

FUNDING AND ACQUISITION AGREEMENT

Relating to

CITY OF RIVERSIDE

COMMUNITY FACILITIES DISTRICT NO. 2015-2

(ARROYO PARK)

Between

THE CITY OF RIVERSIDE

and

**FRA-RSI ARROYO PARK LLC,
A Delaware limited liability corporation**

March 1, 2015

FUNDING AND ACQUISITION AGREEMENT
COMMUNITY FACILITIES DISTRICT NO. 2015-2
(ARROYO PARK)

This FUNDING AND ACQUISITION AGREEMENT (the “Agreement”) is entered into the 1st day of March, 2015 by and between the CITY OF RIVERSIDE, a charter city and municipal organization organized and operating under the laws of the State of California (the “City”), and FRA-RSI ARROYO PARK LLC, a Delaware limited liability corporation (“Owner”).

RECITALS

A. Owner has the option to purchase that certain real property located on approximately 21.34 gross acres of land including Tract No. 28987 (the “Property”) located in the City, commonly known as “Arroyo Park” from Friends of the Riverside Airport, L.L.C., a California limited liability company.

B. The City, is in the process of establishing a community facilities district pursuant to the provisions of Chapter 2.5 (commencing with § 53311) of Part 1 of Division 2 of Title 5 of the Government Code, commonly known as the “Mello-Roos Community Facilities Act of 1982” (the “Act”), over and including the Property for the purpose of levying special taxes (the “Special Taxes”) and selling bonds, in one or more series (the “Bonds”), in an amount sufficient to finance the acquisition of land and improvements thereon for public use, and the design, planning, engineering, installation, and construction of certain public facilities and improvements, to be owned, operated or maintained by the City (the “City Facilities”) to satisfy the obligation of the Property and the Owner for the payment of certain fees to the City. The Public Facilities are generally described in Exhibit A attached hereto, which Public Facilities are necessary to the development of the Property. Said community facilities district shall be known as the “City of Riverside Community Facilities District No. 2015-2 (Arroyo Park)” (the “District”).

C. Section 53313.5 of the Act provides that a community facilities district may finance the purchase of facilities completed after the adoption of the resolution of formation establishing the community facilities district if the facilities have been constructed as if they had been constructed under the direction and supervision, or under the authority of, the local agency whose governing body is conducting proceedings for the establishment of the District.

D. The purpose of this Agreement is to provide for the levy of Special Taxes and the issuance and sale of the Bonds of the District secured by the Special Taxes to finance the acquisition of public land and public improvements, and the design, planning, engineering, financing, installation, and construction of the Public Facilities and expenses incidental thereto.

E. Capitalized terms used herein and not otherwise defined shall have the meaning set forth in Exhibit B attached hereto and by this reference herein incorporated.

AGREEMENTS

NOW, THEREFORE, in consideration of the preceding recitals and the mutual covenants hereinafter contained, the parties agree as follows:

Section 1. Establishment of District. The City has initiated proceedings pursuant to the Act for the establishment of the District. Such proceedings include elections pursuant to Sections 53326, 53350 and 53353.5 of the Act on (i) the question of the issuance of the Bonds of the District to finance the acquisition of public land and public improvements, and the design, planning, engineering, construction management, and financing and the installation and construction or acquisition of the Public Facilities, including the direct payment to the City for such Public Facilities, (ii) the question of the annual levy of the Special Taxes on those portions of the Property subject to the Special Taxes to pay directly for the Public Facilities and to pay the principal of and interest on the Bonds and the annual administrative expenses of the City in levying and collecting such Special Taxes, paying the principal and interest on such Bonds and providing for the registration, exchange and transfer of such Bonds, including the fees of fiscal agents and paying agents, and any necessary replenishment of the reserve fund for such Bonds, and (iii) the question of the establishment of an appropriations limit for the District. All of the Public Facilities shall be authorized to be financed with the proceeds of Special Taxes and Bonds.

From time to time prior to the issuance of the Bonds, at the written request of Owner, and subject to Owner advancing funds as determined by the City as necessary to pay all costs related thereto in accordance with Section 4 below, the City shall use its reasonable best efforts to undertake proceedings which may be deemed necessary to amend the Rate and Method or to amend the boundaries of the District.

Section 2. Payment of City Impact Fees as Deposit. Owner shall timely pay or deposit with the City in full when due all City impact fees which are chargeable upon issuance of a building permit. Any payment or deposit of City impact fees before Special Taxes are received or proceeds of the Bonds become available shall be held on deposit by the City in a separate account used exclusively for City impact fees (the "Deposit Account"), and shall not be expended by the City, provided, however, earnings on the investment of funds in the Deposit Account shall be returned to the City. If Bonds have not been issued for a period of 36 months from the date of this Agreement, then the City may use any funds remaining in the Deposit Account for their lawful purposes and such funds shall be deemed by the City as the payment of the impact fees for the applicable parcels of the Property for which payment was made.

Immediately upon the City receiving proceeds of the Bonds in accordance with this Agreement, the City shall return to Owner, or Owner's designee, all funds held in the Deposit Account.

Bond proceeds shall be used as described below, upon the City's receipt of Special Taxes, the City shall deposit such Special Taxes in a special fund and use such amounts to reduce the amount of bonds to be issued, and to be used in accordance with the provisions of Section 6(a) hereof.

Section 3. Sale of Bonds. Upon Owner's written request, the City shall use its reasonable best efforts, as hereinafter provided, to issue and sell Bonds, in one or more series, in accordance with the provisions of this Agreement and the Financing District Policy. Each series of Bonds is expected to have a debt service amortization schedule matching the annual Special Taxes available for debt service pursuant to the Rate and Method and for a term of not less than thirty years nor more than thirty-three (33) years, for the purpose of raising an amount sufficient to pay for the acquisition of lands for public use and public improvements, and the design, planning, engineering, construction management, and financing, and the installation and construction or acquisition of the Public Facilities. In connection with the issuance of the first series of Bonds, the City on behalf of itself and the District shall establish criteria for the issuance of Additional Bonds which meet the criteria of the Financing District Policy. The timing of the issuance and sale of each series of Bonds, the aggregate principal amount thereof, and the terms and conditions upon which they shall be sold shall be as set forth in this Agreement and otherwise as determined by the City in its sole reasonable discretion after consultation with Owner. Not by way of limitation of the foregoing, the timing of the issuance and sale of the first series of Bonds and any Additional Bonds shall be as soon as reasonably practicable, as determined by the City in its sole reasonable discretion following consultation with its financial advisor, underwriter and other consultants and counsel after written request from Owner. Owner shall use its reasonable best efforts to cooperate with City in connection with any Bond sale.

Section 4. Advance of Certain Expenses. Pursuant to an Agreement Providing for Advancement of Funds for Proposed Community District No. 2015-2 of the City of Riverside, between the City and Owner (the "Deposit Agreement"), Owner shall pay and advance all of the costs reasonably associated with the establishment of the District. Owner shall deposit funds with the City for the City's reasonable out-of-pocket expenses associated with a sale of each series of Bonds, including, but not limited to, (i) the fees and expenses of any consultants and legal counsel to the City employed in connection with the issuance of the Bonds, including an engineer, special tax consultant, financial advisor, bond counsel and any other consultant deemed necessary or advisable by the City, (ii) the costs of appraisals, market absorption and feasibility studies and other reports deemed necessary or advisable by the City in connection with the issuance of the Bonds, (iii) the costs of publication of notices and other costs related to any proceeding undertaken in connection with the issuance of the Bonds, (iv) reasonable charges for City staff time incurred in connection with the issuance of the Bonds, including a reasonable allocation of City overhead expense, and (v) any and all other actual costs and expenses incurred by the City in connection with the issuance of the Bonds ("Reimbursable Expenses"). If the Bonds are issued by the District, the City shall reimburse Owner from proceeds of the Bonds, without interest, for the portion of the Reimbursable Expenses deposits that have been expended or encumbered, said reimbursement to be made from the proceeds of the Bonds on the date of issuance of the Bonds or as soon as reasonably possible thereafter and only to the extent otherwise permitted under the Act, and refund any unexpended or encumbered deposited amounts. If the Special Taxes are levied and collected, the City may reimburse Owner from the receipts of Special Taxes (net of amounts required to pay District administrative expenses), without interest, for the portion of the deposits paid by Owner pursuant to the Deposit Agreement that have been expended or encumbered, said reimbursement from receipts of Special Taxes to be made on or before the end of each fiscal year; provided, however, that the City may

retain such collected Special Taxes in the amounts that it deems reasonably necessary to facilitate the issuance of the Bonds.

The City shall keep records of all Reimbursable Expenses advanced by the City pursuant to this Section 4, which records shall be available for inspection by Owner during regular business hours. The sole source of funds for reimbursement of any advance expenditure made by the City or Owner shall be the uncommitted and unexpended payments made by Owner to the City, proceeds of the Bonds, or Special Tax receipts as determined by the City.

Section 5. Tax Requirements. The timing of the sale of each series of Bonds, the nature of the investments in which the proceeds of the Bonds shall be invested, the duration of such investments, and the timing of the expenditure of such proceeds shall be as set forth in this Agreement and the applicable fiscal agent agreement (the “Fiscal Agent Agreement”); provided, that in all such matters City shall comply with the requirements of and limitations prescribed by the provisions of Sections 103 and 141 through 150 of the Internal Revenue Code of 1986 (the “Code”), as amended, and the implementing regulations of the United States Department of the Treasury. The City shall not be required to take any such action which in the opinion of the City’s bond counsel could result in the Bonds being classified by the United States Department of the Treasury as “arbitrage bonds” or which could otherwise result in the interest on the Bonds being included in gross income for purposes of Federal income taxation. Should any change in or regulatory interpretation of any such requirement or limitation which may occur after the date of this Agreement require or necessitate, in the reasonable opinion of such bond counsel, any action on the part of the City in order to avoid such a classification or loss of tax exemption, the City shall notwithstanding any provision of this Agreement, forthwith take such action. In the event the City fails to comply with requirements set forth above in this Section 5, the City’s liability is limited to the Special Tax revenues generated by the CFD.

Section 6. Priority and Allocation of Surplus Special Taxes and Bond Proceeds.

(a) Special Taxes Prior to the Issuance of Bonds.

Prior to the issuance of Bonds, Special Taxes may be levied at the discretion of the City on each Assessor’s Parcel of Developed Property pursuant to the Rate and Method in and following the first fiscal year in which the Assessor’s Parcel is classified as Developed Property until the issuance of the final series of Bonds.

Prior to the issuance of the first series of Bonds, the proceeds of the Special Taxes shall be allocated in the following priority:

- (1) first, to pay all reasonable costs of administration of the District;
- (2) second, to pay eligible costs reasonably determined by the City to be necessary to facilitate the issuance of Bonds within the next six months; and
- (3) third, the amount remaining after payment of the amounts for (1) and (2) shall be deposited in the Special Fund and disbursed to reimburse prior deposits paid by Owner to City pursuant to the Deposit Agreement and then to fund first any City Construction Facilities as may be determined by the City, and next to fund any Acquisition Facilities;

(b) Special Taxes Following the Issuance of Bonds. Following the issuance of the first series of Bonds and continuing until the issuance of the final series of Bonds, City shall levy Special Taxes on all Assessor's Parcels classified as Developed Property at the Assigned Special Tax amount pursuant to the Rate and Method or such lesser amount which complies with the Fiscal Agent Agreement. In years in which there is no levy of Special Taxes on Undeveloped Property, the priority for allocation of the Special Taxes collected from Developed Property shall be as follows:

(1) first, to fund an amount up to the Priority Administrative Expense Requirement;

(2) second, to pay principal and interest on outstanding Bonds and to replenish the reserve fund to the applicable reserve fund requirement;

(3) third, to fund all actual administrative expenses in excess of the Priority Administrative Expense Requirement; and

(4) fourth, all remaining amounts shall be deposited in the Special Fund and disbursed to fund directly the costs of the City Construction Facilities as may be determined by the City, or to reduce Special Taxes in subsequent fiscal years.

(c) Bond Proceeds. The proceeds of all Bonds shall be allocated and disbursed according to the following priorities:

(1) first, to fund all costs of issuance of the Bonds including (i) a reserve fund for the Bonds which does not exceed the amount permitted under the Code or the Act, (ii) capitalized interest for at least the period required to collect sufficient Special Taxes through the annual levy, or such amount as the City shall determine pursuant to the Financing District Policy, (iii) the underwriter's discount, (iv) the Reimbursable Expenses, and (v) bond counsel fees, disclosure counsel fees, financial advisor, appraisal and market absorption consultant fees, special tax consultant fees, fiscal agent or trustee fees and other typical and reasonable out-of-pocket expenses incurred by the City in connection with the issuance and sale of the Bonds;

(2) second, to reimburse, without interest, prior deposits paid by Owner to City pursuant to the Deposit Agreement and this Agreement related to formation of the District and issuance of the Bonds;

(3) third, to fund the Acquisition Facilities not funded with Special Taxes, which amount shall be deposited in the City Facilities Account; and

(4) fourth, to fund the City Construction Facilities not funded with the Special Taxes, which amount shall be deposited in the City Facilities Account and any available bond proceeds in excess of the amounts needed to fund the Acquisition Facilities and the City Construction Facilities may be used to fund additional capital facilities of the City, in its discretion.

Section 7. Construction of Acquisition Facilities.

(a) Plans. Owner shall cause plans (the “Plans”) to be prepared for the Acquisition Facilities which are listed as such in Exhibit A hereto (the “Acquisition Facilities”). Owner shall obtain the written approval of the Plans in accordance with applicable ordinances and regulations of the City. Copies of all Plans shall be provided by Owner to the City Manager, or designee thereof, upon request therefore, and, in any event, as-built drawings and a written assignment of the Plans for any Acquisition Facility shall be provided to the City prior to its formal acceptance of the Acquisition Facility. Notwithstanding anything herein to the contrary, Owner shall not be required to prepare Plans or construct Acquisition Facilities any earlier, or in any manner other than as required by the Conditions of Approval.

(b) Duty of Owner to Construct. All Acquisition Facilities to be acquired hereunder, shall be constructed by or at the direction of Owner in accordance with the approved Plans. Owner shall perform all of its obligations hereunder and shall conduct all operations with respect to the construction of Acquisition Facilities in a good, workmanlike and commercially reasonable manner, with the standard of diligence and care normally employed by duly qualified persons utilizing their best efforts in the performance of comparable work and in accordance with generally accepted practices appropriate to the activities undertaken. Owner shall employ at all times adequate staff or consultants with the requisite experience necessary to administer and coordinate all work related to the design, engineering, acquisition, construction and installation of the Acquisition Facilities to be acquired by the City from Owner hereunder.

Owner shall be obligated, as and when required by the Conditions of Approval, (i) to construct and convey to the City (or other applicable governmental agency) all Acquisition Facilities and (ii) to use its own funds to pay all costs thereof in excess of the Purchase Prices of the Acquisition Facilities.

Owner shall not be relieved of its obligation to construct each Acquisition Facility and convey each such Acquisition Facility to the City in accordance with the terms hereof, even if, because of the limitations imposed by Section 8(f) hereof, the Purchase Price for such Acquisition Facility is less than the Actual Cost, or cost to Owner, of such Acquisition Facility, and, in any event, this Agreement shall not affect any obligation of Owner under the Conditions of Approval or any other agreement to which Owner is a party or any other governmental approval to which Owner or any land within the District is subject, with respect to the Acquisition Facilities required in connection with the development of the land within the District.

(c) Relationship to Public Works. This Agreement is for the acquisition by the City of the Acquisition Facilities, from proceeds of the Bonds. The City and Owner agree that the Acquisition Facilities are of local, and not state-wide concern, and that the provisions of the California Public Contract Code shall not apply to the construction of the Acquisition Facilities except to the extent they may be applicable to Owner as a representative of a public agency. Nothing in this Agreement shall subject Owner to duplicative or additional requirements than it is otherwise subject to by applicable law as a public agency with respect to its bidding, contracting and construction of the Acquisition Facilities. The City and Owner agree that Owner shall award all contracts for the construction of those Acquisition Facilities, and that this

Agreement is necessary to assure the timely and satisfactory completion of the Acquisition Facilities and that, except to the extent otherwise specified above in this paragraph, compliance with the Public Contract Code with respect to the Acquisition Facilities would work an incongruity and would not produce an advantage to the City or the District.

Notwithstanding the foregoing, Owner, or its designee, shall award all contracts for construction of the Acquisition Facilities for which it subsequently submits Payment Request to the lowest responsive bidder, as determined by Owner. Owner, or its designee, shall solicit at least three bids for the construction of each such Acquisition Facility and Owner shall advertise for such bids by newspaper and/or internet bidding system in a manner approved by the City. Owner, or its designee, shall open the bids actually received and read them aloud immediately following the submittal deadline. Upon written request of the City Manager or his designee, Owner shall provide an analysis of bids for construction of such Acquisition Facilities. Owner acknowledges and agrees that Acquisition Facilities for which Owner submits Payment Requests shall be subject to the payment of prevailing wages by the applicable contractor(s) or subcontractor(s).

The costs of materials shall be part of the contractors' bids for constructing the Acquisition Facilities. Nothing in this Agreement shall (i) require Owner to publicly or informally bid for materials, or (ii) prevent the supply or sale of materials by Owner to the contractors constructing the Acquisition Facilities. If requested in writing by the City, Owner shall demonstrate to the City that such materials were obtained at reasonable prices considering the terms of delivery and other factors and shall not charge the City a premium for supplying such materials (but shall be entitled to recover the costs of procuring such materials).

Owner shall develop or cause to be developed and shall maintain or cause to be maintained a cost-loaded project schedule, using the critical path method, providing for all major project elements included in the construction of any Acquisition Facility to be acquired hereunder, so that the whole project is scheduled in the most efficient manner. Owner shall provide the City Manager with complete copies of the schedule and each update to the schedule for the City Manager or his designee to review.

From time to time (expected to be at least monthly) at the request of the City Manager or his designee, Owner shall meet and confer with City staff, consultants and contractors regarding matters arising hereunder with respect to the Acquisition Facilities and the progress in constructing and acquiring the same, and as to any other matter related to the Acquisition Facilities or this Agreement. Owner shall advise the City Manager or his designee in advance of any coordination and scheduling meetings to be held with contractors relating to the Acquisition Facilities, in the ordinary course of performance of an individual contract. The City Manager or his designee shall have the right to be present at such meetings, and to meet and confer with individual contractors if deemed advisable by the City Manager or his designee to resolve disputes and/or ensure the proper completion of the Acquisition Facilities.

(d) Independent Contractor. In performing this Agreement, Owner is an independent contractor and not the agent or employee of the City or the District. Neither the City nor the District shall be responsible for making any payments to any contractor, subcontractor, agent, consultant, employee or supplier of Owner.

(e) Performance and Payment Bonds. Owner agrees to comply with all applicable bid bonds performance and payment bonding requirements of the City with respect to the construction of the Acquisition Facilities and such bonds shall name the City as an additional insured.

(f) Contracts and Change Orders. Owner, or its designee, shall be responsible for entering into all contracts and any supplemental agreements (commonly referred to as “change orders”) required for the construction of the Acquisition Facilities, and all such contracts and supplemental agreements shall be submitted to the City Manager or his designee. Prior approval of supplemental agreements by the City Manager shall only be required for such change orders which in any way materially alter the quality or character of the subject Acquisition Facility, or which involve an amount equal to the greater of ten percent (10%) of the amount of the applicable bid for the Acquisition Facility. The City expects that such contracts and supplemental agreements needing prior approval by the City Manager will be reasonably approved or denied (any such denial to be in writing, stating the reasons for denial and the actions, if any, that can be taken to obtain later approval) within ten (10) business days of receipt by the City Manager thereof. To the extent that a supplemental agreement, approved by the City Manager, or his designee, increases the Actual Cost of an Acquisition Facility, such increased cost may be payable as part of the Purchase Price of the related Acquisition Facility as provided in Section 8 hereof.

Change orders shall include the following language:

“This change order is in full compromise and settlement of all adjustments to Contract Time and Contract Sum, and compensation for any and all delay, extended or additional field and home office overhead, disruption, acceleration, inefficiencies, lost labor or requirement productivity, differing site conditions, construction interferences and other extraordinary or consequential damages (hereinafter called Impacts), including any ripple or cumulative effect of said Impacts on the overall Work under the Contract arising directly or indirectly from the performance of Work described in this Change Order. By execution of this Change Order, Contractor agrees that this Change Order constitutes a complete accord and satisfaction with respect to all claims for schedule extension, Impacts, or any cost of whatsoever nature, character or kind arising out of or incidental to this Change Order.”

(g) Time for Completion. Owner reasonably expects, and agrees to use its good faith efforts to complete, all Acquisition Facilities that are expected to be financed with the proceeds of a particular series of Bonds within thirty-six (36) calendar months from the date of closing of such Bonds.

Section 8. Acquisition and Payment of Facilities.

(a) Inspection. No payment hereunder shall be made by the City to Owner for an Acquisition Facility until the Acquisition Facility has been inspected and found to be completed in accordance with the approved Plans by the City. Unless otherwise provided in a Supplement, the City shall make or cause to be made regular on-going site inspections of the Acquisition Facilities to be acquired hereunder. Owner agrees to pay all inspection, permit and other similar fees of the City applicable to construction of the Acquisition Facilities.

(b) Agreement to Sell and Purchase City Facilities. Owner hereby agrees to sell the Acquisition Facilities to the City and the City hereby agrees to use amounts in the Other Facilities Account to pay the Purchase Price, as defined below, thereof to Owner, subject to the terms and conditions hereof. The City shall not be obligated to finance the purchase of any Acquisition Facility until the Acquisition Facility is completed and the acceptance date for such Acquisition Facility has occurred. The City shall not be obligated to pay the Purchase Price for any Acquisition Facility except from the moneys in the City Facilities Account.

(c) Purchase Price. The Purchase Price for each Acquisition Facility shall be equal to the Actual Cost of such Acquisition Facility, but subject to the limitations of this Section 8.

(d) Payment Requests. In order to receive the Purchase Price for a completed Acquisition Facility, inspection thereof under Section 8(a) shall have been made and Owner shall deliver to the City Manager or his designee a Payment Request in the form of Exhibit C hereto for such Acquisition Facility, together with all attachments and exhibits required by this Section 8(d) to be included therewith. If payment is requested for a completed Acquisition Facility and if the property on which the Acquisition Facility is located is not owned by the City at the time of the request, Owner shall provide a copy of the recorded documents conveying to the City Acceptable Title to the real property on, in or over which such Acquisition Facility is located, as described in Section 9(a) hereof.

(e) Processing Payment Requests. Upon receipt of a Payment Request (and all accompanying documents), the City Manager or his designee shall conduct a review in order to confirm that such request is complete, that such Acquisition Facility identified therein was constructed in accordance with the Plans therefore, and to verify and approve the Actual Cost of such Acquisition Facility specified in such Payment Request. The City Manager or his designee shall also conduct such review as is required in his/her discretion to confirm the matters certified in the Payment Request. Owner agrees to cooperate with the City Manager or his designee in conducting each such review and to provide the City Manager or his designee with such additional information and documentation as is reasonably necessary for the City Manager or his designee to conclude each such review. Within ten (10) business days of receipt of any Payment Request, the City Manager or his designee expects to review the request for completeness and notify Owner whether such Payment Request is complete, and, if not, what additional documentation must be provided. If such Payment Request is complete, the City Manager or his designee expects to provide a written approval or denial (specifying the reason for any denial) of the request within 30 days of its submittal. If a Payment Request seeking reimbursement for more than one Acquisition Facility is denied, the City Manager or his designee shall state

whether the Payment Request is nevertheless approved and complete for any one or more Acquisition Facilities and any such Acquisition Facilities shall be processed for payment under Section 8(f) notwithstanding such partial denial.

(f) Payment. Upon approval of the Payment Request by the City Manager or his designee, the City Manager or his designee shall sign the Payment Request and forward the same to the Finance Director of the City. Upon receipt of the reviewed and fully signed Payment Request, the Finance Director of the City shall, within the then current City financial accounting payment cycle but in any event within fifteen (15) business days of receipt of the approved Payment Request, cause the same to be paid by the Fiscal Agent under the applicable provisions of the Fiscal Agent Agreement, to the extent of funds then on deposit in the City Facilities Account.

The Purchase Price paid hereunder for any Acquisition Facility shall constitute payment in full for such Acquisition Facility, including, without limitation, payment for all labor, materials, equipment, tools and services used or incorporated in the work, supervision, administration, overhead, expenses and any and all other things required, furnished or incurred for completion of such Acquisition Facility as specified in the Plans.

(g) Timing of Requisitions. The City and Owner acknowledge that (i) to the extent Owner has constructed and City has accepted (for payment purposes) certain Public Facilities (including Acquisition Facilities) Owner may submit Payment Requests for such Acquisition Facilities for reimbursement from bond proceeds; (ii) Owner may be submitting Payment Requests to the City in advance of when sufficient, if any, funds are available as bond proceeds for reimbursement; (iii) the Payment Requests submitted when there are insufficient proceeds available will be reviewed by the City as set forth in this Agreement and, if appropriate, approved for payment from bond proceeds when such funds are available and (iv) the payment for any Payment Requests approved in the preceding manner will be deferred until the date, if any, on which there are bond proceeds to make all or part of such payment, at which time the City will direct the Fiscal Agent to wire transfer (or pay in another mutually acceptable manner) from bond proceeds the funds available to the payee identified in such Payment Request.

(h) Restrictions on Payments. Notwithstanding any other provisions of this Agreement, the following restrictions shall apply to any payments made to Owner under Sections 8(b) and 8(f) hereof:

A. Amounts of Payments. Subject to the following paragraphs of this Section 9(h), payments for each Acquisition Facility will be made only in the amount of the Purchase Price for the respective Acquisition Facility.

Nothing herein shall require the City in any event (i) to pay more than the Actual Cost of an Acquisition Facility, or (ii) to make any payment beyond the available funds in the City Facilities Account. The parties hereto acknowledge and agree that all payments to Owner for the Purchase Price of Acquisition Facilities are intended to be reimbursements to Owner for monies already expended or for immediate payment by Owner (or directly by the City) to third parties in respect of such Acquisition Facilities.

B. Joint or Third Party Payments. The City may make any payment jointly to Owner and any mortgagee or trust deed beneficiary, contractor or supplier of materials, as their interests may appear, or solely to any such third party, if Owner so requests the same in writing or as the City otherwise determines such joint or third party payment is necessary to obtain lien releases.

C. Withholding Payments. The City shall be entitled, but shall not be required, to withhold any payment hereunder for an Acquisition Facility if Owner or any Affiliate is delinquent in the payment of ad valorem real property taxes, special assessments or taxes, or Special Taxes levied in the District. In the event of any such delinquency, the City shall only make payments hereunder directly to contractors or other third parties employed in connection with the construction of the Acquisition Facilities or to any assignee of Owner's interests in this Agreement (and not to Owner or any Affiliate), until such time as Owner provides the City Manager with evidence that all such delinquent taxes and assessments have been paid.

The City shall withhold final payment for any Acquisition Facility constructed on land until Acceptable Title to such land is conveyed to the City, as described in Section 9 hereof.

The City shall be entitled to withhold payment for any Acquisition Facility hereunder to be owned by the City until: (i) the City Manager or his designee determines that the Acquisition Facility is ready for its intended use, (ii) the Acceptance Date for the Acquisition Facility has occurred, and (iii) with respect to an Acquisition Facility, a Notice of Completion executed by Owner, in a form acceptable to the City Manager or his designee, has been recorded for the Acquisition Facility and general lien releases conditioned solely upon payment from the proceeds of the Special Taxes or Bonds to be used to acquire such Acquisition Facility have been submitted to the City Manager for the Acquisition Facility. The City hereby agrees that Owner shall have the right to post or cause the appropriate contractor or subcontractor to post a bond with the City to indemnify it for any losses sustained by the City because of any liens that may exist at the time of acceptance of such Acquisition Facility, so long as such bond is drawn on an obligor and is otherwise in a form acceptable to the City Manager or his designee. If the City Manager or his designee determines that an Acquisition Facility is not ready for intended use under (i) above, the City Manager or his designee shall so notify Owner as soon as reasonably practicable in writing specifying the reason(s) therefor.

Nothing in this Agreement shall be deemed to prohibit Owner from contesting in good faith the validity or amount of any mechanics or materialmans lien nor limit the remedies available to Owner with respect thereto so long as such delay in performance shall not subject the Acquisition Facilities to foreclosure, forfeiture or sale. In the event that any such lien is contested, Owner shall only be required to post or cause the delivery of a bond in an amount equal to the amount in dispute with respect to any such contested lien, so long as such bond is drawn on an obligor and is otherwise in a form acceptable to the City Manager or his designee.

Nothing in this Section 8(h) shall prevent payments pursuant to Section 6.

D. Retention. The City shall withhold an amount equal to ten percent (10%) of the Purchase Price of each Acquisition Facility. Any such retention will be released to Owner upon final completion and acceptance of the related Acquisition Facility.

Payment of any retention shall also be contingent upon the availability of monies therefore. No retention shall apply if Owner proves to the City Manager or his designee's satisfaction that Owner's contracts for the Acquisition Facilities provide for the same retention as herein provided, so that the Purchase Price paid for the Acquisition Facility is at all times net of the required retention.

E. Frequency. Unless otherwise agreed to by the City Manager, no more than one Payment Request shall be submitted by Owner in any calendar month.

(i) Defective or Non-conforming Work. If any of the work done or materials furnished for an Acquisition Facility are found by the City Manager or his designee to have a significant defect or to not be constructed in accordance with the applicable Plans: (i) and such finding is made prior to payment for the Purchase Price of such Acquisition Facility hereunder, the City may withhold payment therefore until such defect or nonconformance is corrected to the satisfaction of the City Manager or his designee, or (ii) and such finding is made after payment of the Purchase Price of such Acquisition Facility, the City and Owner shall act in accordance with the City's standard specification for City works construction, which are available in the City's Public Works Department.

(j) Modification of Public Facilities. The descriptions of the Public Facilities in Exhibits A may be modified, or new Public Facilities may be added to Exhibits A, through a Supplement executed by the City Manager and Owner provided the modifications or new Public Facilities are consistent with the facilities and costs authorized to be funded by the CFD pursuant to the formation proceedings and the Act.

Section 9. Ownership and Transfer of Facilities.

(a) Facilities to be Owned by the City – Conveyance of Land and Easements to City. Acceptable Title to all property on, in or over which each Acquisition Facility to be acquired by the City will be located, shall be deeded over to the City by way of grant deed, quitclaim, or dedication of such property, or easement thereon, if such conveyance of interest is approved by the City as being a sufficient interest therein to permit the City to properly own, operate and maintain such Acquisition Facility located therein, thereon or thereover, and to permit Owner to perform its obligations as set forth in this Agreement. Owner agrees to assist the City in obtaining such documents as are required to obtain Acceptable Title. Completion of the transfer of title to land shall be accomplished prior to the payment of the Purchase Price for an Acquisition Facility and shall be evidenced by an irrevocable offer of dedication or recordation of the acceptance thereof by the City Council.

(b) Facilities to be Owned by the City – Title Evidence. Upon the request of the City, Owner shall furnish to the City a preliminary title report for land with respect to Acquisition Facilities to be acquired by the City and not previously dedicated or otherwise conveyed to the City, for review and approval at least fifteen (15) calendar days prior to the

transfer of Acceptable Title of an Acquisition Facility to the City. The City shall approve the preliminary title report unless it reveals a matter which, in the judgment of the City, could materially affect the City's use and enjoyment of any part of the property or easement covered by the preliminary title report. In the event the City does not approve the preliminary title report, the City shall not be obligated to accept title to such Acquisition Facility or pay the Purchase Price for such Acquisition Facility until Owner has cured such objections to title to the satisfaction of the City.

(c) Facilities Constructed on Private Lands. If any Acquisition Facility to be acquired is located on privately-owned land, the owner thereof shall retain title to the land and the completed Acquisition Facility until the Acquisition Facility is accepted by City and transferred to City pursuant to this Section 9. Pending the completion of such transfer, Owner shall not be entitled to receive any payment for any such Acquisition Facility. Owner shall, however, be entitled to receive payments pursuant to Section 8 of the Acquisition Facility upon making an irrevocable offer of dedication of such land in form and substance acceptable to the City Manager.

(d) Facilities Constructed on City Land. If an Acquisition Facility to be acquired is on land owned by the City, the City hereby grants to Owner a license to enter upon such land for purposes related to the construction (and maintenance pending acquisition) of the Acquisition Facility. The provisions for inspection and acceptance of such Acquisition Facility otherwise provided herein shall apply.

Section 10. Indemnification. Owner shall promptly defend, indemnify and hold harmless the City, its officers, employees and agents, and each and every one of them, and the District from any and all claims, actions, liability, damages, losses, expenses and costs arising out of Owner's performance of, or failure to perform, its duties hereunder or by reason of, or arising out of, this Agreement.

Section 11. City Policies. Pursuant to the City's policies, including the Financing District Policy, with regard to the issuance and sale of bonds of community facilities districts, the total annual amount of special taxes to be levied on any parcel of property within a community facilities district and all other assessments and taxes which will be collected with respect to such property, must not exceed two percent (2%) of the value of the property as determined by the City. Also, the ratio of the appraised market value of all parcels of property within a community facilities district to the total amount of the assessment and special tax obligation thereof after the issuance and sale of bonds for the District (the "Value-to-Lien Ratio") may not be less than four-to-one (4/1). Pursuant to the City's policies, the fair market value of the property within a community facilities district for purposes of determining such ratio will be determined based upon an appraisal made by an appraiser selected by the City.

Section 12. Representations, Covenants and Warranties of Owner. Owner represents and warrants for the benefit of the City as follows:

A. Organization. Owner is duly organized and validly existing under the laws of the State of California, is in good standing and has the power and authority to own its

properties and assets and to carry on its business as now being conducted and as now contemplated.

B. Authority. Owner has the power and authority to enter into this Agreement, and has taken all action necessary to cause this Agreement to be executed and delivered, and this Agreement has been duly and validly executed and delivered by Owner.

C. Binding Obligation. This Agreement is a legal, valid and binding obligation of Owner, enforceable against Owner in accordance with its terms, subject to bankruptcy and other equitable principles.

D. Compliance with Laws. Owner shall not with knowledge commit, suffer or permit any act to be done in, upon or to the lands of Owner in the District in violation of any law, ordinance, rule, regulation or order of any governmental authority or any covenant, condition or restriction now or hereafter affecting the lands in the District or the City Facilities.

E. Requests for Payment. Owner represents and warrants that (i) it will not request payment from the City for the acquisition of any improvements that are not part of the City Facilities, and (ii) it will diligently follow all procedures set forth in this Agreement with respect to the Payment Requests.

F. Additional Information. Owner agrees to cooperate with all reasonable written requests for nonproprietary information by the original purchasers of the Bonds or the City related to the status of construction of improvements within the District, the anticipated completion dates for future improvements, and any other matter material to the investment quality of the Bonds.

G. Continuing Disclosure. Owner agrees to comply with all of its obligations under any continuing disclosure agreement executed by it in connection with the offering and sale of any of the Bonds. Owner shall cooperate with City in complying with the requirements of Rule 15c2-12 of the Securities and Exchange Commission in connection with the issuance and sale of the Bonds. Owner shall provide information to the City regarding its operations and financial condition as such information has been disclosed in the Official Statement. The City, in consultation with the underwriter of the Bonds, may determine that some or all of such financial information will be included in the preliminary official statement and the final official statement for the Bonds. If Owner owns property within the District responsible for more than 20% of the Special Taxes levied in such fiscal year, then Owner acknowledges that it will be an “obligated person” for purposes of compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission and that it will therefore be necessary that Owner enter into a continuing disclosure undertaking, at the time of and in connection with the issuance and sale of the Bonds, that so long as it remains an obligated person it will semi-annually, at the time specified in such undertaking, provide information regarding its financial condition, including, at the City’s discretion, such regularly submitted periodic reports and financial statements prepared by Owner’s certified public accountant which are available to the investing public (which may be consolidated with Owner’s parent company) and the status of development and residential and land sale activity within the District to be included within the semi-annual reports which Owner, or a dissemination agent designated in such undertaking, will file with the Nationally Recognized

Municipal Securities Information Repositories which are identified by the Securities and Exchange Commission and any state information repository that may be designated for the State of California, as required by that rule. Copies of all such reports shall also be provided to the City and the underwriter of the Bonds. Owner further acknowledges that it will be an obligated person pursuant to such rule as long as it owns property within the District that is responsible for the payment of annual Special Taxes which represent twenty percent or more of the annual debt service on the Bonds. If Owner sells any portion of property within the District to an entity and such entity will own property within the District which will be responsible for the payment of annual Special Taxes which represent twenty percent or more of the annual debt service on the Bonds, Owner shall notify such entity that it will be an obligated person for purposes of the rule and that such entity will be required to enter into a continuing disclosure undertaking as provided in this section.

Section 13. Independent Contractor. Owner is an independent contractor and not the agent of the City or the District. This Agreement shall not and does not create a joint venture or partnership between the City and Owner. The City shall have no responsibility or liability for the payment of any amount to any employee or subcontractor of Owner.

Section 14. Special Taxes. The parties are entering into this Agreement and establishing the District for the purpose of creating a stream of Special Tax revenues that will be available to the District to pay directly the costs of acquisition, construction and/or equipping the Public Facilities and to pay debt service on the Bonds, the proceeds of which will be used to pay the costs of acquisition, construction and/or equipping of the Public Facilities. Owner and City hereby acknowledge and agree (i) that any reduction or termination of the Special Taxes by exercise of the initiative power or other action would constitute a substantial impairment of the Special Tax revenue stream that Owner and City intend to create for the purpose of providing an assured source of funding for construction, acquisition and/or equipping of the City Facilities, and (ii) that this Agreement is being entered into, and the Special Taxes are being imposed upon the Property pursuant to the Rate and Method, in accordance with existing laws relating to the imposition of fees and charges as a condition of Property development and such Special Taxes are being incurred as an incident of the voluntary act of development of the Property. To the fullest extent permitted by law, Owner, for itself and for each of its successors and assigns as owners or lessees of all or any portion of the Property included in the District hereby waives any right to exercise the initiative power that may be authorized in California Constitution Article XIII C, Section 3, to reduce or appeal the Special Taxes.

Section 15. Disclosure of Special Taxes.

(a) From and after the date of this Agreement, Owner shall provide a "Notice of Special Tax" (as defined in Section 13(b) below) to each prospective purchaser of a home in the District prior to the execution by the home buyer of the sale contract for such home. Owner shall deliver a fully executed copy of each notice to City. Owner shall (i) maintain records of each Notice of Special Tax for a period of five (5) years, and (ii) shall provide copies of each notice to City promptly following the giving of such notice. Owner shall include the Notice of Special Tax in all Owner's applications for Final Subdivision Reports required by the Department of Real Estate ("DRE") which are filed after the effective date of this Agreement.

Owner shall require of a builder acquiring lots (a “Residential Builder”), prior to the close of escrow on any residential lot, to (i) maintain records of each Notice of Special Tax for a period of five (5) years, (ii) provide copies of each notice to City promptly following the giving of such notice, and (iii) include the Notice of Special Tax in all of such Residential Builder’s applications for Final Subdivision Reports required by DRE.

(b) With respect to any parcel, the term “Notice of Special Tax” means a notice in the form prescribed by California Government Code Section 53341.5 which is calculated to disclose to the purchaser thereof (i) that the property being purchased is subject to the Special Tax in which it is included; (ii) the classification of such property; (iii) the maximum annual amount of the Special Tax and the number of years for which it is authorized to be levied; and (iv) the types of facilities to be paid or with the proceeds of the Special Tax.

(c) City will file with the Riverside County Recorder’s office a notice of special tax lien that gives notice of the existence of the District and the levy of the Special Tax on property within the District for the benefit of subsequent property owners, pursuant to requirements of Section 3114.5 of the Streets and Highways Code.

(d) Sample Property Tax Bill/Special Tax Information Sheet. Owner and its successors and assigns shall prepare and have available in its sales office, copies of either a sample property tax bill in a form reasonably acceptable for the City or special tax information sheet in substantially the form attached hereto as Exhibit D (the “Special Tax Information Sheet”), which shows the assigned annual Special Tax authorized to be levied within the District under the Rate and Method. Owner and its successors and assigns shall make available to prospective homebuyers to take with them, copies of such sample property tax bill or Special Tax Information Sheet at the time written information regarding the available home sites and corresponding base home prices is requested by and provided to such homebuyers.

Section 16. Termination and Dissolution. Prior to the issuance of Bonds, Owner may elect to terminate this Agreement and request that the City cancel the Special Taxes by providing written notice to the City. Within thirty (30) days of such written notice, City shall record a notice of cancellation of special taxes with respect to each parcel. Owner shall be responsible for reasonable City costs incurred relating to the cancellation of the Special Taxes and recordation of such notice; provided, however, that the City shall not terminate the Special Taxes for any lot for which a building permit has been issued, unless Owner pays all City fees or posts separate security therefore. Such termination of this Agreement and cancellation of Special Taxes shall have no effect on Owner’s obligations to pay City impact fees upon issuance of a building permit.

Section 17. Binding on Community Facilities District. The District shall automatically become a party to this Agreement, and all provisions hereof which apply to the City shall also apply to the District. The City Council of the City, acting as the legislative body of the District, shall perform all parts of this Agreement which require performance on the part of the District.

Section 18. Assignment. Upon the successful formation of the District, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the

parties hereto and shall run with the land without any further action of the City or Owner unless terminated in writing pursuant to Section 16.

Section 19. Prompt Action. All consents, approvals and determinations required of either the City or Owner pursuant to this Agreement shall be promptly given or made, and shall not be unreasonably withheld or conditioned.

Section 20. General. This Agreement and the Deposit Agreement contain the entire agreement between the parties with respect to the matters herein provided for. This Agreement may only be amended by a subsequent written agreement signed on behalf of both parties. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties. This Agreement shall be construed and governed by the Constitution and laws of the State of California. Should either party to this Agreement commence a court action or proceeding against the other party with respect to this Agreement or the design and acquisition or construction of the Public Facilities, the party prevailing in such action or proceeding shall be entitled to receive from the losing party its attorney's fees, expert witness fees, court costs and other costs incurred by it in prosecuting or defending such action or proceeding. The captions of the sections of this Agreement are provided for convenience only, and shall not have any bearing on the interpretation of any section hereof. This Agreement may be executed in several counterparts, each of which shall be an original of the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused this agreement to be signed as of the date first above written.

Dated: _____

**FRA-RSI ARROYO PARK LLC, a
Delaware limited liability corporation**

By: _____

Its: _____

Dated: _____

CITY OF RIVERSIDE

By: _____

Name: _____

City Manager

ATTEST:

By: _____

City Clerk

APPROVED AS TO FORM:

By: _____

Bond Counsel

*-Signature Page-
Funding and Acquisition Agreement*

EXHIBIT A

DESCRIPTION OF PUBLIC FACILITIES

1. City of Riverside Facilities

A. City Construction Facilities

	<u>Estimated</u>
Storm Drain	\$ 65,448
Transportation Impact	56,700
Traffic & Railroad Signal	20,520
Sewer	680,400
Sewer Capacity	<u>419,256</u>
Subtotal City of Riverside City Construction Facilities	<u>\$1,242,342</u>

B. Acquisition Facilities

Street Improvements

Jurupa Avenue (b/w Crest Ave. and Rutland Ave.) – Concrete/Curb/Gutter	\$1,277,761
Reimbursement for Jurupa Ave. (per 2003 Development Agmt Sect 5.2)	<u>(300,000)</u>
Subtotal Street Improvements	<u>\$ 977,761</u>

Water Improvements

Water Main Lines (along Jurupa Ave.)	\$ 379,440
Reimbursement for Pipe Upsizing (per Oversizing Reimbursement Agmt)	<u>(130,000)</u>
Subtotal Water Improvements	<u>\$ 249,440</u>

Sewer Improvements

Sewer Main Lines (along Jurupa Ave.)	\$ 162,900
Sewer Lift Station	<u>150,000</u>
Subtotal Sewer Improvements	<u>\$ 312,900</u>

Storm Drain Improvements

Jurupa Ave. Crossing System	\$ 283,748
Storm Drain Catch Basins	<u>47,000</u>
Subtotal Storm Drain Improvements	<u>\$ 330,748</u>

Landscaping/Street Lighting

Monumentation	\$ 90,450
Landscape and Irrigation	149,305
Street Lighting	<u>129,400</u>
Subtotal Landscaping/Street Lighting	<u>\$ 369,155</u>

15% Hard Costs Contingency	<u>\$ 336,001</u>
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Soft Costs

Civil Engineering – Design	\$ 93,600
Civil Engineering – Construction Staking	5,000
Soils Engineer – Testing & Reporting	12,500
Landscape Architect	<u>5,500</u>
Subtotal Soft Costs	<u>\$ 116,600</u>

Subtotal CFD Eligible Acquisition Facilities	<u>\$2,692,605</u>
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GRAND TOTAL CFD ELIGIBLE ACQUISITION FACILITIES AND CITY CONSTRUCTION FACILITIES	<u>\$3,934,929</u>
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EXHIBIT B

DEFINITIONS

The following terms shall have the meanings ascribed to them for purposes of this Agreement. Unless otherwise indicated, any other terms, capitalized or not, when used herein shall have the meanings ascribed to them in the Fiscal Agent Agreement (as hereinafter defined).

“Acceptable Title” means title to land or interest therein, in form acceptable to the Public Works director, free and clear of all liens, taxes, assessments, leases, easements and encumbrances, whether or not recorded, but subject to any exceptions determined by the Public Works Director as not interfering with the actual or intended use of the land or interest therein. Notwithstanding the foregoing, an irrevocable offer of dedication may constitute land with an “Acceptable Title” if: (i) such offer is necessary to satisfy a condition to a tentative or final parcel map, (ii) such offer is in a form acceptable to the Public Works Director, (iii) the Public Works Director has no reason to believe that such offer of dedication will not be accepted by the applicable public agency, and (iv) the Owner commits in writing not to allow any liens to be imposed on such property prior to its acceptance.

“Acceptance Date” means the date the City Council takes final action to accept dedication of or transfer of title to a Public Facility.

“Acquisition Facility” means any City Facility listed in Exhibit A to the Agreement and designated as an Acquisition Facility.

“Additional Bonds” means any series of Bonds issued by or on behalf of the District after the first series of Bonds, in each case in compliance with and under supplements to the Fiscal Agent Agreement, which Additional Bonds shall be secured on a parity lien or subordinate lien position with other Bonds previously issued.

“Agreement” means this Agreement, together with any Supplement hereto.

“Act” means the Mello-Roos Community Facilities Act of 1982, Sections 53311 et seq. of the California Government Code, as amended.

“Actual Cost” means the substantiated cost of a City Facility, which costs may include: (i) the costs incurred by the Owner for the construction of such City Facility, (ii) the costs incurred by the Owner in preparing the Plans for such City Facility and the related costs of environmental evaluations of the City Facility, (iii) the fees paid to governmental agencies for obtaining permits, licenses or other governmental approvals for such City Facility, (iv) a construction and project management fee of five percent (5%) of the costs described in clause (i) above incurred for the construction of such City Facility, (v) professional costs incurred by the Owner or the City associated with such City Facility, such as engineering, legal, accounting, inspection, construction staking, materials testing and similar professional services; and (vi) costs directly related to the construction and/or acquisition of a City Facility, such as costs of payment, performance and/or maintenance bonds, and insurance costs (including costs of any title insurance required hereunder). Actual Cost shall not include any cost of carry or interest

expense with respect to any construction loan obtained by the Owner with respect to the City Facilities.

“Assessor’s Parcel” shall have the meaning ascribed to it in the applicable Rate and Method.

“City Construction Facilities” means those public improvements authorized to be funded as City Facilities and designated in Appendix A as City Construction Facilities.

“City Facilities” or “City Facility” means facilities to be owned and operated by the City in the amounts set forth in Exhibit A hereto.

“City Facilities Account” means an account of the Improvement Fund established and administered pursuant to the Fiscal Agent Agreement for Bonds by the Fiscal Agent for such Bonds from which funds may be disbursed at the City’s request for City Facilities and shall satisfy the payment of City impact fees to the City for the Property.

“Conditions of Approval” means Tract Map No. 28987.

“Deposits” means payments made by Owner to City for City costs relating to formation of the District and issuance of Bonds.

“Developed Property” shall have the meaning ascribed to it in the applicable Rate and Method.

“Financing District Policy” means the City of Riverside Statement of Policies and Procedures for Special Assessment and Community Facilities District Debt Financing Programs, dated February 2003.

“Fiscal Agent” means the financial institution or other entity that enters into a Fiscal Agent Agreement with the City with respect to the Bonds.

“Fiscal Agent Agreement” means, collectively, any agreement or agreements by that or similar name to be executed by the City, for and on behalf of the District, and the fiscal agent, which will provide for, among other matters, the issuance of the Bonds and the establishment of an Improvement Fund as originally executed by the City and the fiscal agent and as it may be amended from time to time.

“Improvement Fund” means the Improvement Fund established by the Fiscal Agent Agreement for any series of Bonds issued on behalf of the District.

“Owner” means the **FRA-RSI ARROYO PARK LLC, a Delaware limited liability corporation**, as the owner of the Property, and its successors and assigns, other than individual homebuyers.

“Plans” means the plans, specifications, schedules and related construction contracts for the City Facilities approved pursuant to the applicable standards of the City when completed and acquired. As of the date of this Agreement, the City standards for construction

incorporate those set forth in the Green Book, Standard Specifications for Public Works Construction (SSPWC), of the Southern California Chapter of the American Public Works Association.

“Purchase Price” means the amount paid by the City for a City Facility determined in accordance with Section 8 hereof, being an amount equal to the Actual Cost of such City Facility, but subject to the limitations and reductions provided for in Section 8.

“Priority Administrative Expense Requirement” means, \$20,000 per year commencing in the first year of issuance of Bonds.

“Rate and Method” means the rate and method of apportionment of special taxes approved for the District in accordance with the Act.

“Special Fund” means a discrete, interest-bearing special fund of the City to be established and administered pursuant to this Agreement.

EXHIBIT C

FORM OF PAYMENT REQUEST

**City of Riverside
Community Facilities District No. 2015-2
(Arroyo Park)**

The undersigned, _____, a duly authorized representative of Owner, hereby requests payment of the Purchase Price of the Acquisition Facility(ies) described in Attachment A attached hereto. Capitalized undefined terms shall have the meanings ascribed thereto in the Funding and Acquisition Agreement, dated as of March 1, 2015 (the "Agreement"), by and between the City of Riverside ("City") for the City of Riverside Community Facilities District No. 2016-3 (Arroyo Park) (the "CFD"), and FRA-RSI Arroyo Park, LLC ("Owner"). In connection with this Payment Request, the undersigned hereby represents and warrants to the CFD and the City as follows:

1. He (she) is a duly authorized representative of Owner, qualified to execute this request for payment on behalf of Owner and knowledgeable as to the matters set forth herein.

2. Each of the Acquisition Facilities described in Attachment A has been completed in accordance with the Agreement.

3. The true and correct Actual Cost of the Acquisition Facilities for which payment is requested is set forth in Attachment A.

4. Attached hereto are invoices, receipts, worksheets and other evidence of costs which are in sufficient detail to allow the City to verify the Actual Cost of the Acquisition Facilities for which payment is requested.

5. There has not been filed with or served upon Owner notice of any lien, right to lien or attachment upon, or claim affecting the right to receive the payment requested herein which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by operation of law. Copies of lien releases for all work for which payment is requested hereunder are attached hereto.

6. Owner is in compliance with the terms and provisions of the Agreement.

The Purchase Price for the Acquisition Facilities described in Attachment A shall be payable from the City Facilities Account created pursuant to the Fiscal Agent Agreement established pursuant to the Agreement.

I hereby certify that the above representations and warranties are true and correct.

Dated: _____

[OWNER SIGNATURE]

By: _____

Name: _____

Title: _____

By execution of this Payment Request, the City does hereby approve of the payment as described in this Payment Request and directs the Fiscal Agent to pay such amounts, first, from the City Facilities Account and, second from the Surplus Taxes Fund as applicable, to the payee listed above and/or the City shall pay all or a portion from the Special Fund.

CITY OF RIVERSIDE
for the City of Riverside Community
Facilities District No. 2015-2
(Arroyo Park)

By: _____

Name: _____

City Manager

EXHIBIT D

CITY OF RIVERSIDE SPECIAL TAX INFORMATION SHEET

Community Facilities District No. 2015-2 (Arroyo Park)

1. WHAT IS COMMUNITY FACILITIES DISTRICT (CFD) NO. 2015-2?

CFD No. 2015-2 (Arroyo Park) was formed pursuant to the “Mello-Roos Community Facilities Act of 1982” to finance certain public facilities.

2. WHO IS RESPONSIBLE TO PAY THE SPECIAL TAX AND HOW IS IT BILLED?

The property owner is responsible for paying the CFD No. 2015-2 (Arroyo Park) special tax, which will appear as a separate line item on your property tax bill along with your regular property taxes.

3. HOW MUCH WILL MY SPECIAL TAX BE?

The special tax is based upon the size of the home. The assigned and maximum special taxes for CFD No. 2015-2 (Arroyo Park) for the 2015-16 Fiscal Year are summarized below.

Special Taxes:

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax per DU or Acre
1. - Residential Property	DU		\$
2. - Residential Property	DU		
3. - Residential Property	DU		
4. - Residential Property	DU		
5. - Non Residential Property	Acre		\$

4. HOW LONG WILL I HAVE TO PAY THE CFD NO. 2015-2 SPECIAL TAX?

The CFD No. 2015-2 special tax will not be collected after calendar year [2055].

5. CAN THE SPECIAL TAXES BE PREPAID?

Homeowners have the option of prepaying their CFD No. 2015-2 (Arroyo Park) Special Tax anytime. For prepayment information please contact the City of Riverside’s CFD No. 2015-2 (Arroyo Park) administrator, Albert A. Webb Associates, 3788 McCray Street, Riverside, CA 92506, phone (951-248-4281).

6. WHERE CAN I GET MORE INFORMATION?

For more information in regards to CFD No. 2015-2, contact the City of Riverside’s CFD No. 2015-2 (Arroyo Park) administrator, Albert A. Webb Associates, 3788 McCray Street, Riverside, CA 92506, phone (951) 248-4281.