENT	4	1,141,429	27,788	0.36	41.08:1
INDIVIDUAL OWNER	4	950,458	27,708	0.35	34.30:1
INDIVIDUAL OWNER	3	885,298	22,676	0.29	39.04:1
INDIVIDUAL OWNER	4	867,000	22,520	0.29	38.50:1
INDIVIDUAL OWNER	2	797,000	22,314	0.28	35.72:1
WELLS FARGO BANK	3	940,000	22,097	0.29	42.54:1
INDIVIDUAL OWNER	2	744,631	18,841	0.24	39.52:1
INDIVIDUAL OWNER	3	657,731	16,890	0.22	38.94:1
INDIVIDUAL OWNER	<u>2</u>	<u>678,387</u>	<u>16,811</u>	<u>0.22</u>	<u>40.35:1</u>
<b>SUBTOTAL</b>	33	\$ 9,056,208	\$ 234,114	3.00%	38.68:1
ALL OTHERS	<u>988</u>	<u>288,876,406</u>	<u>7,570,886</u>	<u>97.00</u>	<u>38.16:1</u>
<b>TOTAL</b>	<u>1,021</u>	<u>\$ 297,932,614</u>	<u>\$ 7,805,000</u>	<u>100.00%</u>	<u>38.17:1</u>

<sup>(1)</sup> Reflects the assessed value based on ownership status as of August 16, 2011.  
Source: Albert A. Webb Associates.

## **BONDOWNERS' RISKS**

### **General**

In order to pay debt service on the Bonds, it is necessary that unpaid Reassessment Installments on land within the District are paid in a timely manner. The Reserve Fund will be used to pay delinquent Reassessment Installments should they occur. The reassessments are a lien on the parcels of land and the City can institute foreclosure proceedings to sell land with delinquent Reassessment Installments for the amount of such delinquent installments in order to obtain funds to pay debt service on the Bonds.

Failure by owners of the parcels to pay Reassessment Installments when due, depletion of the Reserve Fund or the inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent Reassessment Installments for such parcels may result in the inability of the City to make full or punctual payments of debt service on the Bonds, and Bondowners would therefore be adversely affected.

Unpaid Reassessment Installments do not constitute a personal indebtedness of the owners of the parcels within the District. There is no assurance the owners will be able to pay the Reassessment Installments or that they will pay such installments even though financially able to do so.

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

If a temporary deficiency occurs in the Redemption Fund with which to pay Bonds that have then matured, past due interest or the principal and interest on Bonds coming due during the current year, but it does not appear to the City Treasurer that there will be an ultimate loss to the Bondowners, the City Treasurer shall cause the Fiscal Agent to pay the principal of Bonds which have matured as presented and make interest payments on the Bonds when due, as long as there are available funds in the Redemption Fund, in the order of priority and as required by the Fiscal Agent Agreement. If it appears to the City Treasurer that there is a danger of an ultimate loss accruing to the Bondowners for any reason, he or she is required pursuant to the 1915 Act to withhold payment on all matured Bonds and interest on all Bonds and report the facts to the City Council so that the City Council may take proper action to equitably protect all Bondowners. See APPENDIX B—"SUMMARY OF FISCAL AGENT AGREEMENT."

### **Non-Cash Payments of Reassessments**

The 1915 Act may permit the owner of a parcel that is subject to an unpaid Reassessment Installment to tender any bond secured by such reassessment in payment or partial payment of any installment of the reassessment or interest or penalties thereon which may be due or payable. A bond so tendered is to be accepted at the par amount and credit is to be given for any interest accrued to the date of the tender. Thus, if Bonds can be purchased at a discount, it may be to the advantage of a property owner to pay amounts due with respect to a reassessment by tendering a Bond. Such a practice would decrease the cash flow available to the City to make payments with respect to other Bonds then outstanding.

### **Limited City Obligation Upon Delinquency**

Pursuant to the 1915 Act, the City has elected not to be obligated to advance funds from the treasury of the City for delinquent Reassessment Installments. The only obligation of the City with respect to such delinquencies and the consequent deficiencies in the Redemption Fund is to advance money to the Redemption Fund from the Reserve Fund. The City has no obligation to replenish the Reserve Fund except to the extent that delinquent Reassessment Installments are paid or proceeds from foreclosure sales are realized. There is no assurance that the balance in the Reserve Fund will always be adequate to pay all delinquent Reassessment Installments and if during the period of delinquency there are insufficient funds in the Reserve Fund, a delay may occur in payments to the Bondowners.

## **Property Values**

The value of the property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Reassessment Installments, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the delinquent Reassessment Installments. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods or other events will adversely impact the security underlying the reassessments. See "THE DISTRICT—Estimated Assessed Value-to-Lien Ratios" herein.

Prospective purchasers of the Bonds should not assume that the land within the District could be sold for the assessed value at a foreclosure sale for delinquent Reassessment Installments.

No assurance can be given that any bid will be received for a parcel with delinquent Reassessment Installments offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Reassessment Installments. See "SECURITY FOR THE BONDS—Covenant to Commence Superior Court Foreclosure."

## **Bankruptcy and Foreclosure**

The payment of reassessments and the ability of the City to foreclose the lien of a delinquent unpaid Reassessment Installments, as discussed in the section entitled "SECURITY FOR THE BONDS—Covenant for Superior Court Foreclosure," may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the law of the State of California relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to crowded local court calendars or procedural delays.

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

Although bankruptcy proceedings would not cause the reassessments to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings and could result in delinquent Reassessment Installments not being paid in full. Where property is encumbered by liens securing mortgage loans, it is highly probable that bankruptcy of a property owner would delay foreclosure for an extended period of time. Such a delay would increase the likelihood of a delay or default in payment of the principal and interest on the Bonds.

Based on information obtained from Dataquick, the City estimates that 18 parcels within the District are in foreclosure as of October 6, 2011.

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

**General.** The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

The supremacy clause of the United States Constitution reads as follows: "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, any Thing in the Constitution or Laws of any State to the contrary notwithstanding."

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District 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. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the City, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

**FDIC.** In the event that any financial institution making any loan which is secured by real property within the District is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit has issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Reassessment Installments on a parcel within the District in which the FDIC has or obtains an interest, although prohibiting the lien of the Reassessments to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a

foreclosure sale. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the Bonds.

### **Natural Disasters**

The District, like many 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 and property within the District. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event.

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 Reassessment Installments 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 Reassessment Installments.

According to recent geotechnical reports, no active or potentially active faults are known to cross the land within the District. However, the land within the District will likely be subject to seismic shaking at some time in the future. Major fault zones that may have a significant affect on the site should they experience activity include the Chino, Elsinore, Cucamonga, Lytle Creek – San Jacinto, San Andreas and Whittier – North Elsinore fault zones. The Chino fault zone is the closest major fault zone and is located approximately 6.9 miles from the District.

### **Hazardous Substances**

While government taxes, reassessments and charges are a common claim against the value of a parcel, other less common claims may also be relevant. The value of a parcel may be reduced as a result of 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. Accordingly, the presence of hazardous substances on the property within the District may negatively affect the value of such property.

### **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 City. 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.

### **Limited Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Although the City has committed to provide certain statutorily-required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. The failure to provide the 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.

### **Future Debt Issuance**

The ability of an owner of land within the District to pay the Reassessment Installments could be affected by the existence of other taxes and reassessments imposed upon taxable parcels. In addition, the City and other public agencies whose boundaries overlap those of the District could impose additional taxes or reassessment 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 reassessments levied by the District. See “THE DISTRICT—Overlapping Debt.”

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

**The City does not have control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or reassessments payable from all or a portion of the property within the District. In addition, the landowners within the District may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or reassessments. Any such special taxes, *ad valorem* taxes or reassessments may have a lien on such property on a parity with the Reassessment Installments and could reduce the estimated value-to-lien ratios for property within the District described herein.**

### **Ballot Initiatives**

From time to time constitutional initiatives or other initiative measures may be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations, or on the ability of the landowners to complete their developments.

### **Constitutional Amendment – Articles XIIC and XIID**

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC (“Article XIIC”) and Article XIID (“Article XIID”) to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related reassessments, fees and charges.”

Article XIID requires that, beginning July 1, 1997, the proceedings for the levy of any reassessment by the City under the Act (including, if applicable, any increase in such reassessment or any supplemental reassessment under the Act) must be conducted in conformity with the provisions of Section 4 of Article XIID. The City completed its proceedings for the levy of reassessments in the Assessment District on June 26, 2001, after complying with the procedural requirements of Section 4 of Article XIID. Under Section 10400 of the Act, any challenge to the proceedings or the Reassessment must be brought within 30 days after the date the reassessment was levied.

Article XIIC removes limitations on the initiative power in matters of local taxes, reassessments, fees and charges. Article XIIC does not define the term “reassessment”, and it is unclear whether this term is

intended to include reassessments levied under the Act. In the case of the unpaid reassessments which are pledged as security for payment of the Bonds, the 1915 Act provides a mandatory, statutory duty of the City and the County Auditor to post Reassessment Installments on account of the unpaid reassessments to the property tax roll of the County each year while any of the Bonds are outstanding, commencing with property tax year 2002/03, in amounts equal to the principal of and interest on the Bonds coming due in the succeeding calendar year plus certain administrative costs. It is unlikely that the initiative power can be used to reduce or repeal the unpaid reassessments which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the mandatory, statutory duty of the City and the County Auditor with respect to the unpaid reassessments which are pledged as security for payment of the Bonds.

The interpretation and application of the Initiative 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.

## **CONCLUDING INFORMATION**

### **Continuing Disclosure**

The City has agreed to execute a Continuing Disclosure Agreement (the “Disclosure Agreement”) prior to delivery of the Bonds for the benefit of the Underwriter, holders and beneficial owners of the Bonds to provide certain financial information and operating data relating the District within seven months after the end of the City’s fiscal year (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events (the “Listed Events”). The Annual Reports will be filed on behalf of the City by U.S. Bank National Association (the “Dissemination Agent”) with each Nationally Recognized Municipal Securities Information Repository and the State Repository, if any. Notices of Listed Events will be filed by the Dissemination Agent with the Municipal Securities Rulemaking Board. The specific nature of the information to be included in the Annual Report and the notices of Listed Events is set forth in Appendix E - “Form of City Continuing Disclosure Agreement.” The City has agreed to execute the Disclosure Agreement in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). See APPENDIX E—“FORM OF CITY CONTINUING DISCLOSURE AGREEMENT.”

It should be noted that the City is required to file certain financial statements with the Annual Report. This requirement has been included in the Disclosure Agreement solely to satisfy the provisions of the Rule. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City other than as described hereinabove. See “BONDOWNERS’ RISKS—Limited City Obligation Upon Delinquency.” It should also be noted that the list of significant events which the City has agreed to report includes one item which has absolutely no application to the Bonds. These items have been included in the list solely to satisfy the requirements of the Rule. Any implication from the inclusion of these items in the list to the contrary notwithstanding, the Bonds have not been assigned a credit rating.

The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

### **Legal Opinion**

All proceedings in connection with the issuance of the Bonds are subject to the approval of Best & Krieger LLP, Riverside, California, Bond Counsel (“Bond Counsel”). The opinion of Bond Counsel attesting to the validity of the Bonds will be delivered with each Bond. A form of the opinion to be delivered by Bond Counsel is set forth in Appendix D.

The descriptions of the Bonds and statements of law and legal conclusions set forth in this Official Statement under the heading “THE BONDS,” “SECURITY FOR THE BONDS,” “CONCLUDING INFORMATION—Tax Matters” and Appendices D and E have been reviewed by Bond Counsel. Bond

Counsel's engagement is limited to a review of the legal procedures required for the authorization of the Bonds and the exemption of interest on the Bonds from income taxation. See "TAX MATTERS." The opinion of Bond Counsel will not consider or extend to any documents, agreements, representations, offering circulars or other material of any kind concerning the Bonds, including the Official Statement, not mentioned in this paragraph.

### **Tax Matters**

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, under existing statutes, regulations, rules and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxation imposed by the State of California.

Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Internal Revenue Code of 1986, as amended (the "Code"). However, with respect to the Bonds owned by corporations (as defined for federal income tax purposes), interest on the Bonds may be included in adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations. In addition, although interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds and the ownership of the Bonds may otherwise affect the federal income tax liability of certain persons or entities. Bond Counsel expresses no opinion regarding any such consequences.

The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest paid with respect thereto to be and remain exempt from federal income taxation. Noncompliance with such requirements might cause the interest paid on the Bonds to be subject to federal income taxation retroactive to the date of issue and the Bonds. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Bonds and other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. Pursuant to the Fiscal Agent Agreement, the City has covenanted to comply with all such requirements.

In rendering such opinions, Bond Counsel is assuming that the City will comply with its covenants in the Fiscal Agent Agreement to comply with the requirements of the Code. Noncompliance with the Code might cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of issuance and delivery of the Bonds.

### **No Litigation**

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

### **Financial Interests**

The fees being paid to the Underwriter, Underwriter's Counsel and Bond Counsel are contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Bonds.

### **No Rating**

The City has not applied to and does not contemplate applying to any bond rating agency for the assignment of a rating on the Bonds.

## **Underwriting**

The Bonds are being purchased by the Stifel, Nicolaus & Company, Inc., dba Stone & Youngberg, a Division of Stifel Nicholas (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$7,654,583.75 (\$7,805,000 par value, less original issue discount of \$58,844.65, less an Underwriter's discount of \$91,571.60). 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 may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

## **Miscellaneous**

All quotations from, and summaries and explanations of, the Resolution and other statutes and documents contained herein do not purport to be complete, and reference is made to said documents, Resolution and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the City. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the City or the Underwriter. The information contained herein should not be construed as representing all conditions affecting the City or the Bonds.

The execution and delivery of this Official Statement have been authorized by the City.

### **CITY OF RIVERSIDE**

By: /s/ Brent A. Mason  
Finance Director

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**APPENDIX A**  
**REASSESSMENT DIAGRAM**

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FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF RIVERSIDE THIS \_\_\_\_ DAY OF \_\_\_\_\_, 20\_\_.

CITY CLERK  
CITY OF RIVERSIDE, STATE OF CALIFORNIA

A REASSESSMENT WAS LEVIED BY THE CITY COUNCIL OF THE CITY OF RIVERSIDE ON THE LOTS, PIECES, AND PARCELS OF LAND SHOWN ON THE REASSESSMENT DIAGRAM. SAID REASSESSMENT WAS LEVIED ON THE \_\_\_\_ DAY OF \_\_\_\_\_, 20\_\_. SAID REASSESSMENT DIAGRAM AND THE REASSESSMENT ROLL WERE RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS OF THE CITY OF RIVERSIDE ON THE \_\_\_\_ DAY OF \_\_\_\_\_, 20\_\_. REFERENCE IS MADE TO THE REASSESSMENT ROLL RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS OF SAID CITY FOR THE EXACT AMOUNT OF EACH REASSESSMENT LEVIED AGAINST EACH PARCEL SHOWN ON THE REASSESSMENT DIAGRAM.

CITY CLERK  
CITY OF RIVERSIDE, STATE OF CALIFORNIA

# REASSESSMENT DIAGRAM RIVERWALK ASSESSMENT DISTRICT CITY OF RIVERSIDE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

SHEET 1 OF 6 SHEETS

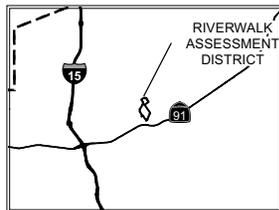
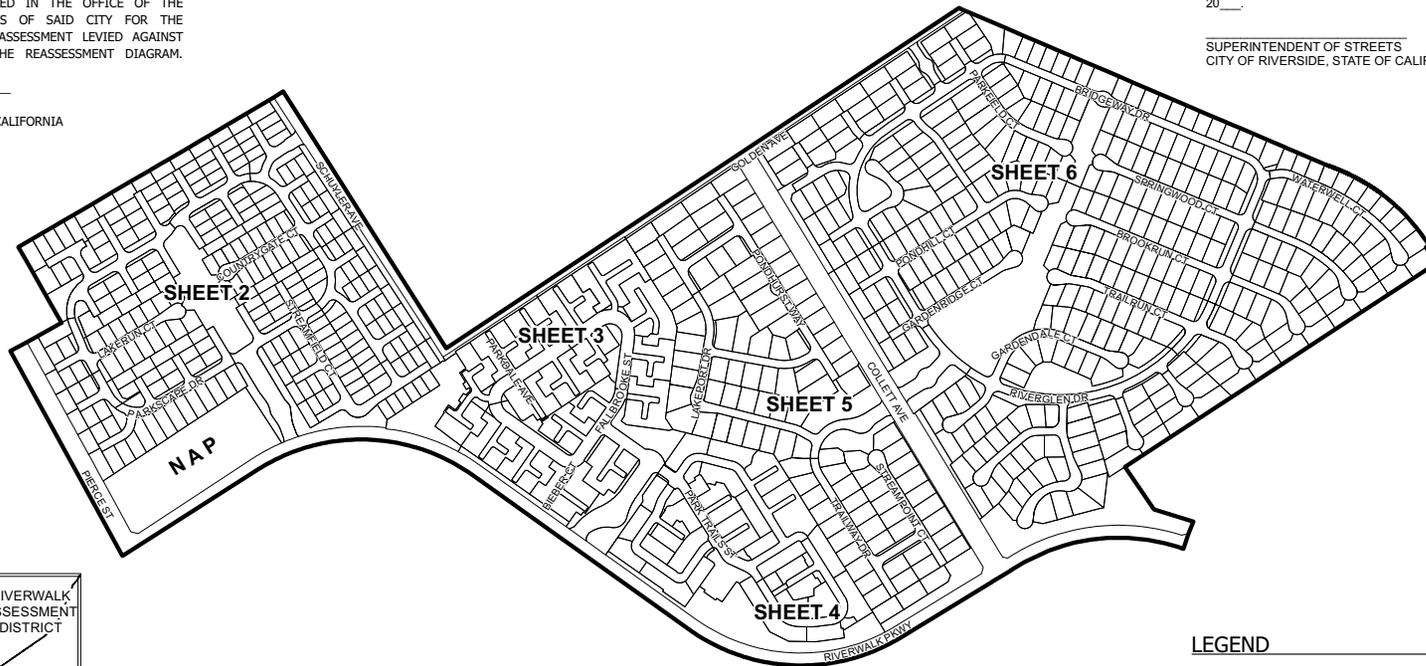
RECORDED THIS \_\_\_\_ DAY OF \_\_\_\_\_, 20\_\_  
AT THE HOUR OF \_\_\_\_ O'CLOCK \_\_\_\_ M IN BOOK  
PAGE(S) \_\_\_\_ OF MAPS OF ASSESSMENT AND COMMUNITY  
FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY  
RECORDER, IN THE COUNTY OF RIVERSIDE, STATE OF  
CALIFORNIA.

FEE: \_\_\_\_\_ NO.: \_\_\_\_\_  
LARRY W. WARD, ASSESSOR, COUNTY CLERK, RECORDER

BY: \_\_\_\_\_  
DEPUTY

FILED IN THE OFFICE OF THE SUPERINTENDANT OF THE  
CITY OF RIVERSIDE THIS \_\_\_\_ DAY OF \_\_\_\_\_,  
20\_\_.

SUPERINTENDENT OF STREETS  
CITY OF RIVERSIDE, STATE OF CALIFORNIA



### LEGEND

- ASSESSMENT DISTRICT BOUNDARY
- PARCEL BOUNDARY



0 250 500 1,000 Feet



THIS REASSESSMENT DIAGRAM CORRECTLY SHOWS THE BOUNDARIES OF THE ASSESSMENT DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2011-2012.

W.O. 11-0195

A-1

# REASSESSMENT DIAGRAM

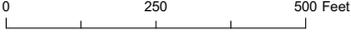
## RIVERWALK ASSESSMENT DISTRICT

### CITY OF RIVERSIDE

### COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



- LEGEND**
- ASSESSMENT DISTRICT BOUNDARY
  - PARCEL BOUNDARY
  - XXX REASSESSMENT NUMBER



SHEET 3



A-2



THIS REASSESSMENT DIAGRAM CORRECTLY SHOWS THE BOUNDARIES OF THE ASSESSMENT DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2011-2012.

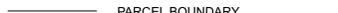
**REASSESSMENT DIAGRAM**  
**RIVERWALK ASSESSMENT DISTRICT**  
**CITY OF RIVERSIDE**  
**COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

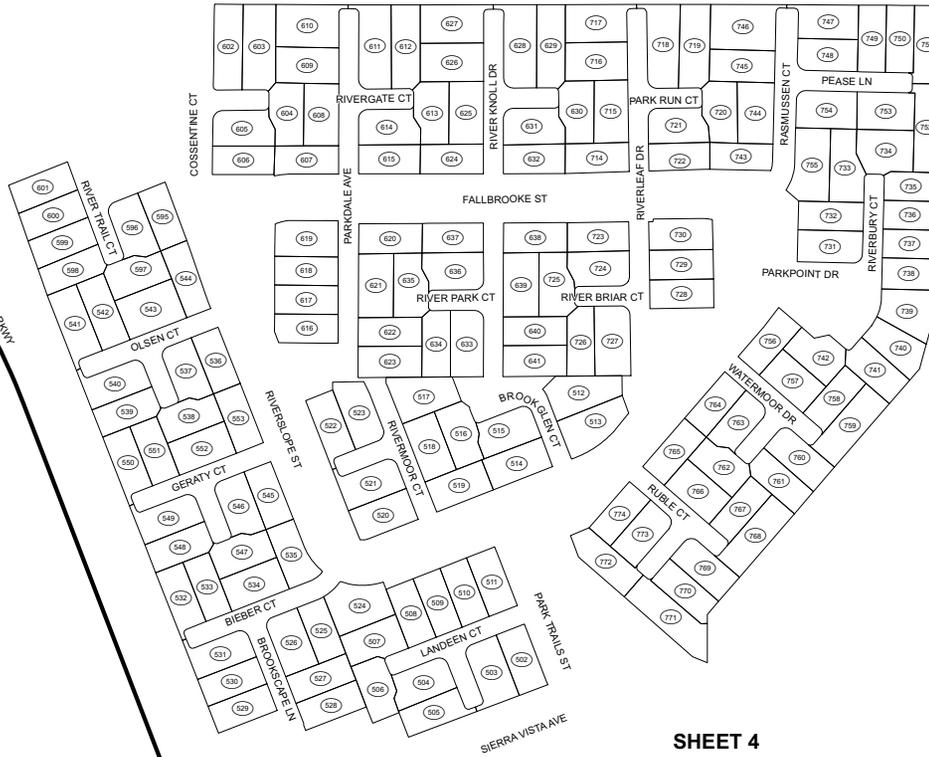
SHEET 2

SHEET 5

SHEET 4

**LEGEND**

-  ASSESSMENT DISTRICT BOUNDARY
-  PARCEL BOUNDARY
-  REASSESSMENT NUMBER



A-3



THIS REASSESSMENT DIAGRAM CORRECTLY SHOWS THE BOUNDARIES OF THE ASSESSMENT DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2011-2012.



**REASSESSMENT DIAGRAM**  
**RIVERWALK ASSESSMENT DISTRICT**  
**CITY OF RIVERSIDE**  
**COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

A-4



**SHEET 3**

**LEGEND**

-  ASSESSMENT DISTRICT BOUNDARY
-  PARCEL BOUNDARY
-  REASSESSMENT NUMBER

**SHEET 5**



THIS REASSESSMENT DIAGRAM CORRECTLY SHOWS THE BOUNDARIES OF THE ASSESSMENT DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2011-2012.



# REASSESSMENT DIAGRAM

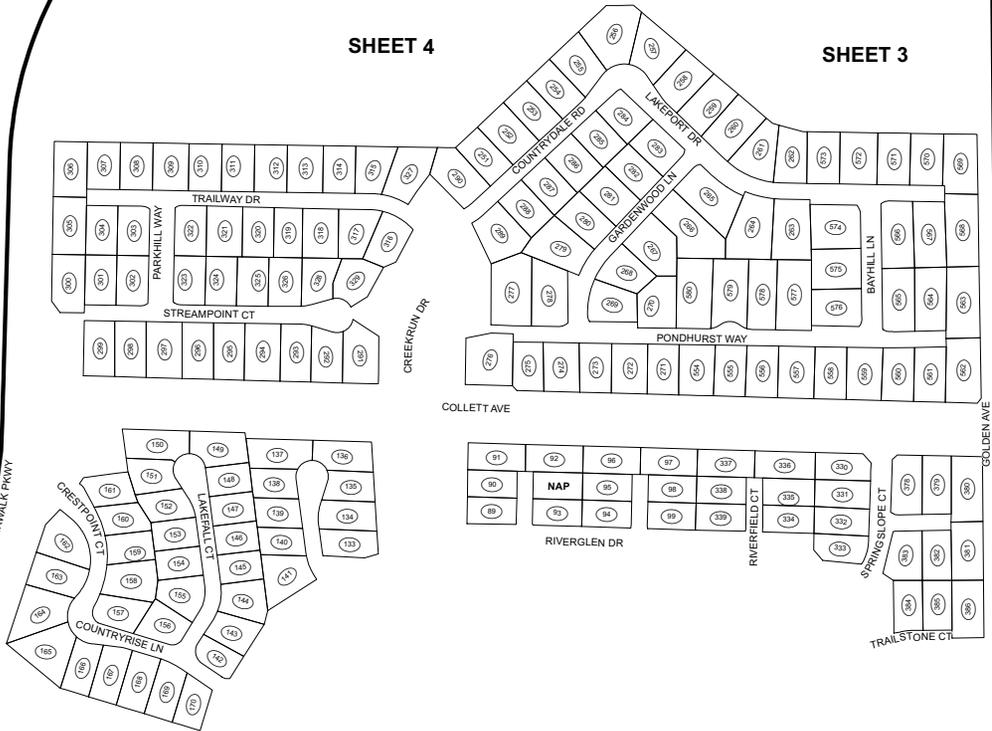
## RIVERWALK ASSESSMENT DISTRICT

### CITY OF RIVERSIDE

### COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

SHEET 4

SHEET 3



SHEET 6

- LEGEND**
-  ASSESSMENT DISTRICT BOUNDARY
  -  PARCEL BOUNDARY
  -  REASSESSMENT NUMBER



THIS REASSESSMENT DIAGRAM CORRECTLY SHOWS THE BOUNDARIES OF THE ASSESSMENT DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2011-2012.



A-5

**REASSESSMENT DIAGRAM**  
**RIVERWALK ASSESSMENT DISTRICT**  
**CITY OF RIVERSIDE**  
**COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

SHEET 5



**LEGEND**

-  ASSESSMENT DISTRICT BOUNDARY
-  PARCEL BOUNDARY
-  REASSESSMENT NUMBER



THIS REASSESSMENT DIAGRAM CORRECTLY SHOWS THE BOUNDARIES OF THE ASSESSMENT DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2011-2012.



## APPENDIX B

### SUMMARY OF THE FISCAL AGENT AGREEMENT

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

#### **General**

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

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

The Agreement establishes the Cost of Issuance Fund, the Redemption Fund, the Reserve Fund and the Rebate Fund. On the date of delivery of the Bonds, the Fiscal Agent will receive the proceeds of the sale of the Bonds to be deposited as described in "THE FINANCING PLAN - Sources and Uses of Funds" in the Official Statement.

#### **Definitions**

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

"Assessments" means the currently enrolled and uncollected assessments relating to the Refunded Bonds.

"Assessment Revenues" means the revenues received by the City from the collection of the annual installments of the unpaid Assessments and proceeds from the sale of property for delinquent Assessment installments.

"City Treasurer" means the Treasurer of the City.

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

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

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

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

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

(i) Cash; and

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

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

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

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

(i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;

(ii) Bonds called for redemption which are no longer entitled to any benefit under the Agreement other than the right to receive payment of the redemption price therefor;

(iii) Bonds paid or deemed to have been paid; and

(iv) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City and authenticated by the Fiscal Agent pursuant to the Agreement or any Supplemental Agreement.

“Permitted Investments” means:

(i) Federal Securities;

(ii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(a) U.S. Export-Import Bank  
Direct obligations or fully guaranteed certificates of beneficial ownership

(b) Federal Financing Bank

(c) Federal Housing Administration Debentures

(d) General Services Administration  
Participation certificates

(e) Government National Mortgage Association (GNMA)  
GNMA - guaranteed mortgage-backed bonds  
GNMA - guaranteed pass-through obligations

- (f) U.S. Maritime Administration  
Guaranteed Title XI financing
- (g) U.S. Department of Housing and Urban Development  
Project Notes  
Local Authority Bonds  
New Communities Debentures - United States government guaranteed debentures  
U.S. Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds;

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

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

(iv) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of "AAA-m," "AAA-m" or "AA-m" and, if rated by Moody's, "Aaa," "Aa1" or "Aa2" by Moody's, including funds for which the Fiscal Agent or any of its affiliates provides investment management services;

(v) Unsecured certificates of deposit and time deposits (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated on the date of purchase "A-1+" or better by S&P and "P-1" by Moody's and or certificates of deposit (including those of the Fiscal Agent, its parent and its affiliates) secured at all times by collateral that may be used by a national bank for purposes of satisfying its obligations to collateralize pursuant to federal law which are issued by commercial banks, savings and loan associations or mutual savings bank whose short-term obligations are rated on the date of purchase "A-1" or better by S&P, Moody's and Fitch;

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

(vii) Investment agreements with domestic or foreign banks or corporations the long-term debt or claims paying ability of which or, in the case of a guaranteed corporation, the long-term debt, or, in the case of a monoline financial guaranty insurance company, the financial strength, of the

guarantor is rated in at least the double A category by Standard & Poor's and Moody's; provided that, by the terms of the investment agreement:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(xi) Repurchase agreements which satisfy the following criteria:

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

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

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

(b) The written agreement must include the following:

(1) Securities which are acceptable for transfer are:

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

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

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

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

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

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

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

“Reassessments” means the reassessments levied on properties within the Assessment District which secure the payment of Debt Service.

“Reassessment Prepayment” means an amount received by the City as a result of the prepayment of a Reassessment by the owner of a parcel of property within the Assessment District pursuant to Section 8766 or Section 8766.5 of the Streets and Highways Code of the State of California.

“Reassessment Revenues” means the revenues received by the City in each Fiscal Year from the collection of the annual installments of the unpaid Reassessments and proceeds from the sale of property for delinquent Reassessment installments.

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

“Reserve Requirement” means on any date in any Bond Year the lesser of \$546,060.95 or an amount equal to seventy-five percent of Maximum Annual Debt Service.

#### **Pledge of Reassessment Revenues and Assessment Revenues**

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

(B) *Transfers of Reassessment Revenues or Available Assessment Revenues.* On or before the second (2nd) Business Day preceding each Interest Payment Date, the City Treasurer shall transfer to the Fiscal Agent for deposit in the Redemption Fund an amount of the Reassessment Revenues (or any available Assessment Revenues) which the Fiscal Agent has advised the City Treasurer will be needed to pay Debt Service on the Bonds on such Interest Payment Date, an. Upon receipt of each such transfer of Reassessment Revenues (or Assessment Revenues), the Fiscal Agent shall deposit the amount thereof in the Redemption Fund for the payment of Debt Service on the Bonds on the Interest Payment Date for which the transfer is made.

#### **Redemption Fund**

(A) *Deposits.* There is hereby established, as a separate fund to be held by the Fiscal Agent, the “Redemption Fund” to the credit of which deposits shall be made as required by the provisions of the Agreement or the Refunding Act. Moneys in the Redemption Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

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

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

If, after such a transfer from the Reserve Fund, there are insufficient funds in the Redemption Fund to make the payments provided for in the first paragraph of this Section, the Fiscal Agent shall apply the available funds first to the payment of the principal of the Bonds, if any, which mature on such Interest Payment Date (the "Maturing Bonds"), second to the payment of the interest on the Maturing Bonds, and third to the payment or interest on the Bonds which do not mature on such Interest Payment Date. If on such Interest Payment Date there are insufficient funds in the Redemption Fund, after such a transfer from the Reserve Fund, to pay the full amount of the principal of all of the Maturing Bonds, a pro rata portion of the principal of each of the Maturing Bonds shall be paid and the portion of the principal of the Maturing Bonds which is not paid and the interest on the Maturing Bonds and the interest on all other Bonds which are then Outstanding which is due but is not paid on such Interest Payment Date shall bear interest at the rates stated in the Bonds, without compounding, until paid. If none of the Bonds mature on such Interest Payment Date, the Fiscal Agent shall apply the available funds to the payment of a pro rata portion of the interest on all of the Outstanding Bonds, to the full amount thereof, and any portion of such interest which is not paid shall bear interest, without compounding, until paid. When funds become available for the payment of the portion of the principal of and interest on any Maturing Bond which was not paid, the City Treasurer shall provide notice to the Owner of such Maturing Bond as provided in Section 8776 of the Streets and Highways Code of the State of California.

On September 3 of each year, beginning on September 3, 2012, the amount on deposit in the Redemption Fund (except the amount, in any, on deposit in the Reassessment Prepayment Account) shall not exceed the greater of (i) one year's earnings on such amount, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year. If on September 3 of any year the amount on deposit in the Redemption Fund exceeds the maximum amount allowable pursuant to the preceding sentence and if on such September 3 the City shall have delivered to the Fiscal Agent an Officer's Certificate containing the information required below in this paragraph, the excess shall be transferred by the Fiscal Agent as directed by such Officer's Certificate to the Reserve Fund to the extent that the amount on deposit therein is less than the Reserve Requirement, and any such excess remaining thereafter shall be paid by the Fiscal Agent to the City as directed by such Officer's Certificate. An Officer's Certificate delivered by the City to the Fiscal Agent pursuant to this paragraph shall specify (i) the amount of such excess, (ii) the amount, if any, to be transferred to the Reserve Fund, and (iii) the amount to be transferred to the City. Any such amount which may be paid to the City shall be retained by the City and paid to the Fiscal Agent prior to the next Interest Payment Date to pay interest on and principal (if any principal is due on such Interest Payment Date) of the Bonds. Upon receipt of such an Officer's Certificate, the Fiscal Agent is authorized to act thereon without further inquiry, shall not be responsible for the accuracy of the statements contained therein, and shall be absolutely protected and incur no liability in relying on such Officer's Certificate.

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

(C) *Reassessment Prepayment Account.* There is hereby established in the Redemption Fund a separate account designated the "Reassessment Prepayment Account" into which the Fiscal Agent shall deposit all amounts received from the City identified to it as representing Reassessment Prepayments. Upon receipt of any Reassessment Prepayment, the City shall, as soon as is reasonably possible, deliver the amount thereof to the Fiscal Agent for deposit in the Reassessment Prepayment Account. The Fiscal Agent shall apply all amounts deposited in the Reassessment Prepayment Account to the redemption of the Bonds pursuant to another Section of the Agreement. Any amount remaining on deposit in the Reassessment Prepayment

Account after such redemption of the Bonds shall be deposited in the Redemption Fund and be disbursed as provided in subsection (B) above.

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

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

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

#### **Reserve Fund**

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

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

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

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

(D) *Transfers on Payment of Reassessments.* Whenever a Reassessment levied on a lot or parcel of property within the Assessment District is paid off, the Fiscal Agent shall, upon receiving an Officer's Certificate regarding such Assessment, transfer from the Reserve Fund to the Redemption Fund an amount equal to the reduction in such Reassessment determined pursuant to Section 8881 of the California Streets and Highways Code, which amount shall be specified in the Officer's Certificate. Upon receipt of such an Officer's Certificate, the Fiscal Agent is authorized to act thereon without further inquiry, shall not be

responsible for the accuracy of the statements contained therein, and shall be absolutely protected and incur no liability in relying on such Officer's Certificate.

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

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

(G) *Investment.* Moneys in the Reserve Fund shall, except as provided in subsection (D) above, be invested and deposited in accordance with a specific section of the Agreement.

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

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

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

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

*Against Encumbrances.* The City shall not encumber, pledge or place any charge or lien upon any of the Reassessment Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien created for the benefit of the Bonds, except as permitted by the Agreement.

*Protection of Security and Rights of Owners.* The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of

all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

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

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

*Tax Covenants.* The City hereby covenants that:

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

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

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

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

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

The covenants of the City contained in this Section shall survive the payment, redemption or defeasance of the Bonds. The Fiscal Agent makes no warranties, covenants or representations regarding the current or future tax status of interest on the Bonds.

*Covenant to Foreclose.* The City hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced, judicial foreclosure proceedings against properties with delinquent Reassessment installments in excess of \$5,000 by the October 1 following the close of the Fiscal Year in which such installments were due, and will commence judicial foreclosure proceedings against all properties with delinquent Reassessment installments by the October 1 following the close of each Fiscal Year in which it receives Reassessment Revenues in an amount which is less than ninety-five percent (95%) of the total Reassessment Revenues which were to be received in the Fiscal Year and diligently pursue to completion such foreclosure proceedings.

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

Moneys in any fund or account created or established by the Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer’s Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In

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

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

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

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

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

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

The Fiscal Agent or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Fiscal Agent.

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

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

The Fiscal Agent's sole responsibilities under this Section are to follow the written instructions of the City pertaining hereto and the Fiscal Agent shall have no independent responsibility to monitor or enforce compliance by the City with the Rebate Certificate. The City shall be responsible for any fees and expenses incurred by the Fiscal Agent pursuant to this Section.

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

### **Appointment of Fiscal Agent**

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

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

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

The Fiscal Agent may at any time resign by giving by giving thirty (30) days' written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

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

### **Liability of Fiscal Agent**

The recitals of facts, covenants and agreements in the Agreement and in the Bonds contained shall be taken as statements, covenants and agreements of the City and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of the Agreement or of the Bonds, nor shall the Fiscal Agent incur any responsibility in respect thereof, other than in connection

with the duties or obligations in the Agreement or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

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

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

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

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

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

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

#### **Notice to Fiscal Agent**

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

Whenever in the administration of its duties under the Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a

certificate of the City, and such certificate shall be full warranty to the Fiscal Agent for any action taken or suffered under the provisions of the Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

### **Books and Accounts**

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

### **Amendment of the Agreement**

(A) The Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of the Owners, or with the written consent, without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in a specific section of the Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or the time for paying interest thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, (ii) permit the creation of any pledge of or lien upon the Reassessment Revenues, or the moneys on deposit in the Redemption Fund or the Reserve Fund, superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Refunding Act, the laws of the State of California or the Agreement), (iii) reduce the percentage of Bonds required for the amendment of the Agreement, (iv) reduce the principal amount of or redemption premium on any Bond or reduce the interest rate thereon, or (v) modify the rights or obligations of the Fiscal Agent without its prior consent.

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

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

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

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

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

## **Owners' Meetings**

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

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

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

Such a Supplemental Agreement shall not become effective unless there shall be filed with the City the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in a specific section) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by a specific section of the Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the City prior to the date when the notice hereinafter in this Section provided for has been mailed.

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

## **Effect of Supplemental Agreement**

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

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

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

### **Discharge of Agreement**

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

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

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

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

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

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

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

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

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

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

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

#### **Payment on Business Day**

In any case where the date of the payment of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption is other than a Business Day, the payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required, and no interest shall accrue for the period from and after such date.

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## APPENDIX C

### FORM OF LEGAL OPINION

[Closing Date]

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

Re: \$7,805,000 City of Riverside Riverwalk Assessment District  
Limited Obligation Refunding Improvement Bonds, Series 2011

Ladies and Gentlemen:

In our capacity as bond counsel to the City of Riverside (the “City”), and for purposes of the opinions expressed below, we have examined the record of the proceedings taken for the levy of reassessments and the authorization and issuance of refunding bonds for the Riverwalk Assessment District of the City of Riverside (the “Assessment District”). The refunding bonds which have been issued for the Assessment District are designated “City of Riverside Riverwalk Assessment District Limited Obligation Refunding Improvement Bonds, Series 2011” (the “Bonds”). The proceedings taken for the levy of reassessments have been conducted pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 of the Streets and Highways Code of the State of California (the “Refunding Act”).

The Bonds have been issued pursuant to the Refunding Act, a resolution adopted by the City Council of the City on November 15, 2011, and the Fiscal Agent Agreement dated as of December 1, 2011 between the City and U.S. Bank National Association, as Fiscal Agent (the “Fiscal Agent Agreement”). The Bonds are issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof. The Bonds bear interest from their date to their respective dates of maturity, payable semiannually beginning March 2, 2012, and thereafter on the second day of March and September of each year.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Fiscal Agent Agreement and in the certified proceedings and other certificates of public officials furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion that the proceedings with respect to the levy of reassessments on land in the Assessment District and the issuance of the Bonds have been taken in accordance with the law and Constitution of the State of California, and the Bonds, having been duly issued, executed and delivered in the manner provided by law, are regularly issued bonds, and are secured by the monies in the Redemption Fund and the Reserve Fund established pursuant to the Fiscal Agent Agreement and by the unpaid reassessments levied on the land within the Assessment District, and the Bonds and the Fiscal Agent Agreement, having

been duly authorized and executed by the proper officials, constitute the legally valid and binding obligations of the City enforceable in accordance with its terms, subject to the qualifications specified below.

The City has covenanted in the Fiscal Agent Agreement to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), which must be satisfied for the interest on the Bonds to be and remain excluded from gross income for the purposes of federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds.

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

We are further of the opinion that the interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, such interest received by corporations will be included in adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations.

Although the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of such interest may otherwise affect the total income tax liability of the recipient. The extent of these tax consequences will depend upon the recipient’s particular tax status or other items of income or deduction. We express no opinion regarding any such tax consequences.

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

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

Respectfully submitted,

## APPENDIX D

### 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 City and the Underwriter believe to be reliable, but neither the City 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, if any, and interest with respect to 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 executed and delivered 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 executed and delivered 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 is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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 Series 2011A 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 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 Series 2011A 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 Authority 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 Authority 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 Authority, 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 Authority 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 Series 2011A Bond 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 Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical Bonds are required to be printed and delivered.

The City 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 PAYING AGENT, 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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## APPENDIX E

### FORM OF CITY CONTINUING DISCLOSURE AGREEMENT

This City Continuing Disclosure Agreement, dated as of December 1, 2011 (the “Disclosure Agreement”), is made and entered into by and among the City of Riverside (the “City”), U.S. Bank National Association, as dissemination agent (the “Dissemination Agent”) and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”) in connection with the issuance by the City of its Riverwalk Assessment District Limited Obligation Refunding Improvement Bonds, in the aggregate principal amount of \$7,805,000 (the “Bonds”) pursuant to the Fiscal Agent Agreement, dated as of December 1, 2011 (the “Fiscal Agent Agreement”), by and between the City and the Fiscal Agent.

The City, the Dissemination Agent and the Fiscal Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the Owners and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities Exchange Commission.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Agreement 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 City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Dissemination Agent” shall mean U.S. Bank National Association, acting in its capacity as the Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Fiscal Agent a written acceptance of such designation.

“EMMA” shall mean the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

“Fiscal Agent” means U.S. Bank National Association, as Fiscal Agent with respect to the Bonds, and any successor thereto.

“Listed Event” shall mean any of the events listed in Sections 5(a) and 5(b) of this Disclosure Agreement.

“Official Statement” shall mean the Official Statement, dated November 29, 2011, relating to the Bonds.

“Participating Underwriter” shall mean Stifel Nicolaus & Co., Inc. dba Stone & Youngberg, a division of Stifel Nicolaus.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days following the end of the City's fiscal year, commencing with the City's fiscal year ending June 30, 2012, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than five (5) business days prior to said date, the City shall provide the Annual Report (in a form suitable for filing with the Repositories) to the Dissemination Agent and to the Fiscal Agent (if the Dissemination Agent is not the Fiscal Agent). The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if the audited Financial Statements are not available by that date.

(b) If the Fiscal Agent has not received a copy of the Annual Report by the date required in Subsection (a), the Fiscal Agent shall contact the City and the Dissemination Agent (if the Fiscal Agent is not the Dissemination Agent) in order to determine if the City is in compliance with the second sentence of Subsection (a). If the Fiscal Agent is unable to verify that an Annual Report has been provided to EMMA by the date required in Subsection (a), the Fiscal Agent shall send a notice to EMMA, in substantially the form attached as Exhibit "A."

(c) The Dissemination Agent shall:

(i) provide any Annual Report received by it to EMMA and to the Participating Underwriter, as provided herein; and

(ii) file a report with the City and the Fiscal Agent (if the Dissemination Agent is not the Fiscal Agent) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to EMMA.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) a copy of its annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants (if audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report and audited financial statements shall be filed in the same manner as the Annual Report when and if available); and

(b) the information referred to in Exhibit "B" hereto.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to 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. The City shall clearly identify each such document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall provide or cause to be provided notice 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. issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

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.

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), adverse tax opinions or other material 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. modifications to the rights of Bondholders;
3. optional, unscheduled or contingent Bond calls;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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; and
7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) 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 ten (10) Business Days after the event.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the date of legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist the City in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Fiscal Agent shall be the Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City, the Dissemination Agent and the Fiscal Agent may amend this Disclosure Agreement (and the Dissemination Agent and the Fiscal Agent shall agree to any amendment so requested by the City, so long as such amendment does not adversely affect the rights or obligations of the Dissemination Agent or the Fiscal Agent), and any provision of this Disclosure Agreement may be waived, provided that (a) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements or a change in law; and (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of Bond Counsel approved by the City and the Participating Underwriter, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and at the written request of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Bonds, and upon being indemnified to its reasonable satisfaction against the costs, expenses and liabilities to be incurred in compliance with such request, shall), or any Participating Underwriter and any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Fiscal Agent, the Participating Underwriter and the Owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Assignability. The Dissemination Agent may, but only with the consent of the City, assign this Disclosure Agreement and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

CITY OF RIVERSIDE

By: \_\_\_\_\_  
Its: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION, as  
Dissemination Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION, as Fiscal Agent

By: \_\_\_\_\_  
Its: \_\_\_\_\_

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Riverside (the "City")

Name of Bond Issue: City of Riverside Riverwalk Assessment District Limited Obligation Refunding Improvement Bonds, in the aggregate principal amount of \$7,805,000

Date of Issuance: December 14, 2011

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the City Continuing Disclosure Agreement dated as of December 1, 2011. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Its: \_\_\_\_\_

## EXHIBIT B

### CONTENTS OF ANNUAL REPORTS

In addition to the audited financial statements of the City required to be included in the City's Annual Report pursuant to Section 4, the City's Annual Report shall contain or include by reference the following information (except where otherwise noted, such information to be as of the second business day in September immediately preceding the date of the Annual Report):

1. The principal amount of Bonds outstanding;
2. The balance on deposit in the Reserve Fund and the then applicable Reserve Requirement and the balances on deposit in the Improvement Fund and the Redemption Fund;
3. A table setting forth the percentage of delinquent Reassessment Installments as of June 30 of each fiscal year, and a description of the status of any foreclosure actions being pursued by the City with respect to delinquent Reassessment Installments.
4. The most recently available assessed value of property in the District.

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